

CITY OF GENEVA
ASHTABULA COUNTY, OHIO

GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998



STATE OF OHIO
OFFICE OF THE AUDITOR

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Members of Council
City of Geneva
Geneva, Ohio 44041

We have reviewed the Independent Auditor's Report of the City of Geneva, Ashtabula County, prepared by S. R. Snodgrass, A.C., for the audit period January 1, 1998 through December 31, 1998. 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.

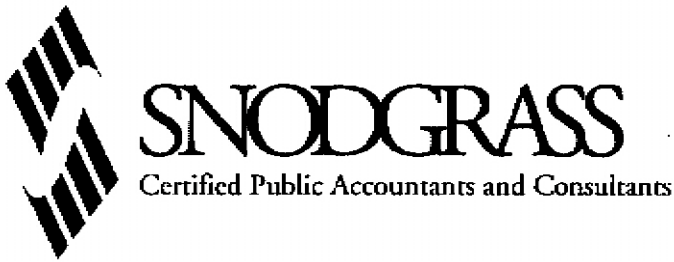
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JIM PETRO
Auditor of State

July 31, 2000

City of Geneva, Ohio
General-Purpose Financial Statements
For the Year Ended December 31, 1998
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Independent Auditor's Report

Members of Council
City of Geneva, Ohio

We have audited the accompanying general-purpose financial statements of the City of Geneva, Ohio, as of and for the year ended December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Geneva's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 2 to the general-purpose financial statements, generally accepted accounting principles require that fixed assets for governmental operations be reported within the general fixed assets account group. Fixed assets for enterprise operations and associated depreciation costs are to be reported within the enterprise fund. Complete fixed asset information for governmental and enterprise operations (including depreciation expense on enterprise fund fixed assets) has not been included in the general-purpose financial statements. A determination of the effects of this departure from generally accepted accounting principles on the general-purpose financial statements has not been made.

In our opinion, except for the effects of not capitalizing all fixed assets for governmental and enterprise operations, and omitting depreciation expense on enterprise fund fixed assets, as discussed in the preceding paragraph, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Geneva, Ohio, as of December 31, 1998, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Members of Council
City of Geneva
Independent Auditors' Report
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated April 28, 2000, on our consideration of the City of Geneva, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

S. R. Snodgrass, A.C.

Ashtabula, Ohio
April 28, 2000

CITY OF GENEVA, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1998

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only) Primary Government	Component Unit	Totals (Memorandum Only) Reporting Entity		
	Special Revenue		Debt Service				Capital Projects					General Fixed Assets	General Long-Term Obligations
	General						Enterprise	Agency					
ASSETS AND OTHER DEBITS													
ASSETS:													
Equity in pooled cash and cash equivalents	\$ 746,279	\$ 305,667	\$ 3,232	\$ 76,575	\$ 625,411	\$ -	\$ -	\$ 1,757,164	\$ -	\$ 1,757,164			
Cash with fiscal and escrow agents	-	-	-	-	-	5,450	-	5,450	-	5,450			
Cash in segregated accounts	-	-	-	-	-	-	-	-	4,132	4,132			
Investments	180,000	3,000	-	-	117,000	-	-	300,000	-	300,000			
Receivables (net of allowances for uncollectibles):													
Income taxes	174,673	-	-	-	-	-	-	174,673	-	174,673			
Real and other taxes	351,505	19,223	-	-	-	-	-	370,728	-	370,728			
Accounts	3,191	13,134	-	-	281,842	-	-	298,167	-	298,167			
Accrued interest	1,954	33	-	-	1,270	-	-	3,257	-	3,257			
Loans	-	92,431	-	-	-	-	-	92,431	24,000	116,431			
Special assessments	-	-	1,821,604	-	-	-	-	1,821,604	-	1,821,604			
Advances to other funds	-	151,750	-	-	-	-	-	151,750	-	151,750			
Due from other funds	-	18,397	-	-	-	-	-	18,397	-	18,397			
Due from other governments	54,812	28,381	-	-	-	-	-	83,193	-	83,193			
Prepayments	18,073	4,265	-	-	6,718	-	-	29,056	-	29,056			
Materials and supplies inventory	2,010	8,157	-	-	13,413	-	-	23,580	-	23,580			
Restricted assets:													
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	5,177,241	-	251,058	5,428,299	-	5,428,299			
OTHER DEBITS:													
Amount available in debt service fund	-	-	-	-	-	-	-	3,232	-	3,232			
Amount to be provided for retirement of general long-term obligations	-	-	-	-	-	-	-	1,731,901	-	1,731,901			
Total assets and other debits	\$ 1,532,497	\$ 644,438	\$ 1,824,836	\$ 76,575	\$ 6,222,895	\$ 5,450	\$ 251,058	\$ 12,292,882	\$ 28,132	\$ 12,321,014			

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

CITY OF GENEVA, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 DECEMBER 31, 1998

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals			
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Agency	General	Long-Term Obligations	(Memorandum Only) Primary Government	(Memorandum Only) Reporting Entity
									Fixed Assets			
LIABILITIES, EQUITY AND OTHER CREDITS												
LIABILITIES:												
Accounts payable	\$ 5,596	\$ 4,132	\$ -	\$ -	\$ 11,300	\$ -	\$ -	\$ -	\$ 21,028	\$ -	\$ 21,028	\$ -
Contracts payable	5,563	10,005	-	6,151	13,781	-	-	-	35,500	-	35,500	-
Accrued wages and benefits	50,383	11,048	-	-	13,090	-	-	-	74,521	-	74,521	-
Compensated absences payable	1,587	1,055	-	-	13,433	-	111,241	-	127,316	-	127,316	-
Advances from other funds	-	151,750	-	-	-	-	-	-	151,750	-	151,750	-
Deferred revenue	380,588	38,430	1,821,604	4,480	1,078	-	-	-	2,241,700	-	2,241,700	-
Due to other funds	667	13,250	-	-	-	-	-	-	18,397	-	18,397	-
Due to other governments	24,804	6,110	-	-	5,885	-	-	-	36,799	-	36,799	-
Claims and judgments payable	3,840	-	-	-	-	-	190,000	-	193,840	-	193,840	-
Accrued interest payable	-	-	-	-	170,221	-	-	-	170,221	-	170,221	-
Pension obligation payable	49,235	8,610	-	-	9,532	5,450	-	-	72,827	-	72,827	-
General obligation notes payable	-	-	-	-	260,000	-	-	-	260,000	-	260,000	-
General obligation bonds payable	-	-	-	-	-	-	195,000	-	195,000	-	195,000	-
Special assessment debt with government commitment	-	-	-	-	-	-	1,150,000	-	1,150,000	-	1,150,000	-
Capital leases payable	-	-	-	-	-	-	76,953	-	76,953	-	76,953	-
OWDA loan payable	-	-	-	-	4,903,072	-	-	-	4,903,072	-	4,903,072	-
OPWC loan payable	-	-	-	-	106,334	-	11,939	-	118,273	-	118,273	-
Total liabilities	522,263	244,390	1,821,604	10,631	5,507,726	5,450	1,735,133	-	9,847,197	-	9,847,197	-
EQUITY AND OTHER CREDITS:												
Investment in general fixed assets	-	-	-	-	-	-	251,058	-	251,058	-	251,058	-
Retained earnings - unreserved	-	-	-	-	715,169	-	-	-	715,169	-	715,169	-
Fund balances:												
Reserved for encumbrances	91,826	49,346	-	61,049	-	-	-	-	202,221	-	202,221	-
Reserved for materials and supplies inventory	2,010	8,157	-	-	-	-	-	-	10,167	-	10,167	-
Reserved for loans	-	92,431	-	-	-	-	-	-	92,431	-	92,431	-
Reserved for advances	-	165,000	-	-	-	-	-	-	165,000	-	165,000	-
Reserved for prepayments	18,073	4,265	-	-	-	-	-	-	22,338	-	22,338	-
Reserved for debt service	-	-	3,232	-	-	-	-	-	3,232	-	3,232	-
Unreserved-undesignated	898,325	80,849	-	4,895	-	-	-	-	984,069	28,132	1,012,201	-
Total equity and other credits	1,010,234	400,048	3,232	65,944	715,169	-	251,058	-	2,445,685	28,132	2,473,817	-
Total liabilities, equity and other credits	\$ 1,532,497	\$ 644,438	\$ 1,824,836	\$ 76,575	\$ 6,222,895	\$ 5,450	\$ 1,735,133	\$ 251,058	\$ 12,292,882	\$ 28,132	\$ 12,321,014	\$ 28,132

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

CITY OF GENEVA, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	Governmental Fund Types				Totals (Memorandum Only) Primary Government	Component Unit	Totals (Memorandum Only) Reporting Entity
	General	Special Revenue	Debt Service	Capital Projects			
Revenues:							
Municipal income tax	\$ 1,180,919	\$ -	\$ -	\$ -	\$ 1,180,919	\$ -	\$ 1,180,919
Property and other taxes	353,221	81,660	-	-	434,881	-	434,881
Charges for services	114,882	2,393	-	-	117,275	-	117,275
Licenses, permits and fees	77,498	-	-	-	77,498	-	77,498
Fines and forfeitures	65,742	1,493	-	-	67,235	-	67,235
Special assessments	-	124,478	117,479	-	241,957	-	241,957
Intergovernmental	424,287	286,893	-	95,596	806,776	-	806,776
Investment income	65,468	1,213	-	-	66,681	22	66,703
Other	59,538	18,752	-	-	78,290	500	78,790
Total revenue	2,341,555	516,882	117,479	95,596	3,071,512	522	3,072,034
Expenditures:							
Current Operations:							
General government	579,996	26,274	-	-	606,270	-	606,270
Security of persons and property	1,156,592	162,478	-	-	1,319,070	-	1,319,070
Transportation	44,382	379,348	-	-	423,730	-	423,730
Community environment	48,743	53,452	-	-	102,195	-	102,195
Leisure time activity	33,092	-	-	-	33,092	-	33,092
Capital outlay	-	65,000	-	87,222	152,222	-	152,222
Economic development	-	8,531	-	-	8,531	2,390	10,921
Other	-	-	4,013	4,480	8,493	-	8,493
Debt service:							
Principal retirement	-	-	46,492	22,426	68,918	-	68,918
Interest and fiscal charges	-	-	81,098	6,827	87,925	-	87,925
Total expenditures	1,862,805	695,083	131,603	120,955	2,810,446	2,390	2,812,836
Excess (deficiency) of revenues over (under) expenditures	478,750	(178,201)	(14,124)	(25,359)	261,066	(1,868)	259,198
Other financing sources (uses):							
Proceeds from sale of property	-	-	-	-	-	30,000	30,000
Operating transfers in	-	160,039	18,127	83,700	261,866	-	261,866
Operating transfers out	(243,739)	(18,127)	-	-	(261,866)	-	(261,866)
Total other financing sources (uses)	(243,739)	141,912	18,127	83,700	-	30,000	30,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	235,011	(36,289)	4,003	58,341	261,066	28,132	289,198
Fund balance at January 1 (restated)	776,039	435,668	(771)	7,603	1,218,539	-	1,218,539
(Decrease) increase in reserve for inventory	(816)	669	-	-	(147)	-	(147)
Fund balance at December 31	\$ 1,010,234	\$ 400,048	\$ 3,232	\$ 65,944	\$ 1,479,458	\$ 28,132	\$ 1,507,590

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

CITY OF GENEVA, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	General		Special Revenue		Debt Service		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Revised Budget	
Revenues:							
Income taxes	\$ 912,000	\$ 1,175,680	\$ 263,680	\$ -	\$ -	\$ -	\$ -
Property and other taxes	335,200	354,166	18,966	81,660	-	660	-
Charges for services	116,700	115,578	(1,122)	1,525	-	1,525	-
Licenses, permits and fees	67,400	77,498	10,098	-	-	-	-
Fines and forfeitures	51,000	63,568	12,568	1,000	1,728	728	-
Intergovernmental	358,200	425,243	67,043	330,500	286,224	(44,276)	-
Special assessments	-	-	-	150,000	124,478	(25,522)	3,879
Investment income	55,000	52,230	(2,770)	8,500	13,529	5,029	-
Other	21,900	17,353	(4,547)	28,200	34,031	5,831	-
Total revenues	1,917,400	2,281,316	363,916	599,200	543,175	(56,025)	3,879
Expenditures:							
Current:							
General government	626,039	618,845	7,194	30,800	26,714	4,086	-
Security of persons and property	1,256,069	1,209,476	46,593	219,139	190,768	28,371	-
Transportation	64,817	63,100	1,717	428,786	396,382	32,404	-
Community environment	52,284	50,504	1,780	117,900	78,379	39,521	-
Leisure time activity	45,584	34,220	11,364	-	-	-	-
Economic development	-	-	-	137,006	7,969	129,037	-
Capital outlay	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	7
Debt service:							
Principal retirement	-	-	-	-	-	-	46,500
Interest and fiscal charges	-	-	-	-	-	-	81,098
Total expenditures	2,044,793	1,976,145	68,648	933,631	700,212	233,419	497
Excess (deficiency) of revenues over (under) expenditures	(127,393)	305,171	432,564	(334,431)	(157,037)	177,394	(14,124)
Other financing sources (uses):							
Proceeds from sale of fixed assets	500	-	(500)	3,000	-	(3,000)	-
Advances in and not repaid	-	-	-	36,000	36,000	-	-
Advances (out) and not repaid	-	-	-	(10,000)	(10,000)	-	-
Refund of prior year's expenditures	-	42,135	42,135	-	7,863	7,863	-
Operating transfers in	809,100	597,400	(211,700)	206,300	147,000	(59,300)	18,127
Operating transfers (out)	(1,044,100)	(777,100)	267,000	(84,500)	(83,127)	1,373	(1,000)
Total other financing sources (uses)	(234,500)	(137,565)	96,935	150,800	97,736	(53,064)	(1,373)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(361,893)	167,606	529,499	(183,631)	(59,301)	124,330	3,003
Fund balance at January 1	399,589	399,589	-	269,653	269,653	-	-
Prior year encumbrances appropriated	248,274	248,274	-	34,781	34,781	-	-
Fund balance at December 31	\$ 285,970	\$ 815,469	\$ 529,499	\$ 120,803	\$ 245,133	\$ 124,330	\$ 3,232
							\$ 3,003

CITY OF GENEVA, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES (Continued)
FOR THE YEAR ENDED DECEMBER 31, 1998

	Capital Projects			Total		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	Revised Budget	Actual	Variance: Favorable (Unfavorable)	
Revenues:						
Income taxes	\$ -	\$ -	\$ 912,000	\$ 1,175,680	\$ 263,680	
Property and other taxes	-	-	416,200	435,826	19,626	
Charges for services	-	-	116,700	117,103	403	
Licenses, permits and fees	-	-	67,400	77,498	10,098	
Fines and forfeitures	-	-	52,000	65,296	13,296	
Intergovernmental	375,000	375,000	1,063,700	1,086,467	22,767	
Special assessments	-	-	263,600	241,957	(21,643)	
Investment income	-	-	63,500	65,759	2,259	
Other	-	-	50,100	51,384	1,284	
Total revenues	375,000	375,000	3,005,200	3,316,970	311,770	
Expenditures:						
Current:						
General government	-	-	656,839	645,559	11,280	
Security of persons and property	-	-	1,475,208	1,400,244	74,964	
Transportation	-	-	493,603	459,482	34,121	
Community environment	-	-	170,184	128,883	41,301	
Leisure time activity	-	-	45,584	34,220	11,364	
Economic development	-	-	137,006	7,969	129,037	
Capital outlay	600,315	592,604	600,315	592,604	7,711	
Other	-	-	4,020	4,013	7	
Debt service:						
Principal retirement	-	-	46,500	46,492	8	
Interest and fiscal charges	-	-	81,580	81,098	482	
Total expenditures	600,315	592,604	3,710,839	3,400,564	310,275	
Excess (deficiency) of revenues over (under) expenditures	(225,315)	(217,604)	(705,639)	(83,594)	622,045	
Other financing sources (uses):						
Proceeds from sale of fixed assets	-	-	3,500	-	(3,500)	
Advances in and not repaid	-	-	36,000	36,000	-	
Advances (out) and not repaid	(26,000)	(26,000)	(36,000)	(36,000)	-	
Refund of prior year's expenditures	-	-	-	49,998	49,998	
Operating transfers in	148,700	148,700	1,183,600	911,227	(272,373)	
Operating transfers (out)	-	-	(1,129,600)	(861,227)	268,373	
Total other financing sources (uses)	122,700	122,700	57,500	99,998	42,498	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(102,615)	(94,904)	(648,139)	16,404	664,543	
Fund balance at January 1	(353,336)	(353,336)	316,135	316,135	-	
Prior year encumbrances appropriated	457,615	457,615	740,670	740,670	-	
Fund balance at December 31	\$ 1,664	\$ 9,375	\$ 408,666	\$ 1,073,209	\$ 664,543	

CITY OF GENEVA, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Charges for services	\$1,118,428
Tap-in fees	<u>38,290</u>
Total operating revenues	<u>1,156,718</u>
Operating expenses:	
Personal services	294,869
Contract services	200,414
Materials and supplies	<u>114,856</u>
Total operating expenses	<u>610,139</u>
Operating income	546,579
Nonoperating revenues (expenses):	
Interest expense and fiscal charges	(333,391)
Investment earnings	32,266
Other nonoperating revenue	<u>34,929</u>
Total nonoperating expenses	<u>(266,196)</u>
Net income	280,383
Retained earnings at January 1.	<u>434,786</u>
Retained earnings at December 31.	<u><u>\$ 715,169</u></u>

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

CITY OF GENEVA, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from customers	\$ 1,057,204
Cash payments for personal services	(287,416)
Cash payments for contract services	(241,737)
Cash payments supplies and materials	(117,671)
Net cash provided by operating activities	410,380
Cash flows from noncapital financing activities:	
Cash received from nonoperating activities	35,204
Transfers out to other funds	(50,000)
Net cash used in noncapital financing activities	(14,796)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(41,380)
Proceeds from issuance of long-term debt	260,000
Principal retirement	(165,745)
Interest paid	(327,369)
Net cash used in capital and related financing activities	(274,494)
Cash flows from investing activities:	
Purchase of investments	(117,000)
Proceeds from sale of investments	28,736
Interest received	33,664
Net cash provided by investing activities	(54,600)
Net increase in cash and cash equivalents	66,490
Cash and cash equivalents at January 1	558,921
Cash and cash equivalents at December 31	\$ 625,411
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 546,579
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(2,815)
Increase in accounts receivable	(99,514)
Increase in prepayments	(2,928)
Decrease in accounts payable	(17,108)
Increase in pension obligation payable	946
Increase in accrued wages and benefits	2,130
Increase in compensated absences payable	666
Increase in due to other governments	3,711
Decrease in contracts payable	(21,287)
Net cash provided by operating activities	\$ 410,380

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

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 1 - DESCRIPTION OF THE CITY

The City of Geneva 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Geneva have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, to its proprietary activities to the extent they do not contradict or conflict with GASB pronouncements. The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to insure that the financial statements are not misleading consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". Based on application of the criteria set forth in GASB Statement No. 14, the City evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the City, and whether exclusion would cause the general-purpose financial statements to be misleading or incomplete. Among the factors considered were whether the City holds the PCU's corporate power, appoints a voting majority of the PCU's board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the City and the PCU.

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation and wastewater. The preceding financial statements include all funds and account groups of the City (the primary government) and the City's component unit. The following organizations are described due to their relationship to the City.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

DISCRETELY PRESENTED COMPONENT UNIT

The component unit column in the combined financial statements identifies the financial data of the City's component unit, the Community Improvement Corporation of Geneva (the CIC). It is reported separately to emphasize that it is legally separate from the City.

The CIC is a legally separate, non-profit organization, served by a ten-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. The CIC has elected not to apply GASB Statement 29 since they have applied the AICPA not-for-profit model. Separately issued financial statements can be obtained from the City of Geneva.

JOINTLY GOVERNED ORGANIZATIONS

Ashtabula County General Health District

The Ashtabula County General Health District, a jointly governed organization, provides health services to the citizens within 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 \$28,847 during 1998 for the operation of the District.

The Geneva Union Cemeteries District

The Geneva Union Cemeteries District, 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. The City made no contributions during 1998 for the operation of the District.

INSURANCE PURCHASING POOL

Ohio Municipal League Workers' Compensation Group Rating Plan

The City is participating in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The City pays a group-rated, per employee premium based upon wages, to the Ohio Bureau of Workers' Compensation. The GRP is administered by Gates McDonald Co.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the City and the CIC (component unit) are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the City:

GOVERNMENTAL FUNDS:

General Fund - The General Fund is used to account for all activities of the City not required to be included in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The Debt Service Funds are used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

Capital Projects Funds - The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

PROPRIETARY FUNDS:

Enterprise Funds- The Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS:

Trust and Agency Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or funds. These include trust and agency funds. Agency Funds do not have a measurement focus (i.e., assets equal liabilities) and are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ACCOUNT GROUPS:

General Fixed Asset Account Group - The General Fixed Assets Account Group is used to account for all general fixed assets of the City, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The General Long-Term Obligations Account Group is used to account for all long-term obligations of the City, except those accounted for in the proprietary funds.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is utilized for reporting purposes by governmental funds. Under this method of accounting, the City recognizes revenue and other financing sources when they become both measurable and available (i.e., collectible within the current period or within 31 days thereafter) to finance current City operations. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues considered susceptible to accrual at the end of the year include employer withheld income taxes, interest on investments, state-levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance), and reimbursements due from federally funded projects for which corresponding expenditures have been made. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Delinquent special assessments and property taxes as well as special assessment installments not due in the current year are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 1998 but not intended to finance 1998 activities have also been recorded as deferred revenue. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. The accrual basis of accounting is utilized for reporting purposes by proprietary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled service charges receivable are recognized as revenue at year-end.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The CIC reports its operations using the measurement focus of governmental funds and the modified accrual basis of accounting.

D. BUDGETS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

TAX BUDGET

During the first Council meeting in July, the City Manager presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

ESTIMATED RESOURCES

The County Budget Commission determines if the budget justifies the need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. Except for the General fund, in which budgeted revenues exceeded certified amounts by \$4,400, the amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1998.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

APPROPRIATIONS

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. Supplemental 1998 appropriations are listed below. The budget figures, which appear in the statement of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

Supplemental 1998 appropriations:

General Fund	\$225,800
Special Revenue Funds	182,900
Debt Service Fund	6,000
Capital Projects Funds	106,500
Enterprise Fund	<u>260,000</u>
 Total 1998 supplemental appropriations	 <u>\$781,200</u>

LAPSING OF APPROPRIATIONS

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

Note 16 provides a reconciliation between the budgetary-basis and GAAP-basis of accounting.

E. CASH AND INVESTMENTS

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's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1998, investments were limited to STAR Ohio, treasury notes, and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1998. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 1998.

For purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. INVENTORY

Inventories are valued at cost using the first-in, first-out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. PREPAID ITEMS

Prepayments for governmental funds represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. FIXED ASSETS

The City has been unable to determine the historical or estimated historical cost of its fixed assets; therefore complete fixed asset information (including depreciation expense on enterprise fund fixed assets) has not been presented. The only items presented as fixed assets are those items acquired or constructed by the enterprise fund since January 1, 1991, and in the General Fixed Asset Account Group, vehicles, equipment, and computer hardware acquired since January 1, 1990.

I. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Bonds, long-term loans, and special assessment bonds are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the proprietary fund.

J. COMPENSATED ABSENCES

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

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. FUND EQUITY

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure, including amounts that are legally segregated for a specific future use. As a result, encumbrances, loans receivable, inventories, prepaids, available debt service equity, tax revenue unavailable for appropriation, and non-current portions of interfund loans are recorded as reservations of fund balance.

L. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as interfund loans receivable or payable.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of interfund transactions is presented in Note 5.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. BOND DISCOUNTS, PREMIUMS AND ISSUANCE COSTS

When the proceeds from general obligation bonded debt are placed in a governmental type fund, any bond issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the General Long-Term Obligations Account Group is reported at the bond's face value.

When the proceeds from general obligation bonded debt are placed in a proprietary type fund, and the debt will be serviced from revenues generated by that fund, then any material issuance costs will be reported as a deferred charge and amortized over the life of the bond using the interest method. Any material discounts or premiums are shown as additions to or deductions from the amount of the bond liability, are amortized using the interest method, and are reflected as interest income or expense in the Statement of Revenues, Expenses, and Changes in Retained Earnings.

N. STATEMENT OF CASH FLOWS

In September 1989, the Government Accounting Standards Board (GASB) issued Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." The City has presented a statement of cash flows for its Enterprise Fund. For purposes of the statement of cash flows, the City considers cash equivalents to include all short-term investments (maturity of 90 days or less from date of purchase).

O. ESTIMATES

The preparation of 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.

P. MEMORANDUM ONLY - TOTAL COLUMNS

The "total" columns on the general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. CHANGE IN ACCOUNTING PRINCIPLES

1. For fiscal year 1998, the City has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools." The statement established accounting and reporting guidelines for governmental investments and investment pools. Certain investments, which were reported at cost in previous years, are now required to be reported at fair value.

The implementation of GASB Statement No. 31 had the following effect on fund balance as it was previously reported on December 31, 1997.

	General Fund
Fund balance as previously reported	\$775,629
Restatement of certain investments to fair value	410
Restated fund balance at December 31, 1997	\$776,039

2. In 1998, the City also implemented GASB Statement No. 32, "Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans." Recent changes in the Internal Revenue Code require that deferred compensation plan assets be placed in trust for the exclusive benefit of employees and their beneficiaries by no later than January 1, 1999. Statement 32 provides that, upon the transfer of deferred compensation assets to such a trust, the employer is no longer considered the owner of the amounts deferred by employees under the deferred compensation plan. The Ohio Public Employees Deferred Compensation Plan during fiscal 1998, placed assets in trusts to comply with the above requirements, and accordingly, plan assets which totaled \$369,923 as of December 31, 1998 have been excluded from the City's financial statements.

B. PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been recorded in the General Long-Term Obligations Account Group (GLTOAG) to restate the beginning balance for compensated absences, which, due to an error, included the liability for Enterprise funds. The effect of the restatement is shown below:

Total GLTOAG compensated absences as previously reported December 31, 1997	\$126,205
Effect of correction	(12,767)
Restated GLTOAG compensated absences At December 31, 1997	\$113,438

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. DEFICIT FUND BALANCES/RETAINED EARNINGS

The following funds had deficit fund balances/retained earnings as of December 31, 1998:

Special Revenue Funds	
Vehicle License	\$142,321
CHIP Grant	5,863
Enterprise Fund	
Water	22,000

These fund deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit and provides operating transfers when cash is required, not when accruals occur.

D. PROCUREMENT OF ENGINEERING SERVICES

Two contracts for engineering services were procured by negotiation, when bidding was the correct method. Both contracts were between \$15,000 and \$25,000. If the contracts were below the \$15,000 or above the \$25,000, there would have been no problem.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. PRIMARY GOVERNMENT

Moneys held by the City are classified by State statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the City treasury. Active moneys 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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Moneys held by the City, which are not considered active, are classified as inactive. Inactive moneys may be deposited or invested in the following securities:

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;
3. Obligations of the City.

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 qualified trustee or, if the

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

DEPOSITS

At year-end, the carrying amount of the City's deposits was \$367,527 and the bank balance was \$408,606. Both amounts include the amount of deposits held with fiscal agents. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$208,606 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

INVESTMENTS

The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>1</u>	Category <u>2</u>	<u>3</u>	Carrying Value	Fair Value
Certificates of Deposit	\$ 100,000	\$ 200,000	\$ -	\$ 300,000	\$ 300,000
STAR Ohio	-	-	-	1,395,087	1,395,087
Total Investments	<u>\$ 100,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 1,695,087</u>	<u>\$ 1,695,087</u>

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the Combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 1,757,164	\$ 300,000
Investments of the Cash Management Pool		
Investment in STAR Ohio	(1,395,087)	1,395,087
Cash with fiscal agent	5,450	-
GASB Statement No. 3	\$ 367,527	\$ 1,695,087

B. COMPONENT UNIT

At year-end, the carrying amount of CIC's deposits was \$4,132 and the bank balance was \$4,086. The entire balance was covered by federal depository insurance.

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at December 31, 1998, consist of the following individual fund receivables and payables which are long-term in nature (outstanding greater than one year):

	Advances to Other Funds	Advances from Other Funds
Special Revenue Funds	\$ 151,750	\$ 151,750
Total Long-Term Interfund Balances	\$ 151,750	\$ 151,750

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. Interfund balances at December 31, 1998, consist of the following individual fund receivables and payables:

	Due From Other Funds	Due To Other Funds
General Fund	\$ -	\$ 667
Special Revenue Funds	18,397	13,250
Capital Project Funds	-	4,480
Total Due From/Due To Other Funds	\$ 18,397	18,397

C. The Following is a summarized breakdown of the City's operating transfers for 1998:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 243,739
Special Revenue Funds	160,039	18,127
Debt Service Funds	18,127	-
Capital Project Funds	83,700	-
Totals	\$ 261,866	\$ 261,866

NOTE 6 - TAXES

A. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal 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 the preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually.

If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 6 - TAXES - (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

The full tax rate for all City operations for the year ended December 31, 1998 was \$8.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1998 property tax receipts were collected as follows:

Real Property	\$	50,771,020
Public Utility		5,933,560
Tangible Personal Property		9,988,540
 Total Valuation	 \$	 66,693,120

B. INCOME TAXES

The City levies a municipal income tax of one percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case, the City allows a partial credit of the tax paid to another municipality to a maximum of the total amount assessed. In prior years, this credit has been limited to 50 percent; however, in 1998 the City increased this credit to 75 percent, and will allow 100 percent credit beginning in 1999.

Employers within the City are required to withhold 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.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 6 - TAXES - (Continued)

Income tax proceeds are received by the general fund, and totaled \$1,180,919 in 1998.

NOTE 7 - RECEIVABLES

Receivables at December 31, 1998 primarily consisted of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues, special assessments, loans receivable and interest on investments. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

Primary Government

	<u>Amount</u>
General Fund	
Undivided Local Government	\$23,803
County Area Court	5,445
Estate Tax	24,964
Public Defender Reimbursement	<u>600</u>
Total General Fund	<u>54,812</u>
Special Revenue Funds	
Street Construction Maintenance and Repair Fund	
Gasoline Tax	10,967
Motor Vehicle License Tax	3,242
State Highway Fund	
Gasoline Tax	889
Motor Vehicle License Tax	263
Vehicle License Fund	
Permissive Motor Vehicle Tax	5,927
COPS Grant	2,992
CHIP Grant	3,921
Law Enforcement Education	
Immobilization Fees	100
County Area Court	<u>80</u>
Total Special Revenue Funds	<u>23,381</u>
Total Intergovernmental Receivables	<u>\$83,193</u>

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 7 – RECEIVABLES - (Continued)

Component Unit

The CIC entered into a lease purchase agreement for land contributed by the City of Geneva. The lease is being treated as a sale of land based on the terms of the agreement. The agreement calls for payments of \$1,000 per year beginning in 1998, and ending October 31, 2002. These payments will be credited toward the \$25,000 purchase price.

The lessee is to purchase the property at the end of the lease term, but may purchase before that time. The purchase price may be further reduced by credits of \$2,000 for each employee meeting certain requirements, up to a maximum of \$10,000, and another credit of up to \$7,000 if the purchaser obtains a covenant not-to-sue from the USEPA. It is not possible to estimate the cash that will be collected, and therefore no allowance for the uncollectible portion has been developed.

The balance outstanding at December 31, 1998 was \$ 24,000.

NOTE 8 - FIXED ASSETS

As described in Note 2. H, the City has been unable to provide a complete accounting of its fixed assets. An abbreviated summary follows:

1. A summary of the proprietary fund property, plant, and equipment at December 31, 1998 is as follows:

Balance December 31, 1997	\$5,135,861
Additions during 1998	41,380
Deletions during 1998	<u>0</u>
Total Proprietary Fund fixed assets acquired since January 1, 1991	<u>\$5,177,241</u>

2. A summary of general fixed assets at December 31, 1998 is as follows:

Balance December 31, 1997	\$229,031
Additions during 1998	22,027
Deletions during 1998	<u>0</u>
Total General Fixed Assets acquired since January 1, 1990	<u>\$251,058</u>

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 9 - LONG TERM OBLIGATIONS

Changes in long-term obligations of the City during 1998 were as follows:

	Restated Balance 1/1/98	Additions	(Reductions)	Outstanding 12/31/98
General Long-term Obligations				
General Obligation Bonds (Unvoted)				
1995 - 4.99% Various Purpose	\$ 200,000	\$ -	\$ (5,000)	\$ 195,000
Ohio Public Works Loans				
1996 0% OPWC Loan	13,431	-	(1,492)	11,939
Special Assessment Bonds				
1995 - 4.99% Various Purpose	1,190,000	-	(40,000)	1,150,000
Compensated Absences	113,438	-	(2,197)	111,241
Capital Lease Payable	99,379	-	(22,426)	76,953
Claims and Judgments Payable	212,483	217,557	(240,040)	190,000
Total General Long-Term Obligations	1,828,731	217,557	(311,155)	1,735,133
Enterprise Fund Obligations				
Ohio Water Development Loans				
8.47% OWDA Phase I	761,119	-	(24,123)	736,996
7.89% OWDA Phase II	687,118	-	(19,540)	667,578
7.50% OWDA Phase III	2,447,615	-	(51,473)	2,396,142
2.20% OWDA Phase IV	387,803	-	(17,774)	370,029
2.20% OWDA Phase V	402,099	-	(18,429)	383,670
2.20% OWDA Phase VI	364,831	-	(16,174)	348,657
Total OWDA Loans	5,050,585	-	(147,513)	4,903,072
Ohio Public Work Loans				
1991 0% OPWC Loan	20,125	-	(4,472)	15,653
1993 0% OPWC Loan	24,441	-	(3,760)	20,681
1995 0% OPWC Loan	80,000	-	(10,000)	70,000
Total OPWC Loans	124,566	-	(18,232)	106,334
Compensated Absences	12,767	666	-	13,433
Total Enterprise Fund Obligations	5,187,918	666	(165,745)	5,022,839
GRAND TOTAL	\$ 7,016,649	\$ 218,223	\$ (476,900)	\$ 6,757,972

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 9 - LONG TERM OBLIGATIONS - (Continued)

General obligation bonds are direct obligations of the City and will be paid from the debt service fund using property tax revenues. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid.

The City has a line of credit with the Ohio Water Development Authority (OWDA) to finance the Filter Press and Centennial projects. The final, total cost of the Filter Press project was \$388,440. The final, total cost of the Centennial project was \$437,771. Both amounts have been reflected in the preceding schedule as well as the amortization schedule below. Both projects were finalized in February 1997. All OWDA loans are obligations of the Wastewater Fund, and will be paid from the operating revenue of that fund.

The City has four loans with the Ohio Public Works Commission (OPWC). One was issued in 1991 to finance the repair of the Pleasant Avenue Sewer; one was issued in 1993 to finance the repair of the West Main Sanitary Sewer; one was issued in 1995 to finance the repair of the Old Orchard Sewer; and one was issued in 1996 to finance the repair of the Erie Street Reconstruction Project. The first three are obligations of the Enterprise fund, and will be paid from the operating of that fund. The debt service fund will account for the repayment of the 1996 issue, with resources accumulated in and transferred from other funds.

The Ohio Revised Code provides that the net debt 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 unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 1998, the City's total voted debt margin was \$6,734,056, and the unvoted debt margin was \$3,399,400.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 9 - LONG TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 1998 are as follows:

	<u>General Obligations</u>	<u>Special Assessment</u>	<u>Ohio Water Development Authority</u>	<u>Ohio Public Works Commission</u>
1999	\$ 16,278	\$ 111,602	\$ 474,881	\$ 19,724
2000	15,932	108,498	474,881	19,724
2001	20,600	105,505	474,881	19,724
2002	19,960	107,625	474,881	17,488
2003	19,335	104,500	474,881	15,252
2004- 2008	87,690	532,682	2,374,410	26,361
2009 - 2013	96,000	527,400	2,374,410	-
2014 - 2018	32,520	222,360	1,452,899	-
Total Requirements	<u>308,315</u>	<u>1,820,172</u>	<u>8,576,124</u>	<u>118,273</u>
Less Interest	(113,315)	(670,172)	(3,673,052)	-
Total Principal	<u>\$ 195,000</u>	<u>\$ 1,150,000</u>	<u>\$ 4,903,072</u>	<u>\$ 118,273</u>

NOTE 10 - CAPITAL LEASE

In 1995, the City entered into a lease for the acquisition of a fire truck. This lease obligation met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", and have been recorded in the general long-term obligations account group. The agreement provides for minimum annual rental payments as follows:

<u>Year</u>	
1999	\$ 29,254
2000	29,254
2001	29,254
Total minimum lease payments	<u>87,762</u>
Less: Amount representing interest	<u>(10,809)</u>
Present value of minimum lease payments	<u>\$ 76,953</u>

The vehicle has been capitalized in the general fixed assets account group in the amount of \$140,000, the present value of the minimum lease payments at the inception of the lease.

NOTE 11 – OPERATING LEASE

The City has acquired a postage meter and scale under an operating lease beginning October, 1998 and ending in 2003. Payments are due quarterly, \$141 for the first four quarters and \$186, thereafter. The expense for 1998 was \$141. Future minimum payments each year are: 1999 - \$609 and 2000 through 2003 - \$744.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 12 - NOTES PAYABLE

During 1998, the City issued \$260,000 in general obligation bond anticipation notes related to its water distribution system. The notes are general obligations of the City, and will be repaid from operating revenues of the water fund. A summary of the note outstanding at December 31, 1998 is as follows:

<u>General Obligation Bond Anticipation Notes</u>	<u>Issue Date</u>	<u>Balance 12/31/97</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/98</u>
<u>Enterprise Fund</u>					
Water Distribution	2/25/98	\$ -	\$260,000	\$ -	\$260,000

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

All Geneva City full-time employees, other than uniformed employees, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS(7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1998 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The employer contribution rate was 13.55 percent of covered payroll for non-law enforcement employees, and the law enforcement employer rate was 16.7 percent of covered payroll. The City's contributions for pension obligations to PERS for the years ended December 31, 1998, 1997, and 1996 were \$120,056, \$123,056, and \$114,052, respectively. 74.92% has been contributed for 1998 and 100 percent for 1997 and 1996. The unpaid contribution for 1998 of \$30,111 is recorded as a liability within the respective funds.

B. POLICE AND FIREMEN'S DISABILITY AND PENSION FUND

Full-time uniformed employees of the City participate in the Police and Firemen's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. This is a single retirement

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

system with one administration that provides retirement benefits to two classes of employees. Authority to establish and amend benefits is provided by state statute per Chapter 712 of the Ohio Revised Code. PFDPF issues a stand-alone financial report, which may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code Chapter 742 provides statutory authority for employee and employer contributions. An actuary, however, is used to determine the actuarial implications of the statutory requirement. The employee contribution rate for 1998 was 10% of covered salary. The statutorily-determined employer contribution rate for policemen and firemen was 19.5% and 24%, respectively. The City's contributions for pension obligations to PFDPF for the years ended December 31, 1998, 1997 and 1996 were \$103,084, \$92,367, and \$96,327, respectively. 66.96% has been contributed for 1998, and 100% has been contributed for both 1997 and 1996. The unpaid contribution for 1998 of \$34,056 is recorded as a liability within the respective funds.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1998 employer contribution rate for local employers was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care. The law enforcement employer rate for 1998 was 16.70% of covered payroll; 4.2% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The City's contribution actually made to fund postemployment benefits was \$37,213.

Benefits are funded on a pay-as-you go basis. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 1998, Comprehensive Annual Financial Report.

B. POLICE AND FIREMAN'S DISABILITY PENSION FUND

The PFDPF provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the PFDPF shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. Health care funding and accounting is on a pay-as-you-go basis. Currently, 6.5% of covered payroll, the Board-defined allocation, is used to pay retiree health care expenses. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 1998 that were used to fund postemployment benefits for police officers and firefighters were \$28,127 and \$5,046, respectively. PFDPF's total health care expenses for the year ending December 31, 1998, was \$78,596,790. The number of participants eligible to receive health care benefits as of December 31, 1998 was 11,424 for police officers and 9,186 for firefighters.

Police and dispatchers may carry over 40 hours for use during the first three months of the following year. Sick leave accrual is continuous, with a limit of 960 hours. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 15 - COMPENSATED ABSENCES

Employees earn vacation and sick leave at different rates, which are also affected by length of service. Vacation can be carried over at different rates depending on the department. Police and dispatchers may carry over 40 hours for use during the first three months of the following year. Sick leave accrual is continuous, with a limit of 960 hours. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

Upon retirement, an employee can be paid for one half of his/her accumulated hours of sick leave, except fire department employees, who are part-time and do not accumulate sick leave. Upon retirement, termination, or death of the employee, accrued vacation is paid for time the employees have earned but not yet used.

As of December 31, 1998, the liability for unpaid compensated absences reported as a fund liability in governmental fund types was \$2,642, and \$111,241 was reported in the General Long-Term Obligations Account Group. There was no liability for current compensated absences reported in proprietary fund types, and the non-current portion was \$13,433. The total liability for the City's compensated absences for all fund types and account groups was \$127,316.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP (generally accepted accounting principles) basis are:

- 1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- 2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
- 4) Short-term note proceeds and note principal retirement are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- 5) State statute requires short-term note debt to be repaid from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP).

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

**EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES
OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)**

	Governmental Fund Types			
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
Budget Basis	\$167,606	\$(59,301)	\$3,003	\$(94,904)
Adjustments:				
Net adjustment for Revenue Accruals	60,239	(26,293)	-	(279,404)
Net adjustment for Expenditure Accruals	6,337	(58,354)	-	404,449
Net adjustment for Other Financing Sources/ (Uses) Accruals	(106,174)	44,176	1,000	(39,000)
Encumbrances	<u>107,003</u>	<u>63,483</u>	<u>-</u>	<u>67,200</u>
GAAP Basis	<u>\$235,011</u>	<u>\$(36,289)</u>	<u>\$4,003</u>	<u>\$ 58,341</u>

NOTE 17 - CONTRACTUAL COMMITMENTS

The City had the following outstanding contractual commitments as of December 31, 1998:

	<u>Amount</u>
Burgess & Niple Engineering (2 projects)	\$ 86,500
AAA Pipe Cleaning	34,650
Janik & Forbes	9,718
Brobst Tree and Stump Removal	<u>7,735</u>
Total	<u>\$138,603</u>

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains two enterprise funds, which are intended to be self-supporting from user fees charged for services, provided to consumers for wastewater operations and water operations. Segment information for the year ended December 31, 1998 is as follows:

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$1,156,718	\$ -	\$1,156,718
Operating income (loss)	561,105	(14,526)	546,579
Net income (loss)	294,941	(14,558)	280,383
Additions to property, plant and equipment	41,380	-	41,380
Net working capital	512,523	238,000	750,523
Total assets	5,974,244	248,651	6,222,895
Bonds and other long- term liabilities payable from operating revenues	5,022,839	260,000	5,282,839
Total equity	737,169	(22,000)	715,169
Encumbrances outstanding at December 31	66,293	30,532	96,825

NOTE 19 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1998, the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
CNA Insurance Co.	Property	\$2,500	\$8,531,910
	General Liability	0	1,000,000
	Employee Benefits	1,000	1,000,000
	Inland Marine	250	Various
	Boilers and Machinery	250	1,000,000
	Vehicles		1,000,000
	Comprehensive	100	
	Collision	250	
United National Insurance Co.	Fire Errors and Omissions	0	1,000,000
	Umbrella Liability	10,000	4,000,000
Acceptance Insurance Co.	Police	5,000	per occurrence/ annual aggregate 1,000,000
	Public Officials	5,000	per occurrence/ annual aggregate 2,000,000

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 19 - RISK MANAGEMENT - (Continued)

The City participates in the Ohio Municipal League public entity insurance purchasing pool for workers' compensation (see Note 2). The Group Rating Plan is administered by the Gates McDonald Company. The OML Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee.

NOTE 20 - LOANS RECEIVABLE

As part of the Economic Development special revenue fund, the City maintains a revolving loan program, available to local businesses to encourage growth and development. The State of Ohio provides funding for the program. At December 31, 1998, there were six loans outstanding, totaling \$92,430.

NOTE 21 - RELATED PARTY TRANSACTIONS

During 1998, the City transferred land parcels of undetermined value to the Community Improvement Corporation of Geneva (Note 2.A.). The City does not expect repayment for the land that it transferred to the CIC.

NOTE 22 - CONTINGENCIES

During 1995, the City of Geneva was designated by the United States Environmental Protection Agency as a "Potentially Responsible Party" for the Geneva City Dump Site cleanup. In 1998, the City paid \$243,880 for this clean-up, and has paid \$266,519 to date. Legal counsel for the City and the City Manager believe the City will have to pay an additional \$190,000 for this clean-up. Accordingly, this amount has been recorded as a liability in the General Long-Term Obligations Account Group.

In late 1999, the City received an additional notice from the EPA stating that the City may be liable for up to \$20,000 for administrative expenses incurred by the EPA. These statements have not been adjusted to include this as a liability because it is not considered material.

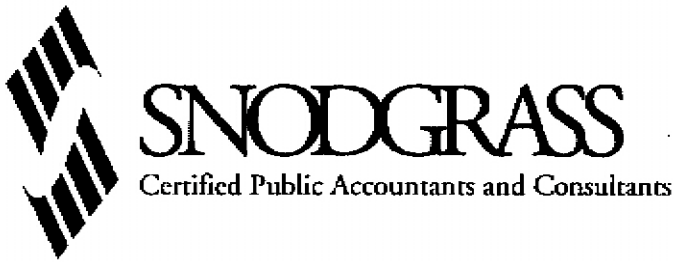
Also in late 1999, the City reached an out-of-court settlement with a former employee, who was terminated during 1997. The City paid \$35,000 during October 1999. These statements have not been adjusted for this because it was not considered a liability at the end of 1998.

The City is also involved in eminent domain proceedings against the Consumer Ohio Water Company.

CITY OF GENEVA, OHIO
NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

NOTE 23 - SUBSEQUENT EVENTS

As previously disclosed (Note 6.B.), the City increased from 50 percent to 75 percent the credit granted to residents working and paying taxes to another municipality or village in 1998. This was the initial increase in the credit and reduced income tax revenue for the year by an estimated \$75,000 to \$150,000. The City estimates a similar revenue loss when the credit increases to 100 percent in 1999.



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of Council
City of Geneva
Geneva, Ohio

We have audited the financial statements of the City of Geneva, Ohio, as of and for the year ended December 31, 1998, and have issued our report thereon dated April 28, 2000. In our report our opinion was qualified because fixed asset information, including depreciation expense on enterprise fund fixed assets has not been included in the general-purpose financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Geneva's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City of Geneva in a separate letter dated April 28, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Geneva's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City of Geneva in a separate letter dated April 28, 2000.

Members of Council
City of Geneva
Report on Compliance and Internal Controls Over
Financial Reporting Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*
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This report is intended for the information of management, members of council, and grantor entities, and is not intended to be and should not be used by anyone other than these specified parties.

S. R. Snodgrass, A.C

Ashtabula, Ohio
April 28, 2000



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CITY OF GENEVA

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 8, 2000**