



**Auditor of State
Betty Montgomery**

VILLAGE OF GENEVA ON THE LAKE
ASHTABULA COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

Village of Geneva on the Lake
Ashtabula County
4964 South Spencer Street
Geneva on the Lake, Ohio 44041

To the Village Council:

We have audited the accompanying financial statements of Village of Geneva on the Lake, Ashtabula 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 audit.

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

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described 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 of Geneva on the Lake, Ashtabula County, 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 March 10, 2005 on our consideration of the Villages 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 audit.

Village of Geneva on the Lake
Ashtabula County
Independent Accountant's Report
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This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under Section 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

March 10, 2005

**VILLAGE OF GENEVA ON THE LAKE
ASHTABULA 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$260,140	\$138,254		\$398,394
Intergovernmental Receipts	66,210	160,042	\$75,523	301,775
Charges for Services	77,581			77,581
Fines, Licenses, and Permits	80,557			80,557
Earnings on Investments	2,156		39	2,195
Miscellaneous	15,162	4,216		19,378
	<u>501,806</u>	<u>302,512</u>	<u>75,562</u>	<u>879,880</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	219,055	168,457		387,512
Leisure Time Activities	36,140			36,140
Transportation		92,335		92,335
General Government	264,944			264,944
Debt Service:				
Principal Payments	706			706
Interest Payments	11	6,713		6,724
Capital Outlay		8,528	77,583	86,111
	<u>520,856</u>	<u>276,033</u>	<u>77,583</u>	<u>874,472</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(19,050)</u>	<u>26,479</u>	<u>(2,021)</u>	<u>5,408</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	8,523			8,523
Advances-In	87,890	3,240		91,130
Transfers-Out		(23)	(8,500)	(8,523)
Advances-Out	(43,882)	(3,655)		(47,537)
Other Financing Sources			4,669	4,669
	<u>52,531</u>	<u>(438)</u>	<u>(3,831)</u>	<u>48,262</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	33,481	26,041	(5,852)	53,670
Fund Cash Balances, January 1	6,015	79,473	6,407	91,895
Fund Cash Balances, December 31	<u>\$39,496</u>	<u>\$105,514</u>	<u>\$555</u>	<u>\$145,565</u>
Reserves for Encumbrances, December 31	<u>\$790</u>	<u>\$799</u>	<u>\$0</u>	<u>\$1,589</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF GENEVA ON THE LAKE
ASHTABULA COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$559,242	\$0	\$559,242
Total Operating Cash Receipts	<u>559,242</u>	<u>0</u>	<u>559,242</u>
Operating Cash Disbursements:			
Personal Services	162,716		162,716
Fringe Benefits	34,183		34,183
Contractual Services	180,344		180,344
Supplies and Materials	160,402		160,402
Capital Outlay	79,958		79,958
Total Operating Cash Disbursements	<u>617,603</u>	<u>0</u>	<u>617,603</u>
Operating Income/(Loss)	<u>(58,361)</u>	<u>0</u>	<u>(58,361)</u>
Non-Operating Cash Receipts:			
Sale of Fixed Assets	189,057		189,057
Special Assessment	27,937		27,937
Proceeds from Notes and Bonds	94,400		94,400
Other Non-Operating Receipts	57,542	124,981	182,523
Total Non-Operating Cash Receipts	<u>368,936</u>	<u>124,981</u>	<u>493,917</u>
Non-Operating Cash Disbursements:			
Debt Service	192,908		192,908
Other Non-Operating Cash Disbursements	8,843	124,926	133,769
Total Non-Operating Cash Disbursements	<u>201,751</u>	<u>124,926</u>	<u>326,677</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>108,824</u>	<u>55</u>	<u>108,879</u>
Advances-In	40,642		40,642
Advances-Out	(84,235)		(84,235)
Net Receipts Over/(Under) Disbursements	65,231	55	65,286
Fund Cash Balances, January 1	<u>49,910</u>	<u>0</u>	<u>49,910</u>
Fund Cash Balances, December 31	<u>\$115,141</u>	<u>\$55</u>	<u>\$115,196</u>
Reserve for Encumbrances, December 31	<u>\$4,662</u>	<u>\$0</u>	<u>\$4,662</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF GENEVA ON THE LAKE
ASHTABULA 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$206,746	\$138,146		\$344,892
Intergovernmental Receipts	86,067	134,415		220,482
Charges for Services	17,624	400		18,024
Fines, Licenses, and Permits	58,274			58,274
Earnings on Investments	2,270	27	\$55	2,352
Miscellaneous	29,231	4,221		33,452
	<u>400,212</u>	<u>277,209</u>	<u>55</u>	<u>677,476</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	167,113	175,560		342,673
Leisure Time Activities	5,835			5,835
Community Environment			8,909	8,909
Transportation	4,300	73,173		77,473
General Government	167,056			167,056
Debt Service:				
Principal Payments	1,382			1,382
Interest Payments	52	6,696		6,748
Capital Outlay		23,637		23,637
	<u>345,738</u>	<u>279,066</u>	<u>8,909</u>	<u>633,713</u>
Total Receipts Over/(Under) Disbursements	<u>54,474</u>	<u>(1,857)</u>	<u>(8,854)</u>	<u>43,763</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		16		16
Advances-In	53,682	1,029	10,000	64,711
Transfers-Out	(16)			(16)
Advances-Out	(63,135)			(63,135)
Other Financing Sources	700		4,855	5,555
	<u>(8,769)</u>	<u>1,045</u>	<u>14,855</u>	<u>7,131</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	45,705	(812)	6,001	50,894
Fund Cash Balances, January 1	<u>(39,690)</u>	<u>80,285</u>	<u>406</u>	<u>41,001</u>
Fund Cash Balances, December 31	<u>\$6,015</u>	<u>\$79,473</u>	<u>\$6,407</u>	<u>\$91,895</u>
Reserves for Encumbrances, December 31	<u>\$9,222</u>	<u>\$934</u>	<u>\$0</u>	<u>\$10,156</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF GENEVA ON THE LAKE
ASHTABULA COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$396,952	\$0	\$396,952
Miscellaneous	19,650		19,650
Total Operating Cash Receipts	<u>416,602</u>	<u>0</u>	<u>416,602</u>
Operating Cash Disbursements:			
Personal Services	64,622		64,622
Fringe Benefits	17,342		17,342
Contractual Services	162,502		162,502
Supplies and Materials	58,540		58,540
Capital Outlay	28,192		28,192
Total Operating Cash Disbursements	<u>331,198</u>	<u>0</u>	<u>331,198</u>
Operating Income/(Loss)	<u>85,404</u>	<u>0</u>	<u>85,404</u>
Non-Operating Cash Receipts:			
Special Assessments	23,716		23,716
Other Non-Operating Receipts	27,854	51,063	78,917
Total Non-Operating Cash Receipts	<u>51,570</u>	<u>51,063</u>	<u>102,633</u>
Non-Operating Cash Disbursements:			
Debt Service	124,968		124,968
Other Non-Operating Cash Disbursements	11,340	51,063	62,403
Total Non-Operating Cash Disbursements	<u>136,308</u>	<u>51,063</u>	<u>187,371</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>666</u>	<u>0</u>	<u>666</u>
Advances-In	52,106		52,106
Advances-Out	(53,682)		(53,682)
Net Receipts Over/(Under) Disbursements	(910)	0	(910)
Fund Cash Balances, January 1	<u>50,820</u>	<u>0</u>	<u>50,820</u>
Fund Cash Balances, December 31	<u>\$49,910</u>	<u>\$0</u>	<u>\$49,910</u>
Reserve for Encumbrances, December 31	<u>\$6,241</u>	<u>\$0</u>	<u>\$6,241</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF GENEVA ON THE LAKE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003-2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Geneva on the Lake, Ashtabula 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 and sewer utilities, park operations, and police services. The Village appropriates General Fund money to support a volunteer fire department.

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

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, 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.

Certificate of Deposits 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.

Fire Levy Fund -This fund receives property tax for maintaining of the Village's fire department.

**VILLAGE OF GENEVA ON THE LAKE
ASHTABULA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Fund

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 fund:

Issue 2 Fund - This fund receives proceeds from a State grant. The proceeds are being used to maintain Villages roads.

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

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

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

5. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Fund – This fund receives fine and court cost monies. The proceeds are distributed to the State as required by law and to the General Fund of the Village.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object 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.

**VILLAGE OF GENEVA ON THE LAKE
ASHTABULA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

	2003	2002
Demand deposits	\$260,761	\$131,778
Certificates of deposit		10,027
Total deposits	260,761	141,805
Total deposits	\$260,761	\$141,805

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF GENEVA ON THE LAKE
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003-2002
(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	\$590,605	\$510,329	(\$80,276)
Special Revenue	270,789	302,512	31,723
Capital Projects	71,788	80,231	8,443
Enterprise	862,882	928,178	65,296
Total	\$1,796,064	\$1,821,250	\$25,186

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$543,861	\$521,646	\$22,215
Special Revenue	300,215	276,855	23,360
Capital Projects	79,211	86,083	(6,872)
Enterprise	896,744	824,016	72,728
Total	\$1,820,031	\$1,708,600	\$111,431

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$460,193	\$400,912	(\$59,281)
Special Revenue	296,883	277,225	(19,658)
Capital Projects	9,612	4,910	(4,702)
Enterprise	696,763	468,172	(228,591)
Total	\$1,463,451	\$1,151,219	(\$312,232)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$395,135	\$354,976	\$40,159
Special Revenue	303,034	280,000	23,034
Capital Projects	10,000	8,909	1,091
Enterprise	531,650	473,747	57,903
Total	\$1,239,819	\$1,117,632	\$122,187

**VILLAGE OF GENEVA ON THE LAKE
ASHTABULA COUNTY**

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

3. BUDGETARY ACTIVITY – (Continued)

Contrary to Ohio law, which requires purchases to have prior certification of funds being available by the fiscal officer, and charged to or encumbered against the proper appropriation. Purchases did not always contain the required certificate and amounts were not being charged to the proper year's appropriations.

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 1percent 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.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$680,018	2.20-7.59%
General Obligation Bonds	825,000	4.10-6.25%
General Obligation Notes	101,015	4.50%
Ohio Public Works Commission Loan	24,435	0.00%
Total	<u>\$1,630,468</u>	

The Village has four Ohio Water Development Authority (OWDA) loans that relate to water and sewer plant expansion projects that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$1,209,450 in loans to the Village for these projects. The loans will be repaid in semiannual installments over the next 15 years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF GENEVA ON THE LAKE
ASHTABULA COUNTY**

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

6. DEBT – (Continued)

The General Obligation Bonds relate to improvements made to municipal owned Golf Course and are collateralized by the revenue generated by the Golf Course.

The General Obligation Notes relate to a new truck purchased by the Village at the end of 2001 and is jointly shared by the Village’s street and sewer departments and for the purchase of golf course equipment issued in 2003. The Notes are collateralized jointly by the Village’s taxing authority and by revenue generated from the sewer and golf course operations.

The Village has two Ohio Public Works Commission (OPWC) Loans. Loan Number CT 425 relate to street improvements and is paid off in 2004 and Loan number CG28D is for rehabilitation of it sanitary collection system. These Loans are collateralized solely by the Village’s taxing authority.

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

	OWDA Loans	General Obligation Bonds	General Obligation Notes	OPWC Loans
Year ending December 31:				
2004	\$75,011	\$75,835	\$29,616	\$1,357
2005	75,116	74,485	29,616	1,357
2006	75,229	73,110	15,550	1,357
2007	75,351	76,741	15,550	1,357
2008	75,482	75,000	15,550	1,357
Subsequent	437,985	1,056,219		17,650
Total	<u>\$814,174</u>	<u>\$1,431,390</u>	<u>\$105,882</u>	<u>\$24,435</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 Public Employees Retirement System (PERS) of Ohio. OP&F and PERS 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% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants’ gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF GENEVA ON THE LAKE
ASHTABULA COUNTY**

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

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

9. ACCOUNTABILITY

The Village did not have sufficient funds during the audit period to pay certain obligations from various funds and deemed it necessary to either transfer or advance monies from funds that had sufficient revenues in order to pay for these obligations, even though by law, these transfers or advances would not have been permitted. The Village Council voted by resolutions to make these transfers and advances in order to maintain the financial integrity of the Village. The transfers and advances made were contrary to Ohio Revised Code sections 5705.14, 5705.15, and 5705.16.

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Auditor of State Betty Montgomery

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

Village of Geneva on the Lake
Ashtabula County
4964 South Spencer Street
Geneva on the Lake, Ohio 44041

To the Village Council:

We have audited the financial statements of Village of Geneva on the Lake, Ashtabula County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated March 10, 2005 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 10, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that in our judgment, could adversely affect Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-003 thru 2003-006.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also 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 March 10, 2005.

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



Betty Montgomery
Auditor of State

March 10, 2005

VILLAGE OF GENEVA ON THE LAKE
ASHTABULA 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

Ohio Rev. Code Section 5705.41 (D) states no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the Fiscal Officer is attached. The Fiscal Officer must certify that the amount required for the order or contract 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 encumbrances.

There are several exceptions to the standard requirement stated 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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: If the Fiscal Officer can certify that both at the time that the contract or order was made "then" at the time that he is completing his certification "now", 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 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 (\$1,000 prior to 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 Village

2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 one particular line item appropriation.
3. Super Blanket Certificate – The Village 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. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not always encumber funds at the time of the commitment. We noted 27% of the expenditures tested were not properly encumbered, and none of the exceptions above were utilized. Incurring obligations prior to the Fiscal Officer's certification could result in the Village spending more than appropriated.

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 Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

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

We recommend the Village certify purchases to which section 5705.41(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 Village incurs a 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.

FINDING NUMBER 2003-002

Finding for Adjustment

Ohio Revised Code §'s 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to the allowable inter-fund transfers.

Ohio Rev. Code Section 5705.14 states no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except as follows:

- The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.
- The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.
- The unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- Moneys retained by a county from the auto registration distribution fund in accordance with Ohio Rev. Code Section 4501.04, or the gasoline excise tax fund, in accordance with Ohio Rev. Code Section 5737.27, may be transferred from the fund into which they were deposited to the sinking fund or bond retirement fund from which any principal, interest, or charges for which such moneys may be used is payable.
- Money may be transferred from the general fund to any other fund of the subdivision.

FINDING NUMBER 2003-002

Finding for Adjustment (Continued)

- Money may be transferred from the County Mental Retardation and Developmental Disabilities general fund to the County Mental Retardation and Developmental Disabilities capital fund established under Ohio Rev. Code section 5705.091, or for any other fund created for purposes of the County Board of Mental Retardation and Developmental Disabilities so long as money in the fund to which the money is transferred can be spent for the particular purpose of the transferred money. An unexpended balance in an account may be transferred back to the County Mental Retardation and Developmental Disabilities general fund. Transfers shall be done by resolution of the Board of County Commissioners.
- Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution is required). See also 1989 Ohio Attorney General Opinion Number 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds).

Ohio Rev. Code Section 5705.15 provides that in addition to the transfers listed above, which are authorized in Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision, except the proceeds or balances of:

- loans,
- bond issues,
- special levies for the payment of loans or bond issues,
- the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and
- the proceeds or balances of any license fees imposed by law for a specified purpose.

There were several issues noted with the Village's approval and posting of transfers. These are listed below.

Illegal Transfer

In 2003, Village Council approved a transfer of \$8,500 from the Capital Project - Rental Rehab Fund to the General Fund. Based on the above sections of code, this is not an allowable transfer.

A finding for adjustment is hereby rendered against the General Fund in favor of the Rental Rehab Fund in the amount of \$8,500. Council should adjust the fund balance of these funds to reflect this adjustment.

We recommend in the future, Village Council approve all inter-fund transfers by resolution, if said transfer is allowable by the Ohio Revised Code. The resolution should be approved prior to the transfer of funds. The resolution number should be entered in the appropriate column provided by the accounting system (UAN).

**FINDING NUMBER 2003-002
(Continued)**

Finding for Adjustment (Continued)

Illegal Advances

During the year 2002, an advance of \$46,600 was made to the General Fund from the Sewer Operating Fund. The \$46,600 was then advanced to the Park Fund from the General Fund. The General Fund repaid \$10,000 of this advance from its own funds in April 2003, leaving a balance of \$36,600 due the Sewer Operating Fund. This transaction effectively advanced money from the Sewer Operating Fund to the Park Fund which is an illegal advance based on the same provisions of code that guide transfers. Pursuant to Auditor of State Bulletin 97-003, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established; therefore, this advance is considered illegal, based on the restricted use of the Sewer Operating Fund.

A finding for adjustment is hereby rendered against the General and Park Funds in favor of the Sewer Operating Fund in the amount of \$36,600. A finding for adjustment is also rendered against the Park Fund in favor of the General Fund for \$10,000, the portion of the original advance the General Fund made to the Sewer Operating Fund on behalf of the Park Fund. Council should adjust the fund balance of these funds to reflect this adjustment.

Resolution No. 2084

Resolution No. 2084, dated December 28, 1999 authorized a "transfer" from the General Fund to the Park Fund in the amount of \$84,235. The \$84,235 loan was "to be repaid with interest at the rate of 6% per annum by the Park Fund to the General Fund on or before 12/31/2000. The loan was repaid on August 19, 2003, without interest, contrary to Council Resolution. A finding for an adjustment is rendered against the Park Fund and in favor of the General Fund for the interest due. Council and the Fiscal Officer should calculate the interest due the General Fund based on the time frame of the loan and make said payment of interest from the Park Fund to be in compliance with the provisions of this Resolution.

(See Note 9 of the Notes to the Financial Statements for management's comments on transfers and advances.)

FINDING NUMBER 2003-003

Cash Reconciliation

In order to ensure the accuracy of accounting records, an adequate system of internal controls requires an entity to perform periodic reconciliations of their accounts and records which are reviewed and approved by a supervisory level employee or elected official separate from the person performing said function. To be effective, these reconciliation procedures must be performed regularly and include a thorough investigation and follow-up of all significantly reconciling items.

Monthly bank reconciliations for the Primary Checking account were not properly performed for 2003. These reconciliations included "other adjusting factors" to the Village's records in order to reconcile to bank balances. Also the Payroll account was not reconciled for the audit period.

When cash reconciliations are not properly performed, monthly fund balances may be understated or overstated and management can not be assured that the statements reflect the proper financial activities of the Village. Lack of legislative monitoring of the monthly bank statements may lead to undetected errors, irregularities, or misappropriation of the Village's assets.

**FINDING NUMBER 2003-003
(Continued)**

Cash Reconciliation

We recommend that the "Primary Checking account reconciliation" be prepared by the Fiscal Officer. All discrepancies between the amounts on the bank statement and the fund balances on the Village's records should be investigated and resolved in a timely manner. Documentation supporting reconciling items should be retained. Council members should review the Primary Checking account reconciliation each month and sign off in the space provided. The Payroll account should also have a monthly reconciliation performed, and in that it is a clearing account, any balance that is reflected should be investigated and presented to Council for corrective action.

FINDING NUMBER 2003-004

Monitoring Controls

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Monitoring controls generally are concerned with users, analysis of reports or other forms of data produced by the accounting system. Such data may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users expectations.

We noted a lack of Council monitoring controls over revenue collection, expenditure processing, and financial reporting, to identify unusual fluctuations in the Village's revenues, expenditures, and outstanding encumbrances. The lack of monitoring controls could result in the decline of the Village's control procedures without legislative knowledge.

We recommend the Village appoint the Council's Finance Committee to review information regarding revenues, expenditures, outstanding encumbrances, and monthly cash balances. This review should include the monthly reconciliation of all bank accounts and monthly budgetary reports comparing budgeted receipts and expenditures to actual results of operations

FINDING NUMBER 2003-005

Golf Course - Memberships

It is management's responsibility to design and implement internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires procedures performed be thoroughly documented to provide management with reasonable assurance they are being performed timely and consistently. Systems must also be periodically evaluated to determine whether they continue to effectively and efficiently meet management's objectives. Additionally, it is management's responsibility to design and implement internal control procedures to reasonably ensure all membership fees are appropriately collected, safeguarded, deposited, and accurately accounted for in the Village's records.

Membership Applications were mailed to prior years members of the Golf Course. The memberships were only sold at the Golf Course by the Course Manager. Memberships purchased were processed through the cash register but no receipts were issued. Further, the Course Manager deposited membership fees with the Fiscal Officer without any documentation such as a list of members' names.

Our test of membership forms disclosed that the forms were not stamped when received and the forms did not disclose sufficient supporting data to determine the type of membership, the amount paid and if the membership was paid in full. Although we found no evidence of abuse, these conditions do not provide adequate accountability over golf course memberships sold. Membership fees may be diverted without sufficient documentation to trace its disposition.

Village of Geneva on the Lake

**FINDING NUMBER 2003-005
(Continued)**

Golf Course - Memberships

To improve controls over the issuance and collection of golf course memberships, we recommend:

1. The function of collecting membership fees should be separated from the function of issuing membership tags. Membership fees should only be paid to the Fiscal Officer with a properly completed application form. Membership tags should only be issued by the Course Manager upon presentation of an application form stamp "paid" by the Fiscal Officer.
2. The application forms should be mechanically pre-numbered and printed in duplicate. Each form should be stamped on the date received and reference made to the amount and type of membership. The original application form should be retained by the Fiscal Officer and filed in numerical order. A copy of the application form should be remitted to the customer to serve as their receipt and authorization to receive their membership tag.
3. Membership fees should be recorded by the Fiscal Officer to its own receipt code in the Golf Course fund.
4. Management should periodically reconcile the number of membership tags issued at the golf course with the amount of membership fees receipted in the Golf Course fund.

FINDING NUMBER 2003-006

Agreement of Records

The Village uses the Uniform Accounting Network (UAN), a computerized system of accounting. This system was developed by the Auditor of State's Office, which when properly instituted will provide a good form of internal controls and safeguards for governmental accounting transactions. We noted though various weaknesses in the utilization of this system as well as other bookkeeping irregularities, such as:

1. Deposits were made in one month and posted in the subsequent month for any transactions handled each month by the mayor (Mayor's Court, Sanitation, and Bed Tax).
2. All warrants were written manually and entered into the UAN system after the fact during the audit, which increased the possibility of errors. There were approximately five occasions where the amount of the warrant issued did not agree with the amount posted to the Village records.
3. Checks were written to the payroll clearance account and cleared the bank in one month, but not entered into the accounting system until the following month.
4. There were approximately 12 posting error corrections made each month to the Cash Journal of the Village which made for a cumbersome task in identifying the error and the corrections made. Also approximately 20 reclassifying entries were needed to be made each year under audit to properly report the Village's financial activity in their annual reports.

Without maintaining current and accurate posting of records, undetected errors or irregularities could occur and not be corrected on a timely basis. In that the Village has the UAN system in place, by writing checks manually, the inherent controls of the computer program then are not being utilized to its full potential.

**FINDING NUMBER 2003-006
(Continued)**

Agreement of Records

In order for the Village to properly account for their financial information, the following should be implemented:

1. Posting of financial information should be done on a current basis, and in order for it to be accurate, the Village Handbook and chart of accounts prepared by the Auditor of State's Office needs to be used as a reference. Receipts (deposits) and expenditures (withdrawals) should all be accounted for in the month in which they occurred.

When differences do occur, a proof of cash should be performed to determine that check numbers and their amounts agree to what is posted and as to what cleared the bank. Tracing receipts to the date issued, the month posted to the Village records and to bank deposits should identify if all the information is current and accurate. Due care in entering information should help eliminate the need to have any adjustments to the bank reconciliations that are "out of the norm" in performing said reconciliations.

2. In that the Village is on a computerized network, all checks should be entered and posted via the computer. If an emergency exists whereby a check has to be written manually, said check should be accounted for on the system as soon as possible and the reason for the check having to be done this way noted in the Minutes

**VILLAGE OF GENEVA ON THE LAKE
ASHTABULA 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>
2001-31104-001	Ohio Revised Code 5705.41(D)	Partially Corrected	2003-001
2001-31104-002	Ohio Revised Code 5705.14, 5705.15 and 5705.16	Not Corrected	2003-002
2001-31104-003	Ohio Revised Code 5705.10	Fully Corrected	
2001-31104-004	Ohio Revised Code 5705.9	Fully Corrected	
2001-31104-005	Bank Reconciliation	Not Corrected	2003-003
2001-31104-006	Monitoring Controls	Not Corrected	2003-004
2001-31104-007	Budgeted Revenue	Partially Corrected	Moved to Management Letter
2001-31104-008	Appropriations	Partially Corrected	Moved to Management Letter
2001-31104-009	Proper Accounting for Note Proceeds	Partially Corrected	Moved to Management Letter



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VILLAGE OF GENEVA-ON-THE-LAKE

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
APRIL 7, 2005**