

**CITY OF GENEVA, OHIO
ASHTABULA COUNTY**

SINGLE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

OHIO AUDITOR OF STATE
KEITH FABER



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Members of City Council
City of Geneva
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Geneva, Ohio 44041

We have reviewed the *Independent Auditor's Report* of the City of Geneva, Ashtabula County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2020 through December 31, 2020. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 11, 2022

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City of Geneva, Ohio

For the Year Ended December 31, 2020

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City of Geneva, Ohio

For the Year Ended December 31, 2020

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Independent Auditor's Report

To the Members of the City Council
City of Geneva, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Geneva, Ohio (the "City"), as of and for the year ended December 31, 2020, 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.

To the Members of the City Council
City of Geneva, Ohio

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2020, 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.

Emphasis of Matter

Implementation of New Accounting Standard

As described in Note 3 to the basic financial statements, in 2020, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and as a result restated the December 31, 2019 net position of the governmental activities and custodial funds and the December 31, 2019 fund balance of the nonmajor governmental funds. 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 and required schedules on pensions and other postemployment benefits as listed in the table of contents 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 29, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Cianni & Panichi, Inc.

Cleveland, Ohio
June 29, 2022

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2020

The management's 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, 2020. 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 2020 are as follows:

- For the year ended December 31, 2020, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The implementation of this statement resulted in the restatement of net position as of December 31, 2019 for governmental activities, nonmajor governmental fund balance, total governmental fund balance and fiduciary net position. See Note 3 for additional information regarding the restatement.
- In 2020, the City received \$556,994 in COVID relief funding.
- The total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources at the close of 2020 by \$21,937,852. This is an increase of \$1,607,094 over the 2019 restated net position. Net position of the City's governmental activities increased \$869,357, while net position of the business-type activities increased \$737,737.
- Total assets increased by \$6,511,956 and deferred outflows of resources decreased by \$1,008,359. The main factor affecting total assets was an increase in capital assets, net (up \$5,844,596 as additions outpaced depreciation). The main fluctuation in deferred outflows of resources related to pension.
- Total liabilities increased by \$2,773,231 and deferred inflows of resources increased by \$1,123,272 from 2019. The main fluctuation in liabilities related to other long-term liabilities, (up \$4,265,799). These increases were offset by a decrease in net pension liability, (down \$1,869,762). The main fluctuation in deferred inflows of resources related to pension.

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the 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 financial statements

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2020

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 of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, an 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.

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 18 of this report.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2020

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 28 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 32 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 34 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
- Transfers
- Net position beginning and end of year

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2020

Table 1 provides a summary of the City's net position for 2020 as compared to 2019.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	Restated 2019	2020	2019	2020	Restated 2019
Assets:						
Current and other assets	\$ 5,451,197	\$ 5,421,361	\$ 3,479,104	\$ 2,860,348	\$ 8,930,301	\$ 8,281,709
Capital assets, net	16,906,258	15,179,186	21,905,745	17,788,221	38,812,003	32,967,407
Net pension asset	36,658	24,349	19,224	12,765	55,882	37,114
<i>Total assets</i>	<u>22,394,113</u>	<u>20,624,896</u>	<u>25,404,073</u>	<u>20,661,334</u>	<u>47,798,186</u>	<u>41,286,230</u>
Deferred outflows of resources:						
Deferred charge on refunding	7,897	8,775	-	-	7,897	8,775
Pension	661,909	1,573,179	128,812	369,850	790,721	1,943,029
OPEB	425,910	325,322	90,810	46,571	516,720	371,893
<i>Total deferred outflows of resources</i>	<u>1,095,716</u>	<u>1,907,276</u>	<u>219,622</u>	<u>416,421</u>	<u>1,315,338</u>	<u>2,323,697</u>
Liabilities:						
Current liabilities	635,609	432,460	598,395	381,953	1,234,004	814,413
Long-term liabilities:						
Due within one year	488,788	489,017	937,322	735,748	1,426,110	1,224,765
Due in more than one year	2,862,504	2,330,791	12,138,892	8,606,151	15,001,396	10,936,942
Net pension liability	4,133,751	5,588,824	817,356	1,232,045	4,951,107	6,820,869
Net OPEB liability	1,468,530	1,490,776	572,087	592,238	2,040,617	2,083,014
<i>Total liabilities</i>	<u>9,589,182</u>	<u>10,331,868</u>	<u>15,064,052</u>	<u>11,548,135</u>	<u>24,653,234</u>	<u>21,880,003</u>
Deferred inflows of resources:						
Property taxes	677,020	701,089	-	-	677,020	701,089
Pension	894,713	251,450	237,142	52,975	1,131,855	304,425
OPEB	481,177	269,385	119,896	17,981	601,073	287,366
Payments in lieu of taxes	-	-	112,490	106,286	112,490	106,286
<i>Total deferred inflows of resources</i>	<u>2,052,910</u>	<u>1,221,924</u>	<u>469,528</u>	<u>177,242</u>	<u>2,522,438</u>	<u>1,399,166</u>
Net position:						
Net investment in capital assets	13,807,364	12,856,038	8,501,928	8,237,239	22,309,292	21,093,277
Restricted for:						
Debt service	1,964	178	-	-	1,964	178
Capital projects	117,574	363,259	-	-	117,574	363,259
Other purposes	1,291,354	1,111,173	-	-	1,291,354	1,111,173
Unrestricted	(3,370,519)	(3,352,268)	1,588,187	1,115,139	(1,782,332)	(2,237,129)
<i>Total net position</i>	<u>\$ 11,847,737</u>	<u>\$ 10,978,380</u>	<u>\$ 10,090,115</u>	<u>\$ 9,352,378</u>	<u>\$ 21,937,852</u>	<u>\$ 20,330,758</u>

The City follows Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to pensions and other postemployment benefits (OPEB). 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/OPEB, the net pension/OPEB liability to the reported net position and subtracting deferred outflows related to pension/OPEB and the net pension asset.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2020

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension/OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension/OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension/OPEB 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/OPEB. GASB noted that the unfunded portion of this 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 these liabilities. In Ohio, the employee shares the obligation of funding 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 Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as 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 retirement system is responsible for the administration of the pension/OPEB plans.

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/OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension/OPEB liability is satisfied, these liabilities are separately identified within the long-term liability section of the Statement of Net Position.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2020

Total assets increased by \$6,511,956. The main factor affecting total assets was an increase in capital assets, net (up \$5,844,596 as additions outpaced depreciation). The increase in governmental activities capital assets was due to several infrastructure projects being finalized in 2020, such as the Water Street bridge project, North Cedar Street improvement project, and the East Main Street improvement project. The City also purchased a fire engine in 2020. The increase in business-type activities capital assets was primarily due to an increase in construction in progress, which increased due to the wastewater treatment plant facilities and headworks projects.

Total deferred outflows of resources decreased by \$1,008,359. The main fluctuation in deferred outflows of resources related to pension, due to the effects of GASB 68.

Total liabilities increased by \$2,773,231. The main fluctuations in liabilities related to other long-term liabilities, (up \$4,265,799) and net pension liability, (down \$1,869,762). Other long-term liabilities increased as the City issued notes payable for \$850,000 as well as received \$4,459,939 in OWDA loan proceeds during 2020. These increases were offset by a decrease in the net pension liability, which were due to changes in the retirement systems unfunded liabilities that are passed through to the City's financial statements.

Total deferred inflows of resources increased by \$1,123,272. The main fluctuation in deferred inflows of resources related to pension, due to the effects of GASB 68.

The largest portion of the City's net position reflects the investments in capital assets less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, they are not available for future spending. Net investment in capital assets as of December 31, 2020, was \$22,309,292. Although the City's investment is reported net of related debt, it should be noted that resources to repay the debt must be provided from other sources since capital assets may not be used to liquidate these liabilities.

An additional portion of the City's net position, \$1,410,892 represents resources that have been restricted on how they may be used.

The Community Improvement Corporation of Geneva (CIC) is a legally separate, non-profit organization, served by a 15-member board comprised 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. As a discretely presented component unit, the CIC is reported in a separate column in the government-wide financial statements to emphasize it is legally separated from the City.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2020

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	
	2020	Restated 2019	2020	2019	2020	Restated 2019
Revenues:						
Program revenues:						
Charges for services	\$ 682,883	\$ 737,812	\$ 3,106,670	\$ 3,448,620	\$ 3,789,553	\$ 4,186,432
Operating grants and contributions	387,897	525,501	19,960	66,080	407,857	591,581
Capital grants and contributions	940,521	269,460	135,164	108,649	1,075,685	378,109
Total program revenues	2,011,301	1,532,773	3,261,794	3,623,349	5,273,095	5,156,122
General revenues:						
Property and other local taxes	843,366	488,128	-	-	843,366	488,128
Municipal income taxes	2,909,609	3,034,790	-	-	2,909,609	3,034,790
Cable franchise tax	75,228	75,523	-	-	75,228	75,523
Grants and entitlements not restricted to specific programs	698,499	174,819	-	-	698,499	174,819
Investment income	6,127	11,204	8,001	7,857	14,128	19,061
Miscellaneous income	338,375	189,966	-	-	338,375	189,966
Total general revenues	4,871,204	3,974,430	8,001	7,857	4,879,205	3,982,287
Total revenues	6,882,505	5,507,203	3,269,795	3,631,206	10,152,300	9,138,409
Program expenses:						
General government	1,492,396	1,176,088	-	-	1,492,396	1,176,088
Security of persons and property	2,908,301	947,311	-	-	2,908,301	947,311
Leisure time activities	200,232	193,913	-	-	200,232	193,913
Community development	124,505	198,056	-	-	124,505	198,056
Transportation	1,114,989	1,500,966	-	-	1,114,989	1,500,966
Interest and fiscal charges	63,919	48,837	-	-	63,919	48,837
Wastewater	-	-	1,300,109	1,473,223	1,300,109	1,473,223
Water	-	-	1,340,755	1,472,174	1,340,755	1,472,174
Total program expenses	5,904,342	4,065,171	2,640,864	2,945,397	8,545,206	7,010,568
Change in net position before transfers	978,163	1,442,032	628,931	685,809	1,607,094	2,127,841
Transfers	(108,806)	(82,094)	108,806	82,094	-	-
Change in net position	869,357	1,359,938	737,737	767,903	1,607,094	2,127,841
Net position at beginning of year	10,978,380	9,618,442	9,352,378	8,584,475	20,330,758	18,202,917
Net position at end of year	\$ 11,847,737	\$ 10,978,380	\$ 10,090,115	\$ 9,352,378	\$ 21,937,852	\$ 20,330,758

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2020

Governmental Activities

The City's largest revenue source is municipal income tax. The City levies a municipal income tax of 1.5% 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% 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 2020, City municipal income tax revenue recorded by the governmental activities was \$2,909,609, which decreased slight compared to 2019 as a result of the COVID-19 pandemic.

Property and other local tax revenue recorded by the City for governmental activities was \$843,366, which increased compared to the prior year as a result of a new levy that passed. The full voted tax rate for 2020 was 8.7 mills. A mill is \$1.00 for every \$1,000 of assessed valuation. The annual property tax is calculated using the taxable value (market value multiplied by 35%) of the property effective tax rate levied by the City of Geneva.

Grants and entitlements increased in 2020 as the City received COVID relief funding of \$556,994. Capital grants increased due to ODOT contributions related to the Water Street bridge project. Miscellaneous income increased in the current year due to various one-time amounts from Bureau of Workers' Compensation.

Expenses for the City increased primary due to an increase in security of persons and property. Security of persons and property increased \$1,960,990 from the prior year. This increase can be attributed to the negative OPEB expense in the prior year, which was due to a changes in benefit terms related to OP&F other postemployment benefits.

Effects of GASB 68 and GASB 75

In accordance with GASB 68 and GASB 75, the City's statements prepared on the accrual basis of accounting include an annual pension/OPEB expense for their proportionate share of each plan's change in net pension/OPEB liability and net pension asset not accounted for as deferred outflows/inflows.

Under GASB 68, pension expense represents additional amounts earned based on a proportionate share of the pension fund liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 68, the pension expense for 2020 is \$551,916, while in 2019 pension expense was \$1,133,066.

Under GASB 75, OPEB expense represents additional amounts earned based on a proportionate share of the OPEB fund liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 75, the OPEB expense for 2020 is \$132,548, while in 2019 OPEB expense was \$(1,659,893).

All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and net pension/OPEB liability/asset and are described in more detail in their respective notes.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2020

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 \$737,737 as charges for services were able to outpace related expenses.

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.

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 18. 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 outflows, inflows, 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 \$3,082,817. In 2020, the unassigned fund balance, which is available for spending at the government's discretion, is \$1,409,807.

The General Fund is the main operating fund of the City. At the end of 2020, total fund balance for the General Fund was \$2,180,440, of which \$1,520,954 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, the original budgeted revenues and other financing sources were \$3,922,363. The final budgeted revenues and other financing sources were \$5,686,601. The City actually received \$4,130,862 in 2020. The deficit was a result of less than anticipated revenues related to municipal income tax revenues.

The original appropriations, including other financing uses for the General Fund were \$4,904,883. The final appropriations, including other financing uses, were \$5,098,063. Actual expenditures, including other financing uses ended \$856,955 below the final budgeted amount primarily due to decreases in transfer and advance expenditures.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2020

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 28 through 31 of this report.

Capital Assets and Debt Administration

Capital Assets

At the end of 2020, the City of Geneva had net book value of \$38,812,003 in a broad range of capital assets.

Table 3 shows fiscal 2020 balances of capital assets as compared to 2019:

Table 3
Capital Assets at December 31

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 884,215	\$ 884,215	\$ -	\$ -	\$ 884,215	\$ 884,215
Building and land improvements	5,185,070	5,082,261	4,493,101	4,493,101	9,678,171	9,575,362
Machinery and equipment	1,726,080	1,682,063	1,594,079	1,531,204	3,320,159	3,213,267
Vehicles	3,425,301	2,278,570	529,523	451,278	3,954,824	2,729,848
Infrastructure	27,135,245	25,337,385	19,300,689	17,927,733	46,435,934	43,265,118
Intangibles	-	-	38,831	38,831	38,831	38,831
Historical treasurers	46,378	46,378	-	-	46,378	46,378
Construction in progress	11,975	502,637	5,697,952	2,489,762	5,709,927	2,992,399
Less: accumulated depreciation	<u>(21,508,006)</u>	<u>(20,634,323)</u>	<u>(9,748,430)</u>	<u>(9,143,688)</u>	<u>(31,256,436)</u>	<u>(29,778,011)</u>
Total capital assets	\$ <u>16,906,258</u>	\$ <u>15,179,186</u>	\$ <u>21,905,745</u>	\$ <u>17,788,221</u>	\$ <u>38,812,003</u>	\$ <u>32,967,407</u>

The increase in governmental activities capital assets was due to several infrastructure projects being finalized in 2020, such as the Water Street bridge project, North Cedar Street improvement project, and the East Main Street improvement project. The City also purchased a fire engine in 2020. The increase in business-type activities capital assets was primarily due to an increase in construction in progress, which increased due to the wastewater treatment plant facilities and headworks project.

Multiple projects are funded with loans from the Ohio Public Works Commission and Ohio Water Development Authority. 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)

For the Year Ended December 31, 2020

Debt and Other Long-Term Liabilities

At December 31, 2020, the City of Geneva had \$23,419,230 in total debt and other long-term obligations outstanding with \$1,426,110 due within one year. Table 4 summarizes the outstanding obligations of the City.

Table 4
Outstanding Debt at Year-End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 1,201,474	\$ 1,372,670	\$ -	\$ -	\$ 1,201,474	\$ 1,372,670
OPWC loans	758,203	752,169	610,460	610,460	1,368,663	1,362,629
OWDA loans	-	-	12,407,084	8,667,397	12,407,084	8,667,397
Notes payable	1,116,667	400,000	-	-	1,116,667	400,000
Capital leases	2,830	13,559	5,939	7,883	8,769	21,442
Accrued compensated absences	272,118	281,410	52,731	56,159	324,849	337,569
Net pension liability	4,133,751	5,588,824	817,356	1,232,045	4,951,107	6,820,869
Net OPEB liability	<u>1,468,530</u>	<u>1,490,776</u>	<u>572,087</u>	<u>592,238</u>	<u>2,040,617</u>	<u>2,083,014</u>
Total	\$ <u>8,953,573</u>	\$ <u>9,899,408</u>	\$ <u>14,465,657</u>	\$ <u>11,166,182</u>	\$ <u>23,419,230</u>	\$ <u>21,065,590</u>

The City is within all of its legal debt limitations. The Ohio Revised Code provides that the net debt (as defined by Ohio Revised Code) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% 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% 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, 11, and 12 to the financial statements.

Current Related Financial Activities

The City's elected and appointed officials considered many factors when setting the fiscal year 2021 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.

Despite the uncertainties caused by COVID-19, with respect to second half real estate tax revenue, the City systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City with full disclosure of the financial position of the City.

City of Geneva, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2020

Contacting the City of Geneva's Finance Department

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

City of Geneva, Ohio

Statement of Net Position

December 31, 2020

	Governmental Activities	Business- Type Activities	Total	Component Unit Community Improvement Corporation of Geneva
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,006,750	\$ 2,341,330	\$ 5,348,080	\$ 55,830
Restricted cash and cash equivalents	48,291	-	48,291	-
Cash held as fiscal agent	-	-	-	94,996
Materials and supplies inventory	13,702	71,790	85,492	-
Accounts receivable	89,077	436,520	525,597	4,800
Intergovernmental receivable	369,088	468,655	837,743	14,700
Prepaid items	120,810	24,754	145,564	-
Municipal income taxes receivable	839,769	-	839,769	-
Property taxes receivable	700,672	-	700,672	-
Special assessment receivable	263,038	136,055	399,093	-
Non-depreciable capital assets	942,568	5,736,783	6,679,351	44,000
Depreciable capital assets, net	15,963,690	16,168,962	32,132,652	16,554
Net pension asset	36,658	19,224	55,882	-
Total assets	<u>22,394,113</u>	<u>25,404,073</u>	<u>47,798,186</u>	<u>230,880</u>
Deferred outflows of resources:				
Deferred charge on refunding	7,897	-	7,897	-
Pension, adjusted for internal proportional share	661,909	128,812	790,721	-
OPEB, adjusted for internal proportional share	425,910	90,810	516,720	-
Total deferred outflows of resources	<u>1,095,716</u>	<u>219,622</u>	<u>1,315,338</u>	<u>-</u>
Liabilities:				
Accounts payable	163,906	159,172	323,078	26,456
Accrued wages and benefits	187,325	30,223	217,548	-
Funds held as fiscal agent	-	-	-	94,996
Intergovernmental payable	10,925	126,754	137,679	1,416
Due to primary government	-	-	-	44,558
Deposits to others	48,291	-	48,291	-
Accrued interest payable	29,855	119	29,974	-
Retainage payable	-	241,627	241,627	-
Unearned revenue	195,307	40,500	235,807	-
Long-term liabilities:				
Due within one year	488,788	937,322	1,426,110	-
Due in more than one year:				
Other amounts due in more than one year	2,862,504	12,138,892	15,001,396	-
Net pension liability	4,133,751	817,356	4,951,107	-
Net OPEB liability	1,468,530	572,087	2,040,617	-
Total liabilities	<u>9,589,182</u>	<u>15,064,052</u>	<u>24,653,234</u>	<u>167,426</u>
Deferred inflows of resources:				
Property taxes	677,020	-	677,020	-
Pension, adjusted for internal proportional share	894,713	237,142	1,131,855	-
OPEB, adjusted for internal proportional share	481,177	119,896	601,073	-
Payments in lieu of taxes	-	112,490	112,490	-
Total deferred inflows of resources	<u>2,052,910</u>	<u>469,528</u>	<u>2,522,438</u>	<u>-</u>
Net position:				
Net investment in capital assets	13,807,364	8,501,928	22,309,292	-
Restricted for:				
Debt service	1,964	-	1,964	-
Capital projects	117,574	-	117,574	-
Other purposes	1,291,354	-	1,291,354	-
Unrestricted	<u>(3,370,519)</u>	<u>1,588,187</u>	<u>(1,782,332)</u>	<u>63,454</u>
Total net position	<u>\$ 11,847,737</u>	<u>\$ 10,090,115</u>	<u>\$ 21,937,852</u>	<u>\$ 63,454</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, 2020

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 1,492,396	\$ 51,464	\$ 3,181	\$ 6,494
Security of persons and property	2,908,301	527,555	-	20,623
Leisure time activities	200,232	17,589	-	-
Community development	124,505	49,009	2,706	-
Transportation	1,114,989	37,266	382,010	913,404
Interest and fiscal charges	63,919	-	-	-
Total governmental activities	<u>5,904,342</u>	<u>682,883</u>	<u>387,897</u>	<u>940,521</u>
Business-type activities:				
Wastewater	1,300,109	1,552,114	-	113,312
Water	<u>1,340,755</u>	<u>1,554,556</u>	<u>19,960</u>	<u>21,852</u>
Total business-type activities	<u>2,640,864</u>	<u>3,106,670</u>	<u>19,960</u>	<u>135,164</u>
Total primary government	\$ <u>8,545,206</u>	\$ <u>3,789,553</u>	\$ <u>407,857</u>	\$ <u>1,075,685</u>
Component unit:				
Community Improvement Corporation of Geneva	\$ <u>52,088</u>	\$ <u>-</u>	\$ <u>35,674</u>	\$ <u>-</u>

General revenues:

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

Change in net position

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

Net position, at end of year

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business- Type Activities	Total	Community Improvement Corp. of Geneva
\$ (1,431,257)	\$ -	\$ (1,431,257)	\$ -
(2,360,123)	-	(2,360,123)	-
(182,643)	-	(182,643)	-
(72,790)	-	(72,790)	-
217,691	-	217,691	-
<u>(63,919)</u>	<u>-</u>	<u>(63,919)</u>	<u>-</u>
<u>(3,893,041)</u>	<u>-</u>	<u>(3,893,041)</u>	<u>-</u>
-	365,317	365,317	-
<u>-</u>	<u>255,613</u>	<u>255,613</u>	<u>-</u>
<u>-</u>	<u>620,930</u>	<u>620,930</u>	<u>-</u>
<u>(3,893,041)</u>	<u>620,930</u>	<u>(3,272,111)</u>	<u>-</u>
-	-	-	(16,414)
341,069	-	341,069	-
502,297	-	502,297	-
2,909,609	-	2,909,609	-
75,228	-	75,228	-
698,499	-	698,499	-
6,127	8,001	14,128	303
<u>338,375</u>	<u>-</u>	<u>338,375</u>	<u>505</u>
4,871,204	8,001	4,879,205	808
<u>(108,806)</u>	<u>108,806</u>	<u>-</u>	<u>-</u>
<u>4,762,398</u>	<u>116,807</u>	<u>4,879,205</u>	<u>808</u>
869,357	737,737	1,607,094	(15,606)
<u>10,978,380</u>	<u>9,352,378</u>	<u>20,330,758</u>	<u>79,060</u>
\$ <u>11,847,737</u>	\$ <u>10,090,115</u>	\$ <u>21,937,852</u>	\$ <u>63,454</u>

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

City of Geneva, Ohio

Balance Sheet – Governmental Funds

December 31, 2020

	<u>General</u>	<u>Street Construction, Maintenance, and Repair</u>	<u>Infrastructure</u>	<u>Vehicle and Major Equipment</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,806,265	\$ 230,181	\$ 111,759	\$ 17,711
Restricted cash and cash equivalents	-	-	-	-
Materials and supplies inventory	-	13,702	-	-
Accounts receivable	86,515	500	-	-
Intergovernmental receivable	150,624	170,430	-	-
Prepaid items	94,675	24,802	-	-
Municipal income taxes receivable	839,769	-	-	-
Property taxes receivable	276,317	-	-	-
Special assessments receivable	6,891	-	-	-
Advance to other funds	111,376	-	-	-
Total assets	<u>\$ 3,372,432</u>	<u>\$ 439,615</u>	<u>\$ 111,759</u>	<u>\$ 17,711</u>
Liabilities, deferred inflows of resources, and fund balances:				
Accounts payable	\$ 55,276	\$ 13,643	\$ -	\$ -
Accrued wages and benefits	160,945	26,380	-	-
Intergovernmental payable	7,276	3,519	-	-
Deposits due to others	-	-	-	-
Unearned revenue	36,650	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>260,147</u>	<u>43,542</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Property taxes	267,025	-	-	-
Unavailable revenues	664,820	113,416	-	-
Total deferred inflows of resources	<u>931,845</u>	<u>113,416</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	206,051	38,504	-	-
Restricted	-	244,153	111,759	-
Committed	-	-	-	17,711
Assigned	453,435	-	-	-
Unassigned	1,520,954	-	-	-
Total fund balances	<u>2,180,440</u>	<u>282,657</u>	<u>111,759</u>	<u>17,711</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,372,432</u>	<u>\$ 439,615</u>	<u>\$ 111,759</u>	<u>\$ 17,711</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 840,834	\$ 3,006,750
48,291	48,291
-	13,702
2,062	89,077
48,034	369,088
1,333	120,810
-	839,769
424,355	700,672
256,147	263,038
-	<u>111,376</u>
\$ <u>1,621,056</u>	\$ <u>5,562,573</u>
\$ 94,987	\$ 163,906
-	187,325
130	10,925
48,291	48,291
158,657	195,307
<u>111,376</u>	<u>111,376</u>
<u>413,441</u>	<u>717,130</u>
409,995	677,020
<u>307,370</u>	<u>1,085,606</u>
<u>717,365</u>	<u>1,762,626</u>
1,333	245,888
600,064	955,976
-	17,711
-	453,435
<u>(111,147)</u>	<u>1,409,807</u>
<u>490,250</u>	<u>3,082,817</u>
\$ <u>1,621,056</u>	\$ <u>5,562,573</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, 2020

Total governmental funds balances \$ 3,082,817

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. 16,906,258

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

Property and other taxes	\$	23,652	
Municipal income taxes		479,854	
Special assessments		263,038	
Charges for services		80,602	
Intergovernmental		<u>238,460</u>	
Total			1,085,606

In the Statement of Activities, interest is accrued on outstanding bonds and notes whereas in governmental funds, an interest expenditure is reported when due. (29,855)

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

General obligation bonds		(1,201,474)	
Notes payable		(1,116,667)	
OPWC loans		(758,203)	
Deferred charge on refunding		7,897	
Capital leases		(2,830)	
Accrued compensated absences		<u>(272,118)</u>	
Total			(3,343,395)

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

Net pension asset		36,658	
Deferred outflows		661,909	
Net pension liability		(4,133,751)	
Deferred inflows		<u>(894,713)</u>	
Total			(4,329,897)

(continued)

City of Geneva, Ohio

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities (continued)

December 31, 2020

The net OPEB liability is not due in the current period; therefore, the liability and related deferred outflows/inflows are not reported in governmental funds.

Deferred outflows	425,910	
Net OPEB liability	(1,468,530)	
Deferred inflows	<u>(481,177)</u>	
Total		<u>(1,523,797)</u>
<i>Net position of governmental activities</i>		\$ <u>11,847,737</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 Governmental Funds

For the Year Ended December 31, 2020

	General	Street Construction, Maintenance, and Repair	Infrastructure	Vehicle and Major Equipment
Revenues:				
Property and other local taxes	\$ 326,818	\$ -	\$ -	\$ -
Municipal income taxes	2,940,212	-	-	-
Intergovernmental	216,055	371,030	1,027,939	-
Charges for services	446,723	-	-	-
Licenses, permits and fees	135,761	36,487	-	-
Special assessments	-	-	-	-
Investment income	5,629	-	-	-
Miscellaneous income	143,040	37,398	-	-
Total revenues	<u>4,214,238</u>	<u>444,915</u>	<u>1,027,939</u>	<u>-</u>
Expenditures:				
Current operations and maintenance:				
General government	957,465	-	-	-
Security of persons and property	1,977,969	-	-	849,563
Leisure time activities	291,494	-	-	-
Community development	120,158	-	-	-
Transportation	-	746,940	1,016,819	-
Capital outlay	7,192	-	-	174,652
Debt service:				
Principal retirement	17,753	60,973	-	49,168
Interest and fiscal charges	1,299	4,314	-	10,529
Total expenditures	<u>3,373,330</u>	<u>812,227</u>	<u>1,016,819</u>	<u>1,083,912</u>
Excess of revenues over (under) expenditures	<u>840,908</u>	<u>(367,312)</u>	<u>11,120</u>	<u>(1,083,912)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	13,879	-	-	-
Issuance of notes	-	-	-	850,000
Loan proceeds	-	-	-	-
Transfers – in	83,014	425,804	110,796	51,000
Transfers – out	(781,728)	-	-	-
Total other financing sources (uses)	<u>(684,835)</u>	<u>425,804</u>	<u>110,796</u>	<u>901,000</u>
Net change in fund balances	156,073	58,492	121,916	(182,912)
Fund balances at beginning of year, restated (Note 3)	<u>2,024,367</u>	<u>224,165</u>	<u>(10,157)</u>	<u>200,623</u>
Fund balances at end of year	\$ <u><u>2,180,440</u></u>	\$ <u><u>282,657</u></u>	\$ <u><u>111,759</u></u>	\$ <u><u>17,711</u></u>

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

	Other Governmental Funds		Total Governmental Funds
\$	502,297	\$	829,115
	-		2,940,212
	439,501		2,054,525
	27,795		474,518
	14,224		186,472
	250,298		250,298
	498		6,127
	<u>64,905</u>		<u>245,343</u>
	<u>1,299,518</u>		<u>6,986,610</u>
	408,504		1,365,969
	856,010		3,683,542
	-		291,494
	-		120,158
	13,382		1,777,141
	-		181,844
	187,364		315,258
	<u>36,109</u>		<u>52,251</u>
	<u>1,501,369</u>		<u>7,787,657</u>
	<u>(201,851)</u>		<u>(801,047)</u>
	-		13,879
	-		850,000
	6,034		6,034
	194,128		864,742
	<u>(172,350)</u>		<u>(954,078)</u>
	<u>27,812</u>		<u>780,577</u>
	(174,039)		(20,470)
	<u>664,289</u>		<u>3,103,287</u>
\$	<u><u>490,250</u></u>	\$	<u><u>3,082,817</u></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, 2020

Net change in fund balances - total governmental funds \$ (20,470)

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

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

Capital outlay	\$	2,762,875	
Depreciation		<u>(1,035,803)</u>	
Total			1,727,072

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		14,251	
Municipal income taxes		(30,603)	
Special assessments		(19,572)	
Charges for services		1,919	
Intergovernmental		<u>(83,979)</u>	
Total			(117,984)

Repayments of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

General obligation bonds		171,196	
Notes payable		133,333	
Capital leases		<u>10,729</u>	
Total			315,258

Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Position.

Issuance of notes payable		(850,000)	
Loan proceeds		<u>(6,034)</u>	
Total			(856,034)

(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, 2020

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.

Amortization of loss on refund	(878)	
Accrued compensated absences	9,292	
Accrued interest on debt	<u>(10,790)</u>	
Total		(2,376)

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

OPERS traditional pension	147,396	
OPERS combined pension	11,215	
OP&F pension	217,149	
OPERS OPEB	458	
OP&F OPEB	<u>5,367</u>	
Total		381,585

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

OPERS traditional pension	(161,477)	
OPERS combined pension	(3,324)	
OP&F pension	(298,110)	
OPERS OPEB	(73,462)	
OP&F OPEB	<u>(21,321)</u>	
Total		<u>(557,694)</u>

Change in net position of governmental activities \$ 869,357

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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other local taxes	\$ 296,331	\$ 300,161	\$ 331,403	\$ 31,242
Municipal income taxes	2,975,116	4,235,669	2,756,621	(1,479,048)
Intergovernmental	137,764	243,557	203,144	(40,413)
Charges for services	325,347	575,189	479,748	(95,441)
Licenses, permits and fees	93,329	164,998	137,620	(27,378)
Investment income	3,104	5,488	4,577	(911)
Miscellaneous income	81,960	144,899	120,856	(24,043)
Total revenues	<u>3,912,951</u>	<u>5,669,961</u>	<u>4,033,969</u>	<u>(1,635,992)</u>
Expenditures:				
Current operations and maintenance:				
General government	1,198,263	1,258,222	1,116,028	142,194
Security of persons and property	2,128,025	2,234,507	1,981,982	252,525
Leisure time activities	280,880	294,935	261,604	33,331
Community development	90,540	95,070	84,326	10,744
Debt service	<u>16,578</u>	<u>17,407</u>	<u>15,440</u>	<u>1,967</u>
Total expenditures	<u>3,714,286</u>	<u>3,900,141</u>	<u>3,459,380</u>	<u>440,761</u>
Excess of revenues over expenditures	<u>198,665</u>	<u>1,769,820</u>	<u>574,589</u>	<u>(1,195,231)</u>
Other financing sources (uses):				
Sale of capital assets	9,412	16,640	13,879	(2,761)
Transfers – in	-	-	83,014	83,014
Advances – out	(200,000)	(200,000)	-	200,000
Transfers – out	<u>(990,597)</u>	<u>(997,922)</u>	<u>(781,728)</u>	<u>216,194</u>
Total financing sources (uses)	<u>(1,181,185)</u>	<u>(1,181,282)</u>	<u>(684,835)</u>	<u>496,447</u>
Net change in fund balance	(982,520)	588,538	(110,246)	(698,784)
Prior year encumbrances appropriated	29,145	29,145	29,145	-
Fund balance at beginning of year	<u>1,696,984</u>	<u>1,696,984</u>	<u>1,696,984</u>	<u>-</u>
Fund balance at end of year	\$ <u>743,609</u>	\$ <u>2,314,667</u>	\$ <u>1,615,883</u>	\$ <u>(698,784)</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, 2020

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 425,316	\$ 493,490	\$ 380,765	\$ (112,725)
Licenses, permits and fees	40,756	47,289	36,487	(10,802)
Miscellaneous income	<u>41,627</u>	<u>48,298</u>	<u>37,266</u>	<u>(11,032)</u>
Total revenues	<u>507,699</u>	<u>589,077</u>	<u>454,518</u>	<u>(134,559)</u>
Expenditures:				
Current operations and maintenance:				
Transportation	1,031,976	1,053,737	913,871	139,866
Debt service	<u>65,287</u>	<u>65,287</u>	<u>65,287</u>	<u>-</u>
Total expenditures	<u>1,097,263</u>	<u>1,119,024</u>	<u>979,158</u>	<u>139,866</u>
Excess of revenues under expenditures	(589,564)	(529,947)	(524,640)	5,307
Other financing sources:				
Transfers – in	<u>475,625</u>	<u>551,863</u>	<u>425,804</u>	<u>(126,059)</u>
Net change in fund balance	(113,939)	21,916	(98,836)	(120,752)
Prior year encumbrances appropriated	34,549	34,549	34,549	-
Fund balance at beginning of year	<u>114,287</u>	<u>114,287</u>	<u>114,287</u>	<u>-</u>
Fund balance at end of year	\$ <u>34,897</u>	\$ <u>170,752</u>	\$ <u>50,000</u>	\$ <u>(120,752)</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, 2020

	Wastewater Fund	Water Fund	Total Business-Type Activities
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 1,531,321	\$ 810,009	\$ 2,341,330
Materials and supplies inventory	9,741	62,049	71,790
Accounts receivable	225,091	211,429	436,520
Intergovernmental receivable	468,544	111	468,655
Prepaid items	19,440	5,314	24,754
Special assessments receivable	134,031	2,024	136,055
Total current assets	<u>2,388,168</u>	<u>1,090,936</u>	<u>3,479,104</u>
Noncurrent assets:			
Non-depreciable capital assets	5,668,244	68,539	5,736,783
Depreciable capital assets, net	8,820,822	7,348,140	16,168,962
Net pension asset	12,182	7,042	19,224
Total noncurrent assets	<u>14,501,248</u>	<u>7,423,721</u>	<u>21,924,969</u>
Total assets	<u>16,889,416</u>	<u>8,514,657</u>	<u>25,404,073</u>
Deferred outflows of resources:			
Pension	81,631	48,587	130,218
OPEB	57,548	33,773	91,321
Total deferred outflows of resources	<u>139,179</u>	<u>82,360</u>	<u>221,539</u>
Liabilities:			
Current liabilities:			
Accounts payable	117,071	42,101	159,172
Accrued wages and benefits	22,978	7,245	30,223
Intergovernmental payable	1,238	125,516	126,754
Accrued interest payable	119	-	119
Retainage payable	241,627	-	241,627
Unearned revenue	40,500	-	40,500
OWDA loans payable	491,344	377,647	868,991
OPWC loan payable	26,638	23,580	50,218
Capital leases payable	2,055	-	2,055
Accrued compensated absences	15,256	802	16,058
Total current liabilities	<u>958,826</u>	<u>576,891</u>	<u>1,535,717</u>
Long-term liabilities (net of current portion):			
OWDA loans payable	7,468,352	4,069,741	11,538,093
OPWC loan payable	335,437	224,805	560,242
Capital leases payable	3,884	-	3,884
Accrued compensated absences	32,230	4,443	36,673
Net pension liability	517,976	299,380	817,356
Net OPEB liability	362,542	209,545	572,087
Total long-term liabilities	<u>8,720,421</u>	<u>4,807,914</u>	<u>13,528,335</u>
Total liabilities	<u>9,679,247</u>	<u>5,384,805</u>	<u>15,064,052</u>
Deferred inflows of resources:			
Pension	154,910	83,638	238,548
OPEB	79,212	41,195	120,407
Payments in lieu of taxes	112,490	-	112,490
Total deferred inflows of resources	<u>346,612</u>	<u>124,833</u>	<u>471,445</u>
Net position:			
Net investment in capital assets	5,813,380	2,688,548	8,501,928
Unrestricted	1,189,356	398,831	1,588,187
Total net position	<u>\$ 7,002,736</u>	<u>\$ 3,087,379</u>	<u>\$ 10,090,115</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, 2020

	Wastewater Fund	Water Fund	Total Business-Type Activities
Operating revenues:			
Charges for services	\$ 1,551,940	\$ 1,554,556	\$ 3,106,496
Miscellaneous income	174	-	174
Total operating revenues	<u>1,552,114</u>	<u>1,554,556</u>	<u>3,106,670</u>
Operating expenses:			
Personal services	585,732	291,025	876,757
Supplies and materials	94,746	26,626	121,372
Contractual services	217,558	575,378	792,936
Depreciation	341,496	266,681	608,177
Total operating expenses	<u>1,239,532</u>	<u>1,159,710</u>	<u>2,399,242</u>
Operating income	<u>312,582</u>	<u>394,846</u>	<u>707,428</u>
Non-operating revenues (expenses):			
Intergovernmental	-	41,812	41,812
Investment income	5,626	2,375	8,001
Interest and fiscal charges	(60,577)	(181,045)	(241,622)
Payments in lieu of taxes	113,312	-	113,312
Total non-operating revenues (expenses)	<u>58,361</u>	<u>(136,858)</u>	<u>(78,497)</u>
Income before transfers and capital contributions	370,943	257,988	628,931
Transfers – in	89,336	-	89,336
Capital contributions	<u>19,470</u>	<u>-</u>	<u>19,470</u>
Change in net position	479,749	257,988	737,737
Net position at beginning of year	<u>6,522,987</u>	<u>2,829,391</u>	<u>9,352,378</u>
Net position at end of year	<u>\$ 7,002,736</u>	<u>\$ 3,087,379</u>	<u>\$ 10,090,115</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, 2020

	Wastewater Fund	Water Fund	Total Business-type Activities
Change in cash and cash equivalents:			
Cash flows from operating activities:			
Cash received from customers	\$ 1,502,912	\$ 1,538,854	\$ 3,041,766
Cash payments for personal services	(558,637)	(289,599)	(848,236)
Cash payments for contractual services	(212,845)	(474,107)	(686,952)
Cash payments for vendors for supplies and materials	(92,375)	(46,544)	(138,919)
Net cash provided by operating activities	<u>639,055</u>	<u>728,604</u>	<u>1,367,659</u>
Cash flows from capital and related financing activities:			
Proceeds from OWDA loans	4,459,939	-	4,459,939
Capital contributions and grants	113,312	21,852	135,164
Principal paid on OWDA loans	(357,313)	(362,939)	(720,252)
Principal paid on capital leases	(1,944)	-	(1,944)
Interest paid on OWDA loans	(60,137)	(161,085)	(221,222)
Interest paid on capital leases	(391)	-	(391)
Transfer in	89,336	-	89,336
Acquisition of capital assets	(4,561,971)	(32,329)	(4,594,300)
Net cash used by capital and related financing activities	<u>(319,169)</u>	<u>(534,501)</u>	<u>(853,670)</u>
Cash flows from investing activities:			
Interest received	<u>5,086</u>	<u>2,375</u>	<u>7,461</u>
Net increase in cash and cash equivalents	324,972	196,478	521,450
Cash and cash equivalents at beginning of year	<u>1,206,349</u>	<u>613,531</u>	<u>1,819,880</u>
Cash and cash equivalents at end of year	\$ <u>1,531,321</u>	\$ <u>810,009</u>	\$ <u>2,341,330</u>

(continued)

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

City of Geneva, Ohio

Statement of Cash Flows Proprietary Funds (continued)

For the Year Ended December 31, 2020

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total Business-type Activities</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 312,582	\$ 394,846	\$ 707,428
Adjustments:			
Depreciation	341,496	266,681	608,177
Decrease (increase) in assets and deferred outflows:			
Accounts receivable	16,847	(34,436)	(17,589)
Intergovernmental receivable	(37,149)	(111)	(37,260)
Prepaid items	(2,081)	1,096	(985)
Materials and supplies inventory	(4,409)	(20,335)	(24,744)
Special assessment receivable	(7,456)	5,809	(1,647)
Net pension asset	(4,092)	(2,367)	(6,459)
Deferred outflows – pension	152,768	89,843	242,611
Deferred outflows – OPEB	(28,035)	(15,707)	(43,742)
(Decrease) increase in liabilities and deferred inflows:			
Accounts payable	(10,722)	9,743	(979)
Accrued wages and benefits	1,857	(2,059)	(202)
Accrued compensated absences	12,184	585	12,769
Intergovernmental payable	(4,396)	85,505	81,109
Net pension liability	(262,797)	(151,892)	(414,689)
Net OPEB liability	(12,772)	(7,379)	(20,151)
Deferred inflows – pension	113,806	68,788	182,594
Deferred inflows – OPEB	<u>61,424</u>	<u>39,994</u>	<u>101,418</u>
Net cash provided by operating activities	\$ <u>639,055</u>	\$ <u>728,604</u>	\$ <u>1,367,659</u>
Supplemental schedule of non-cash capital and related financing activities:			
Capital assets purchased on account	\$ 347,976	\$ 32,358	\$ 380,334
Contributed capital	19,470	-	19,470

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

City of Geneva, Ohio

Statement of Fiduciary Net Position Fiduciary Funds

December 31, 2020

	<u>Custodial Funds</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 35,615
Property taxes receivable	25,120
Intergovernmental receivable	<u>1,506</u>
Total assets	<u>62,241</u>
Liabilities:	
Due to others	9,156
Deferred inflows of resources:	
Property taxes	25,120
Fiduciary net position:	
Restricted for others	<u>27,965</u>
Total fiduciary net position	\$ <u><u>27,965</u></u>

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

City of Geneva, Ohio

Statement of Changes in Fiduciary Net Position Fiduciary Funds

For the Year Ended December 31, 2020

	<u>Custodial Funds</u>
Additions:	
Municipal income tax collected for others	\$ 109,032
Property tax and other local tax collected for others	<u>4,763</u>
Total additions	<u>113,795</u>
Deductions:	
Payments of municipal income tax	84,431
Miscellaneous	<u>4,763</u>
Total deductions	<u>89,194</u>
Change in fiduciary net position	24,601
Fiduciary net position at beginning of year, restated (Note 3)	<u>3,364</u>
Fiduciary net position at end of year	\$ <u><u>27,965</u></u>

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

City of Geneva, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

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 construction, 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 15-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 19.

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 18 to the basic financial statements.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

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, 2020

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 deferred outflows of resources 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 restricted for maintenance of streets within the City.

Infrastructure Fund – The Infrastructure Fund accounts for grants and fund transfers received for infrastructure projects throughout the City.

Vehicle and Major Equipment Fund – The Vehicle and Major Equipment Fund accounts for debt proceeds and fund transfers received for the purchase of vehicles and equipment for 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, 2020

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial 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. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City has eight custodial 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, and the Geneva Union Cemetery 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 JEDDs. The Geneva Union Cemetery Fund accounts for property taxes collected by the City on behalf of the Cemetery. These funds are then disbursed to the Cemetery.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of 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 deferred outflows of resources 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, 2020

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

Fund Financial Statements (continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Fund 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/outflows of resources 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 60 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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Revenues – Exchange and Non-Exchange Transactions (continued)

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, and grants and entitlements.

Unearned Revenue

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

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. At December 31, 2020, the City had deferred outflows of resources for deferred losses on refunding, pension and other postemployment benefits (OPEB) plans reported in the government-wide Statement of Net Position and the proprietary funds Statement of Fund Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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, payments in lieu of taxes, unavailable revenue and amounts for pension and OPEB plans. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance fiscal year 2021 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, income taxes, special assessments, charges for services, and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position and in the proprietary funds Statement of Fund Net Position.

The deferred outflows and inflows of resources related to pension and OPEB plans are explained in Note 11 and Note 12.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Expenses/Expenditures

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

E. Budgetary Process

All funds, except fiduciary 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 at the legal level of control.

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.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources and expenditures plus encumbrances cannot exceed appropriations at the legal level of control. 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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

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."

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements and nonnegotiable certificates of deposit are reported at cost. During 2020, investments were limited to STAR Ohio.

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 the City has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the year ended 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for all deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Investments of the cash 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 "equity in pooled cash and cash equivalents".

Investment income is allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Investment income credited to the General Fund during 2020 amounted to \$5,629, of which, \$1,289 was from other funds.

G. Materials and Supplies Inventory

Inventories of all funds are stated at cost which is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditures in the governmental fund types and as expenses in the proprietary fund types when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, 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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the other governmental funds represent refundable deposits.

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 reported at acquisition value. The City maintains a capitalization threshold of \$5,000. 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.

All capital assets are depreciated except for land, construction in progress and historical treasures. 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>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings/land improvements	5 to 50 years	10 to 90 years
Equipment	3 to 60 years	3 to 60 years
Vehicles	2 to 20 years	3 to 20 years
Infrastructure	10 to 100 years	10 to 100 years

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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

K. Payables, Accrued Liabilities and Long-Term Obligations (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and net pension and OPEB liabilities 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, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

L. 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 interfund loans.

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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

M. Fund Balance (continued)

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. The Finance Director is the City's delegated official.

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 applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned), amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which the amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources 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 City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

O. Interfund Balances

On the fund financial statements, interfund loans are classified as “Interfund receivable/payable” on the Balance Sheet. Long-term interfund loans are classified as “Advances to/from other funds” on the Balance Sheet and are equally offset as part of nonspendable fund balance which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension and OPEB items are eliminated in the business-type activities column of the statement of net position.

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 wastewater and water. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

Q. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

R. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liabilities and asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

S. *Estimates*

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

T. *Deferred Charge on Refunding*

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter and is presented as deferred outflows of resources on the Statement of Net Position.

U. *Contributions of Capital*

Contribution of capital in the proprietary funds and distribution of capital in governmental activities financial statements arise from inside contributions of capital assets and distributions of capital assets or resources restricted to capital acquisition and construction. These are shown as transfers on the Statement of Activities.

Note 3: Change in Accounting Principles

Newly Adopted Accounting Pronouncements

For the year ended December 31, 2020, the City implemented the following Governmental Accounting Standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 83, *Certain Asset Retirement Obligations (AROs)*. This Statement requires a governmental entity that has legal obligation (laws and regulatory requirements, court judgements, contracts, etc.) to perform future asset retirement activities related to its tangible capital assets to recognize a liability, and a corresponding deferred outflow of resources. A liability must be recognized by a government that will eventually retire, dispose of, or environmentally remediate upon retirement, a capital asset if that retirement or disposal carries with it legally enforceable obligations. Measurement of the liability and initial deferred outflow is based on the best estimate of the amount of the current value of outlays expected to be incurred. Annually, the deferred outflow is expensed over the remaining life of the capital asset and evaluated to determine whether the estimate of the liability continues to be appropriate. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2019. These changes were incorporated in the City's financial statements; however, there was no effect on beginning net position/fund balance.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 3: Change in Accounting Principles (continued)

Newly Adopted Accounting Pronouncements (continued)

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. GASB Implementation Guide No. 2019-2, *Fiduciary Activities*, issued in June 2019, provides guidance to address issues related to accounting and financial reporting for fiduciary activities in accordance with the requirements of GASB Statement No. 84. These changes were incorporated in the City's 2020 financial statements.

The implementation of GASB Statement No. 84 had the following effect on beginning net position and beginning fund balances as reported as of December 31, 2019:

	<u>Governmental Activities</u>	<u>Total</u>
Net position at December 31, 2019	\$ 10,943,971	\$ 20,296,349
GASB 84 fund reclassification	<u>34,409</u>	<u>34,409</u>
Restated net position at December 31, 2019	\$ <u>10,978,380</u>	\$ <u>20,330,758</u>

	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance at December 31, 2019	\$ 629,880	\$ 3,068,878
GASB 84 fund reclassification	<u>34,409</u>	<u>34,409</u>
Restated fund balance at December 31, 2019	\$ <u>664,289</u>	\$ <u>3,103,287</u>

As a result of the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of \$3,364. Also related to the implementation of GASB Statement No. 84, the City will no longer report agency funds.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued in June 2018, establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period by simplifying accounting for interest cost incurred before the end of a construction period. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2020. The change was incorporated in the City's financial statements; however, there was no effect on beginning net position/fund balance.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 3: Change in Accounting Principles (continued)

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Implementation Guide No. 2019-1, *Implementation Guide Update-2019* and GASB Implementation Guide No. 2019-3, *Leases*, effective dates were also deferred as a result of GASB Statement No. 95. The effective date of these implementation guides are reporting periods beginning after June 15, 2020 and June 15, 2021, respectively. The City has not yet determined the impact that these implementation guides will have on its financial statements and disclosures.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2021. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 92, *Omnibus 2020*, was issued in January 2020. This statement addresses a variety of topics with objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued in March 2020 to address accounting and financial reporting implications that result from global reference rate reform. The removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 4: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance 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) as opposed to when susceptible to accrual (GAAP);
- (b) Expenditures/expenses are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP);
- (c) Encumbrances are treated as expenditures (budgetary) rather than assigned fund balance (GAAP);
- (d) Budgetary revenues and expenditures of certain funds are classified to General Fund for GAAP reporting.

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.

Net Change in Fund Balance

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>
GAAP basis	\$ 156,073	\$ 58,492
(Decrease) increase due to:		
Revenue accruals	(154,105)	9,603
Expenditure accruals	49,076	13,250
Outstanding encumbrances	(175,420)	(180,181)
To reclassify the net change in fund balance for funds combined with the General Fund for GASB 54	<u>14,130</u>	<u>-</u>
Budgetary basis	<u>\$ (110,246)</u>	<u>\$ (98,836)</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

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 governmental 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>Infrastructure</u>	<u>Vehicle and Major Equipment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:						
Inventory	\$ -	\$ 13,702	\$ -	\$ -	\$ -	\$ 13,702
Prepaid items	94,675	24,802	-	-	1,333	120,810
Interfund loan receivable	<u>111,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,376</u>
Total nonspendable	<u>206,051</u>	<u>38,504</u>	<u>-</u>	<u>-</u>	<u>1,333</u>	<u>245,888</u>
Restricted:						
Streets and highways	-	244,153	-	-	103,075	347,228
Police	-	-	-	-	56,962	56,962
Law enforcement trust and education	-	-	-	-	50,525	50,525
Community development	-	-	-	-	84,338	84,338
Street lighting	-	-	-	-	285,970	285,970
Debt service	-	-	-	-	13,379	13,379
Capital projects	<u>-</u>	<u>-</u>	<u>111,759</u>	<u>-</u>	<u>5,815</u>	<u>117,574</u>
Total restricted	<u>-</u>	<u>244,153</u>	<u>111,759</u>	<u>-</u>	<u>600,064</u>	<u>955,976</u>
Committed:						
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,711</u>	<u>-</u>	<u>17,711</u>
Assigned:						
Appropriations for 2021	328,729	-	-	-	-	328,729
Purchase on order	118,035	-	-	-	-	118,035
Community development	<u>6,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,671</u>
Total assigned	<u>453,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>453,435</u>
Unassigned (deficit)	<u>1,520,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,147)</u>	<u>1,409,807</u>
Total fund balances	<u>\$ 2,180,440</u>	<u>\$ 282,657</u>	<u>\$ 111,759</u>	<u>\$ 17,711</u>	<u>\$ 490,250</u>	<u>\$ 3,082,817</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

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 public deposits that the Council has identified as not required for use within the current two-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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 6: Deposits and Investments (continued)

7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

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 Finance Director or, if the securities are not represented by 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 be either insured or protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

At year-end, the carrying amount of the City's deposits was \$5,067,045 and the bank balance was \$5,543,212. At year-end, none of the City's total bank balance was exposed to custodial credit risk as the deposits were covered under FDIC and OPCS. The City also has \$1,500 in petty cash on hand.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 6: Deposits and Investments (continued)

Investments

As of December 31, 2020, the City had the following investments:

	<u>Measurement Value</u>	<u>Maturities (in years) Less than 1</u>	<u>Maturities (in years) More than 1</u>
STAR Ohio	\$ <u>363,441</u>	\$ <u>363,441</u>	\$ <u>-</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

STAR Ohio is valued at amortized cost. At December 31, 2020, the average days to maturity was 55.8.

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.

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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 6: Deposits and Investments (continued)

Investments (continued)

The following is the City's allocation as of December 31, 2020:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
STAR Ohio	100 %

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% 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% 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, 2020 was \$8.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2020 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Category:	
Real estate	\$ 101,013,750
Public utility	<u>3,149,130</u>
Total	<u>\$ 104,162,880</u>

B. Municipal Income Taxes

The City levies municipal income tax of 1.5% 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 1.0% of the tax paid to another municipality.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 7: Receivables (continued)

B. Municipal Income Taxes (continued)

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, 2020, primarily consisted of taxes, accounts (billings for user charged services), interfund, intergovernmental receivables arising from grants, entitlement, and shared revenues, special assessments and loans receivable. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

Governmental activities:

Homestead and rollback	\$ 42,173
Local government	110,088
Grant reimbursements	10,000
Auto registration, licenses, and gasoline tax	180,442
Permissive tax	3,389
Bed tax	5
Miscellaneous	<u>22,991</u>
Total governmental activities	<u>369,088</u>

Business-type activities:

Harpersfield Township	244,051
JED III reimbursement	110,398
Geneva area schools WWTP management services	1,431
Miscellaneous	285
Payments in lieu of taxes	<u>112,490</u>
Total business-type activities	<u>468,655</u>
Total	<u>\$ 837,743</u>

The Harpersfield Township (the "Township") receivable noted above relates to the Township's share of construction costs related to JEDD-III. In total, the Township's share of the construction costs is \$826,925. In 2020 it was determined that an allowance of \$582,874 was needed due to lack of collections.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 8: Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2020, was as follows:

	<u>Balances</u> <u>12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/20</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 884,215	\$ -	\$ -	\$ 884,215
Construction in progress	502,637	834,535	(1,325,197)	11,975
Historical treasures	<u>46,378</u>	<u>-</u>	<u>-</u>	<u>46,378</u>
Total non-depreciable capital assets	<u>1,433,230</u>	<u>834,535</u>	<u>(1,325,197)</u>	<u>942,568</u>
Capital assets being depreciated:				
Building and land improvements	5,082,261	102,809	-	5,185,070
Machinery and equipment	1,682,063	44,017	-	1,726,080
Vehicles	2,278,570	1,308,851	(162,120)	3,425,301
Infrastructure	<u>25,337,385</u>	<u>1,797,860</u>	<u>-</u>	<u>27,135,245</u>
Total capital assets being depreciated	<u>34,380,279</u>	<u>3,253,537</u>	<u>(162,120)</u>	<u>37,471,696</u>
Less accumulated depreciation:				
Building and land improvements	(2,808,097)	(119,989)	-	(2,928,086)
Machinery and equipment	(1,358,231)	(91,539)	-	(1,449,770)
Vehicles	(1,436,545)	(269,843)	162,120	(1,544,268)
Infrastructure	<u>(15,031,450)</u>	<u>(554,432)</u>	<u>-</u>	<u>(15,585,882)</u>
Total accumulated depreciation	<u>(20,634,323)</u>	<u>(1,035,803)</u>	<u>162,120</u>	<u>(21,508,006)</u>
Net capital assets being depreciated	<u>13,745,956</u>	<u>2,217,734</u>	<u>-</u>	<u>15,963,690</u>
Governmental activities capital assets, net	\$ <u>15,179,186</u>	\$ <u>3,052,269</u>	\$ <u>(1,325,197)</u>	\$ <u>16,906,258</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 156,679
Security of persons and property	220,704
Leisure time activities	12,798
Transportation	<u>645,622</u>
Total	\$ <u>1,035,803</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 8: Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2020, was as follows:

	Balances <u>12/31/19</u>	Additions	Deletions	Balances <u>12/31/20</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 2,489,762	\$ 4,581,146	\$ (1,372,956)	\$ 5,697,952
Intangibles	<u>38,831</u>	<u>-</u>	<u>-</u>	<u>38,831</u>
Total non-depreciable capital assets	<u>2,528,593</u>	<u>4,581,146</u>	<u>(1,372,956)</u>	<u>5,736,783</u>
Capital assets being depreciated:				
Building and land improvements	4,493,101	-	-	4,493,101
Machinery and equipment	1,531,204	69,471	(6,596)	1,594,079
Vehicles	451,278	78,245	-	529,523
Infrastructure	<u>17,927,733</u>	<u>1,372,956</u>	<u>-</u>	<u>19,300,689</u>
Total capital assets being depreciated	<u>24,403,316</u>	<u>1,520,672</u>	<u>(6,596)</u>	<u>25,917,392</u>
Less accumulated depreciation:				
Building and land improvements	(2,990,195)	(78,492)	-	(3,068,687)
Machinery and equipment	(819,679)	(88,495)	3,435	(904,739)
Vehicles	(370,323)	(31,870)	-	(402,193)
Infrastructure	<u>(4,963,491)</u>	<u>(409,320)</u>	<u>-</u>	<u>(5,372,811)</u>
Total accumulated depreciation	<u>(9,143,688)</u>	<u>(608,177)</u>	<u>3,435</u>	<u>(9,748,430)</u>
Net capital assets being depreciated	<u>15,259,628</u>	<u>912,495</u>	<u>(3,161)</u>	<u>16,168,962</u>
Total business-type activities capital assets, net	\$ <u>17,788,221</u>	\$ <u>5,493,641</u>	\$ <u>(1,376,117)</u>	\$ <u>21,905,745</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 9: Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2020 was as follows:

	<u>Balance</u> <u>12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/20</u>	<u>Due in One</u> <u>Year</u>
<i>Governmental activities:</i>					
General obligation bonds:					
4% 2011 Municipal facility improvement, maturing 2021	\$ 85,000	\$ -	\$ (40,000)	\$ 45,000	\$ 45,000
3.16% 2018 Refunded various purpose, maturing 2029	745,000	-	(70,000)	675,000	70,000
3.16% 2018 Various purpose, maturing 2028	150,000	-	(15,000)	135,000	15,000
2.75% 2018 Fire truck acquisition, maturing 2028	<u>392,670</u>	<u>-</u>	<u>(46,196)</u>	<u>346,474</u>	<u>46,196</u>
Total general obligation bonds	<u>1,372,670</u>	<u>-</u>	<u>(171,196)</u>	<u>1,201,474</u>	<u>176,196</u>
0% Ohio Public Works Commission loans:					
2010 E. Tibbitts, maturing 2021*	5,000	-	-	5,000	5,000
2010 Ansel, maturing 2032*	113,345	-	-	113,345	9,446
2011 Lockwood, maturing 2022*	1,948	-	-	1,948	1,300
2012 Sherman/Chestnut, maturing 2035*	414,950	-	-	414,950	28,618
2014 Grant Bridge, maturing 2035*	76,811	-	-	76,811	5,120
2018 N. Avenue Bridge, maturing 2038*	64,650	-	-	64,650	3,592
2018 E. Main Street, maturing 2039*	47,500	-	-	47,500	2,500
2019 E. Main Street, maturing 2035*	<u>27,965</u>	<u>6,034</u>	<u>-</u>	<u>33,999</u>	<u>2,266</u>
Total Ohio Public Works Commission loans	<u>752,169</u>	<u>6,034</u>	<u>-</u>	<u>758,203</u>	<u>57,842</u>
Other long-term obligations:					
2.25% 2019 Note payable, maturing 2023*	400,000	-	(133,333)	266,667	66,667
2.60% 2020 Note payable, maturing 2025*	-	850,000	-	850,000	10,323
Capital leases payable*	13,559	-	(10,729)	2,830	2,751
Accrued compensated absences	281,410	175,557	(184,849)	272,118	175,009
Net pension liability	5,588,824	-	(1,455,073)	4,133,751	-
Net OPEB liability	<u>1,490,776</u>	<u>-</u>	<u>(22,246)</u>	<u>1,468,530</u>	<u>-</u>
Total other long-term obligations	<u>7,774,569</u>	<u>1,025,557</u>	<u>(1,806,230)</u>	<u>6,993,896</u>	<u>254,750</u>
Total governmental long-term liabilities	<u>\$ 9,899,408</u>	<u>\$ 1,031,591</u>	<u>\$ (1,977,426)</u>	<u>\$ 8,953,573</u>	<u>\$ 488,788</u>

* Long-term obligation is a direct placement.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 9: Long-Term Obligations (continued)

	Balance <u>12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/20</u>	Due in One <u>Year</u>
<i>Business-type activities:</i>					
Ohio Water Development Authority (OWDA) loans:					
4.56% OWDA, series 2004, maturing 2030*	\$ 3,637,072	\$ -	\$ (294,442)	\$ 3,342,630	\$ 308,022
2.01% OWDA, Harpersfield booster station, maturing 2031*	200,603	-	(15,668)	184,935	15,984
1.68% OWDA advanced metering infrastructure, maturing 2032*	208,033	-	(15,786)	192,247	16,052
1.60% OWDA, Elm Street improvements, maturing 2037*	455,509	-	(22,749)	432,760	23,114
1.35% OWDA, North Broadway waterline, maturing 2037*	368,456	-	(18,799)	349,657	19,054
1% OWDA, State Route 534, maturing 2038*	1,468,292	-	(74,840)	1,393,452	75,591
1% OWDA Elm Street sub-basin sewer rehabilitation, maturing 2030*	126,020	-	(11,441)	114,579	11,556
1% OWDA laboratory building, maturing 2030*	179,916	-	(16,334)	163,582	16,499
1% OWDA, WW Facilities plan*	772,051	4,186,188	-	4,958,239	136,548
1% OWDA, Secondary sludge tank*	916,572	39,866	(46,632)	909,806	39,621
0% OWDA, W Main Street sewer*	30,586	233,885	(94,445)	170,026	94,445
3% OWDA, series 2007, maturing 2022*	263,489	-	(103,048)	160,441	106,162
4.49% OWDA Geneva-on-the-Lake sanitary sewer outfall, maturing 2025*	40,798	-	(6,068)	34,730	6,343
Total Ohio Water Development Authority loans	<u>8,667,397</u>	<u>4,459,939</u>	<u>(720,252)</u>	<u>12,407,084</u>	<u>868,991</u>
0% Ohio Public Works Commission loans:					
2010 W. Liberty, maturing 2031*	28,413	-	-	28,413	2,582
2010 Ansel – WW, maturing 2032*	123,000	-	-	123,000	10,250
2010 Ansel – Water, maturing 2032*	27,600	-	-	27,600	2,300
2013 Van Epps – Water, maturing 2025*	24,687	-	-	24,687	4,938
2016 Meter – Water, maturing 2032*	271,760	-	-	271,760	22,648
2018 State Route 534, maturing 2038*	135,000	-	-	135,000	7,500
Total Ohio Public Works Commission loans	<u>610,460</u>	<u>-</u>	<u>-</u>	<u>610,460</u>	<u>50,218</u>
Other long-term obligations:					
Capital leases payable*	7,883	-	(1,944)	5,939	2,055
Accrued compensated absences	56,159	23,764	(27,192)	52,731	16,058
Net pension liability	1,232,045	-	(414,689)	817,356	-
Net OPEB liability	592,238	-	(20,151)	572,087	-
Total other long-term obligations	<u>1,888,325</u>	<u>23,764</u>	<u>(463,976)</u>	<u>1,448,113</u>	<u>18,113</u>
Total business-type long-term liabilities	<u>\$ 11,166,182</u>	<u>\$ 4,483,703</u>	<u>\$ (1,184,228)</u>	<u>\$ 14,465,657</u>	<u>\$ 937,322</u>

* Long-term obligation is a direct placement.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 9: Long-Term Obligations (continued)

At December 31, 2020, the City received partial proceeds for the Ohio Water Development Authority (OWDA) Wastewater Facilities Plan, Secondary Sludge Tank, and West Main Street Sewer projects. The loans will be repaid in semi-annual installments. The City has not collected the total proceeds of the loans, and as a result, the debt maturity schedules below do not reflect any amounts for principal or interest as the future maturities are not known at December 31, 2020.

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2020 were as follows:

Year	Governmental Activities					
	General Obligation Bonds		OPWC Loans*			
	Principal	Interest	Principal			
2021	\$ 176,196	\$ 36,606	\$ 57,842			
2022	131,196	30,850	52,190			
2023	136,196	26,894	51,542			
2024	136,196	22,779	51,542			
2025	141,196	18,665	51,542			
2026-2030	480,494	32,730	257,714			
2031-2035	-	-	215,061			
2036-2039	-	-	20,770			
	<u>\$ 1,201,474</u>	<u>\$ 168,524</u>	<u>\$ 758,203</u>			

Year	Governmental Activities					
	Notes Payable*		Total			
	Principal	Interest	Principal	Interest		
2021	\$ 76,990	\$ 27,617	\$ 311,028	\$ 64,223		
2022	181,695	25,269	365,081	56,119		
2023	116,292	21,004	304,030	47,898		
2024	50,925	18,955	238,663	41,734		
2025	690,765	17,622	883,503	36,287		
2026-2030	-	-	738,208	32,730		
2031-2035	-	-	215,061	-		
2036-2039	-	-	20,770	-		
	<u>\$ 1,116,667</u>	<u>\$ 110,467</u>	<u>\$ 3,076,344</u>	<u>\$ 278,991</u>		

Year	Business-Type Activities					
	OWDA Loans*		OPWC Loans*		Total	
	Principal	Interest	Principal	Principal	Interest	
2021	\$ 598,377	\$ 170,857	\$ 50,218	\$ 648,595	\$ 170,857	
2022	563,250	152,649	50,218	613,468	152,649	
2023	526,427	136,214	50,218	576,645	136,214	
2024	544,613	119,954	50,217	594,830	119,954	
2025	563,561	103,013	50,216	613,777	103,013	
2026-2030	2,610,299	243,798	226,400	2,836,699	243,798	
2031-2035	706,725	37,301	110,473	817,198	37,301	
2036-2038	255,761	3,395	22,500	278,261	3,395	
	<u>\$ 6,369,013</u>	<u>\$ 967,181</u>	<u>\$ 610,460</u>	<u>\$ 6,979,473</u>	<u>\$ 967,181</u>	

* Long-term obligation is a direct placement.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 9: Long-Term Obligations (continued)

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from property taxes levied on all taxable property located within the City as well as municipal income taxes. Tax monies will be received in and the debt will be retired from the Vehicle and Major Equipment Fund and the Debt Service Fund.

On September 29, 2011, the City issued municipal facility improvement bonds in the amount of \$355,000, at the interest rates of 4%. The bonds were issued for a ten-year period with final maturity during 2021.

On February 16, 2018, the City issued fire truck acquisition bonds in the amount of \$461,965, at the interest rate of 2.75%. The bonds were issued for an eleven-year period with final maturity during 2028.

In October 2018, the City issued \$975,000 in various purpose improvement and refunding bonds, for the purpose of financing the purchase of City vehicles and to refund the outstanding 2009 various purpose general obligation bond previously issued. The bonds mature on February 1, 2029 and August 1, 2029, respectively, and have an interest rate of 3.16%. Proceeds of \$815,000 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the general obligation bonds. The remaining proceeds of \$160,000 were receipted by the City for the purchase of City vehicles. The refunded bonds were called and redeemed in full in October 2018. The City decreased its total debt service payments by \$84,823 as a result of the refunding. The City also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$70,419.

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 Street Lighting 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. All OWDA loan obligations are of the Wastewater and Water Funds and will be paid from the operating revenue of those funds.

During 2020, as a response to COVID-19, OPWC made the decision to defer the July 2020 loan payment for six months. The amortization schedules were adjusted to push back all payments six months. Borrowers have the option to make a double-payment in January 2021 or use the modified amortization schedule.

The City's outstanding OPWC loans from direct borrowings contain provisions that in the event of default (1) OPWC may apply late fees of 8% per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The outstanding OWDA loans contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1% on the amount of each default shall be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1% on the amount of the default until such charges are paid.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 9: Long-Term Obligations (continued)

On October 28, 2019, the City issued notes payable for \$400,000 for the purpose of purchasing police cruisers, a plow truck and a city use vehicle. The notes are a direct placement with a bank at a fixed rate of 2.25% per annum. The note is backed by the full faith and credit of the City. The note payable will be retired from the General Fund, Police Levies Fund, and Vehicle and Major Equipment Fund.

On March 20, 2020, the City issued notes payable for \$850,000 for the purpose of purchasing a fire engine. The notes are a direct placement with a bank at a fixed rate of 2.60% per annum. The note is backed by the full faith and credit of the City. The note payable will be retired from the Vehicle and Major Equipment Fund.

Compensated absences and the net pension and net OPEB liabilities will be paid from the fund from which the employees' salaries are paid.

See Note 10 for detail on capital leases.

Note 10: Leases

The City has entered into lease agreements as lessee for financing the acquisition of copiers and a vehicle for the fire department. 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. These lease agreements are secured by the related property.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Assets:		
Vehicles	\$ 27,878	\$ -
Equipment	32,814	10,165
Less: accumulated depreciation	<u>(55,554)</u>	<u>(7,906)</u>
Total	\$ <u>5,138</u>	\$ <u>2,259</u>

Amortization of capital leases is included in depreciation expense.

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>	
2021	\$ 2,830	\$ 2,335	\$ 2,376
2022	80	2,335	2,376
2023	<u>-</u>	<u>1,751</u>	<u>2,376</u>
Total minimum lease payments	2,910	6,421	\$ <u>7,128</u>
Less: amount representing interest	<u>(80)</u>	<u>(482)</u>	
Present value of minimum lease payments	\$ <u>2,830</u>	\$ <u>5,939</u>	

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 10: Leases (continued)

Lease payments will be made from the General Fund, Vehicle and Major Equipment Fund and 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 \$2,376 for the year ended December 31, 2020.

* Long-term obligation is a direct placement.

Note 11: Defined Benefit Pension Plans

A. *Net Pension/OPEB Liability (Asset)*

The net pension/OPEB liability (asset) reported on the Statement of Net Position represents a liability (asset) to employees for pensions/OPEB. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB 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/OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liabilities (assets) represents the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68 and 75 assumes the liability (asset) 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). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits including primarily health care. In most cases, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

State statute requires the retirement systems to amortize unfunded pension/OPEB liabilities within 30 years. If the pension/OPEB amortization period exceeds 30 years, each retirement system's board must propose corrective action to the state legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

A. Net Pension/OPEB Liability (Asset) (continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required 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. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

Plan Description – City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the Traditional pension plan, a defined benefit plan; the Combined plan, a combination defined benefit/defined contribution plan; and the Member-Directed plan, a defined contribution plan. While members (e.g., City employees) may elect the Member-Directed plan, substantially all employee members are in OPERS' Traditional or Combined plans; therefore, the following disclosure focuses on the Traditional and Combined plans.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional and Combined plans. 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 614-222-5601 or 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. Final average salary (FAS) represents the average of the three highest years of earnings over the member's career for Groups A and B. Group C is based on the average of the five highest years of earning 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.

The Traditional plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and FAS. Pension benefits are funded by both member and employer contributions and investment earnings on those contributions.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

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

The following table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the Traditional plan (see OPERS ACFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C 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 5 years of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 5 years 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

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

Once a benefit recipient retiring under the Traditional pension plan has received benefits for 12 months, current law provides for an annual cost-of-living adjustment (COLA). This COLA is calculated on the member's base retirement benefit at the date of retirement and is not compounded. Members retiring under the Combined plan receive a COLA on the defined benefit portion of their retirement benefit. For those who retired prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

A death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional pension plan and Combined plan.

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS-contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

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

The Combined plan is a hybrid defined benefit/defined contribution plan. Members earn a formula benefit similar to, but at a factor less than the traditional plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement, the member may choose a defined contribution distribution that is equal to the member's contributions to the plan and investment earnings (or losses). Members may also elect to annuitize their defined contribution account balances.

Benefits in the Combined plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined plan is the same as the Traditional pension plan.

The subsequent table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the Combined plan (see OPERS ACFR 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 Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	State and Local Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	State and Local Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Formula: 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. Both Member-Directed plan and Combined plan members who have met the eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans.

Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

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

At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance (net of taxes withheld), or a combination of these options.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10% of covered payroll for members in the state and local classifications.

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2020 for the Traditional and Combined plans. The portion of the employer's contribution allocated to health care was 4% for the Member-Direct plan for 2020. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. In 2020, the City's contractually required contribution, net of postemployment health care benefits, was \$241,785. Of this amount, \$18,951 is reported as accrued wages and benefits at December 31, 2020.

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

Plan Description - the City's full-time police and fire participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer public employee retirement system administered by OP&F. OP&F administers pension, disability, deferred-retirement option plan (DROP) and health care stipend benefits to qualified members. In addition, OP&F administers survivor benefits, death benefits and a health care stipend benefit for eligible survivors, spouses, children and dependent parents. 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.

OP&F also offers DROP. DROP is a cost neutral benefit offered by OP&F. Upon the DROP effective date, the member's pension is calculated as if that were their date of retirement. While the member continues to work and draw their normal salary, the amount they would have received in retirement benefits accumulates tax-deferred at OP&F on their behalf, as well as a portion of their OP&F employee contributions and interest.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

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

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 July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% 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, who have 15 or more years of service credit as of July 1, 2013 and members who are receiving a pension benefit that became effective before July 1, 2013 will be equal to 3% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3% or the percentage increase in the consumer price index, if any, over the twelve month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one tenth of 1%.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 19.5% of covered payroll for police employer units and 24.0% for fire employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 12.25% of covered payroll for police and fire. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0.5% for 2020. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

In 2020, the City's contractually required contribution, net of postemployment health care benefits, was \$217,149. Of this amount, \$19,599 is reported as accrued wages and benefits at December 31, 2020.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

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

The net pension liability (asset) for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability (asset) 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>
Proportion of the net pension liability (asset) prior measurement date	0.013077%	0.033186%	0.039685%	
Proportion of the net pension liability (asset) current measurement date	<u>0.012021%</u>	<u>0.026799%</u>	<u>0.038226%</u>	
Change in proportionate share	(0.001056%)	(0.006387%)	(0.001459%)	
Proportionate share of the net pension liability	\$ 2,376,033	\$ -	\$ 2,575,074	\$ 4,951,107
Proportionate share of the net pension asset	\$ -	\$ 55,882	\$ -	\$ 55,882
Pension expense	\$ 247,003	\$ 5,029	\$ 298,110	\$ 550,142

2020 pension expense for the member-directed defined contribution plan was \$1,774. The aggregate pension expense for all pension plans was \$551,916 for 2020.

At December 31, 2020, 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				
Differences between expected and actual experience	\$ -	\$ -	\$ 97,475	\$ 97,475
Change in assumptions	126,908	5,762	63,211	195,881
Differences in employer contributions and change in proportionate share	-	-	38,431	38,431
City contribution subsequent to the measurement date	<u>224,689</u>	<u>17,096</u>	<u>217,149</u>	<u>458,934</u>
Total deferred outflow of resources	\$ <u><u>351,597</u></u>	\$ <u><u>22,858</u></u>	\$ <u><u>416,266</u></u>	\$ <u><u>790,721</u></u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

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

	OPERS <u>Traditional</u>	OPERS <u>Combined</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflow of resources				
Differences between expected and actual experience	\$ 30,041	\$ 13,119	\$ 132,807	\$ 175,967
Net difference between projected and actual earnings on pension plan investments	473,965	7,248	124,397	605,610
Differences in employer contributions and change in proportionate share	<u>162,885</u>	<u>-</u>	<u>187,393</u>	<u>350,278</u>
Total deferred inflow of resources	\$ <u>666,891</u>	\$ <u>20,367</u>	\$ <u>444,597</u>	\$ <u>1,131,855</u>

The \$458,934 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS <u>Traditional</u>	OPERS <u>Combined</u>	<u>OP&F</u>	<u>Total</u>
Fiscal Year Ending December 31:				
2021	\$ (168,552)	\$ (3,561)	\$ (58,017)	\$ (230,130)
2022	(202,863)	(3,425)	(44,327)	(250,615)
2023	19,627	(1,404)	8,239	26,462
2024	(188,195)	(4,058)	(133,481)	(325,734)
2025	-	(757)	(17,894)	(18,651)
2026-2028	<u>-</u>	<u>(1,400)</u>	<u>-</u>	<u>(1,400)</u>
	\$ <u>(539,983)</u>	\$ <u>(14,605)</u>	\$ <u>(245,480)</u>	\$ <u>(800,068)</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 active member population which consists of members in the Traditional and Combined plans is assumed to remain constant. For purposes of financing the unfunded actuarial accrued liabilities, total payroll is assumed to grow at the wage inflation rate indicated below.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>
Valuation date	December 31, 2019	December 31, 2019
Experience study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	7.20%	7.20%
Wage inflation	3.25%	3.25%
Projected salary increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 retirees	1.40% Simple through 2020 then 2.15% Simple	1.40% Simple though 2020 then 2.15% Simple

OPERS conducts an experience study every five years in accordance with Ohio Revised Code Section 145.22. The study for the five-year period ended December 31, 2015 and methods and assumptions were approved and adopted by the OPERS Board of Trustees.

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010.

The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 Mortality Improvement Scale to the above described tables.

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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional plan, the defined benefit component of the Combined plan and the annuitized accounts of the Member-Directed plan. The money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for changing amounts actually invested for the Defined Benefit portfolio was 17.2% for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board 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 2019 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	25.00%	1.83%
Domestic equities	19.00	5.75
Real estate	10.00	5.20
Private equity	12.00	10.70
International equities	21.00	7.66
Other investments	13.00	4.98
Total	<u>100.00%</u>	<u>5.61%</u>

Discount Rate The discount rate used to measure the total pension liability (asset) for measurement year 2019 was 7.2%. 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, as actuarially determined. 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 (asset).

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

Sensitivity of the City’s Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.2%, as well as what the City’s proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.2%) or one-percentage-point higher (8.2%) than the current rate.

	1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
City’s proportionate share of the net pension liability – Traditional	\$ 3,918,846	\$ 2,376,033	\$ 989,088
City’s proportionate share of the net pension asset – Combined	\$ 33,767	\$ 55,882	\$ 71,821

F. Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, 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, 2019, are presented below:

Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%
Cost of living adjustments	2.20% and 3.00% simple

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The actuarial assumptions used in the valuation are based on the results of a five-year experience review covering the period 2012-2016. The experience study was performed by OP&F's prior actuary and the assumptions were effective January 1, 2017.

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 OP&F's 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 average 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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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, 2019 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return**</u>
Cash and cash equivalents	0.0%	1.0%
Domestic equity	16.0	5.4
International equity	16.0	5.8
Private markets	8.0	8.0
Core fixed income*	23.0	2.7
High yield fixed income	7.0	4.7
Private credit	5.0	5.5
U.S. inflation linked bonds*	17.0	2.5
Midstream energy infrastructure	8.0	6.6
Real assets	8.0	7.4
Private real estate	12.0	6.4

Note: Assumptions are geometric.

*Levered 2x

**Numbers are net of expected inflation.

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.

Discount Rate The total pension liability was calculated using the discount rate of 8.00%. 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 earnings were calculated using the longer-term assumed investment rate of return 8.00%. 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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 11: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease <u>(7.00%)</u>	Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
City's proportionate share of the net pension liability	\$ 3,568,963	\$ 2,575,074	\$ 1,743,784

Note 12: Postemployment Benefits

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

Plan Description – OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the Traditional plan, a defined benefit plan; the Combined plan, a combination defined benefit/defined contribution plan; and the Member-Directed plan, a defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional pension and the Combined plans. This trust is also used to fund health care for Member-Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional pension and Combined plans must have twenty 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 OPEB as described in GASB Statement 75. See OPERS' ACFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 12: Postemployment Benefits (continued)

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, 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 2020, state and local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board 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 plan and Combined plan was 0% for 2020. The portion of employer contributions allocated to health care for members in the Member-Direct plan was 4% during 2020.

The OPERS 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.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. In 2020, the City's contractually required contribution for postemployment health care benefits was \$698.

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

Plan Description – the City's full-time police and fire participate in the OP&F retiree health care stipend program, a cost-sharing, multiple-employer, defined benefit OPEB plan that provides various levels of health care to eligible benefit recipients and their eligible dependents.

On January 1, 2019, OP&F changed the way it supports retiree health care. A stipend-based health care model has replaced the self-insured group health care plan that had been in place. OP&F has contracted with a vendor who can assist eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report 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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 12: Postemployment Benefits (continued)

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of 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% of covered payroll for police and 24.0% of covered payroll for fire. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police and 24.0% 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. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5% of covered payroll. 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.

The OP&F Board of Trustees is also 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 contractually required contribution to OP&F was \$5,367 for 2020. Of this amount, \$482 is reported as accrued wages and benefits at December 31, 2020.

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability for OPERS as of December 31, 2020, was measurement as of December 31, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019.

The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 12: Postemployment Benefits (continued)

C. *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)*

Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.013205%	0.039685%	
Proportion of the net OPEB liability current measurement date	<u>0.012040%</u>	<u>0.038226%</u>	
Change in proportionate share	(0.001165%)	(0.001459%)	
Proportionate share of the net OPEB liability	\$ 1,663,037	\$ 377,580	\$ 2,040,617
OPEB expense	\$ 111,227	\$ 21,321	\$ 132,548

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflow of resources			
Difference between expected and actual experience	\$ 44	\$ -	\$ 44
Change in assumptions	263,241	220,749	483,990
Differences in employer contributions and change in proportionate share	-	26,621	26,621
City contributions subsequent to the measurement date	<u>698</u>	<u>5,367</u>	<u>6,065</u>
Total deferred outflow of resources	\$ <u>263,983</u>	\$ <u>252,737</u>	\$ <u>516,720</u>
Deferred inflow of resources			
Difference between expected and actual experience	\$ 152,093	\$ 40,605	\$ 192,698
Change in assumptions	-	80,468	80,468
Net difference between projected and actual earnings on OPEB plan investments	84,681	17,375	102,056
Differences in employer contributions and change in proportionate share	<u>110,293</u>	<u>115,558</u>	<u>225,851</u>
Total deferred inflow of resources	\$ <u>347,067</u>	\$ <u>254,006</u>	\$ <u>601,073</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 12: Postemployment Benefits (continued)

C. *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)*

The \$6,065 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2021	\$ (30,439)	\$ (2,422)	\$ (32,861)
2022	(17,223)	(2,422)	(19,645)
2023	67	1,142	1,209
2024	(36,187)	(4,477)	(40,664)
2025	-	(3,273)	(3,273)
2026-2027	-	4,816	4,816
	\$ <u>(83,782)</u>	\$ <u>(6,636)</u>	\$ <u>(90,418)</u>

Changes Between the Measurement Date and the Reporting Date On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are expected to decrease the associated OPEB liability.

D. *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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 12: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

The total OPEB liability for the measurement period December 31, 2019 was determined using the following actuarial assumptions that follow.

	<u>Assumptions</u>
Valuation date	December 31, 2018
Rolled-forward measurement date	December 31, 2019
Experience study	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age normal
Projected salary increases, including 3.25% wage inflation	3.25 to 10.75%
Projected payroll/active member increase	3.25% per year
Investment rate of return	6.00%
Municipal bond rate	2.75%
Single discount rate of return	3.16%
Health care cost trend	Initial 10.5% to 3.5% ultimate in 2030

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The long-term expected rate of return on health care 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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 12: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional pension plan, Combined plan and Member-Directed plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7% for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit.

The table below displays the Board-approved asset allocation policy and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	36.00%	1.53%
Domestic equities	21.00	5.75
Real estate	6.00	5.69
International equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00%	4.55%

Discount Rate A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75% for the measurement date of December 31, 2019. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be met at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 12: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.16%, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16%) or one-percentage-point higher (4.16%) than the current rate:

	<u>1% Decrease</u> <u>(2.16%)</u>	<u>Discount Rate</u> <u>(3.16%)</u>	<u>1% Increase</u> <u>(4.16%)</u>
City’s proportionate share of the net OPEB liability	\$ 2,176,350	\$ 1,663,037	\$ 1,252,040

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries’ project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.5% in the most recent valuation.

The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1% lower or 1% higher than the current rate.

	<u>1% Decrease</u>	<u>Cost Trend</u> <u>Rate</u>	<u>1% Increase</u>
City’s proportionate share of the net OPEB liability	\$ 1,613,962	\$ 1,663,037	\$ 1,711,486

Assumption Changes Since the Prior Measurement Date Municipal bond rate changed from 3.71% to 2.75% and the single discount rate changed from 3.96% to 3.16%. The health care cost trend rate changed from 10% initial, 3.25%, ultimate in 2029 to 10.5% initial, 3.5% ultimate in 2030.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 12: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Price inflation	2.75%
Salary increases, including price inflation	3.75% – 10.50%
Municipal bond index rate	
Prior measurement date	4.13%
Current measurement date	2.75%
Single equivalent interest rate, net of plan	
Investment expense, including price inflation	
Prior measurement date	4.66%
Current measurement date	3.56%

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 12: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The actuarial assumptions used in the valuation are based on the results of a five-year experience review covering the period 2012-2016. The experience study was performed by OP&F's prior actuary and the assumptions were effective with the January 1, 2017 valuation.

The long-term expected rate of return on OPEB 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 expected. 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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 12: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

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, 2019, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return**</u>
Cash and cash equivalents	0.0%	1.0%
Domestic equity	16.0	5.4
International equity	16.0	5.8
Private markets	8.0	8.0
Core fixed income*	23.0	2.7
High yield fixed income	7.0	4.7
Private credit	5.0	5.5
U.S. inflation linked bonds*	17.0	2.5
Midstream energy infrastructure	8.0	6.6
Real assets	8.0	7.4
Private real estate	12.0	6.4

Note: Assumptions are geometric.

*Levered 2x

**Numbers are net of expected inflation.

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 the 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.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.56%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to be able to make all future benefit payment of current and inactive employees until 2034. After that time, the funding of benefit payments is uncertain. The discount rate is the single equivalent rate which results in the same present value as discounting future benefit payments made from assets at the long term expected rate of return and discounting future benefit payments funded on a pay-as-you go basis on the municipal bond 20-year index rate.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 12: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%), or one percentage point higher (4.56%) than the current rate.

	1% Decrease <u>(2.56%)</u>	Discount Rate <u>(3.56%)</u>	1% Increase <u>(4.56%)</u>
City’s proportionate share of the net OPEB liability	\$ 468,176	\$ 377,580	\$ 302,303

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Assumption Changes Since the Prior Measurement Date The single discount rate decreased from 4.66% to 3.56%.

Note 13: Risk Management

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

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

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 14: Compensated Absences

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

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

Note 15: Significant Commitments

A. Contracts

The City has the following outstanding contractual commitments for various construction projects at December 31, 2020:

<u>Contractor</u>	<u>Contract</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
West Main engineering and design	\$ 330,000	\$ 249,932	\$ 80,068
Salmonella elimination project	88,600	88,600	-
Headworks construction project	150,000	96,098	53,902
Water street improvement project	159,075	100,706	58,369
Environmental services	345,500	344,886	614
	<u>\$ 1,073,175</u>	<u>\$ 880,222</u>	<u>\$ 192,953</u>

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, excluding amounts included in outstanding contractual commitments above, were as follows:

Governmental funds:	<u>Amount</u>
General	\$ 118,035
Street Construction, Maintenance and Repair	169,209
Infrastructure	39,076
Vehicle and Major Equipment	29,018
Other Governmental	126,308
Total governmental funds	<u>\$ 481,646</u>

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 15: Significant Commitments (continued)

B. Encumbrances (continued)

Enterprise funds:	
Wastewater	\$ 66,667
Water	<u>75,162</u>
Total enterprise funds	\$ <u>141,829</u>

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, 2020.

B. Litigation

From time to time, the City is subject to claims and lawsuits. The amount of liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect on the overall financial position of the City at December 31, 2020.

Note 17: Interfund Transactions

A. Interfund Balances

Long-term interfund loans are classified as “Advances to/from other funds” and consist of the following at December 31, 2020:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>111,376</u>

The interfund receivable and payable results from a difference in the timing of when expenses are recognized in accordance with generally accepted accounting principles and when the related interfund subsidies are budgeted for payment on a cash basis. Advances to other funds are not expected to be repaid within one year.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 17: Interfund Transactions (continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2020, consisted of the following:

	Transfer from		Total
	General Fund	Other Governmental Funds	
Transfer to:			
General Fund	\$ -	\$ 83,014	\$ 83,014
SCMR Fund	425,804	-	425,804
Infrastructure Fund	110,796	-	110,796
Vehicle and Major Equipment Fund	51,000	-	51,000
Other Governmental Funds	194,128	-	194,128
Wastewater	-	89,336	89,336
	<u>\$ 781,728</u>	<u>\$ 172,350</u>	<u>\$ 954,078</u>

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 transfer from the Other Governmental Funds to the Wastewater Fund was to provide additional resources for related debt. The transfer from the Other Governmental Funds to the General Funds was to provide resources to perform a facade improvement project at the senior center.

C. Internal Balances – Changes in Proportionate Share

The City uses an internal proportionate share to allocate its net pension asset/liability, net OPEB liability and corresponding deferred outflows/inflows of resources and pension and OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension and OPEB deferred outflows/inflows of resources in the business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts would be eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

Eliminations made in the business type activities column include a deferred outflow of resources and a deferred inflow of resources in the amount of \$1,917, \$1,406 related to pension and \$511 related to OPEB.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 18: Jointly Governed Organizations, Regional Council of Governments and Joint Economic Development District

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 \$50,865 during 2020 for the operation of the District.

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 2020, 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 over 240 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 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 2020. Financial information can be obtained by contacting 31360 Solon Road, Suite 33, Solon, Ohio 44139.

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

The City of Geneva and Harpersfield Township (Township) have formed three 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, JEDD-II was formed in 2005, and JEDD-III was formed in 2014 to provide sanitary sewers to each JEDD District. The purpose of each JEDD 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.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 18: Jointly Governed Organizations, Regional Council of Governments and Joint Economic Development District (continued)

D. JEDD-I, JEDD-II, and JEDD-III (continued)

The City acts as the fiscal agent for the JEDD-I, JEDD-II, and JEDD-III Districts. In 2020, JEDD-I distributed \$24,273 to the City, \$8,827 to the Township, \$2,207 to the JEDD Board and \$8,827 to the Geneva-area Recreation, Education and Athletic Trust (GaREAT). JEDD-II distributed \$209,305 to the City, \$55,815 to the Township and \$13,954 to the JEDD Board. JEDD-III distributed \$20,602 to the City, \$17,402 to the Township, and \$2,000 to the JEDD Board.

Note 19: Component Unit

A. Summary of Significant Accounting Policies

The summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of the Community Improvement Corporation of Geneva (the “CIC”).

Nature of Activities

The CIC was incorporated in July 1997 by the City of Geneva (the “City”) under Section 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, not-for-profit organization, served by a 15-member board composed of City officials and community representatives.

The CIC was created to advance, encourage, and promote the industrial, economic, commercial, and civic development of Geneva and the territory surrounding Geneva in whatever way and by such means as will improve the normal growth, employment opportunities, and stability of employment in existing industries. The CIC is empowered with the ability to carry out the actions it considers necessary to achieve its mission.

Basis of Presentation

The CIC prepares its financial statements in accordance with the not-for-profit entity related provisions of the standards set by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

The CIC is required to report information regarding its financial position and activities according to two classes of net assets: (i) net assets without donor restrictions; and (ii) net assets with donor restrictions based upon the existence or absence of donor-imposed restrictions. The CIC does not have any net assets with donor restrictions as of December 31, 2020.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 19: Component Unit (continued)

A. Summary of Significant Accounting Policies (continued)

Basis of Accounting

The financial statements of the CIC have been prepared on the accrual basis of accounting. 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.

Revenue Recognition

The CIC recognizes unconditional contributions and grants as revenue in the period in which the promise is received. If there are no donor-imposed restrictions on the use of funds, then those revenues are classified as without donor restrictions. If a donor-imposed restriction exists, then it must be determined if this restriction is with regard to time or purpose, or in perpetuity and classified in the financial statements as net assets with donor restrictions. A donor-imposed restriction is present when the contributor of funds designates a specific purpose or time period in which the funds may be used. At the time when this donor-imposed restriction has been satisfied, net assets with donor restrictions are reclassified as net assets without donor restrictions, and would be disclosed in the statement of activities. There are no net assets with donor restrictions at December 31, 2020.

Conditional contributions and grants are recognized at their fair value when conditions upon which they depend are substantially met.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the CIC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Funds Held as Fiscal Agent

Funds held as fiscal agent represent funds held by the CIC for multiple City organizations for which the CIC is serving as a fiscal agent.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 19: Component Unit (continued)

A. Summary of Significant Accounting Policies (continued)

Receivables and Allowance for Doubtful Accounts

Receivables represent amounts owed for reimbursement of expenses and grants where the revenue has been recognized as of December 31, 2020 and payment has not yet been received. The carrying amount of receivables is reduced by an allowance that reflects management's best estimate of the amount that will not be collected. Management estimates that no allowance for doubtful accounts was required at December 31, 2020.

Capital Assets

All purchased capital assets and other property are stated at cost. Donated property is capitalized at estimated fair value at the date of donation based on non-recurring Level 2 fair value measurements under FASB's fair value hierarchy.

The CIC capitalizes asset purchases having a cost of \$500 or more. The CIC depreciates capital assets other than land using the straight-line method based on the estimated useful lives of the assets ranging from five to ten years.

Income Taxes

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.

Income taxes are accounted for under the provisions of the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. As of December 31, 2020, the CIC has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended. The CIC classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements.

Functional Expenses

The statement of functional expenses presents expenses by functional and natural classification. Expenses directly attributable to program services and general and administrative are reported as expenses of that functional area. Management estimates that there are no material indirect costs requiring allocation across functional categories.

Adopted Accounting Pronouncement

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The objective of this ASU is to improve the effectiveness of disclosures in the notes to the financial statements. On January 1, 2020, the CIC adopted this ASU. There was no impact on the financial statements as a result of this implementation.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 19: Component Unit (continued)

A. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. FASB issued ASU 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842), that deferred the effective date for the CIC until annual periods beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which clarifies the presentation of contributed nonfinancial assets as a separate line item in the consolidated statement of activities. This ASU is effective for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022. Management is currently evaluating the impact of this ASU on its financial statements.

B. Concentrations

At December 31, 2020, the carrying amount of CIC's deposits was \$150,826 and the bank balance was \$152,757, which was covered by federal depository insurance.

C. Related Parties

Five of the 15 trustees serving the CIC are elected or appointed officials of the City of Geneva as mandated by the Ohio Revised Code with only the City Manager being specified.

The CIC owes \$44,558 to the City of Geneva for three parcels of land that are being held for sale.

The City of Geneva paid \$10,525 for accounting and auditing services for the CIC during the year ended December 31, 2020, and \$600 in contributions received by the CIC during the year ended December 31, 2020 were transferred to the City of Geneva.

The CIC paid \$1,500 in bookkeeping services to the Board Treasurer.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 19: Component Unit (continued)

D. Capital Assets and Property Held for Sale or Development

The CIC's capital assets and property held for sale or development, net of accumulated depreciation, consist of the following at December 31, 2020:

Property held for sale or development	\$ 44,000
Equipment and land improvement	40,431
Less: accumulated depreciation	<u>(23,877)</u>
Capital assets and property held for sale or development, net of accumulated depreciation	<u>\$ 60,554</u>

The majority of CIC's land was donated by the City of Geneva and outside donors.

E. Liquidity and Availability of Resources

The CIC's financial assets available within one year of December 31, 2020 for general expenditures are as follows:

Cash and cash equivalents	\$ 55,830
Accounts receivable	4,800
Grants receivable	<u>14,700</u>
Total financial assets available within one year	<u>\$ 75,330</u>

All financial assets are without donor restriction. Additionally, no Board designations are present.

The CIC maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

F. Coronavirus Pandemic Impact

In early calendar 2020, the CIC began dealing with the effects of the Coronavirus pandemic (COVID-19). Disruptions to business operations, including government mandated actions and employee, supplier and customer related challenges have affected many businesses. Management continues to monitor the impact of the pandemic as it unfolds and is unable to determine a reasonable estimate of the effects of the pandemic on its future financial position or operating results given the uncertainties associated with COVID-19 and society's future behaviors.

Note 20: Accountability

There was a deficit in the North Avenue Bridge Rehab Fund governmental fund of \$111,147. This deficit was caused by the application of accounting principles generally accepted in the United States of America to the fund. The General Fund is liable for any deficit in the fund and provides operating transfers when cash is required, not when accruals occur.

City of Geneva, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2020

Note 21: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. In 2020, the City received \$556,994 in COVID relief funding. In 2021 and 2022, the City received additional COVID relief funding of \$310,953 and \$1,241, respectively.

Note 22: Asset Retirement Obligations

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage system to the Ohio Environmental Protection Agency (the "Ohio EPA") for approval. Any changes to the sewage system would be approved through a permit for a new plan that would take the place of the retired asset and would include a plan for the proper abandonment of the current sanitary sewer pump stations. Through this review process, the City would be responsible to address any public safety issues associated with their sanitary sewer pump stations. At this time, the City is unable to reasonably estimate the liability to abandon the current sanitary sewer pump stations without the required permit from the Ohio EPA.

Note 23: Subsequent Events

In March 2021, the City entered into a lease agreement as lessee for financing the acquisition of a copier for \$8,988. The lease is for five years with an annual payment of \$1,798. The lease carries an interest rate of 3%.

In May 2021, the City entered into a lease agreement as lessee for financing the acquisition of a vehicle for \$157,455. The lease is for five years with an annual payment of \$31,490 beginning on May 15, 2021. The lease carries an interest rate of 2.61%.

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 Seven Years (1)

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	
City's proportion of the net pension liability	0.012021%	0.013077%	0.013462%	
City's proportionate share of the net pension liability	\$ 2,376,033	\$ 3,581,524	\$ 2,112,681	
City's covered payroll	\$ 1,691,636	\$ 1,708,644	\$ 1,777,890	
City's proportionate share of the net pension liability as a percentage of its covered payroll	140.46%	209.61%	118.83%	
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%	
	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
City's proportion of the net pension liability	0.014079%	0.012316%	0.012494%	0.012494%
City's proportionate share of the net pension liability	\$ 3,197,856	\$ 2,134,042	\$ 1,506,916	\$ 1,472,880
City's covered payroll	\$ 1,832,052	\$ 1,541,030	\$ 1,491,358	\$ 1,510,626
City's proportionate share of the net pension liability as a percentage of its covered payroll	174.55%	138.48%	101.04%	97.50%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available. Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior year.

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 Seven Years (1)

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	
City's proportion of the net pension asset	0.026799%	0.033186%	0.036048%	
City's proportionate share of the net pension asset	\$ 55,882	\$ 37,114	\$ 49,071	
City's covered payroll	\$ 127,329	\$ 130,006	\$ 147,559	
City's proportionate share of the net pension asset as a percentage of its covered payroll	43.89%	28.55%	33.26%	
Plan fiduciary net position as a percentage of the total pension liability	145.28%	126.64%	137.28%	
	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
City's proportion of the net pension asset	0.016204%	0.012960%	0.012424%	0.012424%
City's proportionate share of the net pension asset	\$ 9,018	\$ 6,307	\$ 4,784	\$ 1,304
City's covered payroll	\$ 63,539	\$ 46,942	\$ 42,058	\$ 47,514
City's proportionate share of the net pension asset as a percentage of its covered payroll	14.19%	13.44%	11.37%	2.74%
Plan fiduciary net position as a percentage of the total pension liability	116.55%	116.90%	114.83%	104.33%

(1) Information prior to 2014 is not available. Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior year.

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 Seven Years (1)

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	
City's proportion of the net pension liability	0.038226%	0.039685%	0.042569%	
City's proportionate share of the net pension liability	\$ 2,575,074	\$ 3,239,345	\$ 2,705,546	
City's covered payroll	\$ 965,603	\$ 881,710	\$ 987,297	
City's proportionate share of the net pension liability as a percentage of its covered payroll	266.68%	367.39%	274.04%	
Plan fiduciary net position as a percentage of the total pension liability	69.89%	63.07%	70.91%	
	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
City's proportion of the net pension liability	0.041667%	0.043111%	0.042740%	0.042740%
City's proportionate share of the net pension liability	\$ 2,732,040	\$ 2,773,363	\$ 2,214,085	\$ 2,081,548
City's covered payroll	\$ 979,629	\$ 903,727	\$ 887,302	\$ 870,550
City's proportionate share of the net pension liability as a percentage of its covered payroll	278.89%	306.88%	249.53%	239.11%
Plan fiduciary net position as a percentage of the total pension liability	68.36%	66.77%	71.71%	73.00%

(1) Information prior to 2014 is not available. Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior year.

City of Geneva, Ohio

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

For the Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually-required contribution	\$ 224,689	\$ 236,829	\$ 239,210	\$ 231,126	\$ 219,846
Contributions in relation to the contractually-required contribution	<u>(224,689)</u>	<u>(236,829)</u>	<u>(239,210)</u>	<u>(231,126)</u>	<u>(219,846)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 1,604,921	\$ 1,691,636	\$ 1,708,644	\$ 1,777,890	\$ 1,832,052
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%	12.00%
	<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's covered payroll	\$ 1,541,030	\$ 1,491,358	\$ 1,510,626	\$ 1,498,766	\$ 1,521,300
Contributions as a percentage of covered payroll	12.00%	12.00%	13.00%	10.00%	10.00%

See accompanying notes to the required supplementary information

City of Geneva, Ohio

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

For the Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually-required contribution	\$ 17,096	\$ 17,826	\$ 18,201	\$ 19,183	\$ 7,625
Contributions in relation to the contractually-required contribution	<u>(17,096)</u>	<u>(17,826)</u>	<u>(18,201)</u>	<u>(19,183)</u>	<u>(7,625)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 122,114	\$ 127,329	\$ 130,006	\$ 147,559	\$ 63,539
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%	12.00%
	<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's covered payroll	\$ 46,942	\$ 42,058	\$ 47,514	\$ 47,141	\$ 47,850
Contributions as a percentage of covered payroll	12.00%	12.00%	13.00%	10.00%	10.00%

See accompanying notes to the required supplementary information

City of Geneva, Ohio

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

For the Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually-required contribution	\$ 217,149	\$ 196,383	\$ 179,472	\$ 200,180	\$ 198,919
Contributions in relation to the contractually-required contribution	<u>(217,149)</u>	<u>(198,383)</u>	<u>(179,472)</u>	<u>(200,180)</u>	<u>(198,919)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 1,073,320	\$ 965,603	\$ 881,710	\$ 987,297	\$ 979,629
Contributions as a percentage of covered payroll	20.23%	20.34%	20.36%	20.28%	20.31%
	<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's covered payroll	\$ 903,727	\$ 887,302	\$ 870,550	\$ 866,103	\$ 908,826
Contributions as a percentage of covered payroll	20.32%	20.36%	17.17%	13.99%	13.99%

See accompanying notes to the required supplementary information

City of Geneva, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Ohio Public Employee Retirement System

For the Last Four Years

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
City's proportion of the net OPEB liability	0.012040%	0.013205%	0.013720%	0.013841%
City's proportionate share of the net OPEB liability	\$ 1,663,037	\$ 1,721,621	\$ 1,489,892	\$ 1,398,035
City's covered-employee payroll	\$ 1,898,443	\$ 1,857,221	\$ 1,941,564	\$ 1,925,436
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	87.60%	92.70%	76.74%	72.61%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.33%	54.14%	54.04%

(1) Information prior to 2017 is not available. Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior fiscal year.

City of Geneva, Ohio

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

For the Last Four Years

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
City's proportion of the net OPEB liability	0.038226%	0.039685%	0.042569%	0.041667%
City's proportionate share of the net OPEB liability	\$ 377,580	\$ 361,393	\$ 2,411,899	\$ 1,977,839
City's covered-employee payroll	\$ 965,603	\$ 881,710	\$ 987,297	\$ 979,629
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	39.10%	40.99%	244.29%	201.90%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	46.57%	14.13%	15.96%

(1) Information prior to 2017 is not available. Amounts presented for each fiscal year were determined as of the City's measurement date which is December 31 of the prior fiscal year.

City of Geneva, Ohio

Required Supplementary Information Schedule of the City's OPEB Contributions Ohio Public Employee Retirement System

For the Last Five Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually-required contribution	\$ 698	\$ 364	\$ 283	\$ 19,416
Contributions in relation to the contractually-required contribution	<u>(698)</u>	<u>(364)</u>	<u>(283)</u>	<u>(19,416)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 1,744,479	\$ 1,898,443	\$ 1,857,221	\$ 1,941,564
Contributions as a percentage of covered payroll	0.04%	0.02%	0.02%	1.00%
	<u>2016</u>			
Contractually-required contribution	\$ 38,509			
Contributions in relation to the contractually-required contribution	<u>(38,509)</u>			
Contribution deficiency (excess)	\$ <u>-</u>			
City's covered payroll	\$ 1,925,436			
Contributions as a percentage of covered payroll	2.00%			

(1) Information prior to 2016 is not available.

City of Geneva, Ohio

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

For the Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 5,367	\$ 4,828	\$ 4,409	\$ 4,936	\$ 4,898
Contributions in relation to the contractually required contribution	<u>(5,367)</u>	<u>(4,848)</u>	<u>(4,409)</u>	<u>(4,936)</u>	<u>(4,898)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 1,073,320	\$ 965,603	\$ 881,710	\$ 987,297	\$ 979,629
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%	0.50%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 4,519	\$ 4,437	\$ 31,514	\$ 58,462	\$ 61,346
Contributions in relation to the contractually required contribution	<u>(4,519)</u>	<u>(4,437)</u>	<u>(31,514)</u>	<u>(58,462)</u>	<u>(61,346)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 903,727	\$ 887,302	\$ 870,550	\$ 866,103	\$ 908,826
Contributions as a percentage of covered payroll	0.50%	0.50%	3.62%	6.75%	6.75%

See accompanying notes to the required supplementary information

City of Geneva, Ohio

Notes to Required Supplementary Information

For the Year Ended December 31, 2020

Note 1: Net Pension Liability

Changes in Assumptions – OPERS

Amounts reported in the required supplementary information for OPERS Traditional and Combined Plans incorporate changes in assumptions used by OPERS in calculating the pension liability. These assumptions are presented below for the periods indicated:

Key Methods and Assumptions in Valuing Total Pension Liability – 2020

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Valuation Date	December 31, 2019	December 31, 2019
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	1.40% Simple through 2020 then 2.15% Simple	1.40% Simple though 2020 then 2.15% Simple

Key Methods and Assumptions in Valuing Total Pension Liability – 2019

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Valuation Date	December 31, 2018	December 31, 2018
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2018 then 2.15% Simple	3% Simple though 2018 then 2.15% Simple

City of Geneva, Ohio

Notes to Required Supplementary Information (continued)

For the Year Ended December 31, 2020

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability – 2017-2018

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Valuation Date	December 31, 2017	December 31, 2017
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2018 then 2.15% Simple	3% Simple though 2018 then 2.15% Simple

Key Methods and Assumptions in Valuing Total Pension Liability – 2016 and prior

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Valuation Date	December 31, 2015	December 31, 2015
Experience Study	5-year period ended December 31, 2010	5-year period ended December 31, 2010
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Wage Inflation	3.75%	3.75%
Projected Salary Increases, including 3.75% inflation	4.25 to 10.05%	4.25 to 8.05%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2018 then 2.8% Simple	3% Simple though 2018 then 2.8% Simple

Mortality rates - Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010.

City of Geneva, Ohio

Notes to Required Supplementary Information (continued)

For the Year Ended December 31, 2020

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS (continued)

The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

Changes in Assumptions – OP&F

Amounts reported for 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	<u>Beginning in 2018</u>	<u>2017 and Prior</u>
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.00%	8.25%
Projected Salary Increases	3.75% to 10.50%	4.25% to 11.00%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%	Inflation rate of 3.25% plus productivity increase rate of 0.50%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increased based on the lesser of the increase in CPI and 3%	3.00% simple; 2.60% simple for increased based on the lesser of the increase in CPI and 3%

Beginning with the 2018 actuarial valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
79 and up	115%	120%

City of Geneva, Ohio

Notes to Required Supplementary Information (continued)

For the Year Ended December 31, 2020

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OP&F (continued)

Beginning with the 2018 actuarial valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	100%

Actuarial valuation amounts reported for 2017 and prior rates of death were 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.

Note 2: Net OPEB Liability

Changes in Assumptions – OPERS

For 2020, the single discount rate changed from 3.96% in 2019 to 3.16%. For 2020, the municipal bond rate changed from 3.71% to 2.75%. For 2020, the health care cost trend rate changed from 10% initial, 3.25%, ultimate in 2029 to 10.5% initial, 3.5% ultimate in 2030.

For 2019, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5% to 6.0%. For 2019, the single discount rate changed from 3.85% in 2018 to 3.96%. Prior to 2018, the single discount rate was 4.23%. For 2019, the municipal bond rate changed from 3.31% to 3.71%. For 2019, the health care cost trend rate changed from 7.5% initial, 3.25%, ultimate in 2028 to 10% initial, 3.25% ultimate in 2029.

Changes in Assumptions – OP&F

For 2020, the single discount rate changed from 4.66% to 3.56%.

For 2019, the single discount rate changed from 3.24% to 4.66%.

For 2018, the single discount rate changed from 3.79% to 3.24%.

City of Geneva, Ohio

Single Audit Reports

For the Year Ended December 31, 2020

City of Geneva, Ohio

For the Year Ended December 31, 2020

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

To the Members of the City Council
City of 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 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, 2020, 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 29, 2022, wherein we noted that the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and as a result restated the December 31, 2019 net position of the governmental activities and custodial funds and the December 31, 2019 fund balance of the nonmajor governmental funds, 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) as a basis for designing 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.

To the Members of the City Council
City of 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 financial statements. 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 results 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 29, 2022

**Independent Auditor’s Report on Compliance for Each Major Program;
Report on Internal Control over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

To the Members of the City Council
City of Geneva, Ohio

Report on Compliance for the Major Federal Program

We have audited the City of Geneva, Ohio’s (the “City”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended December 31, 2020. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the City’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City’s compliance.

To the Members of the City Council
City of Geneva, Ohio

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

To the Members of the City Council
City of Geneva, Ohio

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 29, 2022, wherein we noted that the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and as a result restated the December 31, 2019 net position of the governmental activities and custodial funds and the December 31, 2019 fund balance of the nonmajor governmental funds, as disclosed in Note 3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Cianni & Parricchi, Inc.

Cleveland, Ohio
June 29, 2022

City of Geneva, Ohio

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation:</u>			
<i>Passed through Ohio Department of Transportation</i>			
<u>Highway Planning and Construction Cluster</u>			
Highway Planning and Construction	20.205	102231	\$ <u>1,021,317</u>
Total Highway Planning and Construction Cluster			<u>1,021,317</u>
Total U.S. Department of Transportation			<u>1,021,317</u>
<u>U.S. Department of Treasury:</u>			
<i>Passed through Ashtabula County</i>			
COVID-19 - Coronavirus Relief Fund	21.019	9643901002	<u>307,341</u>
Total U.S. Department of Treasury			<u>307,341</u>
<u>U.S. Department of Justice:</u>			
<i>Passed through Ohio Governor's Office of Criminal Justice Services</i>			
Bulletproof Vest Partnership Program	16.607	N/A	<u>1,984</u>
Total U.S. Department of Justice			<u>1,984</u>
Total Federal Expenditures			\$ <u><u>1,330,642</u></u>

City of Geneva, Ohio

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the federal award activity of the City of Geneva, Ohio (the "City") under programs of the federal government for the year ended December 31, 2020 and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Indirect Cost Rate

The City has not elected to use the 10 percent de minimis indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

City of Geneva, Ohio

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any material control weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR Section 200.516(a)?	Yes
(d)(1)(vii)	Major Program	Highway Planning and Construction Cluster: CFDA # 20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$750,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

None noted.

City of Geneva, Ohio

Schedule of Findings and Questioned Costs (continued)

For the Year Ended December 31, 2020

3. Findings for Federal Awards

2020-001: Material Noncompliance

2 CFR section 200.512(a) requires the reporting package and data collection form to be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after the reports are received from the auditor or nine months after the end of the audit period. An automatic six-month extension was granted by the U.S. Office of Management and Budget (OMB) via Memo M-21-20 for local governments with fiscal year ends through June 30, 2021 that had not filed their single audits as of March 19, 2021. With this automatic extension, the City's extended due date was March 31, 2022. It was noted that the City did not submit the required documentation by the extended due date.

We recommend that the City submit the required information by the submission deadline established by 2 CFR section 200.512(a).

Management's Response:

The City is in the process of remedying this finding. The City is finalizing the 2021 unaudited financial statements to enable a timely filing of the 2021 reporting package.

City of Geneva, Ohio

Schedule of Prior Audit Findings and Questioned Costs

For the Year Ended December 31, 2020

No prior year findings or questioned costs.



CITY OF GENEVA

DEPARTMENT OF FINANCE

City of Geneva, Ohio

Corrective Action Plan

For the Year Ended December 31, 2020

2020-001	The City is in the process of remedying this finding by September 30, 2022. The City is in the process of finalizing the 2021 unaudited financial statements to enable the 2021 audit to occur and allow for timely filing of the 2021 reporting package, if necessary.	September 30, 2022	Tammy Caya, Interim Finance Director
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OHIO AUDITOR OF STATE KEITH FABER



CITY OF GENEVA

ASHTABULA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/23/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov