

City of Geneva, Ohio

**Basic Financial Statements
For the Year Ended December 31, 2015**



Dave Yost • Auditor of State

City Council
City of Geneva
44 N. Forest St
Geneva, OH 44041

We have reviewed the *Independent Auditor's Report* of the City of Geneva, Ashtabula County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 23, 2016

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City of Geneva, Ohio

For the Year Ended December 31, 2015

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Independent Auditor's Report

Members of City Council
Geneva, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ohio (the "City"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Street Construction, Maintenance and Repair Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members of the City Council
Geneva, Ohio

Emphasis of Matter

As described in Note 3 to the basic financial statements, during 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and as a result restated their December 31, 2014 net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the schedules of the City's proportionate share of the net pension liability and schedules of the City's contributions on pages 76 through 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 30, 2016

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

The management discussion and analysis of the City of Geneva's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2015 are as follows:

- ◆ Total assets of the City were \$36,397,168. Of this amount, \$21,246,069 was attributable to governmental activities and \$15,151,099 was from business-type activities.
- ◆ For the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of these statements resulted in the restatement of net position as of December 31, 2014 for the governmental activities and business-type activities. See Note 3 for additional information regarding the restatement.
- ◆ Total liabilities of the City were \$13,705,874. Governmental activities accounted for \$6,090,482, while business-type activities represented \$7,615,392 of the total.
- ◆ Total assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources at the close of the year by \$22,847,576, a \$804,252 increase from the prior year.

Using this Annual Financial Report

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

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

Statement of Net Position and the Statement of Activities

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

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

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

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

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

Fund Financial Statements

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

Governmental Funds

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

The basic governmental fund financial statements can be found starting on page 19 of this report.

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found starting on page 26 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the City's own programs. The fiduciary fund financial statements can be found on page 30 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 31 of this report.

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

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

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

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

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

Table 1 provides a summary of the City's net position for 2015 as compared to 2014.

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Assets:						
Current and other assets	\$ 3,816,226	\$ 3,762,521	\$ 1,935,735	\$ 1,766,935	\$ 5,751,961	\$ 5,529,456
Capital assets, net	17,426,762	17,836,055	13,213,661	13,089,545	30,640,423	30,925,600
Net pension asset	3,081	840	1,703	464	4,784	1,304
<i>Total assets</i>	<u>21,246,069</u>	<u>21,599,416</u>	<u>15,151,099</u>	<u>14,856,944</u>	<u>36,397,168</u>	<u>36,456,360</u>
Deferred outflows of resources:						
Pension	453,696	299,112	96,577	65,515	550,273	364,627
Liabilities:						
Current liabilities	341,679	494,959	170,841	179,858	512,520	674,817
Long-term liabilities						
Due within one year	369,059	568,547	668,677	647,959	1,037,736	1,216,506
Due in more than one year	2,195,260	2,226,051	6,239,357	6,729,470	8,434,617	8,955,521
Net pension liability	3,184,484	3,030,029	536,517	524,399	3,721,001	3,554,428
<i>Total liabilities</i>	<u>6,090,482</u>	<u>6,319,586</u>	<u>7,615,392</u>	<u>8,081,686</u>	<u>13,705,874</u>	<u>14,401,272</u>
Deferred inflows of resources:						
Property taxes	366,058	376,391	-	-	366,058	376,391
Pension	17,988	-	9,945	-	27,933	-
<i>Total deferred inflows of resources</i>	<u>384,046</u>	<u>376,391</u>	<u>9,945</u>	<u>-</u>	<u>393,991</u>	<u>376,391</u>
Net position:						
Net investment in capital assets	15,042,625	15,204,734	6,363,388	5,760,345	21,406,013	20,965,079
Restricted for:						
Capital projects	79,227	54,640	-	-	79,227	54,640
Debt service	-	35,156	-	-	-	35,156
Other purposes	772,943	850,735	-	-	772,943	850,735
Unrestricted	(669,558)	(942,714)	1,258,951	1,080,428	589,393	137,714
<i>Total net position</i>	<u>\$ 15,225,237</u>	<u>\$ 15,202,551</u>	<u>\$ 7,622,339</u>	<u>\$ 6,840,773</u>	<u>\$ 22,847,576</u>	<u>\$ 22,043,324</u>

During 2015, the City adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension and the net pension asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City proportionate share of each plan's collective:

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

In accordance with GASB 68, the City's statements prepared on the accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for government activities from \$17,932,628 to \$15,202,551 and business-type activities from \$7,299,193 to \$6,840,773.

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22,847,576 at the close of the most recent fiscal year, which indicates an increase in conditions over the prior year.

The largest portion of the City's net position (93.7 percent) reflects the investments in capital assets less any related debt to acquire those assets that is still outstanding. These capital assets are used to provide services to the City's citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets for 2015 decreased \$59,192 (0.16 percent) when compared to 2014. The decrease in total assets was mainly due to the effect of depreciation expense, offset in part by an increase in cash.

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

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

An additional portion of the City's net position (3.73 percent) represents resources that have been restricted on how they may be used. The remaining balance of unrestricted net position totaling \$589,393 may be used to meet the government's on-going obligations to its citizens and creditors.

The net position of the City's business-type activities increased in 2015. The City generally can only use this net position to finance the continuing operations of the wastewater and water systems operations. The increase was mainly attributed to the decrease of long-term liabilities.

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

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 627,338	\$ 642,282	\$ 2,623,102	\$ 2,738,910	\$ 3,250,440	\$ 3,381,192
Operating grants and contributions	788,254	863,778	40,000	-	828,254	863,778
Capital grants and contributions	40,108	19,490	193,375	16,980	233,483	36,470
Total program revenues	<u>1,455,700</u>	<u>1,525,550</u>	<u>2,856,477</u>	<u>2,755,890</u>	<u>4,312,177</u>	<u>4,281,440</u>
General revenues:						
Property and other local taxes	491,871	484,469	-	-	491,871	484,469
Municipal income taxes	2,937,758	2,807,831	-	-	2,937,758	2,807,831
Cable franchise tax	82,334	45,253	-	-	82,334	45,253
Grants and entitlements not restricted to specific programs	349,818	35,743	-	-	349,818	35,743
Investment income	3,888	4,786	4,630	4,319	8,518	9,105
Miscellaneous income	317,363	236,212	1,260	857	318,623	237,069
Total general revenues	<u>4,183,032</u>	<u>3,614,294</u>	<u>5,890</u>	<u>5,176</u>	<u>4,188,922</u>	<u>3,619,470</u>
Total revenues	<u>5,638,732</u>	<u>5,139,844</u>	<u>2,862,367</u>	<u>2,761,066</u>	<u>8,501,099</u>	<u>7,900,910</u>
Program expenses:						
General government	1,441,491	1,125,062	-	-	1,441,491	1,125,062
Security of persons and property	2,223,063	2,391,463	-	-	2,223,063	2,391,463
Leisure time activities	183,226	174,959	-	-	183,226	174,959
Community development	338,547	697,361	-	-	338,547	697,361
Transportation	1,293,806	1,008,820	-	-	1,293,806	1,008,820
Interest and fiscal charges	80,820	97,897	-	-	80,820	97,897
Wastewater	-	-	1,012,550	1,268,818	1,012,550	1,268,818
Water	-	-	1,126,621	1,269,269	1,126,621	1,269,269
Total program expenses	<u>5,560,953</u>	<u>5,495,562</u>	<u>2,139,171</u>	<u>2,538,087</u>	<u>7,700,124</u>	<u>8,033,649</u>
Increase (decrease) in net position before transfers	77,779	(355,718)	723,196	222,979	800,975	(132,739)
Transfers	(55,093)	-	58,370	-	3,277	-
Change in net position	22,686	(355,718)	781,566	222,979	804,252	(132,739)
Net position at beginning of year	15,202,551	n/a	6,840,773	n/a	22,043,324	n/a
Net position at end of year	\$ <u>15,225,237</u>	\$ <u>15,202,551</u>	\$ <u>7,622,339</u>	\$ <u>6,840,773</u>	\$ <u>22,847,576</u>	\$ <u>22,043,324</u>

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

Effects of GASB 68

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$299,112 in the governmental activities and \$65,515 in the business-type activities computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$321,923 in the governmental activities and \$57,608 in the business-type activities. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-type Activities
Total 2015 program expenses under GASB 68	\$ 5,560,953	\$ 2,139,171
Pension expense under GASB 68	(321,923)	(57,608)
2015 Contractually required contribution	<u>306,305</u>	<u>67,846</u>
Adjusted 2015 program expenses	5,545,335	2,116,424
Total 2014 program expenses under GASB 27	<u>5,495,562</u>	<u>2,538,087</u>
Increase (decrease) in program expenses not related to pension	\$ <u><u>49,773</u></u>	\$ <u><u>(421,663)</u></u>

Governmental Activities

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

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

In 2015, City municipal income tax proceeds received by the governmental activities were \$2,937,758, which was an increase of 4.6 percent from 2014.

Property and other local taxes revenue received by the City for governmental activities is \$491,871, which remained fairly consistent with the prior year. The full voted tax rate for 2015 was 4.8 mills. A mill is \$8.70 for every \$1,000 of assessed valuation. The annual property tax is calculated using the taxable value (market value multiplied by 35 percent) of the property effective tax rate levied by the City of Geneva.

Capital grants and contributions increased from the prior year due to an increase in donations received by the City from various organizations.

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

Expenses are categorized by programs. The largest program, security of persons and property which includes police, fire, and public safety was approximately 40 percent of governmental expenses and decreased \$168,400 or 7.0 percent from the prior year. Training plays a crucial role in keeping up with rapidly changing laws, practices and technology. Training among our employees is performed in-house, attending seminars/conferences, continuing education classes, practice drills and watching training videos. The second largest program, transportation, which is composed of street construction and maintenance, was approximately 23 percent of the governmental expenses. The decrease from the prior year is mainly due to changes in capital asset activity. The third largest program is community development which is approximately 6 percent of governmental expenses.

Business-Type Activities

The business-type activities of the City, which include the City's wastewater and water operations, increased the City's net position by \$781,566. This increase is mainly due to charges for services and other revenues sufficiently covering the expenses to run the wastewater and water treatment systems.

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

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 19. These funds are accounted for using the modified accrual basis of accounting.

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

As of the end of the year, the City's governmental funds reported combined ending fund balances of \$1,884,142. In 2015, unassigned fund balance, which is available for spending at the government's discretion, is at \$1,190,548.

The General Fund is the main operating fund of the City. At the end of 2015, total fund balance for the General Fund was \$1,484,155 of which \$1,290,312 was unassigned for financial reporting purposes.

General Fund Budgeting Highlights

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

For the General Fund, final budgeted basis revenues, including other financing sources were \$166,901 above the original estimate of \$3,875,246, due to increases in estimated receipts across various categories.

The original appropriations, including other financing uses, of \$4,478,162 were increased to \$4,737,506. After these adjustments, the actual charges to appropriations (expenditures) and other financing uses were \$623,839 below the final budgeted amount for the General Fund.

Business-Type Funds

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

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Wastewater and Water Funds. The basic proprietary fund financial statements can be found on page 26 through 29 of this report.

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

Capital Assets and Debt Administration

Capital Assets

At the end of 2015, the City of Geneva had net book value of \$30,640,423 in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, park facilities, furniture and fixtures, and vehicles.

Table 3 shows fiscal 2015 balances of capital assets as compared to 2014:

Table 3
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land and land improvements	\$ 1,712,451	\$ 1,712,451	\$ -	\$ -	\$ 1,712,451	\$ 1,712,451
Buildings	5,124,360	5,102,498	4,480,918	4,446,608	9,605,278	9,549,106
Machinery and equipment	1,823,913	1,722,946	1,048,685	979,586	2,872,598	2,702,532
Vehicles	1,687,018	1,577,219	400,413	363,804	2,087,431	1,941,023
Infrastructure	24,578,465	24,408,645	14,090,018	13,967,939	38,668,483	38,376,584
Intangibles	43,478	10,978	49,809	49,809	93,287	60,787
Historical treasures	46,378	46,378	-	-	46,378	46,378
Construction in progress	255,184	197,968	337,312	63,848	592,496	261,816
Less: accumulated depreciation	<u>(17,844,485)</u>	<u>(16,943,028)</u>	<u>(7,193,494)</u>	<u>(6,782,049)</u>	<u>(25,037,979)</u>	<u>(23,725,077)</u>
Total capital assets	\$ <u>17,426,762</u>	\$ <u>17,836,055</u>	\$ <u>13,213,661</u>	\$ <u>13,089,545</u>	\$ <u>30,640,423</u>	\$ <u>30,925,600</u>

The decrease in governmental activities capital assets was mainly due to depreciation exceeding current year additions. The increase in business-type capital assets was mainly due to new additions in the current year.

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

City of Geneva, Ohio

Management’s Discussion and Analysis (Unaudited) (continued)

For the Year Ended December 31, 2015

Debt

At December 31, 2015, the City of Geneva had \$13,193,354 in outstanding debt, accrued compensated absences, and net pension liability of which \$1,181,000 was in general obligation bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 1,181,000	\$ 1,405,286	\$ -	\$ -	\$ 1,181,000	\$ 1,405,286
Special assessment bonds	-	105,000	-	-	-	105,000
OPWC loans	839,723	866,964	311,518	324,677	1,151,241	1,191,641
OWDA loans	-	-	6,337,349	6,850,810	6,337,349	6,850,810
Capital leases	254,804	71,248	69,066	86,308	323,870	157,556
Accrued compensated absences	180,182	163,277	57,761	48,229	237,943	211,506
Note payable for school	41,200	61,800	-	-	41,200	61,800
ODOT loans payable	67,410	121,023	-	-	67,410	121,023
Net pension liability	3,184,484	3,030,029	536,517	524,399	3,721,001	3,554,428
Other long-term liabilities	-	-	69,795	-	69,795	-
Other loan	-	-	62,545	67,405	62,545	67,405
Total	\$ 5,748,803	\$ 5,824,627	\$ 7,444,551	\$ 7,901,828	\$ 13,193,354	\$ 13,726,455

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

More detailed information about the City’s long-term liabilities is presented in Notes 9, 10 and 11 to the financial statements.

Current Related Financial Activities

The City’s elected and appointed officials considered many factors when setting the fiscal year 2016 budget. The economy is one factor that is recognized in the challenging budget process along with basic operating costs of the City such as negotiated salary increases, benefits, and infrastructure.

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

The General Fund's expenditures are expected to increase during 2016 mainly with respect to benefits, fuel, and utilities. The City recognizes that declining tax revenue coupled with the cost of inflation and expenditure increases will require the City to continue a pattern of cost containment while pursuing new revenue sources. New revenue sources include the City's participation in the Joint Economic Development District I, District II and District III with Harpersfield Township. The City has also been successful in obtaining grants from various sources to aid in capital projects.

Contacting the City of Geneva's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Finance Director, Traci Welch, City of Geneva, at 440-466-3316.

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City of Geneva, Ohio

Statement of Net Position

December 31, 2015

	Governmental Activities	Business- Type Activities	Total	Component Unit Community Improvement Corporation of Geneva
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,583,652	\$ 1,187,913	\$ 2,771,565	\$ 82,611
Cash held in escrow account	41,983	-	41,983	-
Cash held as fiscal agent	-	-	-	79,568
Accounts receivable	228,249	626,590	854,839	11,714
Due from component unit	248,728	-	248,728	-
Materials and supplies inventory	15,759	48,579	64,338	-
Intergovernmental receivable	265,825	974	266,799	-
Internal balances	(46,723)	46,723	-	-
Prepaid items	98,103	16,864	114,967	-
Property taxes receivable	388,046	-	388,046	-
Municipal income taxes receivable	724,441	-	724,441	-
Loans receivable	-	-	-	267,817
Special assessment receivable	268,163	8,092	276,255	-
Non-depreciable capital assets	2,057,491	387,121	2,444,612	44,000
Depreciable capital assets, net	15,369,271	12,826,540	28,195,811	230
Net pension asset	3,081	1,703	4,784	-
Total assets	<u>21,246,069</u>	<u>15,151,099</u>	<u>36,397,168</u>	<u>485,940</u>
Deferred outflows of resources:				
Pension	<u>453,696</u>	<u>96,577</u>	<u>550,273</u>	<u>-</u>
Liabilities:				
Accounts payable	106,930	53,945	160,875	-
Accrued wages and benefits	122,768	30,689	153,457	-
Funds held as fiscal agent	-	-	-	79,568
Intergovernmental payable	54,807	44,806	99,613	1,023
Due to primary government	-	-	-	248,728
Unearned revenue	29,783	40,500	70,283	-
Accrued interest payable	27,391	901	28,292	-
Long-term liabilities:				
Due within one year	369,059	668,677	1,037,736	-
Due in more than one year	-	-	-	-
Other amounts due in more than one year	2,195,260	6,239,357	8,434,617	-
Net pension liability	<u>3,184,484</u>	<u>536,517</u>	<u>3,721,001</u>	<u>-</u>
Total liabilities	<u>6,090,482</u>	<u>7,615,392</u>	<u>13,705,874</u>	<u>329,319</u>
Deferred inflows of resources:				
Property taxes	366,058	-	366,058	-
Pension	<u>17,988</u>	<u>9,945</u>	<u>27,933</u>	<u>-</u>
Total deferred inflows of resources	<u>384,046</u>	<u>9,945</u>	<u>393,991</u>	<u>-</u>
Net position:				
Net investment in capital assets	15,042,625	6,363,388	21,406,013	-
Restricted for:				
Capital projects	79,227	-	79,227	-
Other purposes	772,943	-	772,943	-
Unrestricted	<u>(669,558)</u>	<u>1,258,951</u>	<u>589,393</u>	<u>156,621</u>
Total net position	<u>\$ 15,225,237</u>	<u>\$ 7,622,339</u>	<u>\$ 22,847,576</u>	<u>\$ 156,621</u>

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

City of Geneva, Ohio

Statement of Activities

For the Year Ended December 31, 2015

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,441,491	\$ 42,345	\$ 1,495	\$ -
Security of persons and property	2,223,063	482,279	279,520	18,290
Leisure time activities	183,226	53,737	-	-
Community development	338,547	39,101	252,338	21,818
Transportation	1,293,806	9,876	254,901	-
Interest and fiscal charges	80,820	-	-	-
Total governmental activities	5,560,953	627,338	788,254	40,108
Business-type activities:				
Wastewater	1,012,550	1,207,781	40,000	177,526
Water	1,126,621	1,415,321	-	15,849
Total business-type activities	2,139,171	2,623,102	40,000	193,375
Total primary government	\$ 7,700,124	\$ 3,250,440	\$ 828,254	\$ 233,483
Component unit:				
Community Improvement Corporation of Geneva	\$ 152,078	\$ -	\$ 14,805	\$ -

General revenues:

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

Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated
(Note 3)

Net position at end of year

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

<u>Net (Expense) Revenue and Changes in Net Position</u>			
<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	<u>Component Unit Community Improvement Corp. of Geneva</u>
\$ (1,397,651)	\$ -	\$ (1,397,651)	\$ -
(1,442,974)	-	(1,442,974)	-
(129,489)	-	(129,489)	-
(25,290)	-	(25,290)	-
(1,029,029)	-	(1,029,029)	-
<u>(80,820)</u>	<u>-</u>	<u>(80,820)</u>	<u>-</u>
<u>(4,105,253)</u>	<u>-</u>	<u>(4,105,253)</u>	<u>-</u>
-	412,757	412,757	-
<u>-</u>	<u>304,549</u>	<u>304,549</u>	<u>-</u>
<u>-</u>	<u>717,306</u>	<u>717,306</u>	<u>-</u>
<u>(4,105,253)</u>	<u>717,306</u>	<u>(3,387,947)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(137,273)</u>
314,837	-	314,837	-
177,034	-	177,034	-
2,937,758	-	2,937,758	-
82,334	-	82,334	-
349,818	-	349,818	-
3,888	4,630	8,518	2,503
317,363	1,260	318,623	32,818
<u>(55,093)</u>	<u>58,370</u>	<u>3,277</u>	<u>-</u>
4,127,939	64,260	4,192,199	35,321
22,686	781,566	804,252	(101,952)
<u>15,202,551</u>	<u>6,840,773</u>	<u>22,043,324</u>	<u>258,573</u>
\$ <u>15,225,237</u>	\$ <u>7,622,339</u>	\$ <u>22,847,576</u>	\$ <u>156,621</u>

City of Geneva, Ohio

Balance Sheet Governmental Funds

December 31, 2015

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,145,620	\$ 92,133	\$ 345,899	\$ 1,583,652
Cash held as fiscal agent	-	-	41,983	41,983
Accounts receivable	149,533	-	78,716	228,249
Due from component unit	248,728	-	-	248,728
Materials and supplies inventory	-	15,759	-	15,759
Intergovernmental receivable	122,789	123,030	20,006	265,825
Advances to other funds	-	-	9,750	9,750
Interfund receivable	103,590	-	-	103,590
Prepaid items	81,660	15,111	1,332	98,103
Property taxes receivable	235,351	-	152,695	388,046
Municipal income taxes receivable	724,441	-	-	724,441
Special assessments receivable	27,373	-	240,790	268,163
Total assets	<u>\$ 2,839,085</u>	<u>\$ 246,033</u>	<u>\$ 891,171</u>	<u>\$ 3,976,289</u>
Liabilities, deferred inflows of resources, and fund balances:				
Liabilities:				
Accounts payable	\$ 45,099	\$ 5,538	\$ 56,293	\$ 106,930
Accrued wages and benefits	105,855	16,913	-	122,768
Intergovernmental payable	44,561	6,958	3,288	54,807
Advances from other funds	-	9,750	-	9,750
Unearned revenue	29,783	-	-	29,783
Interfund payable	-	-	150,313	150,313
Total liabilities	<u>225,298</u>	<u>39,159</u>	<u>209,894</u>	<u>474,351</u>
Deferred inflows of resources:				
Property taxes	220,121	-	145,937	366,058
Unavailable revenues	909,511	79,015	263,212	1,251,738
Total deferred inflows of resources	<u>1,129,632</u>	<u>79,015</u>	<u>409,149</u>	<u>1,617,796</u>
Fund balances:				
Nonspendable	81,660	30,870	11,082	123,612
Restricted	-	96,989	349,030	446,019
Committed	-	-	11,780	11,780
Assigned	112,183	-	-	112,183
Unassigned	1,290,312	-	(99,764)	1,190,548
Total fund balances	<u>1,484,155</u>	<u>127,859</u>	<u>272,128</u>	<u>1,884,142</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,839,085</u>	<u>\$ 246,033</u>	<u>\$ 891,171</u>	<u>\$ 3,976,289</u>

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

City of Geneva, Ohio

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

December 31, 2015

Total governmental funds balances \$ 1,884,142

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 17,426,762

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

Property and other taxes	\$ 21,988	
Municipal income taxes	469,399	
Intergovernmental	268,163	
Charges for services	374,688	
Special assessments	<u>117,500</u>	
Total		1,251,738

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (27,391)

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

General obligation bonds	(1,181,000)	
OPWC loans	(839,723)	
ODOT loan payable	(67,410)	
Capital leases payable	(254,804)	
Note payable for school	(41,200)	
Accrued compensated absences	<u>(180,182)</u>	
Total		(2,564,319)

The net pension liability/asset are not due and payable/receivable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:

Net pension asset	3,081	
Deferred outflows	453,696	
Net pension liability	(3,184,484)	
Deferred inflows	<u>(17,988)</u>	
Total		<u>(2,745,695)</u>

Net position of governmental activities \$ 15,225,237

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

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and other local taxes	\$ 316,337	\$ -	\$ 177,034	\$ 493,371
Municipal income taxes	3,007,608	-	-	3,007,608
Intergovernmental	181,203	267,600	648,046	1,096,849
Charges for services	427,355	-	850	428,205
Licenses, permits and fees	159,735	35,955	8,427	204,117
Special assessments	-	-	335,324	335,324
Investment income	3,772	-	116	3,888
Miscellaneous income	134,426	10,096	112,299	256,821
Total revenues	<u>4,230,436</u>	<u>313,651</u>	<u>1,282,096</u>	<u>5,826,183</u>
Expenditures:				
Current operations and maintenance:				
General government	897,608	-	125,580	1,023,188
Security of persons and property	1,907,874	-	363,765	2,271,639
Leisure time activities	171,071	-	-	171,071
Community development	89,033	-	254,025	343,058
Transportation	-	612,000	58,334	670,334
Capital outlay	-	-	559,027	559,027
Debt service:				
Principal retirement	28,073	80,854	387,683	496,610
Interest and fiscal charges	1,772	3,233	78,172	83,177
Total expenditures	<u>3,095,431</u>	<u>696,087</u>	<u>1,826,586</u>	<u>5,618,104</u>
Excess of revenues over (under) expenditures	<u>1,135,005</u>	<u>(382,436)</u>	<u>(544,490)</u>	<u>208,079</u>
Other financing sources (uses):				
Sale of capital assets	1,390	159	-	1,549
Inception of capital leases	-	-	249,426	249,426
Transfers – in	-	410,450	477,189	887,639
Transfers – out	(927,312)	-	(15,420)	(942,732)
Total other financing sources (uses)	<u>(925,922)</u>	<u>410,609</u>	<u>711,195</u>	<u>195,882</u>
Net change in fund balances	209,083	28,173	166,705	403,961
Fund balances at beginning of year	<u>1,275,072</u>	<u>99,686</u>	<u>105,423</u>	<u>1,480,181</u>
Fund balances at end of year	\$ <u>1,484,155</u>	\$ <u>127,859</u>	\$ <u>272,128</u>	\$ <u>1,884,142</u>

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

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

Net change in fund balances - total governmental funds \$ 403,961

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

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

Capital outlay	\$	582,637	
Depreciation		(991,930)	
Total			(409,293)

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

Property and other local taxes		6,343	
Municipal income taxes		(77,693)	
Intergovernmental		(2,914)	
Charges for services		(46,483)	
Special assessments		(68,253)	
Total			(189,000)

Repayments of bond, note, loan and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 496,610

Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Assets. These sources were attributed to the inception of capital leases. (249,426)

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

Accrued compensated absences		(16,905)	
Accrued interest on debt		2,357	
Total			(14,548)

(continued)

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.

OPERS Traditional	119,084	
OPERS Combined	3,627	
OP&F	<u>183,594</u>	
Total		306,305

Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the Statement of Activities.

OPERS Traditional	(102,434)	
OPERS Combined	(1,761)	
OP&F	<u>(217,728)</u>	
Total		<u>(321,923)</u>

Change in net position of governmental activities \$ 22,686

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other local taxes	\$ 295,555	\$ 310,899	\$ 310,977	\$ 78
Municipal income taxes	2,785,010	2,912,541	2,907,815	(4,726)
Intergovernmental	149,549	154,232	171,981	17,749
Charges for services	372,678	384,350	428,580	44,230
Licenses, permits and fees	124,764	128,672	143,479	14,807
Investment income	3,280	3,383	3,772	389
Miscellaneous income	115,179	118,786	132,456	13,670
Total revenues	<u>3,846,015</u>	<u>4,012,863</u>	<u>4,099,060</u>	<u>86,197</u>
Expenditures:				
Current operations and maintenance:				
General government	1,027,665	1,060,944	943,574	117,370
Security of persons and property	2,087,210	2,154,802	1,916,420	238,382
Leisure time activities	184,648	190,628	169,539	21,089
Community development	53,865	55,609	49,457	6,152
Debt service	<u>7,651</u>	<u>7,899</u>	<u>7,025</u>	<u>874</u>
Total expenditures	<u>3,361,039</u>	<u>3,469,882</u>	<u>3,086,015</u>	<u>383,867</u>
Excess of revenues over (under) expenditures	<u>484,976</u>	<u>542,981</u>	<u>1,013,045</u>	<u>470,064</u>
Other financing sources (uses):				
Sale of capital assets	1,700	1,753	1,955	202
Advances – in	27,531	27,531	27,531	-
Transfers – out	(892,123)	(1,042,624)	(980,862)	61,762
Advances – out	<u>(225,000)</u>	<u>(225,000)</u>	<u>(46,790)</u>	<u>178,210</u>
Total financing sources (uses)	<u>(1,087,892)</u>	<u>(1,238,340)</u>	<u>(998,166)</u>	<u>240,174</u>
Net change in fund balance	(602,916)	(695,359)	14,879	710,238
Prior year encumbrances appropriated	57,694	57,694	57,694	-
Fund balance at beginning of year	<u>992,064</u>	<u>992,064</u>	<u>992,064</u>	<u>-</u>
Fund balance at end of year	\$ <u>446,842</u>	\$ <u>354,399</u>	\$ <u>1,064,637</u>	\$ <u>710,238</u>

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

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 250,000	\$ 311,645	\$ 270,079	\$ (41,566)
Licenses, permits and fees	73,000	43,717	37,886	(5,831)
Miscellaneous income	-	11,650	10,096	(1,554)
Total revenues	<u>323,000</u>	<u>367,012</u>	<u>318,061</u>	<u>(48,951)</u>
Expenditures:				
Current operations and maintenance:				
Transportation	724,262	764,482	646,272	118,210
Debt service	<u>87,337</u>	<u>87,337</u>	<u>87,337</u>	<u>-</u>
Total expenditures	<u>811,599</u>	<u>851,819</u>	<u>733,609</u>	<u>118,210</u>
Excess of revenues over (under) expenditures	(488,599)	(484,807)	(415,548)	69,259
Other financing sources (uses):				
Sale of capital assets	-	183	159	(24)
Transfers – in	<u>477,595</u>	<u>473,620</u>	<u>410,450</u>	<u>(63,170)</u>
Total other financing sources (uses)	<u>477,595</u>	<u>473,803</u>	<u>410,609</u>	<u>(63,194)</u>
Net change in fund balance	(11,004)	(11,004)	(4,939)	6,065
Prior year encumbrances appropriated	11,004	11,004	11,004	-
Fund balance at beginning of year	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Fund balance at end of year	\$ <u>50,000</u>	\$ <u>50,000</u>	\$ <u>56,065</u>	\$ <u>6,065</u>

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

City of Geneva, Ohio

Statement of Fund Net Position Proprietary Funds

December 31, 2015

	Wastewater Fund	Water Fund	Total Business-Type Activities
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 507,344	\$ 680,569	\$ 1,187,913
Accounts receivable	445,559	181,031	626,590
Materials and supplies inventory	12,746	35,833	48,579
Intergovernmental receivable	974	-	974
Due from other funds	46,723	-	46,723
Prepaid items	14,405	2,459	16,864
Special assessments receivable	4,769	3,323	8,092
Total current assets	<u>1,032,520</u>	<u>903,215</u>	<u>1,935,735</u>
Noncurrent assets:			
Non-depreciable capital assets	228,093	159,028	387,121
Depreciable capital assets, net	6,527,819	6,298,721	12,826,540
Net pension asset	1,145	558	1,703
Total noncurrent assets	<u>6,757,057</u>	<u>6,458,307</u>	<u>13,215,364</u>
Total assets	<u>7,789,577</u>	<u>7,361,522</u>	<u>15,151,099</u>
Deferred outflows of resources:			
Pension	<u>64,939</u>	<u>31,638</u>	<u>96,577</u>
Liabilities:			
Current liabilities:			
Accounts payable	49,542	4,403	53,945
Accrued wages and benefits	24,506	6,183	30,689
Intergovernmental payable	9,644	35,162	44,806
Unearned revenue	40,500	-	40,500
Accrued interest payable	344	557	901
OWDA loans payable	331,099	245,852	576,951
Other loan payable	5,080	-	5,080
OPWC loan payable	17,833	7,238	25,071
Capital leases payable	6,089	11,819	17,908
Accrued compensated absences	43,667	-	43,667
Total current liabilities	<u>528,304</u>	<u>311,214</u>	<u>839,518</u>
Long-term liabilities (net of current portion):			
OWDA loans payable	1,315,622	4,444,776	5,760,398
Other loan payable	57,465	-	57,465
OPWC loan payable	208,828	77,619	286,447
Capital leases payable	12,898	38,260	51,158
Accrued compensated absences	14,094	-	14,094
Other long-term liabilities	14,960	54,835	69,795
Net pension liability	360,756	175,761	536,517
Total long-term liabilities	<u>1,984,623</u>	<u>4,791,251</u>	<u>6,775,874</u>
Total liabilities	<u>2,512,927</u>	<u>5,102,465</u>	<u>7,615,392</u>
Deferred inflows of resources:			
Pension	<u>6,688</u>	<u>3,257</u>	<u>9,945</u>
Net position:			
Net investment in capital assets	4,786,038	1,577,350	6,363,388
Unrestricted	548,863	710,088	1,258,951
Total net position	<u>\$ 5,334,901</u>	<u>\$ 2,287,438</u>	<u>\$ 7,622,339</u>

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

City of Geneva, Ohio

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

For the Year Ended December 31, 2015

	Wastewater Fund	Water Fund	Total Business-Type Activities
Operating revenues:			
Charges for services	\$ 1,190,869	\$ 1,391,658	\$ 2,582,527
Sewer tap-in fees	16,912	15,068	31,980
Fines, licenses, and permits	-	8,595	8,595
Miscellaneous income	2,743	-	2,743
Total operating revenues	<u>1,210,524</u>	<u>1,415,321</u>	<u>2,625,845</u>
Operating expenses:			
Personal services	553,973	273,551	827,524
Supplies and materials	90,973	51,690	142,663
Contractual services	66,256	403,074	469,330
Depreciation	212,022	174,111	386,133
Total operating expenses	<u>923,224</u>	<u>902,426</u>	<u>1,825,650</u>
Operating income	<u>287,300</u>	<u>512,895</u>	<u>800,195</u>
Non-operating revenues (expenses):			
Loss on sale of capital asset	(1,483)	-	(1,483)
Intergovernmental	-	55,849	55,849
Investment income	1,722	2,908	4,630
Interest and fiscal charges	(86,049)	(224,195)	(310,244)
Total non-operating revenues (expenses)	<u>(85,810)</u>	<u>(165,438)</u>	<u>(251,248)</u>
Income before transfers and contributions	201,490	347,457	548,947
Capital contribution	177,526	-	177,526
Transfers – in	<u>55,093</u>	<u>-</u>	<u>55,093</u>
Change in net position	434,109	347,457	781,566
Net position at beginning of year, as restated	<u>4,900,792</u>	<u>1,939,981</u>	<u>6,840,773</u>
Net position at end of year	<u>\$ 5,334,901</u>	<u>\$ 2,287,438</u>	<u>\$ 7,622,339</u>

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

City of Geneva, Ohio

Statement of Cash Flows Proprietary Funds

For the Year Ended December 31, 2015

	Wastewater Fund	Water Fund	Total Business-type Activities
Increase in cash and cash equivalents:			
Cash flows from operating activities:			
Cash received from customers	\$ 1,306,883	\$ 1,421,857	\$ 2,728,740
Cash payments for personal services	(540,606)	(271,485)	(812,091)
Cash payments for contractual services	(66,256)	(429,489)	(495,745)
Cash payments for vendors for supplies and materials	(90,664)	(54,122)	(144,786)
Other operating revenues	2,743	-	2,743
Net cash provided by operating activities	<u>612,100</u>	<u>666,761</u>	<u>1,278,861</u>
Cash flows from non-capital financing activities:			
Transfers – in	55,093	-	55,093
Repayment of advance	<u>3,277</u>	<u>-</u>	<u>3,277</u>
Net cash provided by non-capital financial activities	<u>58,370</u>	<u>-</u>	<u>58,370</u>
Cash flows from capital and related financing activities:			
Proceeds from OWDA loan	85,965	-	85,965
Capital contributions and grants	177,526	55,849	233,375
Principal paid on OWDA loans	(364,413)	(235,013)	(599,426)
Interest paid on OWDA loans	(82,123)	(224,195)	(306,318)
Principal paid on other loan	(4,860)	-	(4,860)
Interest paid on other loan	(2,973)	-	(2,973)
Principal paid on OPWC loan	(8,916)	(4,243)	(13,159)
Principal paid on capital leases	(5,861)	(11,381)	(17,242)
Interest paid on capital leases	(901)	-	(901)
Acquisition of capital assets	<u>(289,506)</u>	<u>(152,431)</u>	<u>(441,937)</u>
Net cash used for capital and related financing activities	<u>(496,062)</u>	<u>(571,414)</u>	<u>(1,067,476)</u>
Cash flows from investing activities:			
Interest received	<u>3,357</u>	<u>3,465</u>	<u>6,822</u>
Net increase in cash and cash equivalents	177,765	98,812	276,577
Cash and cash equivalents at beginning of year	<u>329,579</u>	<u>581,757</u>	<u>911,336</u>
Cash and cash equivalents at end of year	\$ <u><u>507,344</u></u>	\$ <u><u>680,569</u></u>	\$ <u><u>1,187,913</u></u>

(Continued)

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

City of Geneva, Ohio

Statement of Cash Flows (continued)

Proprietary Funds

For the Year Ended December 31, 2015

	Wastewater Fund	Water Fund	Total Business-Type Activities
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 287,300	\$ 512,895	\$ 800,195
Adjustments:			
Depreciation	212,022	174,111	386,133
Changes in assets/liabilities:			
Decrease (increase) in accounts receivable	73,825	(676)	73,149
Decrease in intergovernmental receivable	12,373	747	13,120
Increase in prepaid items	(2,108)	(25)	(2,133)
Decrease (increase) in materials and supplies inventory	309	(2,432)	(2,123)
Decrease in special assessment receivable	14,387	6,465	20,852
Increase in net pension asset	(833)	(406)	(1,239)
Increase in deferred outflows – pension	(20,887)	(10,175)	(31,062)
Increase (decrease) in accounts payable	9,812	(24,317)	(14,505)
Increase in accrued compensated absences	9,532	-	9,532
Increase in intergovernmental payable	465	2,624	3,089
Increase in net pension liability	8,148	3,970	12,118
Increase in deferred inflows – pension	6,688	3,257	9,945
Increase in accrued wages and benefits	1,067	723	1,790
Net cash provided by operating activities	\$ <u>612,100</u>	\$ <u>666,761</u>	\$ <u>1,278,861</u>
Noncash transactions from capital and related financing activities:			
Capital assets acquired by incurring accrued liabilities that will be funded with long-term debt	\$ 14,960	\$ 54,835	\$ 69,795

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

City of Geneva, Ohio

Statement of Fiduciary Assets and Liabilities
Fiduciary Funds

December 31, 2015

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>32,351</u>
Liabilities:	
Accounts payable	\$ <u>32,351</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2015

Note 1: The Reporting Entity

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

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

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

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

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

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 2: Summary of Significant Accounting Policies

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

A. *Basis of Presentation*

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

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

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

The following are the City's major governmental funds:

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

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

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

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds.

Wastewater Fund – The Wastewater Fund accounts for the wastewater service provided to residential and commercial users within the City.

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

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

D. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the financial statements may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance fiscal year 2016 operations.

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

Expenses/Expenditures

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

E. Budgetary Process

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

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

F. Cash and Cash Equivalents

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

During 2015, investments were limited to non-negotiable certificates of deposit and STAR Ohio. Non-negotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2015.

Interest earnings are allocated to City funds according to state statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2015 amounted to \$3,772, of which, \$615 was from other funds.

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

G. Inventory

Inventories are stated at cost, on the first-in, first-out basis. At December 31, 2015, the Street Construction, Maintenance and Repair Fund, Wastewater Fund, and Water Fund maintained the only significant inventory. The costs of governmental fund type inventories are recorded as expenditures in the fund when used. The nonspendable for inventory accounts indicate that a portion of the fund balance is not available for future expenditures. For proprietary funds, inventory is expended when consumed.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

H. Capitalization of Interest

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For the year ended December 31, 2015, \$1,246 of interest was capitalized.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

J. Capital Assets

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

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

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

K. Payables, Accrued Liabilities and Long-Term Obligations

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

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

L. Compensated Absences

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

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

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

M. Fund Balance

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

M. Fund Balance (continued)

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

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

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

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

N. Net Position

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Position reports \$852,170 of restricted net position, none of which is restricted by enabling legislation. Net position restricted for other purposes include resources restricted for streets, grants, police, and fire.

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

O. Interfund Balances

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

P. Operating Revenues and Expenses

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

Q. Interfund Activity

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

S. *Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2015.

T. *Estimates*

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 3: Change in Accounting Principles

For the year ended December 31, 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of these pronouncements had the following effect on net position as reported at December 31, 2014:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net position at December 31, 2014, as previously reported	\$ 17,932,628	\$ 7,299,193	\$ 25,231,821
Net pension asset	840	464	1,304
Deferred outflow – payments subsequent to measurement date	299,112	65,515	364,627
Net pension liability	<u>(3,030,029)</u>	<u>(524,399)</u>	<u>(3,554,428)</u>
Restated net position at December 31, 2014	\$ <u>15,202,551</u>	\$ <u>6,840,773</u>	\$ <u>22,043,324</u>

	<u>Wastewater</u>	<u>Water</u>	<u>Enterprise Total</u>
Net position at December 31, 2014, as previous reported	\$ 5,209,036	\$ 2,090,157	\$ 7,299,193
Net pension asset	312	152	464
Deferred outflow – payments subsequent to measurement date	44,052	21,463	65,515
Net pension liability	<u>(352,608)</u>	<u>(171,791)</u>	<u>(524,399)</u>
Restated net position at December 31, 2014	\$ <u>4,900,792</u>	\$ <u>1,939,981</u>	\$ <u>6,840,773</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 4: Budgetary Basis of Accounting

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

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

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

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

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>
GAAP basis	\$ 209,083	\$ 28,173
Increase (decrease) due to:		
Revenue accruals	(74,991)	4,406
Expenditure accruals	(50,754)	(1,454)
Funds budgeted elsewhere	3,480	-
Outstanding encumbrances	(71,939)	(36,064)
Budgetary basis	\$ <u>14,879</u>	\$ <u>(4,939)</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 5: Fund Balances

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

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventory	\$ -	\$ 15,759	\$ -	\$ 15,759
Prepaid items	81,660	15,111	1,332	98,103
Interfund loans	<u>-</u>	<u>-</u>	<u>9,750</u>	<u>9,750</u>
Total nonspendable	<u>81,660</u>	<u>30,870</u>	<u>11,082</u>	<u>123,612</u>
Restricted:				
Streets and highways	-	96,989	7,723	104,712
Police	-	-	27,468	27,468
Law enforcement trust and education	-	-	66,971	66,971
Community development	-	-	90,501	90,501
Recycling center	-	-	6,985	6,985
Street lighting	-	-	90,861	90,861
Debt service	-	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>58,521</u>	<u>58,521</u>
Total restricted	<u>-</u>	<u>96,989</u>	<u>349,030</u>	<u>446,019</u>
Committed:				
Capital projects	<u>-</u>	<u>-</u>	<u>11,780</u>	<u>11,780</u>
Assigned:				
Other purposes	61,371	-	-	61,371
Community development	<u>50,812</u>	<u>-</u>	<u>-</u>	<u>50,812</u>
Total assigned	<u>112,183</u>	<u>-</u>	<u>-</u>	<u>112,183</u>
Unassigned	<u>1,290,312</u>	<u>-</u>	<u>(99,764)</u>	<u>1,190,548</u>
Total fund balances	\$ <u>1,484,155</u>	\$ <u>127,859</u>	\$ <u>272,128</u>	\$ <u>1,884,142</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 6: Deposits and Investments

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

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

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

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 6: Deposits and Investments (continued)

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

Deposits

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

At year-end, the carrying amount of the City's deposits was \$2,504,086 and the bank balance was \$2,630,987. Of the bank balance \$661,455 was covered by federal depository insurance and \$1,969,532 was uninsured and collateralized with securities held by the pledging institution's trust department, not in the City's name. At December 31, 2015, the City had \$1,500 in cash on hand.

Investments

Investments are reported at fair value. As of December 31, 2015, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
STAR Ohio	\$ <u>340,313</u>	<u>49.4</u>

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 6: Deposits and Investments (continued)

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by the Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. The City's investment in STAR Ohio carries an "AAAm" money market rating by Standard & Poor's.

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

Note 7: Receivables

A. Property Taxes

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

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

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

The full tax rate for all City operations for the year ended December 31, 2015 was \$4.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Category:	
Real estate	\$ 88,618,830
Public utility	<u>2,287,440</u>
Total	<u>\$ 90,906,270</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 7: Receivables (continued)

B. Municipal Income Taxes

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

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

C. Intergovernmental Receivables

Receivables at December 31, 2015, primarily consisted of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues, special assessments and loans receivable. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

Governmental activities:

Homestead and rollback	\$ 29,166
Local government	85,500
CAT tax reimbursements	293
Estate taxes	9,431
Court and drug fines	2,299
Auto registration, licenses, and gasoline tax	126,260
Permissive tax	6,235
Bed tax	5,361
Miscellaneous reimbursement	<u>1,280</u>
Total governmental activities	<u>265,825</u>

Business-type activities:

Geneva area schools WWTP management services	<u>974</u>
Total business-type activities	<u>974</u>
Total	\$ <u><u>266,799</u></u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 7: Receivables (continued)

D. Loan Receivables

As part of the Economic Development Special Revenue Fund, the City maintains a revolving loan program, available to local businesses to encourage growth and development. The State of Ohio provides funding for the program. At December 31, 2015, there was no loan outstanding for this program.

Note 8: Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2015, was as follows:

	<u>Balances</u> <u>12/31/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/15</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land/land improvements	\$ 1,712,451	\$ -	\$ -	\$ 1,712,451
Construction in progress	197,968	208,548	(151,332)	255,184
Historical treasures	46,378	-	-	46,378
Intangibles	<u>10,978</u>	<u>32,500</u>	<u>-</u>	<u>43,478</u>
Total non-depreciable capital assets	<u>1,967,775</u>	<u>241,048</u>	<u>(151,332)</u>	<u>2,057,491</u>
Capital assets being depreciated:				
Building/land improvements	5,102,498	21,862	-	5,124,360
Equipment	1,722,946	101,617	(650)	1,823,913
Vehicles	1,577,219	199,622	(89,823)*	1,687,018
Infrastructure	<u>24,408,645</u>	<u>169,820</u>	<u>-</u>	<u>24,578,465</u>
Total capital assets being depreciated	<u>32,811,308</u>	<u>492,921</u>	<u>(90,473)</u>	<u>33,213,756</u>
Less: accumulated depreciation				
Building/land improvements	(2,268,499)	(117,535)	-	(2,386,034)
Equipment	(1,247,720)	(86,965)	650	(1,334,035)
Vehicles	(962,472)	(126,382)	89,823*	(999,031)
Infrastructure	<u>(12,464,337)</u>	<u>(661,048)</u>	<u>-</u>	<u>(13,125,385)</u>
Total accumulated depreciation	<u>(16,943,028)</u>	<u>(991,930)</u>	<u>90,473</u>	<u>(17,844,485)</u>
Net capital assets being depreciated	<u>15,868,280</u>	<u>(499,009)</u>	<u>-</u>	<u>15,369,271</u>
Governmental activities capital assets, net	\$ <u>17,836,055</u>	\$ <u>(257,961)</u>	\$ <u>(151,332)</u>	\$ <u>17,426,762</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 8: Capital Assets (continued)

	<u>Balances</u> <u>12/31/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/15</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 63,848	\$ 277,027	\$ (3,563)	\$ 337,312
Intangibles	<u>49,809</u>	<u>-</u>	<u>-</u>	<u>49,809</u>
Total non-depreciable capital assets	<u>113,657</u>	<u>277,027</u>	<u>(3,563)</u>	<u>387,121</u>
Capital assets being depreciated:				
Buildings/land improvements	4,446,608	34,310	-	4,480,918
Equipment	979,586	81,879	(12,780)	1,048,685
Vehicles	363,804	47,000*	(10,391)	400,413
Infrastructure	<u>13,967,939</u>	<u>122,079</u>	<u>-</u>	<u>14,090,018</u>
Total capital assets being depreciated	<u>19,757,937</u>	<u>285,268</u>	<u>(23,171)</u>	<u>20,020,034</u>
Less: accumulated depreciation				
Buildings/land improvements	(2,653,324)	(28,455)	-	(2,681,779)
Equipment	(626,210)	(44,465)	11,297	(659,378)
Vehicles	(206,500)	(67,423)*	10,391	(263,532)
Infrastructure	<u>(3,296,015)</u>	<u>(292,790)</u>	<u>-</u>	<u>(3,588,805)</u>
Total accumulated depreciation	<u>(6,782,049)</u>	<u>(433,133)</u>	<u>21,688</u>	<u>(7,193,494)</u>
Net capital assets being depreciated	<u>12,975,888</u>	<u>(147,865)</u>	<u>(1,483)</u>	<u>12,826,540</u>
Total business-type activities capital assets, net	\$ <u>13,089,545</u>	\$ <u>129,162</u>	\$ <u>(5,046)</u>	\$ <u>13,213,661</u>

*The City transferred a dump truck from one fund to another with a cost of \$47,000 and net book value of \$-0-. The balances include this amount.

Depreciation expense was charged to governmental activities as follows:

General government	\$ 158,545
Security of persons and property	158,339
Leisure time activities	13,278
Transportation	661,004
Public health and welfare	<u>764</u>
Total	\$ <u>991,930</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 9: Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2015 was as follows:

	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/15</u>	<u>Due in One</u> <u>Year</u>
<i>Governmental activities:</i>					
General obligation bonds:					
4.99% 1995 Various purpose street lighting improvements, maturing 2015	\$ 15,000	\$ -	\$ (15,000)	\$ -	\$ -
4.51% 2005 Road improvements, maturing 2015	54,286	-	(54,286)	-	-
2-4% 2003 USDA rural development – fire truck, maturing 2015	72,000	-	(72,000)	-	-
5.25% 2009 Various purpose, maturing 2029	994,000	-	(48,000)	946,000	50,000
4.00% 2011 Municipal facility improvement, maturing 2021	<u>270,000</u>	<u>-</u>	<u>(35,000)</u>	<u>235,000</u>	<u>35,000</u>
Total general obligation bonds	<u>1,405,286</u>	<u>-</u>	<u>(224,286)</u>	<u>1,181,000</u>	<u>85,000</u>
Special assessment bonds:					
4.99% 1995 Various purpose – subdivisions, maturing 2015	<u>105,000</u>	<u>-</u>	<u>(105,000)</u>	<u>-</u>	<u>-</u>
Other loans:					
0% Ohio Public Works Commission:					
2006 Roosevelt Drive, maturing 2016	7,500	-	(2,500)	5,000	5,000
2010 E. Tibbitts, maturing 2021	30,000	-	(2,500)	27,500	5,000
2010 Ansel, maturing 2032	160,572	-	(4,723)	155,849	9,445
2011 Lockwood, maturing 2021	8,442	-	(649)	7,793	1,300
2012 Sherman/Chestnut, maturing 2033	558,036	-	(14,309)	543,727	28,617
2014 Grant Bridge, maturing 2034	102,414	-	(2,560)	99,854	5,121
3% Ohio Department of Transportation loans payable:					
2007 - Austin Road SIB loan, maturing 2017	110,705	-	(43,295)	67,410	44,604
2010 - North Eagle SIB loan, maturing 2015	<u>10,318</u>	<u>-</u>	<u>(10,318)</u>	<u>-</u>	<u>-</u>
Total other loans	<u>987,987</u>	<u>-</u>	<u>(80,854)</u>	<u>907,133</u>	<u>99,087</u>
Other long-term obligations:					
Capital leases payable, maturing through 2017	71,248	249,426	(65,870)	254,804	114,036
Note payable for school, maturing 2017	61,800	-	(20,600)	41,200	20,600
Accrued compensated absences	163,277	35,686	(18,781)	180,182	50,336
Net pension liability	<u>3,030,029</u>	<u>154,455</u>	<u>-</u>	<u>3,184,484</u>	<u>-</u>
Total other long-term obligations	<u>3,326,354</u>	<u>439,567</u>	<u>(105,251)</u>	<u>3,660,670</u>	<u>184,972</u>
Total governmental long-term liabilities	\$ <u>5,824,627</u>	\$ <u>439,567</u>	\$ <u>(515,391)</u>	\$ <u>5,748,803</u>	\$ <u>369,059</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 9: Long-Term Obligations (continued)

	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/15</u>	<u>Due in One</u> <u>Year</u>
<i>Business-type activities:</i>					
Ohio Water Development Authority (OWDA) loans:					
4.56% OWDA, series 2004, maturing 2030	\$ 4,925,641	\$ -	\$ (235,013)	\$ 4,690,628	\$ 245,852
1% OWDA Elm Street sub-basin sewer rehabilitation maturing 2030	181,546	-	(10,885)	170,661	10,994
1% OWDA laboratory building maturing 2030	259,190	-	(15,540)	243,650	15,696
7% OWDA Phase III - Southerly sewer, maturing 2018	699,194	-	(182,605)	516,589	196,300
2.2% OWDA Phase IV - interceptor Old Orchard, maturing 2015	12,964	-	(12,964)	-	-
2.2% OWDA Phase V - Centennial, maturing 2015	13,440	-	(13,440)	-	-
2.2% OWDA Phase VI - filter press, maturing 2015	23,719	-	(23,719)	-	-
3% OWDA, series 2007, maturing 2022	735,116	-	(88,793)	646,323	91,477
1% OWDA WW Collection system study maturing 2020	-	79,998	(16,467)	63,531	16,632
1.68% OWDA advanced metering infrastructure maturing 2032	-	<u>5,967</u>	-	<u>5,967</u>	-
Total Ohio Water Development Authority loans	<u>6,850,810</u>	<u>85,965</u>	<u>(599,426)</u>	<u>6,337,349</u>	<u>576,951</u>
Other long-term obligations:					
2006 Geneva-on-the-Lake sanitary sewer outfall, maturing 2026	67,405	-	(4,860)	62,545	5,080
0% Ohio Public Works Commission (OPWC)					
2008 Nearing Circle, maturing 2018	20,000	-	(2,500)	17,500	5,000
2010 W. Liberty maturing 2030	41,327	-	(1,291)	40,036	2,583
2010 Ansel – WW, maturing 2031	174,250	-	(5,125)	169,125	10,250
2010 Ansel – Water, maturing 2031	39,100	-	(1,150)	37,950	2,300
2013 Van Epps – Water, maturing 2024	50,000	-	(3,093)	46,907	4,938
Capital leases payable	86,308	-	(17,242)	69,066	17,908
Accrued compensated absences	48,229	19,370	(9,838)	57,761	43,667
Other long-term liabilities	-	69,795	-	69,795	-
Net pension liability	524,399	12,118	-	536,517	-
Total other long-term obligations	<u>1,051,018</u>	<u>101,283</u>	<u>(45,099)</u>	<u>1,107,202</u>	<u>91,726</u>
Total business-type long-term liabilities	\$ <u>7,901,828</u>	\$ <u>187,248</u>	\$ <u>(644,525)</u>	\$ <u>7,444,551</u>	\$ <u>668,677</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 9: Long-Term Obligations (continued)

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2015 were as follows:

Year	Governmental Activities				
	General Obligation Bonds		OPWC Loans	Other Loans	
	Principal	Interest	Principal	Principal	Interest
2016	\$ 85,000	\$ 59,065	\$ 54,483	\$ 44,604	\$ 1,690
2017	88,000	55,040	49,483	22,806	342
2018	95,000	50,858	49,483	-	-
2019	97,000	46,370	49,483	-	-
2020	100,000	41,778	49,483	-	-
2021-2025	398,000	142,763	219,715	-	-
2026-2030	318,000	42,630	215,918	-	-
2031-2036	-	-	151,675	-	-
	<u>\$ 1,181,000</u>	<u>\$ 438,504</u>	<u>\$ 839,723</u>	<u>\$ 67,410</u>	<u>\$ 2,032</u>

Year	Governmental Activities	
	Total	
	Principal	Interest
2016	\$ 184,087	\$ 60,755
2017	160,289	55,382
2018	144,483	50,858
2019	146,483	46,370
2020	149,483	41,778
2021-2025	617,715	142,763
2026-2030	533,918	42,630
2031-2036	151,675	-
	<u>\$ 2,088,133</u>	<u>\$ 440,536</u>

Year	Business-Type Activities				
	OWDA Loans		OPWC Loans	Other Loans	
	Principal	Interest	Principal	Principal	Interest
2016	\$ 576,951	\$ 270,702	\$ 25,071	\$ 5,080	\$ 2,752
2017	611,379	242,423	25,133	5,311	2,521
2018	518,636	212,563	25,133	5,552	2,280
2019	408,986	189,068	22,633	5,804	2,028
2020	440,165	172,659	20,133	6,068	1,764
2021-2025	1,992,425	611,552	97,573	34,730	4,431
2026-2030	1,788,807	177,534	75,665	-	-
2031-2036	-	-	20,177	-	-
	<u>\$ 6,337,349</u>	<u>\$ 1,876,501</u>	<u>\$ 311,518</u>	<u>\$ 62,545</u>	<u>\$ 15,776</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 9: Long-Term Obligations (continued)

Year	Business-Type Activities	
	Total	
	Principal	Interest
2016	\$ 607,102	\$ 273,454
2017	641,823	244,944
2018	549,321	214,843
2019	437,423	191,096
2020	466,366	174,423
2021-2025	2,124,728	615,983
2026-2030	1,864,472	177,534
2031-2036	20,177	-
	<u>\$ 6,711,412</u>	<u>\$ 1,892,277</u>

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

The City has pledged future revenues, net of operating expenses other than depreciation expense, to repay OPWC and OWDA loans in the Wastewater Fund. The debt is payable solely from net revenues and are payable through 2036. The total principal and interest remaining to be paid on the debt is \$1,326,673. Principal and interest paid for the current year and total net revenues were \$455,452 and \$287,300 respectively.

The City has pledged future revenues, net of operating expenses other than depreciation expense plus interest and fiscal charges, to repay OPWC and OWDA loans in the Water Fund. The debt is payable solely from net revenues and are payable through 2031. The total principal and interest remaining to be paid on the debt is \$7,198,695. Principal and interest paid for the current year and total net revenues were \$463,451 and \$512,895 respectively.

The other long-term liabilities are obligations of the City that will be financed in future periods with debt proceeds.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 10: Leases

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Assets:		
Vehicles	\$ 379,927	\$ 86,260
Equipment	33,688	-
Less: accumulated depreciation	<u>(11,525)</u>	<u>(6,541)</u>
Total	<u>\$ 402,090</u>	<u>\$ 79,719</u>

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

<u>Year</u>	<u>Capital Leases</u>		<u>Operating Leases</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
2016	\$ 152,761	\$ 20,379	\$ 1,692
2017	84,437	20,379	1,692
2018	20,632	20,379	1,692
2019	6,030	13,619	-
2020	<u>3,014</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	266,874	74,756	<u>\$ 5,076</u>
Less: amount representing interest	<u>(12,070)</u>	<u>(5,690)</u>	
Present value of minimum lease payments	<u>\$ 254,804</u>	<u>\$ 69,066</u>	

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

Rental expense related to operating leases for equipment totaled \$1,692 for the year ended December 31, 2015.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 11: Defined Benefit Pension Plans

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

B. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 11: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 11: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

	State <u>and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0 %</u>
Total Employer	<u>14.0 %</u>
Employee	10.0 %

The City's 2015 contribution rate was 14 percent of earnable salary. In fiscal year 2015, the City's contractually required contribution was \$190,557 for 2015. Of this amount, \$21,617 is reported as accrued wages and benefits at December 31, 2015.

C. Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - the City's full-time police participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 11: Defined Benefit Pension Plans (continued)

C. Plan Description – Ohio Police & Fire Pension Fund (OP&F) (continued)

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>
2015 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %
2015 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %

The City's 2015 contribution rate was 19.5 percent of earnable salary. In fiscal year 2015, the City's contractually required contribution was \$183,594. Of this amount, \$23,229 is reported as accrued wages and benefits at December 31, 2015.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 11: Defined Benefit Pension Plans (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS Traditional</u>	<u>OPERS Combined</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability (asset)	\$ 1,506,916	\$ (4,784)	\$ 2,214,085	\$ 3,716,217
Proportion of the net pension liability (asset)	0.012494%	0.012424%	0.0427395%	
Pension expense	\$ 159,068	\$ 2,735	\$ 217,728	\$ 379,531

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS Traditional</u>	<u>OPERS Combined</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflow of resources				
City contributions subsequent to the measurement date	\$ 184,924	\$ 5,633	\$ 183,594	\$ 374,151
Net difference between projected and actual earnings on pension plan investments	<u>80,404</u>	<u>293</u>	<u>95,425</u>	<u>176,122</u>
Total deferred outflow of resources	\$ <u>265,328</u>	\$ <u>5,926</u>	\$ <u>279,019</u>	\$ <u>550,273</u>
Deferred inflow of resources				
Differences between expected and actual experience	\$ <u>26,473</u>	\$ <u>1,460</u>	\$ <u>-</u>	\$ <u>27,933</u>
Total deferred inflow of resources	\$ <u>26,473</u>	\$ <u>1,460</u>	\$ <u>-</u>	\$ <u>27,933</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 11: Defined Benefit Pension Plans (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The \$374,151 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending December 31:	OPERS		OP&F	Total
	<u>Traditional</u>	<u>Combined</u>		
2016	\$ 7,886	\$ (101)	\$ 23,856	\$ 31,641
2017	7,886	(101)	23,856	31,641
2018	18,058	(101)	23,856	41,813
2019	20,101	(101)	23,857	43,857
2020	-	(174)	-	(174)
2021-2024	-	(589)	-	(589)
	\$ <u>53,931</u>	\$ <u>(1,167)</u>	\$ <u>95,425</u>	\$ <u>148,189</u>

E. Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.75 percent	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent	4.25 to 8.05 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	8 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 11: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.31%
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	<u>100.00</u>	

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 11: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
City’s proportionate share of the net pension liability – Traditional	\$ 2,772,294	\$ 1,506,916	\$ 441,163
City’s proportionate share of the net pension liability (asset) – Combined	\$ 621	\$ (4,784)	\$ (9,070)

F. Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 11: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	(0.25)%
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00%</u>	

* Levered 2 times

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 11: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Discount Rate (8.25%)	1% Increase (9.25%)
City’s proportionate share of the net pension liability	\$ 3,062,414	\$ 2,214,085	\$ 1,495,807

Note 12: Post-Employment Benefits

A. Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 12: Post-Employment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The City's contributions for health care for the years ended December 31, 2015, 2014, and 2013 were \$32,113, \$33,275, and \$16,377, respectively. 90.97 percent has been contributed for 2015. The full amount has been contributed for 2014 and 2013.

B. Ohio Police and Fire Pension Fund

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

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 12: Post-Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

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

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

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

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

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

The City's contributions to OP&F for police and fire health care for the years ending December 31, 2015, 2014, and 2013 were \$3,265 and \$1,342, \$3,109 and \$1,334, and \$22,222 and \$9,187, respectively. For 2015, 91.04 percent for police and 91.15 percent for firefighters has been contributed, with the remainder being reported as a liability. The full amount has been contributed for 2014 and 2013.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 13: Risk Management

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

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

Note 14: Compensated Absences

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 15: Significant Commitments

A. Contracts

The City has the following outstanding contractual commitments for various construction projects at December 31, 2015:

<u>Contractor</u>	<u>Contract</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
North Avenue Bridge Replacement	365,000	52,269	312,731
JEDD III Construction	150,000	148,310	1,690
AMI/AMR Project	765,918	-	765,918

B. Encumbrances

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

Governmental Funds:		Business-Type Funds:	
General	\$ 61,371	Wastewater	\$ 12,639
Street Construction Maintenance and Repair	31,006	Water	<u>7,795</u>
Other Governmental	<u>139</u>	Total Business-Type	\$ <u>20,434</u>
Total Governmental	\$ <u>92,516</u>		

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 16: Contingencies/Pending Litigation

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2015.

B. Litigation

The City is party to various litigation, claims, and inquiries most of which are routine to the nature of a municipality. It is the opinion of the City's management that the disposition of such litigation will not have a material effect on the overall financial position of the City at December 31, 2015.

Note 17: Interfund Transactions

A. Interfund Balances

Interfund receivables and payables for the year ended December 31, 2015 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 103,590
Wastewater Fund	Other Governmental Funds	<u>46,723</u>
		<u>\$ 150,313</u>

Long-term interfund loans are classified as "advances to/from other funds" and consist of the following at December 31, 2015:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Fund	Municipal Building Fund	\$ <u>9,750</u>

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following:

	<u>Transfer from</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
Transfer to:			
SCMR Fund	\$ 410,450	\$ -	\$ 410,450
Other Governmental Funds	461,769	15,420	477,189
Wastewater Fund	<u>55,093</u>	<u>-</u>	<u>55,093</u>
	<u>\$ 927,312</u>	<u>\$ 15,420</u>	<u>\$ 942,732</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 17: Interfund Transactions (continued)

B. Interfund Transfers (continued)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer. The \$15,420 in transfers from other governmental funds to other governmental funds consists of a transfer of \$15,420 from the Street Lighting Fund to the Bond Retirement Fund. This transfer was in compliance with the Ohio Revised Code Section 5705.13 (c).

Note 18: Related Party Transaction

In a prior year, the City transferred parcels of land to the Community Improvement Corporation of Geneva (the "CIC"). The amount owed from the CIC to the City at December 31, 2015 is \$248,728, with \$204,170 due to the City related to the sale of land by the CIC during the prior year. City management is confident that once the CIC sells the remaining land to either a developer or business which wishes to locate or expand in Geneva, the City will receive compensation of the remaining balance.

Note 19: Accountability

There are deficits in the Police Levies Fund, North Avenue Bridge Rehabilitation Fund and JEDD III Construction Fund of \$2,685, \$52,614, and \$44,465, respectively, caused by the application of generally accepted accounting principles to these funds. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 20: Jointly Governed Organizations

A. Ashtabula County General Health District

The Ashtabula County General Health District (District), a jointly governed organization, provides health services to the citizens with the county. The Board of Health which consists of a representative from each of the participating governments oversees the operation of the District. Twenty-seven townships, seven villages, and the City of Geneva participate in the District. The City contributed \$45,996 during 2015 for the operation of the District.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 20: Jointly Governed Organizations (continued)

B. Geneva Union Cemeteries District

The Geneva Union Cemeteries District (the “Cemetery”), a jointly governed organization, is a political subdivision governed by a Board of Trustees, which possesses its own contracting and budgeting authority. The Board of Trustees consists of a representative from each of the participating governments: The City of Geneva, the Village of Geneva-on-the-Lake, and Geneva Township. The members serve staggered three-year terms. In 2015, 0.30 mills of the tax valuation was paid to the Cemetery.

C. Northeast Ohio Public Energy Council

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

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Geneva did not contribute to NOPEC during 2015. Financial information can be obtained by contacting 31320 Solon Road, Suite 20, Solon, Ohio 44139.

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

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

The City acts as the fiscal agent for the JEDD-I, JEDD-II, and JEDD-III Districts. In 2015 JEDD-I distributed \$31,016 to the City, \$11,278 to the Township, \$2,820 to the JEDD Board and \$11,278 to the Geneva-area Recreation, Education and Athletic Trust (GaREAT). JEDD-II distributed \$132,529 to the City, \$35,341 to the Township and \$8,835 to the JEDD Board. JEDD-III distributed \$18,373 to the city, \$13,422 to the township, and \$1,543 to the JEDD Board.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 21: Component Unit

A. Summary of Significant Accounting Policies

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

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

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

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

Loans Receivables – Loans receivables are derived from loans granted to local businesses which were reported at \$267,817.

Capital Assets – It is the CIC's policy to capitalize expenditures in excess of \$500 with an estimated life of more than one year. Capital asset accounts are stated at cost or donated value and are being depreciated using the straight-line method over their estimated useful lives of ten years. When sold, retired, or otherwise disposed of, the related cost and accumulated depreciation are removed from the applicable accounts and any gain or loss resulting there from is included in the Statement of Activities. Routine maintenance, repairs, and renewals are charged to operating cost and expenses as incurred. Additions and expenditures which materially increase values or extend useful lives are capitalized. A summary of the component unit's capital assets at December 31, 2015, follows:

Land	\$	44,000
Equipment		27,905
Less: accumulated depreciation		<u>(27,675)</u>
Net	\$	<u>44,230</u>

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2015

Note 21: Component Unit (continued)

B. Cash Equivalents and Cash on Hand

At year-end the carrying amount of the CIC's deposits was \$162,179 and the bank balance was \$166,006, all of which was covered by the Federal Deposit Insurance Coverage (FDIC).

City of Geneva, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employee Retirement System – Traditional Plan

For the Last Two Years (1)

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.012494%	0.012494%
City's proportionate share of the net pension liability	\$ 1,506,916	\$ 1,472,880
City's covered-employee payroll	\$ 1,491,358	\$ 1,510,626
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	101.04%	97.50%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

City of Geneva, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset
Ohio Public Employee Retirement System – Combined Plan

For the Last Two Years (1)

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension asset	0.012424%	0.012424%
City's proportionate share of the net pension asset	\$ 4,784	\$ 1,304
City's covered-employee payroll	\$ 42,058	\$ 47,514
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	11.37%	2.74%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	n/a

(1) Information prior to 2013 is not available.

City of Geneva, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund

For the Last Two Years (1)

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.0427395%	0.0427395%
City's proportionate share of the net pension liability	\$ 2,214,085	\$ 2,081,548
City's covered-employee payroll	\$ 950,608	\$ 941,238
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	232.91%	221.15%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

City of Geneva, Ohio

Required Supplementary Information
 Schedule of the City Contributions
 Ohio Public Employee Retirement System – Traditional Plan

For The Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually-required contribution	\$ 184,924	\$ 178,963	\$ 196,381	\$ 149,877	\$ 152,130
Contributions in relation to the contractually-required contribution	<u>(184,924)</u>	<u>(178,963)</u>	<u>(196,381)</u>	<u>(149,877)</u>	<u>(152,130)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered-employee payroll	\$ 1,541,033	\$ 1,491,358	\$ 1,510,626	\$ 1,498,766	\$ 1,521,300
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%	10.00%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually-required contribution	\$ 130,429	\$ 118,540	\$ 97,090	\$ 106,154	\$ 97,469
Contributions in relation to the contractually-required contribution	<u>(130,429)</u>	<u>(118,540)</u>	<u>(97,090)</u>	<u>(106,154)</u>	<u>(97,469)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered-employee payroll	\$ 1,449,210	\$ 1,394,585	\$ 1,387,004	\$ 1,271,311	\$ 1,059,448
Contributions as a percentage of covered-employee payroll	9.00%	8.50%	7.00%	8.35%	9.20%

City of Geneva, Ohio

Required Supplementary Information
 Schedule of the City Contributions
 Ohio Public Employee Retirement System – Combined Plan

For The Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually-required contribution	\$ 5,633	\$ 5,047	\$ 6,177	\$ 4,714	\$ 4,785
Contributions in relation to the contractually-required contribution	<u>(5,633)</u>	<u>(5,047)</u>	<u>(6,177)</u>	<u>(4,714)</u>	<u>(4,785)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered-employee payroll	\$ 46,942	\$ 42,058	\$ 47,514	\$ 47,141	\$ 47,850
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%	10.00%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually-required contribution	\$ 4,102	\$ 3,728	\$ 3,054	\$ 3,339	\$ 3,066
Contributions in relation to the contractually-required contribution	<u>(4,102)</u>	<u>(3,728)</u>	<u>(3,054)</u>	<u>(3,339)</u>	<u>(3,066)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered-employee payroll	\$ 45,583	\$ 43,864	\$ 43,626	\$ 39,987	\$ 33,323
Contributions as a percentage of covered-employee payroll	9.00%	8.50%	7.00%	8.35%	9.20%

City of Geneva, Ohio

Required Supplementary Information
 Schedule of the City Contributions
 Ohio Police and Fire Pension Fund

For The Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually-required contribution	\$ 183,594	\$ 180,616	\$ 149,500	\$ 121,189	\$ 127,167
Contributions in relation to the contractually-required contribution	<u>(183,594)</u>	<u>(180,616)</u>	<u>(149,500)</u>	<u>(121,189)</u>	<u>(127,167)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered-employee payroll	\$ 966,286	\$ 950,608	\$ 941,238	\$ 950,502	\$ 997,388
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	15.88%	12.75%	12.75%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually-required contribution	\$ 124,521	\$ 120,292	\$ 120,215	\$ 115,079	\$ 107,040
Contributions in relation to the contractually-required contribution	<u>(124,521)</u>	<u>(120,292)</u>	<u>(120,215)</u>	<u>(115,079)</u>	<u>(107,040)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City covered-employee payroll	\$ 976,635	\$ 943,467	\$ 942,863	\$ 902,580	\$ 910,979
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%	11.75%

**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the City Council
Geneva, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ohio (the “City”), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 30, 2016, wherein we noted the City implemented Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and as a result restated the December 31, 2014 net position, as disclosed in Note 3.

Internal Control over Financial Reporting

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

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

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

Members of the City Council
Geneva, Ohio

Compliance and Other Matters

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

Purpose of this Report

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

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 30, 2016



Dave Yost • Auditor of State

CITY OF GENEVA

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 6, 2016