

# **City of Geneva, Ohio**

**Basic Financial Statements  
For the Year Ended December 31, 2014**





# Dave Yost • 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 Ciuni & Panichi, Inc., for the audit period January 1, 2014 to December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

October 15, 2015

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# City of Geneva, Ohio

For The Year Ended December 31, 2014

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## Independent Auditor's Report

Members of City Council  
Geneva, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ohio (the "City"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members of the City Council  
Geneva, Ohio

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Street Construction, Maintenance and Repair Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Cini & Parichi, Inc.*

Cleveland, Ohio  
July 31, 2015

# City of Geneva, Ohio

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2014

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The management 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, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

#### Financial Highlights

Key financial highlights for 2014 are as follows:

- ◆ Total assets of the City were \$36,455,056. Of this amount, \$21,598,576 was attributable to governmental activities and \$14,856,480 was from business-type activities.
- ◆ Total liabilities of the City were \$10,846,844. Governmental activities accounted for \$3,289,557, while business-type activities represented \$7,557,287 of the total.
- ◆ Total assets of the City exceeded its liabilities and deferred inflows of resources at the close of the year by \$25,231,821, a \$132,739 decrease from the prior year.

#### Using this Annual Financial Report

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

#### *Government-Wide Financial Statements – Reporting the City of Geneva as a Whole*

##### *Statement of Net Position and the Statement of Activities*

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

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2014

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

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

### *Fund Financial Statements – Reporting the City of Geneva's Most Significant Funds*

#### *Fund Financial Statements*

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

#### *Governmental Funds*

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

For the City's governmental funds, information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, for the General Fund, and other major funds.

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

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2014

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#### *Proprietary Funds*

The City of Geneva maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its wastewater and water operations. The City does not maintain internal service funds.

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

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

#### *Fiduciary Funds*

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

#### *Notes to the Basic Financial Statements*

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

### **Government-Wide Financial Analysis – City of Geneva as a Whole**

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

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

- Assets
- Liabilities
- Deferred inflows of resources
- Net position (assets minus liabilities and deferred inflows of resources)
- Program expenses and revenues
- General revenues
- Net position beginning and end of year

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2014

Table 1 provides a summary of the City's net position for 2014 as compared to 2013.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets:</b>						
Current and other assets	\$ 3,762,521	\$ 4,371,028	\$ 1,766,935	\$ 1,891,573	\$ 5,529,456	\$ 6,262,601
Capital assets, net	<u>17,836,055</u>	<u>17,961,625</u>	<u>13,089,545</u>	<u>13,308,416</u>	<u>30,925,600</u>	<u>31,270,041</u>
<i>Total assets</i>	<u>21,598,576</u>	<u>22,332,653</u>	<u>14,856,480</u>	<u>15,199,989</u>	<u>36,455,056</u>	<u>37,532,642</u>
<b>Liabilities:</b>						
Current liabilities	494,959	458,943	179,858	129,827	674,817	588,770
Long-term liabilities						
Due within one year	568,547	602,165	647,959	702,200	1,216,506	1,304,365
Due in more than one year	<u>2,226,051</u>	<u>2,580,582</u>	<u>6,729,470</u>	<u>7,291,748</u>	<u>8,955,521</u>	<u>9,872,330</u>
<i>Total liabilities</i>	<u>3,289,557</u>	<u>3,641,690</u>	<u>7,557,287</u>	<u>8,123,775</u>	<u>10,846,844</u>	<u>11,765,465</u>
<b>Deferred inflows of resources:</b>						
Property taxes	<u>376,391</u>	<u>402,617</u>	-	-	<u>376,391</u>	<u>402,617</u>
<b>Net position:</b>						
Net investment in capital assets	15,204,734	14,950,852	5,760,345	5,359,869	20,965,079	20,310,721
Restricted for:						
Capital projects	54,640	58,795	-	-	54,640	58,795
Debt service	35,156	212,889	-	-	35,156	212,889
Other purposes	850,735	944,757	-	-	850,735	944,757
Unrestricted	<u>1,787,363</u>	<u>2,121,053</u>	<u>1,538,848</u>	<u>1,716,345</u>	<u>3,326,211</u>	<u>3,837,398</u>
<i>Total net position</i>	<u>\$ 17,932,628</u>	<u>\$ 18,288,346</u>	<u>\$ 7,299,193</u>	<u>\$ 7,076,214</u>	<u>\$ 25,231,821</u>	<u>\$ 25,364,560</u>

The City's assets exceeded liabilities and deferred inflows of resources by \$25,231,821 at the close of the most recent fiscal year, which indicates a minimal decrease in conditions over the prior year.

The largest portion of the City's net position (83.1 percent) reflects the investments in capital assets less any related debt to acquire those assets that is still outstanding. These capital assets are used to provide services to the City's citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets for 2014 decreased \$1,077,586 or 2.87 percent when compared to 2013. The decrease in total assets was mainly due to a decrease in cash and intergovernmental receivable.

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

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2014

An additional portion of the City's net position (3.73 percent) represents resources that have been restricted on how they may be used. The remaining balance of unrestricted net position totaling \$3,326,211 may be used to meet the government's on-going obligations to its citizens and creditors.

The net position of the City's business-type activities increased in 2014. The City generally can only use this net position to finance the continuing operations of the wastewater and water systems operations. The increase was mainly attributed to the decrease of long-term liabilities.

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

Table 2  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Program revenues:</b>						
Charges for services	\$ 642,282	\$ 650,452	\$ 2,738,910	\$ 2,670,291	\$ 3,381,192	\$ 3,320,743
Operating grants and contributions	863,778	764,656	-	1,583	863,778	766,239
Capital grants and contributions	19,490	258,489	16,980	163,602	36,470	422,091
Total program revenues	<u>1,525,550</u>	<u>1,673,597</u>	<u>2,755,890</u>	<u>2,835,476</u>	<u>4,281,440</u>	<u>4,509,073</u>
<b>General revenues:</b>						
Property and other local taxes	484,469	490,363	-	-	484,469	490,363
Municipal income taxes	2,807,831	2,523,192	-	-	2,807,831	2,523,192
Cable franchise tax	45,253	65,845	-	-	45,253	65,845
Grants and entitlements not restricted to specific programs	35,743	666,678	-	-	35,743	666,678
Investment income	4,786	5,664	4,319	7,898	9,105	13,562
Miscellaneous income	236,212	218,355	857	7,269	237,069	225,624
Total general revenues	<u>3,614,294</u>	<u>3,970,097</u>	<u>5,176</u>	<u>15,167</u>	<u>3,619,470</u>	<u>3,985,264</u>
Total revenues	<u>5,139,844</u>	<u>5,643,694</u>	<u>2,761,066</u>	<u>2,850,643</u>	<u>7,900,910</u>	<u>8,494,337</u>
<b>Program expenses:</b>						
General government	1,125,062	600,940	-	-	1,125,062	600,940
Security of persons and property	2,391,463	2,381,064	-	-	2,391,463	2,381,064
Leisure time activities	174,959	215,088	-	-	174,959	215,088
Community development	697,361	805,834	-	-	697,361	805,834
Transportation	1,008,820	1,053,101	-	-	1,008,820	1,053,101
Interest and fiscal charges	97,897	119,524	-	-	97,897	119,524
Wastewater	-	-	1,268,818	1,199,487	1,268,818	1,199,487
Water	-	-	1,269,269	1,262,292	1,269,269	1,262,292
Total program expenses	<u>5,495,562</u>	<u>5,175,551</u>	<u>2,538,087</u>	<u>2,461,779</u>	<u>8,033,649</u>	<u>7,637,330</u>
Increase (decrease) in net position before transfers	(355,718)	468,143	222,979	388,864	(132,739)	857,007
Transfers	-	(73,456)	-	73,456	-	-
Change in net position	(355,718)	394,687	222,979	462,320	(132,739)	857,007
Net position at beginning of year	<u>18,288,346</u>	<u>17,893,659</u>	<u>7,076,214</u>	<u>6,613,894</u>	<u>25,364,560</u>	<u>24,507,553</u>
Net position at end of year	\$ <u>17,932,628</u>	\$ <u>18,288,346</u>	\$ <u>7,299,193</u>	\$ <u>7,076,214</u>	\$ <u>25,231,821</u>	\$ <u>25,364,560</u>

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2014

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#### *Governmental Activities*

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

Employers within the City are required to withhold municipal 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 2014, City municipal income tax proceeds received by the governmental activities were \$2,807,831, which was an increase of 11.3 percent from 2013.

Property and other local taxes revenue received by the City for governmental activities is \$484,469, which remained fairly consistent with the prior year. The full voted tax rate for 2014 was 4.8 mills. A mill is \$8.70 for every \$1,000 of assessed valuation. The annual property tax is calculated using the taxable value (market value multiplied by 35 percent) of the property effective tax rate levied by the City of Geneva.

Capital grants and contributions decreased from the prior year due to a decrease in donations received by the City from various organizations.

Expenses are categorized by programs. The largest program, security of persons and property which includes police, fire, and public safety was approximately 44 percent of governmental expenses and increased \$10,399 or .44 percent from the prior year and remained consistent with the prior year. 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, transportation, which is composed of street construction and maintenance, was approximately 18 percent of the governmental expenses. The decrease from the prior year is mainly due to changes in capital asset activity. The third largest program is community development which is approximately 13 percent of governmental expenses.

#### *Business-Type Activities*

The business-type activities of the City, which include the City's wastewater and water operations, increased the City's net position by \$222,979. This increase is mainly due to charges for services and other revenues sufficiently covering the expenses to run the wastewater and water treatment systems.

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

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2014

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#### The City's Funds

##### *Governmental Funds*

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

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

As of the end of the year, the City's governmental funds reported combined ending fund balances of \$1,480,181. In 2014, unreserved fund balance, which is available for spending at the government's discretion, is at \$620,968.

The General Fund is the main operating fund of the City. At the end of 2014, total fund balance for the General Fund was \$1,275,072 of which \$955,693 was unassigned for financial reporting purposes.

##### *General Fund Budgeting Highlights*

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

For the General Fund, final budgeted basis revenues, including other financing sources were \$75,629 above the original estimate of \$3,709,069, due to increases in estimated receipts across various categories.

The original appropriations, including other financing uses, of \$4,369,509 were increased to \$4,522,405. After these adjustments, the actual charges to appropriations (expenditures) were \$498,556 below the final budgeted amount for the General Fund.

##### *Business-Type Funds*

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

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

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2014

#### Capital Assets and Debt Administration

##### Capital Assets

At the end of 2014, the City of Geneva had \$30,925,600 invested in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, park facilities, furniture and fixtures, and vehicles.

Table 3 shows fiscal 2014 balances of capital assets as compared to 2013:

Table 3  
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land and land improvements	\$ 1,712,451	\$ 1,687,084	\$ -	\$ -	\$ 1,712,451	\$ 1,687,084
Buildings	5,102,498	5,014,946	4,446,608	4,445,958	9,549,106	9,460,904
Machinery and equipment	1,722,946	1,466,597	979,586	875,212	2,702,532	2,341,809
Vehicles	1,577,219	1,764,420	363,804	333,030	1,941,023	2,097,450
Infrastructure	24,408,645	23,857,385	13,967,939	13,937,951	38,376,584	37,795,336
Intangibles	10,978	10,978	49,809	49,809	60,787	60,787
Historical treasures	46,378	46,378	-	-	46,378	46,378
Construction in progress	197,968	293,582	63,848	24,800	261,816	318,382
Less: accumulated depreciation	<u>(16,943,028)</u>	<u>(16,179,745)</u>	<u>(6,782,049)</u>	<u>(6,358,344)</u>	<u>(23,725,077)</u>	<u>(22,538,089)</u>
Total capital assets	\$ <u>17,836,055</u>	\$ <u>17,961,625</u>	\$ <u>13,089,545</u>	\$ <u>13,308,416</u>	\$ <u>30,925,600</u>	\$ <u>31,270,041</u>

The decreases in governmental activities capital assets and in business-type activities capital assets were mainly due to depreciation exceeding current year additions.

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

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2014

#### Debt

At December 31, 2014, the City of Geneva had \$10,172,027 in outstanding debt and accrued compensated absences, of which \$1,405,286 was in general obligation bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4  
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 1,405,286	\$ 1,668,490	\$ -	\$ -	\$ 1,405,286	\$ 1,668,490
Special assessment bonds	105,000	205,000	-	-	105,000	205,000
OPWC loans	866,964	797,807	324,677	344,810	1,191,641	1,142,617
OWDA loans	-	-	6,850,810	7,501,193	6,850,810	7,501,193
Capital leases	71,248	130,795	86,308	30,490	157,556	161,285
Accrued compensated absences	163,277	167,091	48,229	45,401	211,506	212,492
Note payable school	61,800	40,500	-	-	61,800	40,500
ODOT loans payable	121,023	173,064	-	-	121,023	173,064
Other loan	-	-	67,405	72,054	67,405	72,054
Total	\$ <u>2,794,598</u>	\$ <u>3,182,747</u>	\$ <u>7,377,429</u>	\$ <u>7,993,948</u>	\$ <u>10,172,027</u>	\$ <u>11,176,695</u>

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

More detailed information about the City's long-term liabilities is presented in Notes 9 and 10 to the financial statements.

#### Current Related Financial Activities

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget. The economy is one factor that is recognized in the challenging budget process along with basic operating costs of the City such as negotiated salary increases, benefits, and infrastructure.

## **City of Geneva, Ohio**

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

#### **For the Year Ended December 31, 2014**

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The General Fund's expenditures are expected to increase during 2015 mainly with respect to benefits, fuel, and utilities. The City recognizes that declining tax revenue coupled with the cost of inflation and expenditure increases will require the City to continue a pattern of cost containment while pursuing new revenue sources. New revenue sources include the City's participation in the Joint Economic Development District I, District II and District III with Harpersfield Township. The City has also been successful in obtaining grants from various sources to aid in capital projects.

#### **Contacting the City of Geneva's Finance Department**

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

# City of Geneva, Ohio

## Statement of Net Position

**December 31, 2014**

	Governmental Activities	Business- Type Activities	Total	Component Unit Community Improvement Corporation of Geneva
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 1,605,106	\$ 911,336	\$ 2,516,442	\$ 88,536
Cash held as fiscal agent	-	-	-	65,732
Accounts receivable	151,955	699,891	851,846	-
Due from component unit	249,809	-	249,809	-
Materials and supplies inventory	19,342	46,456	65,798	-
Intergovernmental receivable	258,007	14,094	272,101	-
Internal balances	(50,000)	50,000	-	-
Prepaid items	97,509	16,214	113,723	-
Property taxes receivable	392,036	-	392,036	-
Municipal income taxes receivable	702,341	-	702,341	-
Loans receivable	-	-	-	270,998
Special assessment receivable	336,416	28,944	365,360	-
Non-depreciable capital assets	1,967,775	113,657	2,081,432	148,250
Depreciable capital assets, net	<u>15,868,280</u>	<u>12,975,888</u>	<u>28,844,168</u>	<u>1,605</u>
Total assets	<u>21,598,576</u>	<u>14,856,480</u>	<u>36,455,056</u>	<u>575,121</u>
<b>Liabilities:</b>				
Accounts payable	270,071	68,450	338,521	-
Accrued wages and benefits	129,980	28,899	158,879	-
Funds held as fiscal agent	-	-	-	65,732
Intergovernmental payable	65,160	41,717	106,877	1,007
Due to primary government	-	-	-	249,809
Unearned revenue	-	40,500	40,500	-
Accrued interest payable	29,748	292	30,040	-
Long-term liabilities:				
Due within one year	568,547	647,959	1,216,506	-
Due in more than one year	<u>2,226,051</u>	<u>6,729,470</u>	<u>8,955,521</u>	<u>-</u>
Total liabilities	<u>3,289,557</u>	<u>7,557,287</u>	<u>10,846,844</u>	<u>316,548</u>
<b>Deferred inflows of resources:</b>				
Property taxes	<u>376,391</u>	<u>-</u>	<u>376,391</u>	<u>-</u>
<b>Net position:</b>				
Net investment in capital assets	15,204,734	5,760,345	20,965,079	-
Restricted for:				
Capital projects	54,640	-	54,640	-
Debt service	35,156	-	35,156	-
Other purposes	850,735	-	850,735	-
Unrestricted	<u>1,787,363</u>	<u>1,538,848</u>	<u>3,326,211</u>	<u>258,573</u>
Total net position	<u>\$ 17,932,628</u>	<u>\$ 7,299,193</u>	<u>\$ 25,231,821</u>	<u>\$ 258,573</u>

The accompanying notes are an integral part of these basic financial statements

# City of Geneva, Ohio

## Statement of Activities

### For the Year Ended December 31, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 1,125,062	\$ 56,092	\$ 102,538	\$ -
Security of persons and property	2,391,463	451,163	1,097	19,490
Leisure time activities	174,959	80,928	-	-
Community development	697,361	35,432	492,356	-
Transportation	1,008,820	18,667	267,787	-
Interest and fiscal charges	97,897	-	-	-
Total governmental activities	<u>5,495,562</u>	<u>642,282</u>	<u>863,778</u>	<u>19,490</u>
Business-type activities:				
Wastewater	1,268,818	1,345,276	-	16,980
Water	<u>1,269,269</u>	<u>1,393,634</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,538,087</u>	<u>2,738,910</u>	<u>-</u>	<u>16,980</u>
Total primary government	\$ <u>8,033,649</u>	\$ <u>3,381,192</u>	\$ <u>863,778</u>	\$ <u>36,470</u>
Component unit:				
Community Improvement Corporation of Geneva	\$ <u>120,955</u>	\$ <u>-</u>	\$ <u>186,275</u>	\$ <u>-</u>

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

Change in net position

Net position at beginning of year

Net position at end of year

The accompanying notes are an integral part of these basic financial statements

<u>Net (Expense) Revenue and Changes in Net Position</u>			
<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	<u>Component Unit Community Improvement Corp. of Geneva</u>
\$ (966,432)	\$ -	\$ (966,432)	\$ -
(1,919,713)	-	(1,919,713)	-
(94,031)	-	(94,031)	-
(169,573)	-	(169,573)	-
(722,366)	-	(722,366)	-
<u>(97,897)</u>	<u>-</u>	<u>(97,897)</u>	<u>-</u>
<u>(3,970,012)</u>	<u>-</u>	<u>(3,970,012)</u>	<u>-</u>
-	93,438	93,438	-
<u>-</u>	<u>124,365</u>	<u>124,365</u>	<u>-</u>
<u>-</u>	<u>217,803</u>	<u>217,803</u>	<u>-</u>
<u>(3,970,012)</u>	<u>217,803</u>	<u>(3,752,209)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>65,320</u>
311,245	-	311,245	-
173,224	-	173,224	-
2,807,831	-	2,807,831	-
45,253	-	45,253	-
35,743	-	35,743	-
4,786	4,319	9,105	2,320
<u>236,212</u>	<u>857</u>	<u>237,069</u>	<u>21,959</u>
3,614,294	5,176	3,619,470	24,279
(355,718)	222,979	(132,739)	89,599
<u>18,288,346</u>	<u>7,076,214</u>	<u>25,364,560</u>	<u>168,974</u>
\$ <u>17,932,628</u>	\$ <u>7,299,193</u>	\$ <u>25,231,821</u>	\$ <u>258,573</u>

# City of Geneva, Ohio

## Balance Sheet Governmental Funds

**December 31, 2014**

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 1,062,977	\$ 61,004	\$ 481,125	\$ 1,605,106
Accounts receivable	151,955	-	-	151,955
Due from component unit	249,809	-	-	249,809
Materials and supplies inventory	-	19,342	-	19,342
Intergovernmental receivable	109,683	127,691	20,633	258,007
Advances to other funds	-	-	13,000	13,000
Interfund receivable	84,331	-	-	84,331
Prepaid items	82,421	13,821	1,267	97,509
Property taxes receivable	241,041	-	150,995	392,036
Municipal income taxes receivable	702,341	-	-	702,341
Special assessments receivable	27,586	-	308,830	336,416
Total assets	<u>\$ 2,712,144</u>	<u>\$ 221,858</u>	<u>\$ 975,850</u>	<u>\$ 3,909,852</u>
<b>Liabilities, deferred inflows of resources, and fund balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 7,919	\$ 5,064	\$ 257,088	\$ 270,071
Accrued wages and benefits	114,340	15,279	361	129,980
Intergovernmental payable	52,657	9,563	2,940	65,160
Advances from other funds	-	13,000	-	13,000
Interfund payable	-	-	134,331	134,331
Total liabilities	<u>174,916</u>	<u>42,906</u>	<u>394,720</u>	<u>612,542</u>
<b>Deferred inflows of resources:</b>				
Property taxes	230,084	-	146,307	376,391
Unavailable revenues	<u>1,032,072</u>	<u>79,266</u>	<u>329,400</u>	<u>1,440,738</u>
Total deferred inflows of resources	<u>1,262,156</u>	<u>79,266</u>	<u>475,707</u>	<u>1,817,129</u>
<b>Fund balances:</b>				
Nonspendable	216,752	33,163	14,267	264,182
Restricted	-	66,523	410,814	477,337
Committed	-	-	15,067	15,067
Assigned	102,627	-	-	102,627
Unassigned	<u>955,693</u>	<u>-</u>	<u>(334,725)</u>	<u>620,968</u>
Total fund balances	<u>1,275,072</u>	<u>99,686</u>	<u>105,423</u>	<u>1,480,181</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,712,144</u>	<u>\$ 221,858</u>	<u>\$ 975,850</u>	<u>\$ 3,909,852</u>

The accompanying notes are an integral part of these basic financial statements

# City of Geneva, Ohio

## Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

**December 31, 2014**

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Total governmental funds balances \$ 1,480,181

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 17,836,055

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

Property and other taxes	\$ 15,645	
Municipal income taxes	547,092	
Intergovernmental	377,602	
Charges for services	163,983	
Special assessments	<u>336,416</u>	
Total		1,440,738

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (29,748)

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

General obligation bonds	(1,405,286)	
Special assessment bonds	(105,000)	
OPWC loans	(866,964)	
ODOT loan payable	(121,023)	
Capital leases payable	(71,248)	
Other long-term liabilities	(61,800)	
Accrued compensated absences	<u>(163,277)</u>	
Total		<u>(2,794,598)</u>

*Net position of governmental activities* \$ 17,932,628

# City of Geneva, Ohio

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

**For the Year Ended December 31, 2014**

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and other local taxes	\$ 313,114	\$ -	\$ 173,224	\$ 486,338
Municipal income taxes	2,713,859	-	-	2,713,859
Intergovernmental	161,784	273,136	637,207	1,072,127
Charges for services	387,947	-	8,268	396,215
Licenses, permits and fees	142,340	45,460	8,407	196,207
Special assessments	-	-	328,808	328,808
Investment income	4,688	-	98	4,786
Miscellaneous income	138,502	15,451	4,548	158,501
Total revenues	<u>3,862,234</u>	<u>334,047</u>	<u>1,160,560</u>	<u>5,356,841</u>
Expenditures:				
Current operations and maintenance:				
General government	929,017	-	400,462	1,329,479
Security of persons and property	1,812,488	-	700,772	2,513,260
Leisure time activities	164,283	-	-	164,283
Community development	134,405	-	94,023	228,428
Transportation	-	563,807	20,097	583,904
Capital outlay	-	-	180,045	180,045
Debt service:				
Principal retirement	67,651	87,095	416,200	570,946
Interest and fiscal charges	2,694	4,803	94,401	101,898
Total expenditures	<u>3,110,538</u>	<u>655,705</u>	<u>1,906,000</u>	<u>5,672,243</u>
Excess of revenues over (under) expenditures	<u>751,696</u>	<u>(321,658)</u>	<u>(745,440)</u>	<u>(315,402)</u>
Other financing sources (uses):				
Sale of capital assets	4,795	-	-	4,795
Issuance of debt	-	-	104,211	104,211
Transfers – in	-	318,094	510,439	828,533
Transfers – out	(733,168)	-	(95,365)	(828,533)
Total other financing sources (uses)	<u>(728,373)</u>	<u>318,094</u>	<u>519,285</u>	<u>109,006</u>
Net change in fund balances	23,323	(3,564)	(226,155)	(206,396)
Fund balances at beginning of year	<u>1,251,749</u>	<u>103,250</u>	<u>331,578</u>	<u>1,686,577</u>
Fund balances at end of year	\$ <u>1,275,072</u>	\$ <u>99,686</u>	\$ <u>105,423</u>	\$ <u>1,480,181</u>

The accompanying notes are an integral part of these basic financial statements

# City of Geneva, Ohio

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

### For the Year Ended December 31, 2014

Net change in fund balances - total governmental funds \$ (206,396)

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

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

Capital outlay	\$ 824,914	
Depreciation	<u>(950,484)</u>	
Total		(125,570)

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

Property and other local taxes	(1,869)	
Municipal income taxes	93,972	
Intergovernmental	(204,537)	
Charges for services	(15,676)	
Special assessments	<u>(287,792)</u>	
Total		(415,902)

Repayments of bond, note, loan and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 570,946

Proceeds from debt issues are other financing sources in the funds, but debt issues increase long-term liabilities in the Statement of Net Position (186,611)

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

Accrued compensated absences	3,814	
Accrued interest on debt	<u>4,001</u>	
Total		<u>7,815</u>

*Change in net position of governmental activities* \$ (355,718)

# City of Geneva, Ohio

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

### **For the Year Ended December 31, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other local taxes	\$ 322,423	\$ 322,423	\$ 313,114	\$ (9,309)
Municipal income taxes	2,608,927	2,633,927	2,678,948	45,021
Intergovernmental	166,684	177,898	198,144	20,246
Charges for services	325,902	347,827	387,413	39,586
Licenses, permits and fees	133,880	142,886	159,148	16,262
Investment income	3,944	4,209	4,688	479
Miscellaneous income	111,421	118,834	132,359	13,525
Total revenues	<u>3,673,181</u>	<u>3,748,004</u>	<u>3,873,814</u>	<u>125,810</u>
Expenditures:				
Current operations and maintenance:				
General government	1,014,235	1,049,300	980,879	68,421
Security of persons and property	1,896,178	1,961,734	1,833,817	127,917
Leisure time activities	193,411	200,098	187,050	13,048
Community development	97,693	101,070	94,480	6,590
Debt service	<u>7,263</u>	<u>7,514</u>	<u>7,024</u>	<u>490</u>
Total expenditures	<u>3,208,780</u>	<u>3,319,716</u>	<u>3,103,250</u>	<u>216,466</u>
Excess of revenues over (under) expenditures	<u>464,401</u>	<u>428,288</u>	<u>770,564</u>	<u>342,276</u>
Other financing sources (uses):				
Sale of capital assets	11,971	12,777	14,231	1,454
Advances – in	23,917	23,917	23,917	-
Transfers – out	(960,729)	(1,002,689)	(836,268)	166,421
Advances – out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(84,331)</u>	<u>115,669</u>
Total financing sources (uses)	<u>(1,124,841)</u>	<u>(1,165,995)</u>	<u>(882,451)</u>	<u>283,544</u>
Net change in fund balance	(660,440)	(737,707)	(111,887)	625,820
Prior year encumbrances appropriated	39,666	39,666	39,666	-
Fund balance at beginning of year	<u>1,064,285</u>	<u>1,064,285</u>	<u>1,064,285</u>	<u>-</u>
Fund balance at end of year	\$ <u>443,511</u>	\$ <u>366,244</u>	\$ <u>992,064</u>	\$ <u>625,820</u>

The accompanying notes are an integral part of these basic financial statements

## City of Geneva, Ohio

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

#### **For the Year Ended December 31, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 306,029	\$ 312,468	\$ 277,428	\$ (35,040)
Licenses, permits and fees	48,016	49,027	43,529	(5,498)
Miscellaneous income	<u>17,044</u>	<u>17,403</u>	<u>15,451</u>	<u>(1,952)</u>
Total revenues	<u>371,089</u>	<u>378,898</u>	<u>336,408</u>	<u>(42,490)</u>
Expenditures:				
Current operations and maintenance:				
Transportation	661,222	677,096	594,430	82,666
Debt service	<u>95,148</u>	<u>95,148</u>	<u>95,148</u>	<u>-</u>
Total expenditures	<u>756,370</u>	<u>772,244</u>	<u>689,578</u>	<u>82,666</u>
Excess of revenues over (under) expenditures	(385,281)	(393,346)	(353,170)	40,176
Other financing sources (uses):				
Transfers – in	<u>350,887</u>	<u>358,270</u>	<u>318,094</u>	<u>(40,176)</u>
Net change in fund balance	(34,394)	(35,076)	(35,076)	-
Prior year encumbrances appropriated	35,076	35,076	35,076	-
Fund balance at beginning of year	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>50,682</u></u>	\$ <u><u>50,000</u></u>	\$ <u><u>50,000</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these basic financial statements

# City of Geneva, Ohio

## Statement of Fund Net Position Proprietary Funds

**December 31, 2014**

	Wastewater Fund	Water Fund	Total Business-Type Activities
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 329,579	\$ 581,757	\$ 911,336
Accounts receivable	519,536	180,355	699,891
Materials and supplies inventory	13,055	33,401	46,456
Intergovernmental receivable	13,347	747	14,094
Due from other funds	50,000	-	50,000
Prepaid items	13,780	2,434	16,214
Special assessments receivable	19,156	9,788	28,944
Total current assets	<u>958,453</u>	<u>808,482</u>	<u>1,766,935</u>
Noncurrent assets:			
Non-depreciable capital assets	96,705	16,952	113,657
Depreciable capital assets, net	<u>6,568,246</u>	<u>6,407,642</u>	<u>12,975,888</u>
Total noncurrent assets	<u>6,664,951</u>	<u>6,424,594</u>	<u>13,089,545</u>
Total assets	<u>7,623,404</u>	<u>7,233,076</u>	<u>14,856,480</u>
Liabilities:			
Current liabilities:			
Accounts payable	39,730	28,720	68,450
Accrued wages and benefits	23,439	5,460	28,899
Intergovernmental payable	9,179	32,538	41,717
Unearned revenue	40,500	-	40,500
Accrued interest payable	292	-	292
OWDA loans payable	347,946	235,013	582,959
Other loan payable	4,860	-	4,860
OPWC loan payable	17,833	9,800	27,633
Capital leases payable	5,861	11,382	17,243
Accrued compensated absences	15,264	-	15,264
Total current liabilities	<u>504,904</u>	<u>322,913</u>	<u>827,817</u>
Long-term liabilities (net of current portion):			
OWDA loans payable	1,577,223	4,690,628	6,267,851
Other loan payable	62,545	-	62,545
OPWC loan payable	217,744	79,300	297,044
Capital leases payable	18,987	50,078	69,065
Accrued compensated absences	32,965	-	32,965
Total long-term liabilities	<u>1,909,464</u>	<u>4,820,006</u>	<u>6,729,470</u>
Total liabilities	<u>2,414,368</u>	<u>5,142,919</u>	<u>7,557,287</u>
Net position:			
Net investment in capital assets	4,411,952	1,348,393	5,760,345
Unrestricted	797,084	741,764	1,538,848
Total net position	<u>\$ 5,209,036</u>	<u>\$ 2,090,157</u>	<u>\$ 7,299,193</u>

The accompanying notes are an integral part of these basic financial statements

# City of Geneva, Ohio

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

**For the Year Ended December 31, 2014**

	Wastewater Fund	Water Fund	Total Business-Type Activities
Operating revenues:			
Charges for services	\$ 1,287,445	\$ 1,389,212	\$ 2,676,657
Sewer tap-in fees	57,331	1,202	58,533
Fines, licenses, and permits	500	3,220	3,720
Miscellaneous income	460	492	952
Total operating revenues	<u>1,345,736</u>	<u>1,394,126</u>	<u>2,739,862</u>
Operating expenses:			
Personal services	568,741	256,128	824,869
Supplies and materials	86,642	70,846	157,488
Contractual services	257,431	540,492	797,923
Depreciation	255,168	169,482	424,650
Total operating expenses	<u>1,167,982</u>	<u>1,036,948</u>	<u>2,204,930</u>
Operating income	<u>177,754</u>	<u>357,178</u>	<u>534,932</u>
Non-operating revenues (expenses):			
Loss on sale of capital asset	(95)	-	(95)
Investment income	2,057	2,262	4,319
Interest and fiscal charges	(100,836)	(232,321)	(333,157)
Total non-operating revenues (expenses)	<u>(98,874)</u>	<u>(230,059)</u>	<u>(328,933)</u>
Income before transfers and contributions	78,880	127,119	205,999
Capital contribution	16,980	-	16,980
Transfers – in	-	17,898	17,898
Transfers – out	(17,898)	-	(17,898)
Change in net position	77,962	145,017	222,979
Net position at beginning of year	<u>5,131,074</u>	<u>1,945,140</u>	<u>7,076,214</u>
Net position at end of year	<u>\$ 5,209,036</u>	<u>\$ 2,090,157</u>	<u>\$ 7,299,193</u>

The accompanying notes are an integral part of these basic financial statements

# City of Geneva, Ohio

## Statement of Cash Flows Proprietary Funds

### For the Year Ended December 31, 2014

	Wastewater Fund	Water Fund	Total Business-type Activities
Increase in cash and cash equivalents:			
Cash flows from operating activities:			
Cash received from customers	\$ 1,445,617	\$ 1,409,397	\$ 2,855,014
Cash payments for personal services	(539,464)	(255,951)	(795,415)
Cash payments for contractual services	(257,431)	(523,795)	(781,226)
Cash payments for vendors for supplies and materials	(79,786)	(76,195)	(155,981)
Other operating revenues	5,251	5,873	11,124
Net cash provided by operating activities	<u>574,187</u>	<u>559,329</u>	<u>1,133,516</u>
Cash flows from non-capital financing activities:			
Transfers – in	-	17,898	17,898
Transfers – out	(17,898)	-	(17,898)
Subsidy from grant	1,583	-	1,583
Advances – out	(50,850)	(14,643)	(65,493)
Net cash provided by (used for) non-capital financial activities	<u>(67,165)</u>	<u>3,255</u>	<u>(63,910)</u>
Cash flows from capital and related financing activities:			
Capital contributions and grants	101,746	14,643	116,389
Principal paid on OWDA loans	(425,731)	(224,652)	(650,383)
Interest paid on OWDA loans	(96,559)	(232,321)	(328,880)
Principal paid on other loan	(4,649)	-	(4,649)
Interest paid on other loan	(3,184)	-	(3,184)
Principal paid on OPWC loan	(17,833)	(2,300)	(20,133)
Principal paid on capital leases	(5,642)	-	(5,642)
Interest paid on capital leases	(1,120)	-	(1,120)
Acquisition of capital assets	(107,164)	(31,560)	(138,724)
Net cash used for capital and related financing activities	<u>(560,136)</u>	<u>(476,190)</u>	<u>(1,036,326)</u>
Cash flows from investing activities:			
Interest received	<u>3,633</u>	<u>2,262</u>	<u>5,895</u>
Net increase (decrease) in cash and cash equivalents	(49,481)	88,656	39,175
Cash and cash equivalents at beginning of year	<u>379,060</u>	<u>493,101</u>	<u>872,161</u>
Cash and cash equivalents at end of year	\$ <u><u>329,579</u></u>	\$ <u><u>581,757</u></u>	\$ <u><u>911,336</u></u>

(Continued)

The accompanying notes are an integral part of these basic financial statements

## City of Geneva, Ohio

### Statement of Cash Flows (continued) Proprietary Funds

#### **For the Year Ended December 31, 2014**

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total Business-Type Activities</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 177,754	\$ 357,178	\$ 534,932
Adjustments:			
Depreciation	255,168	169,482	424,650
Changes in assets/liabilities:			
Decrease in accounts receivable	36,843	12,774	49,617
Decrease in intergovernmental receivable	14,017	5,360	19,377
Increase in prepaid items	(4,922)	(1,813)	(6,735)
Decrease (increase) in materials and supplies inventory	6,856	(5,349)	1,507
Decrease in special assessment receivable	54,272	3,010	57,282
Increase in accounts payable	28,255	13,563	41,818
Increase in accrued compensated absences	2,828	-	2,828
Increase in intergovernmental payable	1,437	3,475	4,912
Increase in accrued wages and benefits	<u>1,679</u>	<u>1,649</u>	<u>3,328</u>
Net cash provided by operating activities	\$ <u>574,187</u>	\$ <u>559,329</u>	\$ <u>1,133,516</u>
Noncash transactions from capital and related financing activities:			
Equipment financed through capital lease	\$ -	\$ 61,460	\$ 61,460
Equipment financed through escrow agent	5,690	-	5,690

The accompanying notes are an integral part of these basic financial statements

**City of Geneva, Ohio**

Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds

**December 31, 2014**

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	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>23,770</u>
Liabilities:	
Accounts payable	\$ <u>23,770</u>

# City of Geneva, Ohio

## Notes to the Basic Financial Statements

### **For the Year Ended December 31, 2014**

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#### **Note 1: The Reporting Entity**

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

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

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

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

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

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit is presented in Note 21.

The City is associated with two jointly governed organizations, the Ashtabula County General Health District and the Geneva Union Cemeteries District, a regional council of governments, Northeast Ohio Public Energy Council and three joint economic development districts (JEDD), JEDD-I, JEDD-II and JEDD-III. These organizations are presented in Note 20 to the basic financial statements.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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### **Note 2: Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

#### **A. Basis of Presentation**

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

##### *Government-Wide Financial Statements*

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

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

##### *Fund Financial Statements*

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

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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

#### ***B. Fund Accounting***

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

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

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

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

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

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

*Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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* – The Wastewater Fund accounts for the wastewater service provided to residential and commercial users within the City.

*Water Fund* – The Water Fund accounts for the provision of water distribution to residential and commercial users within the City.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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

#### ***B. Fund Accounting (continued)***

##### *Fiduciary Funds*

Fiduciary fund reporting focuses on net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has nine agency funds: JEDD-I District Board Fund, JEDD-II District Board Fund, JEDD-III District Board Fund, JEDD-I Harpersfield Township Fund, JEDD-II Harpersfield Township Fund, JEDD-III Harpersfield Township Fund, JEDD-I Sanitary Sewer Fund, Fire Fund, and Millwood Subdivision Phase II Fund. The JEDD-I, JEDD-II and JEDD III District Board Funds, JEDD-I, JEDD-II and JEDD III Harpersfield Township Funds, and JEDD-I Sanitary Sewer Fund account for municipal income tax collected by the City for these Joint Economic Development Districts (JEDD). The Fire Fund accounts for the money insurance companies must deposit with the City for repair, removal, or securing of buildings in the event of a fire. Once the project is complete, the funds are returned. The Millwood Subdivision Phase II Fund was created for sanitary sewer manhole repairs that become necessary in the Millwood Subdivision Phase II development area. The repairs are funded by deposits made by the Lake Erie Land Company upon the sale of each lot in the Millwood Subdivision Phase II. Any monies remaining in the fund on March 1, 2022 shall be returned to the Lake Erie Land Company without interest.

#### ***C. Measurement Focus***

##### *Government-Wide Financial Statements*

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

##### *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 and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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

#### **C. Measurement Focus (continued)**

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

#### **D. Basis of Accounting**

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

#### *Revenues – Exchange and Non-Exchange Transactions*

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

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

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7).

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

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

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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

#### ***D. Basis of Accounting (continued)***

##### *Deferred Outflows/Inflows of Resources*

In addition to assets, the financial statements may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the financial statements may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance fiscal year 2015 operations.

These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, charges for services and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

##### *Expenses/Expenditures*

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

#### ***E. Budgetary Process***

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Director of Finance. 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 City Council.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2014**

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

##### ***E. Budgetary Process (continued)***

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

##### ***F. Cash and Cash Equivalents***

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

During 2014, investments were limited to non-negotiable certificates of deposit and STAROhio. Non-negotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2014.

Interest earnings are allocated to City funds according to state statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2014 amounted to \$4,688, of which, \$911 was from other funds.

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

##### ***G. Inventory***

Inventories are stated at cost, on the first-in, first-out basis. At December 31, 2014, the Street Construction, Maintenance and Repair Fund, Wastewater Fund, and Water Fund maintained the only significant inventory. The costs of governmental fund type inventories are recorded as expenditures in the fund when used. The nonspendable for inventory accounts indicate that a portion of the fund balance is not available for future expenditures. For proprietary funds, inventory is expended when consumed.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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

#### ***H. Capitalization of Interest***

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For the year ended December 31, 2014, \$1,212 of interest was capitalized.

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

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

#### ***J. Capital Assets***

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

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

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

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

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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

#### ***K. Payables, Accrued Liabilities and Long-Term Obligations***

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

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

#### ***L. 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<sup>st</sup> by those employees who are currently eligible to receive termination payments as well as the sick leave accumulated by those employees expected to become eligible to receive termination benefits in the future.

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

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

#### ***M. Fund Balance***

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

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

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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

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

**Restricted:** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City Council's Resolutions). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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

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

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

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

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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

#### ***N. Net Position***

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Position reports \$940,531 of restricted net position, none of which is restricted by enabling legislation. Net position restricted for other purposes include resources restricted for streets, grants, police, and fire.

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

#### ***O. Interfund Balances***

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

#### ***P. Operating Revenues and Expenses***

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

#### ***Q. Interfund Activity***

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

#### ***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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

#### **S. Estimates**

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

#### **T. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through July 31, 2015, the date the financial statements were available to be issued.

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

For 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 69 establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. The implementation of this Statement did not result in any change in the City's financial statements.

GASB Statement No. 70 establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e. nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. These changes were incorporated into the City's financial statements; however, there was no effect on the beginning net position/fund balance.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014. The City has not determined the impact, if any, that this Statement will have on its financial statements or disclosures.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as an amendment to GASB Statement No. 68. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014. The City has not determined the impact, if any, that this Statement will have on its financial statements or disclosures.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2014

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### **Note 4: Budgetary Basis of Accounting**

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

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

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

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

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>
GAAP basis	\$ 23,323	\$ (3,564)
Increase (decrease) due to:		
Revenue accruals	154,176	2,361
Expenditure accruals	(225,892)	(22,869)
Funds budgeted elsewhere	(5,800)	-
Outstanding encumbrances	(57,694)	(11,004)
Budgetary basis	\$ <u>(111,887)</u>	\$ <u>(35,076)</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2014

### Note 5: Fund Balances

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

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventory	\$ -	\$ 19,342	\$ -	\$ 19,342
Prepaid items	82,421	13,821	1,267	97,509
Interfund loans	<u>134,331</u>	<u>-</u>	<u>13,000</u>	<u>147,331</u>
Total nonspendable	<u>216,752</u>	<u>33,163</u>	<u>14,267</u>	<u>264,182</u>
Restricted:				
Streets and highways	-	66,523	5,391	71,914
Police	-	-	63,776	63,776
Law enforcement trust and education	-	-	68,008	68,008
Community development	-	-	108,866	108,866
Recycling center	-	-	9,220	9,220
Street lighting	-	-	126,544	126,544
Debt service	-	-	2,000	2,000
Capital projects	<u>-</u>	<u>-</u>	<u>27,009</u>	<u>27,009</u>
Total restricted	<u>-</u>	<u>66,523</u>	<u>410,814</u>	<u>477,337</u>
Committed:				
Capital projects	<u>-</u>	<u>-</u>	<u>15,067</u>	<u>15,067</u>
Assigned:				
Other purposes	48,335	-	-	48,335
Community development	<u>54,292</u>	<u>-</u>	<u>-</u>	<u>54,292</u>
Total assigned	<u>102,627</u>	<u>-</u>	<u>-</u>	<u>102,627</u>
Unassigned	<u>955,693</u>	<u>-</u>	<u>(334,725)</u>	<u>620,968</u>
Total fund balances	\$ <u>1,275,072</u>	\$ <u>99,686</u>	\$ <u>105,423</u>	\$ <u>1,480,181</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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### **Note 6: Deposits and Investments**

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to; the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2014

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

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

#### ***Deposits***

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

At year-end, the carrying amount of the City's deposits was \$2,198,759 and the bank balance was \$2,364,893. Of the bank balance \$618,237 was covered by federal depository insurance and \$1,746,656 was uninsured and collateralized with securities held by the pledging institution's trust department, not in the City's name. At December 31, 2014, the City had \$1,500 in cash on hand.

#### ***Investments***

Investments are reported at fair value. As of December 31, 2014, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
STAROhio	\$ <u>339,953</u>	<u>50.1</u>

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

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

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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

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

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

### **Note 7: Receivables**

#### **A. Property Taxes**

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

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

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

The full tax rate for all City operations for the year ended December 31, 2014, was \$8.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Category:	
Real estate	\$ 92,091,000
Public utility	<u>2,184,860</u>
Total	<u>\$ 94,275,860</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## **For the Year Ended December 31, 2014**

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### **Note 7: Receivables (continued)**

#### ***B. Municipal Income Taxes***

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

Employers within the City are required to withhold municipal 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. Municipal income tax collections are received by the General Fund.

#### ***C. Intergovernmental Receivables***

Receivables at December 31, 2014, primarily consisted of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues, special assessments and loans receivable. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

##### *Governmental activities:*

Homestead and rollback	\$	28,983
Local government		80,812
CAT tax reimbursements		293
Estate taxes		46
Court and drug fines		2,410
Auto registration, licenses, and gasoline tax		132,841
Permissive tax		3,597
OBWC refund		7,665
Miscellaneous reimbursement		<u>1,360</u>
Total governmental activities		<u>258,007</u>

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

Miscellaneous reimbursement		1,351
OBWC refund		2,260
Harpersfield Township reimbursement		<u>10,483</u>
Total business-type activities		<u>14,094</u>
Total	\$	<u><u>272,101</u></u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2014

### Note 7: Receivables (continued)

#### D. Loan Receivables

As part of the Economic Development Special Revenue Fund, the City maintains a revolving loan program, available to local businesses to encourage growth and development. The State of Ohio provides funding for the program. At December 31, 2014, there was no loan outstanding for this program.

### Note 8: Capital Assets

Capital asset activity for government the year ended December 31, 2014, was as follows:

	<u>Balances</u> <u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/14</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land/land improvements	\$ 1,687,084	\$ 25,367	\$ -	\$ 1,712,451
Construction in progress	293,582	197,968	(293,582)	197,968
Historical treasures	46,378	-	-	46,378
Intangibles	10,978	-	-	10,978
Total non-depreciable capital assets	<u>2,038,022</u>	<u>223,335</u>	<u>(293,582)</u>	<u>1,967,775</u>
Capital assets being depreciated:				
Building/land improvements	5,014,946	87,552	-	5,102,498
Equipment	1,466,597	256,349	-	1,722,946
Vehicles	1,764,420	-	(187,201)	1,577,219
Infrastructure	<u>23,857,385</u>	<u>551,260</u>	<u>-</u>	<u>24,408,645</u>
Total capital assets being depreciated	<u>32,103,348</u>	<u>895,161</u>	<u>(187,201)</u>	<u>32,811,308</u>
Less: accumulated depreciation				
Building/land improvements	(2,142,118)	(126,381)	-	(2,268,499)
Equipment	(1,182,086)	(65,634)	-	(1,247,720)
Vehicles	(1,055,951)	(93,722)	187,201	(962,472)
Infrastructure	<u>(11,799,590)</u>	<u>(664,747)</u>	<u>-</u>	<u>(12,464,337)</u>
Total accumulated depreciation	<u>(16,179,745)</u>	<u>(950,484)</u>	<u>187,201</u>	<u>(16,943,028)</u>
Net capital assets being depreciated	<u>15,923,603</u>	<u>(55,323)</u>	<u>-</u>	<u>15,868,280</u>
Governmental activities capital assets, net	\$ <u>17,961,625</u>	\$ <u>168,012</u>	\$ <u>(293,582)</u>	\$ <u>17,836,055</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2014

### Note 8: Capital Assets (continued)

	<u>Balances</u> <u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/14</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 24,800	\$ 63,848	\$ (24,800)	\$ 63,848
Intangibles	<u>49,809</u>	<u>-</u>	<u>-</u>	<u>49,809</u>
Total non-depreciable capital assets	<u>74,609</u>	<u>63,848</u>	<u>(24,800)</u>	<u>113,657</u>
Capital assets being depreciated:				
Buildings/land improvements	4,445,958	650	-	4,446,608
Equipment	875,212	105,414	(1,040)	979,586
Vehicles	333,030	30,774	-	363,804
Infrastructure	<u>13,937,951</u>	<u>29,988</u>	<u>-</u>	<u>13,967,939</u>
Total capital assets being depreciated	<u>19,592,151</u>	<u>166,826</u>	<u>(1,040)</u>	<u>19,757,937</u>
Less: accumulated depreciation				
Buildings/land improvements	(2,577,131)	(76,193)	-	(2,653,324)
Equipment	(590,757)	(36,398)	945	(626,210)
Vehicles	(186,588)	(19,912)	-	(206,500)
Infrastructure	<u>(3,003,868)</u>	<u>(292,147)</u>	<u>-</u>	<u>(3,296,015)</u>
Total accumulated depreciation	<u>(6,358,344)</u>	<u>(424,650)</u>	<u>945</u>	<u>(6,782,049)</u>
Net capital assets being depreciated	<u>13,233,807</u>	<u>(257,824)</u>	<u>(95)</u>	<u>12,975,888</u>
Total business-type activities capital assets, net	\$ <u>13,308,416</u>	\$ <u>(193,976)</u>	\$ <u>(24,895)</u>	\$ <u>13,089,545</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 142,367
Security of persons and property	94,888
Leisure time activities	10,676
Transportation	<u>702,553</u>
Total	\$ <u>950,484</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2014

### Note 9: Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2014 was as follows:

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/14</u>	<u>Due in One</u> <u>Year</u>
<i>Governmental activities:</i>					
General obligation bonds:					
4.99% 1995 Various purpose street lighting improvements, maturing 2015	\$ 30,000	\$ -	\$ (15,000)	\$ 15,000	\$ 15,000
4.51% 2005 Road improvements, maturing 2015	160,490	-	(106,204)	54,286	54,286
2-4% 2003 USDA rural development – fire truck, maturing 2015	138,000	-	(66,000)	72,000	72,000
5.25% 2009 Various purpose, maturing 2029	1,040,000	-	(46,000)	994,000	48,000
4.00% 2011 Municipal facility improvement, maturing 2021	<u>300,000</u>	<u>-</u>	<u>(30,000)</u>	<u>270,000</u>	<u>35,000</u>
Total general obligation bonds	<u>1,668,490</u>	<u>-</u>	<u>(263,204)</u>	<u>1,405,286</u>	<u>224,286</u>
Special assessment bonds:					
4.99% 1995 Various purpose – subdivisions, maturing 2015	<u>205,000</u>	<u>-</u>	<u>(100,000)</u>	<u>105,000</u>	<u>105,000</u>
Other loans:					
0% Ohio Public Works Commission:					
2006 Roosevelt Drive, maturing 2016	12,500	-	(5,000)	7,500	5,000
2010 E. Tibbitts, maturing 2021	35,000	-	(5,000)	30,000	5,000
2010 Ansel, maturing 2032	170,017	-	(9,445)	160,572	9,445
2011 Lockwood, maturing 2021	9,742	-	(1,300)	8,442	1,300
2012 Sherman/Chestnut, maturing 2033	570,548	1,797	(14,309)	558,036	28,617
2014 Grant Bridge, maturing 2034	-	102,414	-	102,414	-
3% Ohio Department of Transportation loans payable:					
2007 - Austin Road SIB loan, maturing 2017	152,730	-	(42,025)	110,705	43,295
2010 - North Eagle SIB loan, maturing 2015	<u>20,334</u>	<u>-</u>	<u>(10,016)</u>	<u>10,318</u>	<u>10,318</u>
Total other loans	<u>970,871</u>	<u>104,211</u>	<u>(87,095)</u>	<u>987,987</u>	<u>102,975</u>
Other long-term obligations:					
Capital leases payable,					
maturing through 2017	130,795	-	(59,547)	71,248	34,318
Note payable for school, maturing 2014	40,500	-	(40,500)	-	-
Note payable for school, maturing 2017	-	82,400	(20,600)	61,800	20,600
Accrued compensated absences	<u>167,091</u>	<u>19,939</u>	<u>(23,753)</u>	<u>163,277</u>	<u>81,368</u>
Total other long-term obligations	<u>338,386</u>	<u>102,339</u>	<u>(144,400)</u>	<u>296,325</u>	<u>136,286</u>
Total governmental long-term liabilities	\$ <u>3,182,747</u>	\$ <u>206,550</u>	\$ <u>(594,699)</u>	\$ <u>2,794,598</u>	\$ <u>568,547</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2014

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

	Balance <u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/14</u>	Due in One <u>Year</u>
<i>Business-type activities:</i>					
Ohio Water Development Authority (OWDA) loans:					
4.56% OWDA, series 2004, maturing 2030	\$ 5,150,293	\$ -	\$ (224,652)	\$ 4,925,641	\$ 235,013
1% OWDA Elm Street sub-basin sewer rehabilitation maturing 2030	192,323	-	(10,777)	181,546	10,885
1% OWDA laboratory building maturing 2030	274,575	-	(15,385)	259,190	15,540
7% OWDA Phase II - tertiary filters, maturing 2014	68,367	-	(68,367)	-	-
7% OWDA Phase III - Southerly sewer, maturing 2018	869,059	-	(169,865)	699,194	182,605
2.2% OWDA Phase IV - interceptor Old Orchard, maturing 2015	38,465	-	(25,501)	12,964	12,964
2.2% OWDA Phase V - Centennial, maturing 2015	39,881	-	(26,441)	13,440	13,440
2.2% OWDA Phase VI - filter press, maturing 2015	46,926	-	(23,207)	23,719	23,719
3% OWDA, series 2007, maturing 2022	<u>821,304</u>	<u>-</u>	<u>(86,188)</u>	<u>735,116</u>	<u>88,793</u>
Total Ohio Water Development Authority loans	<u>7,501,193</u>	<u>-</u>	<u>(650,383)</u>	<u>6,850,810</u>	<u>582,959</u>
Other long-term obligations:					
2006 Geneva-on-the-Lake sanitary sewer outfall, maturing 2026	72,054	-	(4,649)	67,405	4,860
0% Ohio Public Works Commission (OPWC)					
2008 Nearing Circle, maturing 2018	25,000	-	(5,000)	20,000	5,000
2010 W. Liberty maturing 2030	43,910	-	(2,583)	41,327	2,583
2010 Ansel – WW, maturing 2031	184,500	-	(10,250)	174,250	10,250
2010 Ansel – Water, maturing 2031	41,400	-	(2,300)	39,100	2,300
2013 Van Epps – Water, maturing 2024	50,000	-	-	50,000	7,500
Capital leases payable	30,490	61,460	(5,642)	86,308	17,243
Accrued compensated absences	<u>45,401</u>	<u>8,915</u>	<u>(6,087)</u>	<u>48,229</u>	<u>15,264</u>
Total other long-term obligations	<u>492,755</u>	<u>70,375</u>	<u>(36,511)</u>	<u>526,619</u>	<u>65,000</u>
Total business-type long-term liabilities	\$ <u>7,993,948</u>	\$ <u>70,375</u>	\$ <u>(686,894)</u>	\$ <u>7,377,429</u>	\$ <u>647,959</u>

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2014

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

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2014 were as follows:

Year	Governmental Activities				
	General Obligation Bonds		OPWC Loans	Special Assessments	
	Principal	Interest	Principal	Principal	Interest
2015	\$ 224,286	\$ 68,109	\$ 49,362	\$ 105,000	\$ 5,880
2016	85,000	59,065	46,862	-	-
2017	88,000	55,040	44,362	-	-
2018	95,000	50,858	44,362	-	-
2019	97,000	46,370	44,362	-	-
2020-2024	419,000	163,698	197,262	-	-
2025-2029	397,000	63,473	190,313	-	-
2030-2034	-	-	147,665	-	-
	<u>\$ 1,405,286</u>	<u>\$ 506,613</u>	<u>\$ 764,550</u>	<u>\$ 105,000</u>	<u>\$ 5,880</u>

Year	Governmental Activities			
	Other Loans		Total	
	Principal	Interest	Principal	Interest
2015	\$ 74,213	\$ 3,232	\$ 452,861	\$ 77,221
2016	65,204	1,690	197,066	60,755
2017	43,406	342	175,768	55,382
2018	-	-	139,362	50,858
2019	-	-	141,362	46,370
2020-2024	-	-	616,262	163,698
2025-2029	-	-	587,313	63,473
2030-2034	-	-	147,665	-
	<u>\$ 182,823</u>	<u>\$ 5,264</u>	<u>\$ 2,457,659</u>	<u>\$ 517,757</u>

Year	Business-Type Activities					
	OWDA Loans		Other Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 582,959	\$ 298,117	\$ 32,493	\$ 2,973	\$ 615,452	\$ 301,090
2016	560,318	270,702	30,213	2,752	590,531	273,454
2017	589,412	242,423	30,444	2,521	619,856	244,944
2018	502,636	212,563	30,685	2,280	533,321	214,843
2019	408,986	189,068	25,937	2,028	434,923	191,096
2020-2024	2,019,596	694,566	131,387	5,939	2,150,983	700,505
2025-2029	2,171,595	267,103	83,241	256	2,254,836	267,359
2030-2034	15,308	76	27,682	-	42,990	76
	<u>\$ 6,850,810</u>	<u>\$ 2,174,618</u>	<u>\$ 392,082</u>	<u>\$ 18,749</u>	<u>\$ 7,242,892</u>	<u>\$ 2,193,367</u>

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2014**

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

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

During 2013, the City obtained an OPWC zero percent loan for the Grant Street bridge project to be repaid in semi-annual principal payments of approximately \$3,275 beginning in January 2015 through 2034. OPWC has authorized this loan up to \$131,000. A draw of \$102,414 was made against this loan in 2014 and as a result, the debt maturity schedule above does not reflect any amount for principal. When the loan is finalized, the principal will be included above.

The City has pledged future revenues, net of operating expenses other than depreciation expense, to repay OPWC and OWDA loans in the Wastewater Fund. The debt is payable solely from net revenues and are payable through 2031. The total principal and interest remaining to be paid on the debt is \$1,671,285. Principal and interest paid for the current year and total net revenues were \$286,333 and \$177,754 respectively.

The City has pledged future revenues, net of operating expenses other than depreciation expense plus interest and fiscal charges, to repay OPWC and OWDA loans in the Water Fund. The debt is payable solely from net revenues and are payable through 2031. The total principal and interest remaining to be paid on the debt is \$7,678,820. Principal and interest paid for the current year and total net revenues were \$720,737 and \$357,178 respectively.

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2014

### Note 10: Capital Leases

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Assets:		
Vehicles	\$ 269,639	\$ 86,260
Equipment	33,688	-
Less: accumulated depreciation	<u>(33,040)</u>	<u>(6,541)</u>
Total	<u>\$ 270,287</u>	<u>\$ 79,719</u>

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

<u>Year</u>	<u>Capital Leases</u>		<u>Operating Leases</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
2015	\$ 37,489	\$ 20,379	\$ 1,692
2016	37,489	20,379	1,692
2017	818	20,379	1,692
2018	-	20,379	1,692
2019	<u>-</u>	<u>13,618</u>	<u>-</u>
Total minimum lease payments	75,796	95,134	<u>\$ 6,768</u>
Less: amount representing interest	<u>(4,548)</u>	<u>(8,826)</u>	
Present value of minimum lease payments	<u>\$ 71,248</u>	<u>\$ 86,308</u>	

Lease payments are made from the General Fund, Vehicle and Major Equipment Fund, and the Wastewater Fund. The lease payment amounts will be paid with current, available resources that have accumulated in the respective fund.

Rental expense related to operating leases for equipment totaled \$1,692 for the year ended December 31, 2014.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2014**

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#### **Note 11: Pension Plans**

##### **A. *Ohio Public Employees Retirement System***

The City of Geneva participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 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, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension 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 the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800)-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2014, the members of all three plans were required to contribute 10.0 percent of their annual earnable salary to fund pension obligations. The City contributed 14.0 percent of earnable salary.

The City's required contributions for pension obligations, excluding the health care portion, to the traditional pension and combined plans for the years ended December 31, 2014, 2013, and 2012 were \$199,740, \$212,995, and \$162,556, respectively; 91.49 percent has been contributed for 2014, 100 percent has been contributed for 2013, and 100 percent has been contributed for 2012. Contributions to the member-directed plan for 2014 were \$12,144 made by the City of Geneva and \$8,674 made by the plan members.

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

The City of Geneva 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2014**

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

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

From January 1, 2014 thru July 1, 2014, plan members are required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 thru December 31, 2014, plan members were required to contribute 11.50 percent of their annual covered salary. Throughout 2014, the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City's contributions to the OP&F for police and firefighters were \$119,583 and \$63,514, respectively, for the year ended December 31, 2014, \$119,768 and \$61,141, respectively, for the year ended December 31, 2013, and \$121,386 and \$58,140, respectively, for the year ended December 31, 2012. For 2014, 89.46 percent for police and 89.68 percent for firefighters has been contributed, with the remainder being reported as a liability. The full amount has been contributed for 2013 and 2012.

#### **Note 12: Post-Employment Benefits**

##### ***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB plan is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 E. Town St., Columbus, OH, 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. The 2014 local governmental employer contribution rate was 14.0 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of earnable salary for state and local employer units. Active members do not make contributions to the OPEB Plan.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2014**

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#### **Note 12: Post-Employment Benefits (continued)**

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

OPERS' post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of the post-employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional pension and combined plan was two percent during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at two percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care for the years ended December 31, 2014, 2013, and 2012 were \$33,275, \$16,377, and \$65,018, respectively. 91.49 percent has been contributed for 2014. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate four percent of the employer contributions toward the health care fund after the end of the transition period.

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

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town St., Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2014**

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#### **Note 12: Post-Employment Benefits (continued)**

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 0.50 percent of covered payroll from January 1, 2014 thru December 31, 2014. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F for police and fire for the years ending December 31, 2014, 2013, and 2012 were \$119,583 and \$63,514, \$119,768 and \$61,141, and \$121,386 and \$58,140, respectively, of which \$3,109 and \$1,334, \$22,222 and \$9,187, and \$42,000 and \$16,337, respectively, was allocated to the health care plan. For 2014, 89.46 percent for police and 89.68 percent for firefighters has been contributed, with the remainder being reported as a liability. The full amount has been contributed for 2013 and 2012.

#### **Note 13: Risk Management**

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

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

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2014

### Note 14: Compensated Absences

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

Sick leave is earned at the rate of 10 hours to 14 hours for each month worked. The total amount of accumulated sick leave shall not exceed 960 hours to 1,344 hours, depending upon the employment contract. Each employee upon retirement, with a minimum of 15 years of employment, is paid at a rate of one-half (1/2) of the employee's earned unused sick leave balances up to a maximum of one-half (1/2) of 960 hours.

### Note 15: Significant Commitments

#### A. Contracts

The City has the following outstanding contractual commitments for various construction projects at December 31, 2014:

<u>Contractor</u>	<u>Contract</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
COAF IV (Clean Ohio Assistance Fund)	\$ 222,704	\$ 186,204	\$ 36,500
North Avenue Bridge Replacement	365,000	41,986	323,014
JEDD III Construction	150,000	26,813	123,187
Grant St. Bridge	230,000	201,414	28,586

#### B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds:		Business-Type Funds:	
General	\$ 48,335	Wastewater	\$ 17,070
Street Construction Maintenance and Repair	4,207	Water	<u>2,308</u>
Other Governmental	<u>27,918</u>	Total Business-Type	<u>\$ 19,378</u>
Total Governmental	<u>\$ 80,460</u>		

# City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

## For the Year Ended December 31, 2014

### Note 16: Contingencies/Pending Litigation

#### A. Grants

The City has received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

#### B. Litigation

The City is party to various litigation, claims, and inquiries most of which are routine to the nature of a municipality. It is the opinion of the City's management that the disposition of such litigation will not have a material effect on the overall financial position of the City at December 31, 2014.

### Note 17: Interfund Transactions

#### A. Interfund Balances

Interfund receivables and payables for the year ended December 31, 2014 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 84,331
Wastewater Fund	Other Governmental Funds	50,000
		<u>\$ 134,331</u>

Long-term interfund loans are classified as "advances to/from other funds" and consist of the following at December 31, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Fund	Street Construction, Maintenance and Repair	\$ 13,000

#### B. Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

Transfer to:	<u>Transfer from</u>			<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Wastewater Fund</u>	
SCMR Fund	\$ 318,094	\$ -	\$ -	\$ 318,094
Other Governmental Funds	415,074	95,365	-	510,439
Water Fund	-	-	17,898	17,898
	<u>\$ 733,168</u>	<u>\$ 95,365</u>	<u>\$ 17,898</u>	<u>\$ 846,431</u>

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2014**

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#### **Note 17: Interfund Transactions (continued)**

##### ***B. Interfund Transfers (continued)***

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer. The \$95,365 in transfers from other governmental funds to other governmental funds consists of the following: a transfer of \$64,192 from the Revolving Loan Fund to the Street lighting Fund, a transfer of \$16,680 from the Street Lighting Fund to the Bond Retirement Fund, and a transfer of \$14,493 from the Sherman and Chestnut Paving Fund to the Infrastructure Fund. These transfers were in compliance with the Ohio Revised Code Section 5705.13 (c).

#### **Note 18: Related Party Transaction**

In the current year, the City transferred parcels of land to the Community Improvement Corporation of Geneva (the "CIC"). The amount owed from the CIC to the City at December 31, 2014 is \$249,809, with \$205,251 due to the City related to the sale of land by the CIC during the prior year. City management is confident that once the CIC sells the remaining 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 19: Accountability**

There are deficits in the Police Levies Fund, FEMA Grant Fund, North Ave Bridge Rehabilitation Fund, and JEDD III Construction Fund of \$1,594, \$202,185, \$28,676, \$41,986, and \$60,284, respectively, caused by the application of generally accepted accounting principles to these funds. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

#### **Note 20: Jointly Governed Organizations**

##### ***A. Ashtabula County General Health District***

The Ashtabula County General Health District (District), a jointly governed organization, provides health services to the citizens with the county. The Board of Health which consists of a representative from each of the participating governments oversees the operation of the District. Twenty-seven townships, seven villages, and the City of Geneva participate in the District. The City contributed \$48,866 during 2014 for the operation of the District.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2014**

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#### **Note 20: Jointly Governed Organizations (continued)**

##### ***B. Geneva Union Cemeteries District***

The Geneva Union Cemeteries District (the “Cemetery”), 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 2014, .30 mills of the tax valuation was paid to the Cemetery.

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

The City is a member of the Northeast Ohio Public Energy Council (NOPEC), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of 134 communities who have been authorized by ballot to purchase electricity on behalf of their citizens.

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Geneva did not contribute to NOPEC during 2014. Financial information can be obtained by contacting 31320 Solon Road, Suite 20, Solon, Ohio 44139.

##### ***D. JEDD-I, JEDD-II, and JEDD-III***

The City of Geneva and Harpersfield Township (Township) have formed three Geneva Joint Economic Development Districts (JEDD) (JEDD-I, JEDD-II, and JEDD-III) which were formed under Chapter 715.72 through 715.83 of the Ohio Revised Code. JEDD-I was formed in 1996 and JEDD-II was formed in 2005 and JEDD-III was formed in 2014 to provided sanitary sewers to each JEDD District. The purpose of the JEDD’s is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, the county, the Township, the City, and the JEDD’s served. The JEDD’s are administered by a Board of locally appointed officials and local business leaders.

The City acts as the fiscal agent for the JEDD-I, JEDD-II, and JEDD-III Districts. In 2014 JEDD-I distributed \$35,500 to the City, \$12,909 to the Township, \$3,227 to the JEDD Board and \$12,909 to the Geneva-area Recreation, Education and Athletic Trust (GaREAT). JEDD-II distributed \$59,256 to the City, \$15,810 to the Township and \$3,952 to the JEDD Board. JEDD-III distributed \$709 to the city, \$599 to the township, and \$69 to the JEDD Board.

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2014**

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#### **Note 21: Component Unit**

##### **A. Summary of Significant Accounting Policies**

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

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

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

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

*Loans Receivables* – Loans receivables are derived from loans granted to local businesses which were reported at \$270,998.

*Capital Assets* – It is the CIC's policy to capitalize expenditures in excess of \$500 with an estimated life of more than one year. Capital asset accounts are stated at cost or donated value and are being depreciated using the straight-line method over their estimated useful lives of ten years. When sold, retired, or otherwise disposed of, the related cost and accumulated depreciation are removed from the applicable accounts and any gain or loss resulting there from is included in the Statement of Activities. Routine maintenance, repairs, and renewals are charged to operating cost and expenses as incurred. Additions and expenditures which materially increase values or extend useful lives are capitalized. A summary of the component unit's capital assets at December 31, 2014, follows:

Land	\$	148,250
Equipment		27,905
Less: accumulated depreciation		<u>(26,300)</u>
Net	\$	<u>149,855</u>

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

## City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

### **For the Year Ended December 31, 2014**

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

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

At year-end the carrying amount of the CIC's deposits were \$154,268 and the bank balance was \$157,307, all of which was covered by the Federal Deposit Insurance Coverage (FDIC).

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**Independent Auditor’s 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 the City Council  
Geneva, Ohio

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ohio (the “City”), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated July 31, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of the City Council  
Geneva, Ohio

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cini & Paricki, Inc.*

Cleveland, Ohio  
July 31, 2015



# Dave Yost • Auditor of State

**CITY OF GENEVA**

**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 5, 2015**