



**Auditor of State  
Betty Montgomery**



**VILLAGE OF GENOA  
OTTAWA COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Genoa  
Ottawa County  
102 East Sixth Street  
Genoa, Ohio 43430-1600

To the Village Council:

We have audited the accompanying financial statements of the Village of Genoa, Ottawa County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 11, 2004

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**VILLAGE OF GENOA  
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Cash Receipts</b>		
Property Tax and Other Local Taxes	\$ 81,051	\$ 839,131
Intergovernmental Receipts	128,541	86,440
Charges for Services	1,452	17,393
Fines, Licenses, and Permits	9,362	5,615
Earnings on Investments	33,016	593
Miscellaneous	3,694	38,366
Total Cash Receipts	<u>257,116</u>	<u>987,538</u>
<b>Cash Disbursements</b>		
Current:		
Security of Persons and Property	320,895	
Public Health Services	5,708	
Leisure Time Activities		56,373
Community Environment	4,669	
Transportation		161,969
General Government	150,817	54,090
Debt Service		
Capital Outlay	13,605	26,007
Total Cash Disbursements	<u>495,694</u>	<u>298,439</u>
Total Receipts Over/(Under) Disbursements	<u>(238,578)</u>	<u>689,099</u>
<b>Other Financing Receipts and (Disbursements)</b>		
Transfers-In	423,958	60,000
Transfers-Out	(186,122)	(751,999)
Other Financing Sources	13,052	1,208
Total Other Financing Receipts/(Disbursements)	<u>250,888</u>	<u>(690,791)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,310	(1,692)
Fund Cash Balances, January 1	105,190	83,034
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 117,500</b></u>	<u><b>\$ 81,342</b></u>
Reserves for Encumbrances, December 31	<u>\$ 3,675</u>	<u>\$ 694</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



<u>Governmental Fund Types</u>		Totals (Memorandum Only)
<u>Debt Service</u>	<u>Capital Projects</u>	
	\$ 135,473	\$ 920,182
		350,454
		18,845
		14,977
		33,609
		42,060
	<u>135,473</u>	<u>1,380,127</u>
		320,895
		5,708
		56,373
		4,669
		161,969
		204,907
\$ 108,410	37,589	145,999
	<u>409,970</u>	<u>449,582</u>
<u>108,410</u>	<u>447,559</u>	<u>1,350,102</u>
<u>(108,410)</u>	<u>(312,086)</u>	<u>30,025</u>
108,410	612,589	1,204,957
	(158,427)	(1,096,548)
		14,260
<u>108,410</u>	<u>454,162</u>	<u>122,669</u>
	142,076	152,694
	591,506	779,730
	<u>\$ 733,582</u>	<u>\$ 932,424</u>
		<u>\$ 4,369</u>

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**VILLAGE OF GENOA  
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 2,555,490
Miscellaneous	6,905
	2,562,395
<b>Operating Cash Disbursements</b>	
Personal Services	816,132
Travel Transportation	4,349
Contractual Services	106,016
Supplies and Materials	185,336
Capital Outlay	1,337,177
	2,449,010
Total Operating Cash Disbursements	2,449,010
Operating Income	113,385
<b>Non-Operating Cash Receipts</b>	
Intergovernmental Receipts	10,655
Proceeds from Notes and Bonds	4,300,000
Other Non-Operating Receipts	42,693
	4,353,348
Total Non-Operating Cash Receipts	4,353,348
<b>Non-Operating Cash Disbursements</b>	
Debt Service	4,485,878
Other Non-Operating Cash Disbursements	282,126
	4,768,004
Total Non-Operating Cash Disbursements	4,768,004
Excess of Disbursements Over Receipts Before Interfund Transfers and Advances	(301,271)
Transfers-In	59,958
Transfers-Out	(168,368)
	(409,681)
Net Disbursements Over Receipts	(409,681)
Fund Cash Balances, January 1	1,833,985
<b>Fund Cash Balances, December 31</b>	<b>\$ 1,424,304</b>
Reserve for Encumbrances, December 31	\$ 2,863

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF GENOA  
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Cash Receipts</b>		
Property Tax and Other Local Taxes	\$ 76,820	\$ 766,040
Intergovernmental Receipts	152,697	84,187
Charges for Services	1,735	22,541
Fines, Licenses, and Permits	18,397	
Earnings on Investments	72,437	1,330
Miscellaneous	3,481	28,656
Total Cash Receipts	<u>325,567</u>	<u>902,754</u>
<b>Cash Disbursements</b>		
Current:		
Security of Persons and Property	336,150	
Public Health Services	5,633	
Leisure Time Activities		55,827
Community Environment	12,456	
Transportation		130,321
General Government	237,939	46,841
Debt Service		
Capital Outlay		62,128
Total Cash Disbursements	<u>592,178</u>	<u>295,117</u>
Total Receipts Over/(Under) Disbursements	<u>(266,611)</u>	<u>607,637</u>
<b>Other Financing Receipts and (Disbursements)</b>		
Transfers-In	409,109	69,500
Transfers-Out	(293,873)	(692,988)
Other Financing Sources	32,373	4,475
Total Other Financing Receipts/(Disbursements)	<u>147,609</u>	<u>(619,013)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(119,002)	(11,376)
Fund Cash Balances, January 1	224,192	94,410
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 105,190</b></u>	<u><b>\$ 83,034</b></u>
Reserves for Encumbrances, December 31	<u>\$ 457</u>	<u>\$ 187</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

<u>Governmental Fund Types</u>		<u>Totals</u>
<u>Debt</u>	<u>Capital</u>	<u>(Memorandum</u>
<u>Service</u>	<u>Projects</u>	<u>Only)</u>
		\$ 842,860
	\$ 193,515	430,399
		24,276
		18,397
		73,767
		32,137
	<u>193,515</u>	<u>1,421,836</u>
		336,150
		5,633
		55,827
		12,456
	6,072	136,393
		284,780
\$ 140,456	37,589	178,045
	629,120	691,248
<u>140,456</u>	<u>672,781</u>	<u>1,700,532</u>
<u>(140,456)</u>	<u>(479,266)</u>	<u>(278,696)</u>
132,005	535,252	1,145,866
(7,000)	(45,846)	(1,039,707)
		36,848
<u>125,005</u>	<u>489,406</u>	<u>143,007</u>
(15,451)	10,140	(135,689)
15,451	581,366	915,419
	<b>\$ 591,506</b>	<b>\$ 779,730</b>
	<u>\$ 3,003</u>	<u>\$ 3,647</u>

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**VILLAGE OF GENOA  
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 2,471,671
Miscellaneous	628
	2,472,299
<b>Operating Cash Disbursements</b>	
Personal Services	738,432
Travel Transportation	7,200
Contractual Services	104,927
Supplies and Materials	967,548
Capital Outlay	2,028,296
	3,846,403
Total Operating Cash Disbursements	3,846,403
Operating Loss	(1,374,104)
<b>Non-Operating Cash Receipts</b>	
Intergovernmental Receipts	11,912
Proceeds from Notes and Bonds	6,000,000
Other Non-Operating Receipts	89,676
	6,101,588
Total Non-Operating Cash Receipts	6,101,588
<b>Non-Operating Cash Disbursements</b>	
Debt Service	6,106,358
Other Non-Operating Cash Disbursements	46,574
	6,152,932
Total Non-Operating Cash Disbursements	6,152,932
Excess of Disbursements Over Receipts Before Interfund Transfers and Advances	(1,425,448)
Transfers-In	97,320
Transfers-Out	(203,479)
	(1,531,607)
Net Disbursements Over Receipts	(1,531,607)
Fund Cash Balances, January 1	3,365,592
	3,365,592
<b>Fund Cash Balances, December 31</b>	<b>\$ 1,833,985</b>
Reserve for Encumbrances, December 31	\$ 15,536

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**VILLAGE OF GENOA  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Genoa, Ottawa County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water, sewer and electric utilities; refuse pick up, park operations (leisure time activities), and police services (security of persons and property)

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

**Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)**

The Village is a participant with thirty-six subdivisions within the State of Ohio in a joint venture for the costs of acquisition, construction and installation of the distributive generation to provide supplemental reserve electric power to the participants on a cooperative basis. Of the 36 participants, 16 are financing participants and 20 are non-financing participants. The financing participants will pay their portion to a debt service reserve fund on a monthly basis and the non-financing participants will pay their portion in a lump sum cash payment. The Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2) was created for that purpose and includes the buyout of the Ohio Municipal Electric Generation Agency Joint Venture 3 (JV3). On dissolution of the joint venture, the net assets of the JV2 will be shared by the participants on a percentage basis. The JV2 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture and a portion of the \$50,260,000 bonds, by which a monthly payment is made to fund the debt service reserve fund for those financing participants. In accordance with the joint venture agreement, the Village remitted monthly payments in the amounts of \$6,580 and \$7,585 for their portion in 2003 and 2002 as a financing participant for the debt service reserve fund. The Village recovers these costs through charges to customers. The Village of Genoa's net investment and its share of the operating results of JV2 ownership share of the project is .19 percent. Complete financial statements for JV2 can be obtained from AMP-Ohio at 2600 Airport Drive, Columbus, Ohio 43219, or from the Village's Administrator.

**VILLAGE OF GENOA  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)**

The Village is a participant with forty-two other municipalities within the State of Ohio in a joint venture to construct a hydroelectric power plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) was created for the purpose. On the dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis. The JV5 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture and a portion of the \$147,815,000 certificates of beneficial interest debt that was issued to construct the fixed asset. In accordance with the joint venture agreement, the Village remitted \$71,297 and \$70,537 for 2003 and 2002, respectively, to the joint venture. The Village of Genoa's net investment and its share of the operating results of JV5 ownership share of the project is .69 percent. Complete financial statements for JV5 can be obtained from AMP-Ohio at 2600 Airport Drive, Columbus, Ohio 43219, or from the Village's Administrator. Each member is required to make debt service payments for the project based on their percentage of ownership. Payment began in 1994. The Village recovers these costs through charges to customers. The Village of Genoa's share of the debt service is as follows:

Year ending December 31:	JV2 Bonds	JV5 Certificates of Beneficial Interest
2004	\$ 7,580	\$ 75,314
2005	7,578	75,282
2006	7,580	75,286
2007	7,585	75,286
2008	7,583	75,303
Subsequent	90,970	1,204,734
Total	\$ 128,876	\$ 1,581,205

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned,

**VILLAGE OF GENOA  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

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

Certificates of deposit and repurchase agreements are valued at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

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

**VILLAGE OF GENOA  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

Local Income Tax Fund - This fund receives local income taxes to provide operating revenue for the general, capital improvement, and sewer capital improvement funds.

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

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

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

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

**4. Capital Project Funds**

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

Capital Improvements Fund - This fund receives transfers in from the Local Income Tax Fund for various capital projects of the Village.

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

Issue II Fund - This fund receives proceeds from the Ohio Public Works Commission for portion of the Issue II projects.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or

**VILLAGE OF GENOA  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

services will be recovered through user charges. The Village had the following significant Enterprise Funds:

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

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF GENOA  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$ (35,240)	\$ 366,195
Certificates of deposit	<u>1,947,538</u>	<u>1,915,238</u>
Total deposits	1,912,298	2,281,433
Repurchase agreement	<u>444,430</u>	<u>332,282</u>
Total deposits and investments	<u><u>\$ 2,356,728</u></u>	<u><u>\$ 2,613,715</u></u>

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

**Investments:** The securities underlying repurchase agreements are held in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

**VILLAGE OF GENOA  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 725,949	\$ 694,126	\$ (31,823)
Special Revenue	1,017,295	1,048,746	31,451
Debt Service	140,455	108,410	(32,045)
Capital Projects	982,300	748,062	(234,238)
Enterprise	7,360,714	6,975,701	(385,013)
Total	\$ 10,226,713	\$ 9,575,045	\$ (651,668)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 829,231	\$ 685,491	\$ 143,740
Special Revenue	1,089,666	1,051,132	38,534
Debt Service	108,410	108,410	
Capital Projects	1,340,370	605,986	734,384
Enterprise	7,987,396	7,388,245	599,151
Total	\$ 11,355,073	\$ 9,839,264	\$ 1,515,809

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 784,385	\$ 767,049	\$ (17,336)
Special Revenue	992,000	976,729	(15,271)
Debt Service	299,960	132,005	(167,955)
Capital Projects	1,386,964	728,767	(658,197)
Enterprise	8,847,301	8,671,207	(176,094)
Total	\$ 12,310,610	\$ 11,275,757	\$ (1,034,853)

**VILLAGE OF GENOA  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 982,931	\$ 886,508	\$ 96,423
Special Revenue	1,020,283	988,292	31,991
Debt Service	315,410	147,456	167,954
Capital Projects	1,347,386	721,630	625,756
Enterprise	11,182,496	10,218,350	964,146
Total	<u>\$ 14,848,506</u>	<u>\$ 12,962,236</u>	<u>\$ 1,886,270</u>

**4. PROPERTY TAX**

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

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. LOCAL INCOME TAX**

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

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



**VILLAGE OF GENOA  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 758,847	6.32 - 6.58%
Water Improvement Limited Tax		
General Obligation Bonds	835,000	3.5 - 5%
Electric System Improvement		
Bond Anticipation Notes	4,300,000	1.30%
Mortgage Revenue Bonds	864,000	5.00%
Total	<u>\$ 6,757,847</u>	

The Ohio Water Development Authority (OWDA) loans relate to a wastewater treatment improvements and a waterline improvement. The OWDA has approved up to \$411,557 in a loan to the Village for the wastewater treatment project. The OWDA has approved up to \$550,234 and \$10,963 in loans to the Village for the waterline project. The loan for the wastewater treatment project will be repaid in semiannual installments of \$18,795, including interest, over 20 years. The loans for the waterline improvements projects will be repaid in semiannual installments of \$22,180, including interest, over 25 years and \$450, including interest, over 24 years. The scheduled payment amount will be adjusted to reflect any revisions in amounts actually borrowed or on deposit as a credit with OWDA. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Water Improvement Limited Tax General Obligation Bonds relates to water system improvements.

The Electric System Improvement Bond Anticipation Notes Series 2002 were issued for \$4,300,000 and renewed in 2003 to provide interim financing for the construction and improvements of substations and electrical upgrades which are, or are to be, used in the Village of Genoa's electric system and to provide interim financing for the construction and purchase of electric generators and a related land purchase which are, or are to be, used in the Village of Genoa's electric system. Excess electric produced from the generators will be sold to AMP-Ohio.

**VILLAGE OF GENOA  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

Mortgage revenue bonds were for waterworks improvements. Property and revenues of the Village of Genoa's waterworks have been pledged to repay these debts.

As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2003 is \$64,050.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan	General Obligation Bonds	Mortgage Revenue Bonds
2004	\$ 82,851	\$ 82,332	\$ 64,200
2005	82,849	80,758	64,150
2006	82,848	84,182	64,050
2007	82,850	82,433	63,900
2008	82,850	85,683	63,700
2009 – 2013	414,249	411,032	320,200
2014 – 2018	263,892	332,750	319,650
2019 – 2023	113,152		320,950
2024 – 2026			192,850
Total	<u>\$ 1,205,541</u>	<u>\$ 1,159,170</u>	<u>\$ 1,473,650</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF GENOA  
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**8. RISK MANAGEMENT**

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

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

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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Genoa  
Ottawa County  
102 East Sixth Street  
Genoa, Ohio 43430-1600

To the Village Council:

We have audited the accompanying financial statements of the Village of Genoa, Ottawa County, (the Village) as of and for the years ended December, 31, 2003 and 2002, and have issued our report thereon dated May 11, 2004. We conducted our audits 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 11, 2004.

**Internal Control over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing

our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 11, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 11, 2004

VILLAGE OF GENOA  
OTTAWA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that he is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$1,000 (\$3,000 after April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

- B. Blanket Certificate** – Fiscal officers may prepare "blanket certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority after September 26, 2003) against any specific line item account over a period not exceeding three month or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

**FINDING NUMBER 2003-001**  
**(Continued)**

- C. Super Blanket Certificate** – The taxing authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify 63 percent of funds prior to purchase commitment for expenditures tested and there was no evidence the Village followed the aforementioned exceptions for these transactions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the taxing authority's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the taxing authority. When prior certification is not possible, "then and now" certification should be used.

We recommend the taxing authority certify purchases to which § 5704.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the taxing authority incurs the commitment, and only when the requirements of § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.



**VILLAGE OF GENOA  
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2001-30162-001	ORC § 135.14, the Village had not established an investment policy.	Yes	
2001-30162-002	ORC § 135.12, the Village had not renewed depository contracts.	Yes	
2001-30162-003	ORC § 5705.41(D), the Village did not properly encumber all expenditures.	No	Not corrected. Repeated as Finding Number 2003-001.
2001-30162-004	ORC § 5705.41(B), expenditures exceeded appropriations in several funds.	Yes	
2001-30162-005	ORC § 5705.39, appropriations exceeded estimated revenue in several funds.	No	Partially corrected. Reported in the management letter.
2001-30162-006	Employee personnel files did not contain salary notices.	Yes	
2001-30162-007	Errors noted from time cards to payroll register.	Yes	
2001-30162-008	The Village violated the "Fifteen Day Rule" relating to disbursement of federal funds.	Yes	

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**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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**VILLAGE OF GENOA**

**OTTAWA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 15, 2004**