

**CITY OF GENEVA, NEW YORK
FINANCIAL STATEMENTS
DECEMBER 31, 2010**

CITY OF GENEVA, NEW YORK

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SECTION A

FINANCIAL SECTION



Freed Maxick & Battaglia, CPAs, PC

Independent Auditor's Report

The Honorable Members of City Council
City of Geneva, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Geneva, New York (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Geneva, New York as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The schedule of funding progress for retiree health plan on page A38 and budgetary comparison schedule on page A39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The City has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
August 23, 2011

CITY OF GENEVA, NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,789,955	\$ 4,083,486	\$ 8,873,441
Cash and cash equivalents - restricted	-	2,038,978	2,038,978
Cash with fiscal agent	-	109,989	109,989
Certificates of deposit	3,488,982	383,142	3,872,124
Accounts receivable	360,331	1,912,259	2,272,590
Taxes receivable, net	1,153,952	-	1,153,952
Loans receivable, net	7,624,079	-	7,624,079
State and federal receivables	4,259	-	4,259
Due from other governments	264,071	30,408	294,479
Due from fiduciary funds	146,917	-	146,917
Capital assets not being depreciated	842,427	4,887,901	5,730,328
Capital assets, net of accumulated depreciation	27,714,484	35,895,111	63,609,595
Total assets	46,389,457	49,341,274	95,730,731
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts payable	530,160	142,698	672,858
Accrued interest payable	69,730	157,179	226,909
Accrued liabilities	22,284	2,272	24,556
Due to other governments	2,755,714	-	2,755,714
Deferred revenue	4,076,295	-	4,076,295
Other liabilities	18,004	-	18,004
Bond anticipation notes payable	-	5,987,568	5,987,568
Long-term liabilities:			
Due and payable within one year	1,438,068	1,527,087	2,965,155
Due and payable after one year	10,360,310	22,693,854	33,054,164
Total liabilities	19,270,565	30,510,658	49,781,223
NET ASSETS:			
Invested in capital assets, net of related debt	19,598,681	13,010,863	32,609,544
Restricted for capital projects	784,643	192,034	976,677
Unrestricted	6,735,568	5,627,719	12,363,287
Total net assets	\$ 27,118,892	\$ 18,830,616	\$ 45,949,508

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 2,357,780	\$ 441,144	\$ -	\$ -	\$(1,916,636)	\$ -	\$(1,916,636)
Public safety	7,339,259	197,410	-	-	(7,141,849)	-	(7,141,849)
Transportation	3,543,944	613	-	269,272	(3,274,059)	-	(3,274,059)
Economic assistance and opportunity	266,477	-	-	709,936	443,459	-	443,459
Culture and recreation	841,883	231,572	24,083	-	(586,228)	-	(586,228)
Home and community services	2,027,766	103,715	43,930	-	(1,880,121)	-	(1,880,121)
Interest on debt	332,448	-	-	-	(332,448)	-	(332,448)
Total governmental activities	16,709,557	974,454	68,013	979,208	(14,687,882)	-	(14,687,882)
Business-type activities:							
Sewer	3,076,716	3,662,619	-	-	-	585,903	585,903
Water	2,081,993	2,535,976	-	-	-	453,983	453,983
Total business-type activities	5,158,709	6,198,595	-	-	-	1,039,886	1,039,886
Total governmental and business-type activities	\$ 21,868,266	\$ 7,173,049	\$ 68,013	\$ 979,208	(14,687,882)	1,039,886	(13,647,996)
General revenues and transfers:							
Real property taxes and real property tax items					7,171,495	-	7,171,495
Non-property taxes					3,178,754	-	3,178,754
Interest earnings					144,236	11,275	155,511
State and federal aid not restricted for a specific purpose					2,517,686	-	2,517,686
Other miscellaneous revenues					650,491	7,850	658,341
Premium on bond anticipation notes					-	6,928	6,928
Transfers					(335,084)	335,084	-
Total general revenues and transfers					13,327,578	361,137	13,688,715
Change in net assets					(1,360,304)	1,401,023	40,719
Net assets - beginning of the year					28,479,196	17,429,593	45,908,789
Net assets - end of the year					\$ 27,118,892	\$ 18,830,616	\$ 45,949,508

See notes to basic financial statements.
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CITY OF GENEVA, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 2,226,505	\$ 2,105,388	\$ 458,062	\$ 4,789,955
Certificates of deposit	3,050,923	438,059	-	3,488,982
Receivables (net of allowance for uncollectible of \$13,112 in the General Fund and \$199,179 in the Community Development Fund):				
Accounts receivable	360,331	190,234	-	550,565
Taxes receivable	963,718	-	-	963,718
Loans receivable	-	7,624,079	4,259	7,624,079
State and federal receivables	-	-	-	4,259
Due from other funds	146,917	-	-	146,917
Due from other governments	264,071	-	-	264,071
Total assets	<u>\$ 7,012,465</u>	<u>\$ 10,357,760</u>	<u>\$ 462,321</u>	<u>\$ 17,832,546</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 281,123	\$ 186,518	\$ 62,519	\$ 530,160
Accrued liabilities	22,284	-	-	22,284
Due to other governments	10,714	2,745,000	-	2,755,714
Deferred revenue	2,708,709	2,241,811	-	4,950,520
Other liabilities	18,004	-	-	18,004
Compensated absences	9,600	-	-	9,600
Total liabilities	<u>3,050,434</u>	<u>5,173,329</u>	<u>62,519</u>	<u>8,286,282</u>

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(Continued)

	General	Community Development	Capital Projects	Total Governmental Funds
FUND BALANCES:				
Reserved for capital projects	784,643	-	-	784,643
Unreserved:				
Designated for subsequent year's expenditures	403,702	-	-	403,702
Undesignated	2,773,686	5,184,431	399,802	8,357,919
Total fund balances	<u>3,962,031</u>	<u>5,184,431</u>	<u>399,802</u>	<u>9,546,264</u>
 Total liabilities and fund balances	 <u>\$ 7,012,465</u>	 <u>\$ 10,357,760</u>	 <u>\$ 462,321</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	28,556,911
Long-term liabilities, including accrued interest payable, loans payable, serial bonds payable, compensated absences and post employment benefits are not due and payable in the current period and therefore are not reported in the funds	(11,858,508)
Other long-term assets are not available to pay for prior period expenditures and therefore are deferred in the funds	<u>874,225</u>

Net assets \$ 27,118,892

CITY OF GENEVA, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Community Development	Capital Projects	Total Governmental Funds
REVENUES:				
Real property taxes	\$ 6,265,403	\$ -	\$ -	\$ 6,265,403
Real property tax items	753,191	-	-	753,191
Sales and other taxes	3,178,754	-	-	3,178,754
Departmental income	504,575	-	-	504,575
Intergovernmental charges	130,151	-	-	130,151
Use of money and property	204,212	110,040	-	314,252
Licenses and permits	72,179	-	-	72,179
Fines and forfeitures	49,089	-	-	49,089
Sale of property and compensation for loss	48,444	-	-	48,444
Miscellaneous local sources	867,514	173,855	-	1,041,369
State and federal sources	2,268,067	753,866	542,974	3,564,907
Total revenues	<u>14,341,579</u>	<u>1,037,761</u>	<u>542,974</u>	<u>15,922,314</u>
EXPENDITURES:				
General government	2,119,519	-	36,907	2,156,426
Public safety	6,584,115	-	33,284	6,617,399
Transportation	2,281,139	-	699,810	2,980,949
Economic assistance and opportunity	184,112	50,799	-	234,911
Culture and recreation	563,967	-	1,342	565,309
Home and community services	658,507	1,337,571	4,911	2,000,989
Employee benefits	770,249	-	-	770,249
Debt service:				
Principal	1,340,883	-	-	1,340,883
Interest	359,978	-	-	359,978
Total expenditures	<u>14,862,469</u>	<u>1,388,370</u>	<u>776,254</u>	<u>17,027,093</u>

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

	General	Community Development	Capital Projects	Total Governmental Funds
Deficit of revenues over expenditures	(520,890)	(350,609)	(233,280)	(1,104,779)
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	468,500	-	4,318,308	4,786,808
Interfund transfers out	-	-	(5,121,892)	(5,121,892)
Bond anticipation notes redeemed from appropriations	-	-	264,418	264,418
Serial bond proceeds	-	-	3,911,000	3,911,000
Total other financing sources	468,500	-	3,371,834	3,840,334
Net change in fund balances	(52,390)	(350,609)	3,138,554	2,735,555
Fund balances (deficit) - beginning of the year	4,014,421	5,535,040	(2,738,752)	6,810,709
Fund balances - end of the year	\$ 3,962,031	\$ 5,184,431	\$ 399,802	\$ 9,546,264

CITY OF GENEVA, NEW YORK
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, 2010

Net change in fund balances - total governmental funds	\$	2,735,555
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$8,210,194) excluding construction work in progress placed in service (\$7,698,324) exceeded depreciation (\$1,231,639) in the current period.		(719,769)
Proceeds of serial bonds are recorded as other financing sources for governmental funds whereas on the statement of activities the proceeds of serial bonds are reported as liabilities in the statement of net assets.		(3,911,000)
Repayment of bond, note, and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of debt repayments made in the current period.		1,076,465
Revenues that are not available to pay current obligations are not reported in the fund financial statement, but they are presented as revenues in the statement of activities.		152,901
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid.		27,530
Increases/decreases in accrued compensated absences reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		(466,426)
On the statement of activities the actual and projected long term expenditures for post employment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.		<u>(255,560)</u>
Change in net assets of governmental activities	\$	<u><u>(1,360,304)</u></u>

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF NET ASSETS - ENTERPRISE FUNDS
DECEMBER 31, 2010

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 1,998,485	\$ 2,085,001	\$ 4,083,486
Cash and cash equivalents - restricted	-	2,038,978	2,038,978
Cash with fiscal agent	109,989	-	109,989
Certificates of deposit	348,883	34,259	383,142
Accounts receivable	1,189,025	723,234	1,912,259
Due from other governments	30,408	-	30,408
Capital assets not being depreciated	306,547	4,581,354	4,887,901
Capital assets, net of accumulated depreciation	26,477,510	9,417,601	35,895,111
Total assets	<u>\$ 30,460,847</u>	<u>\$ 18,880,427</u>	<u>\$ 49,341,274</u>
 LIABILITIES AND NET ASSETS:			
LIABILITIES:			
Accounts payable	\$ 119,998	\$ 22,700	\$ 142,698
Accrued liabilities	730	1,542	2,272
Accrued interest payable	56,176	101,003	157,179
Bond anticipation notes payable	1,275,000	4,712,568	5,987,568
Long-term liabilities:			
Due and payable within one year	994,092	532,995	1,527,087
Due and payable after one year	18,408,620	4,285,234	22,693,854
Total liabilities	<u>20,854,616</u>	<u>9,656,042</u>	<u>30,510,658</u>
 NET ASSETS:			
Invested in capital assets, net of related debt	6,375,468	6,635,395	13,010,863
Restricted for capital projects	100,074	91,960	192,034
Unrestricted	3,130,689	2,497,030	5,627,719
Total net assets	<u>9,606,231</u>	<u>9,224,385</u>	<u>18,830,616</u>
 Total liabilities and net assets	 <u>\$ 30,460,847</u>	 <u>\$ 18,880,427</u>	 <u>\$ 49,341,274</u>

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	\$ 3,662,619	\$ 2,535,976	\$ 6,198,595
Other operating revenues	-	7,850	7,850
Total operating revenues	<u>3,662,619</u>	<u>2,543,826</u>	<u>6,206,445</u>
OPERATING EXPENSES:			
Salaries, wages and employee benefits	1,064,026	1,019,516	2,083,542
Contractual expense	928,148	533,379	1,461,527
Depreciation	885,632	378,967	1,264,599
Total operating expenses	<u>2,877,806</u>	<u>1,931,862</u>	<u>4,809,668</u>
Operating income	<u>784,813</u>	<u>611,964</u>	<u>1,396,777</u>
NON-OPERATING REVENUES (EXPENSES):			
Investment income	4,429	6,846	11,275
Interest expense	(198,910)	(150,131)	(349,041)
Premium on bond anticipation notes	1,475	5,453	6,928
Transfers in	678,314	4,703,437	5,381,751
Transfers out	<u>(1,335,693)</u>	<u>(3,710,974)</u>	<u>(5,046,667)</u>
Total non-operating revenues (expenses)	<u>(850,385)</u>	<u>854,631</u>	<u>4,246</u>
Change in net assets	(65,572)	1,466,595	1,401,023
Net assets - beginning of the year	<u>9,671,803</u>	<u>7,757,790</u>	<u>17,429,593</u>
Net assets - end of the year	<u>\$ 9,606,231</u>	<u>\$ 9,224,385</u>	<u>\$ 18,830,616</u>

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Sewer	Water	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from customers	\$ 4,015,538	\$ 2,804,929	\$ 6,820,467
Cash payments for contractual expenses	(869,025)	(548,156)	(1,417,181)
Cash payments to employees for services	(1,048,269)	(984,845)	(2,033,114)
Other operating revenues	-	7,850	7,850
Net cash provided by operating activities	2,098,244	1,279,778	3,378,022
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers from (to) other funds	(657,379)	992,463	335,084
Net cash provided (used) by noncapital financing activities	(657,379)	992,463	335,084
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Acquisition and construction of capital assets	(167,855)	(4,481,832)	(4,649,687)
Principal payments on debt	(1,109,772)	(517,966)	(1,627,738)
Interest paid on debt	(219,052)	(108,807)	(327,859)
Premium on bond anticipation notes	1,475	5,453	6,928
Proceeds from capital debt	-	4,712,568	4,712,568
Net cash used by capital and financing activities	(1,495,204)	(390,584)	(1,885,788)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest on cash and investments	4,429	6,846	11,275
Net proceeds / purchases of certificates of deposit	(269)	-	(269)
Net cash provided by investing activities	4,160	6,846	11,006
Net increase (decrease) in cash and cash equivalents	(50,179)	1,888,503	1,838,324
Cash and cash equivalents - beginning of the year	2,158,653	2,235,476	4,394,129
Cash and cash equivalents - end of the year	\$ 2,108,474	\$ 4,123,979	\$ 6,232,453

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

(Continued)

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Income from operations	\$ 784,813	\$ 611,964	\$ 1,396,777
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation	885,632	378,967	1,264,599
Change in assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(291,690)	72,447	(219,243)
State and federal receivables	644,609	196,506	841,115
Due from other governments	(8,796)	-	(8,796)
Increase (decrease) in:			
Accounts payable	67,189	(16,319)	50,870
Accrued liabilities	730	1,542	2,272
Compensated absences	714	(4,450)	(3,736)
Post employment benefits	15,043	39,121	54,164
Net cash provided by operating activities	<u>\$ 2,098,244</u>	<u>\$ 1,279,778</u>	<u>\$ 3,378,022</u>

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2010

	Private Purpose Trusts	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 149,614
Cash and cash equivalents - restricted	19,984	-
Certificates of deposit	-	19,622
Other assets	-	5
	-	5
 Total assets	\$ 19,984	\$ 169,241
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Agency liabilities	\$ -	\$ 22,324
Due to other funds	-	146,917
	-	146,917
 Total liabilities	-	169,241
NET ASSETS:		
Reserved for cemetery operations	19,984	-
	19,984	-
 Total liabilities and net assets	\$ 19,984	\$ 169,241

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
STATEMENT OF CHANGES IN NET ASSETS -
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Private Purpose Trusts
ADDITIONS:	
Interest	\$ <u>3</u>
Change in net assets	3
Net assets - beginning of the year	<u>19,981</u>
Net assets - end of the year	\$ <u><u>19,984</u></u>

See notes to basic financial statements.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Geneva, New York (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, except as otherwise noted. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

The City reports related organizations under the guidance of the Governmental Accounting Standards Board. The Standards define the primary government, and redefine and establish the criteria for which potential component units are included in the reporting entity. The Standards also defines financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of a voting majority of a governing board, ability to impose its will or potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government.

The accompanying basic financial statements include only the operations of the City, since management has determined that there are no other organizations that meet the criteria for inclusion in the reporting entity of the City.

In March 2010, the City of Geneva incorporated the City of Geneva Development Corporation (the Corporation), a local development corporation organized pursuant to Section 1411 of the Not-for-Profit Corporation Law of the State of New York. The sole member of the Corporation is the City of Geneva and the formation of the Corporation is to relieve and reduce unemployment, promote and provide for additional and maximum employment, improve and maintain job opportunities, and lessen the burden of government and act in the public interest. As of December 31, 2010 no financial activity under the Corporation has occurred.

JOINT VENTURES - The City participates in various joint ventures with other local municipalities for the purpose of providing intermunicipal services. These activities are excluded from the financial statements of all participating municipalities.

B. BASIS OF PRESENTATION

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities present financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. The statements distinguish between governmental and business-type activities. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental Funds

- a. General Fund - the principal operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Community Development Fund - used to account for community development block grants and other federal grants not required to be accounted for in other funds.
- c. Capital Projects Fund - used to account for and report financial resources to be used in the acquisition, construction or renovation of major capital facilities or equipment.

Proprietary Funds

Sewer and Water Funds are used to account for operations that provide water and sewer services and are financed primarily by user charges for these services.

Fiduciary Fund Types

Fiduciary Fund Types include Private Purpose Trust Funds and Agency Funds. The Private Purpose Trust Funds and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments.

Private Purpose Trust Funds are accounted for on the accrual basis. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis, which approximates the modified accrual basis of accounting.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within one-year after the end of the fiscal year, with the exception of property taxes, which the period of availability is sixty days. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and post-employment benefits, which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water and treatment of wastewater for the Water and Sewer Funds. Operating expenses for the proprietary funds include the cost of sales and services, personnel services, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In its accounting and financial reporting, for proprietary funds, the City follows the pronouncements of the GASB, as well as applying the provisions of all relevant pronouncements of the Financial Accounting Standards Board, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY DATA

1. BUDGET POLICIES - The City Manager prepares a budget for approval by City Council. City Council holds at least one public hearing on the proposed budget. The City Council adopts a final budget based upon the proposed budget plus any modifications. Appropriations established by the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Expenditures may not exceed appropriations, which lapse at the end of the fiscal year. Subsequent transfers or adjustment in the approved budget may be made only by the City Council or, in certain limited circumstances by the City Manager.
2. BUDGET BASIS OF ACCOUNTING - Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

E. CASH AND CASH EQUIVALENTS

The City's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

F. RECEIVABLES

Receivables are shown net for financial statement presentation purposes. Generally accepted accounting principles require the establishment of an allowance for uncollectible accounts which has been provided for loans in the Community Development Fund and taxes in the General Fund. (See Note 2.,A.,2 and 3)

G. DUE TO/FROM OTHER FUNDS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds."

The amounts reported on the Statement of Net Assets for due to and due from other funds represents amounts due between different fund types (governmental and fiduciary activities). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in Note 2., A., 4.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. CAPITAL ASSETS:

Government-wide Financial Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to January 1, 1980, governmental funds' infrastructure assets were not capitalized. The City has elected to adopt the more liberal provisions of GASB Statement No. 34 which allows retroactive reporting of only major general infrastructure assets acquired, significantly reconstructed or that received significant improvements in fiscal years ending after December 31, 1979. Capital assets are reported at actual cost for acquisitions subsequent to January 1, 2003.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 2,000	straight-line	10-50 years
Buildings	50,000	straight-line	25-50 years
Building and site improvements	50,000	straight-line	10-50 years
Infrastructure	100,000	straight-line	25-50 years
Furniture and equipment	5,000	straight-line	3-20 years
Vehicles	20,000	straight-line	5-10 years

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

I. INSURANCE

The City has purchased a commercial insurance policy in the amount of \$5,000,000 against liability for most risk including, but not limited to, property damage and personal injury liability. The City assumes the liability for amounts in excess of the commercial coverage. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. DEFERRED REVENUE

The City reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources received by the City before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. As of December 31, 2010, deferred revenue in the General Fund consisted of deferred taxes of \$874,225 and deferred state aid of \$1,834,484. Deferred revenue in the Community Development fund consisted of deferred federal grant funds. (See Note 2., A., 2).

K. LONG-TERM OBLIGATIONS

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of serial bonds payable, installment purchase debt, loans payable, compensated absences and post employment benefit liabilities.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal, interest and other long-term obligations are reported as expenditures.

L. COMPENSATED ABSENCES

Compensated absences are accrued as earned by employees. Upon retirement, employees will be paid for the number of days accumulated at the rate designated in the employees' employment contracts. The amount of compensated absences to be paid with current financial resources under the modified accrual basis are recorded in the governmental funds. The remaining vested compensated absences are recorded in the government-wide financial statements for Governmental Activities and Enterprise Funds.

M. POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the City provides health insurance coverage for retired employees as described at Note 2., B.,2.

N. INTERFUND TRANSFERS

The operations of the City give rise to certain transactions between funds, including transfers of expenditures and revenues to provide services and construct assets.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. FUND EQUITY

Government-wide statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

The following is a description of the reserve and designation utilized by the City:

- a. Reserve for Capital Projects - This balance represents amounts reserved to finance future construction, reconstruction or acquisition of capital improvement type items or equipment as authorized when the reserve was established.
- b. Designated for Subsequent Year's Expenditures - This balance represents funds to be used to assist in supporting the subsequent year's authorized appropriations.

P. PROPERTY TAXES

Real property taxes attach as an enforceable lien on property as of January 1. Taxes are levied upon budget adoption and are payable in two installments on February 1 and June 1. The City bills and collects City tax and Ontario County real property taxes on properties within the City. The City also collects real property taxes of the Geneva City School District which remain unpaid at March 1. The City pays the County and School District the full amount of their property taxes during the year.

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City is permitted by the New York State Constitution to levy taxes up to 2% of the most recent 5-year average full valuation of taxable real property. Taxes for principal and interest on long-term debt and for budgetary appropriations for capital outlay are excludable. The City is at 48.85% of its constitutional tax limit.

Q. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

A. ASSETS

1. CASH AND INVESTMENTS

The City's investment policies are governed by State statutes. In addition, the City has its own written investment policy. City monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and municipalities and school districts.

Investment and Deposit Policy

The City implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

The City follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the City Comptroller.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The City's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the City's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The City restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

2. LOANS RECEIVABLE

The loans receivable recorded in the Community Development Fund represent revolving loans receivable issued under the City's Community Development Block Grant programs and those passed through the U.S. Department of Housing and Urban Development. Loans outstanding as of December 31, 2010 under both programs amounted to \$7,823,258, against which an allowance of \$199,179 for uncollectible loans has been recorded.

Deferred revenue of \$2,241,811 has been recorded in the Community Development Fund in connection with an Urban Development Action Grant (UDAG) grant/loan program. The revenue is deferred until such time that payments are received under the program, at which time the funds are to be used for other projects eligible under the program.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

3. RECEIVABLES

Major revenues accrued by the City at December 31, 2010, include the following:

<u>General Fund:</u>	
PILOT	\$ 53,739
Gas & Oil	11,766
Occupancy tax	38,065
Franchise fees	86,656
Court fees	46,572
Miscellaneous receivables	<u>123,533</u>
Total accounts receivable	\$ <u>360,331</u>
Taxes receivable current	\$ 530,317
Taxes receivable overdue	217,133
City School taxes receivable	161,365
Property acquired for taxes	68,015
Allowance for uncollectible taxes	<u>(13,112)</u>
Total taxes receivable	\$ <u>963,718</u>
<u>Community Development:</u>	
Loans receivable	\$ 7,823,258
Allowance for receivables	<u>(199,179)</u>
Total loans receivable	\$ <u>7,624,079</u>
Restore grant	\$ <u>190,234</u>
<u>Water:</u>	
Water rents receivable	\$ 27,750
Unbilled receivables	<u>695,484</u>
	\$ <u>723,234</u>
<u>Sewer:</u>	
Sewer rents receivable	\$ 38,121
Unbilled receivables	938,931
Town of Geneva	136,646
Outside sewer revenue	75,196
Miscellaneous receivables	<u>131</u>
	\$ <u>1,189,025</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

4. INTERFUND ACTIVITIES

Interfund activities at December 31, 2010 are as follows:

	<u>Interfund</u> <u>Receivables</u>	<u>Interfund</u> <u>Payables</u>	<u>Interfund</u> <u>Revenues</u>	<u>Interfund</u> <u>Expenditures</u>
General Fund	\$ 146,917	\$ -	\$ 468,500	\$ -
Capital Projects Fund	-	-	4,318,308	5,121,892
Sewer Fund	-	-	678,314	1,335,693
Water Fund	-	-	4,703,437	3,710,974
Agency Fund	<u>-</u>	<u>146,917</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 146,917</u>	<u>\$ 146,917</u>	<u>\$ 10,168,559</u>	<u>\$ 10,168,559</u>

Transfers among funds are provided for as part of the annual budget process and related to chargeback's for administrative services. In addition, other transfers are made to facilitate various capital projects.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance</u> <u>01/01/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/10</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 760,010	\$ -	\$ -	\$ 760,010
Construction work in progress	<u>7,681,846</u>	<u>98,895</u>	<u>7,698,324</u>	<u>82,417</u>
Total capital assets, not being depreciated	<u>8,441,856</u>	<u>98,895</u>	<u>7,698,324</u>	<u>842,427</u>
Capital assets, being depreciated:				
Land improvements	46,448	-	-	46,448
Buildings	9,405,893	1,056,939	-	10,462,832
Vehicles & equipment	6,184,833	60,189	17,580	6,227,442
Infrastructure	<u>21,538,916</u>	<u>6,994,171</u>	<u>-</u>	<u>28,533,087</u>
Total capital assets, being depreciated	<u>37,176,090</u>	<u>8,111,299</u>	<u>17,580</u>	<u>45,269,809</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

	<u>Balance</u> <u>01/01/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/10</u>
Less accumulated depreciation				
Land improvements	3,484	2,322	-	5,806
Buildings	4,622,509	547,828	-	5,170,337
Vehicles & equipment	4,537,787	98,465	17,580	4,618,672
Infrastructure	<u>7,177,486</u>	<u>583,024</u>	<u>-</u>	<u>7,760,510</u>
Total accumulated depreciation	<u>16,341,266</u>	<u>1,231,639</u>	<u>17,580</u>	<u>17,555,325</u>
Total capital assets, being depreciated, net	<u>20,834,824</u>	<u>6,879,660</u>	<u>-</u>	<u>27,714,484</u>
Governmental activities capital assets, net	<u>\$ 29,276,680</u>	<u>\$ 6,978,555</u>	<u>\$ 7,698,324</u>	<u>\$ 28,556,911</u>
Business-type activities: Capital assets, not being depreciated:				
Land	\$ 350,547	\$ -	\$ -	\$ 350,547
Construction work in progress	<u>7,868,592</u>	<u>4,498,267</u>	<u>7,829,505</u>	<u>4,537,354</u>
Total capital assets, not being depreciated	<u>8,219,139</u>	<u>4,498,267</u>	<u>7,829,505</u>	<u>4,887,901</u>
Capital assets, being depreciated:				
Buildings	3,273,099	-	-	3,273,099
Vehicles & equipment	6,920,914	124,900	-	7,045,814
Infrastructure	<u>33,426,877</u>	<u>7,856,025</u>	<u>-</u>	<u>41,282,902</u>
Total capital assets, being depreciated	<u>43,620,890</u>	<u>7,980,925</u>	<u>-</u>	<u>51,601,815</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

	<u>Balance</u> <u>01/01/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/10</u>
Less accumulated depreciation				
Buildings	2,295,167	216,638	-	2,511,805
Vehicles & equipment	5,327,043	468,395	-	5,795,438
Infrastructure	<u>6,819,895</u>	<u>579,566</u>	-	<u>7,399,461</u>
Total accumulated depreciation	<u>14,442,105</u>	<u>1,264,599</u>	-	<u>15,706,704</u>
Total capital assets being depreciated, net	<u>29,178,785</u>	<u>6,716,326</u>	-	<u>35,895,111</u>
Business-type activities capital assets, net	<u>\$ 37,397,924</u>	<u>\$ 11,214,593</u>	<u>\$ 7,829,505</u>	<u>\$ 40,783,012</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 23,799
Public safety	127,921
Transportation	793,379
Economic assistance and opportunity	265
Culture and recreation	284,201
Home and community service	<u>2,074</u>
Total governmental activities depreciation expense	1,231,639
Business-type activities:	
Home and community service	<u>1,264,599</u>
Total depreciation expense	<u>\$ 2,493,916</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

B. LIABILITIES

1. PENSION PLANS

The City of Geneva participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost-sharing multiple-employer, public employee retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

FUNDING POLICY

Plan members who joined ERS before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 who have less than 10 years of service or membership are required to contribute three percent of their annual salary. Employees joining on or after January 1, 2010 are required to contribute three percent of their annual salary throughout their active membership. The Comptroller of the State of New York certifies the rates expressed as proportions of members' payroll annually, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The City of Geneva is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	ERS	PFRS
2010	\$ 485,074	\$ 608,584
2009	289,193	506,938
2008	327,538	440,464

The City of Geneva contributions made to the Systems were equal to 100 percent of the contributions required for each year.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

2. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

a. PLAN DESCRIPTION

The City of Geneva, New York (the City), administers the City of Geneva Retiree Medical, Dental and Life Insurance Plan (the Plan) as a single-employer defined benefit Other Post Employment Benefit plan (OPEB). The Plan provides for continuation of medical, dental and life insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

b. FUNDING POLICY

The obligations of the plan members, employers and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the City.

c. ACCOUNTING POLICY

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets, if any, paid by a willing buyer to a willing seller.

d. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45 for employers in plans with more than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the City's net OPEB obligation to the Retiree Health Plan at December 31, 2010:

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>12/31/10</u>
Normal Cost	\$ 406,782
Amortization of UAL	834,150
Interest	<u>41,708</u>
ARC	1,282,640
Interest on OPEB Obligation	88,742
Adjustment to ARC	<u>(78,613)</u>
OPEB Expense	1,292,769
Net OPEB contributions made during the fiscal year	<u>(983,045)</u>
Net OPEB obligation for the current fiscal year	309,724
Net OPEB obligation at beginning of year	<u>1,774,842</u>
Net OPEB obligation at end of year	<u>\$ 2,084,566</u>

e. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2009, the actuarial accrued liability for benefits was \$19,198,213, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$6,529,816, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 294.01%. The total post employment health insurance cost to the City for 114 retirees was \$983,045 for the year ended December 31, 2010.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page A38, presents the funded status of the Plan.

f. METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to the point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

The December 31, 2009 actuarial valuation utilized the entry age normal method. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), which is the expected short-term investment rate of the City's own assets, and an annual healthcare cost trend of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after 11 years. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The amortization period at December 31, 2010 was twenty-nine years.

g. **ALLOCATION OF POST EMPLOYMENT BENEFITS**

The City's allocation of their OPEB expense to the City's functions are as follows:

Governmental activities:	
General government	\$ 35,165
Public safety	150,423
Transportation	40,097
Economic assistance & opportunity	6,772
Culture and recreation	18,068
Home and community service	<u>5,035</u>
Total governmental activities OPEB expense	255,560
 Business-type activities:	
Home and community service	<u>54,164</u>
 Total net OPEB expense	<u>\$ 309,724</u>

3. **INDEBTEDNESS**

a. **SHORT-TERM DEBT**

BOND ANTICIPATION NOTES - Notes in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as a long-term liability when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated, through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. As of December 31, 2010, the City had bond anticipation notes outstanding of \$4,712,568, and \$1,275,000 in the Water and Sewer Funds, respectively.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

Interest expenditures for short-term debt are recognized on an accrual basis, when amounts become due and payable. Interest expense for short-term debt amounted to \$95,738 for the year ended December 31, 2010, and was recorded in the General, Water and Sewer Funds. Interest expense capitalized based on construction work in progress in the Water and Sewer Funds for the year ended December 31, 2010 was \$54,108 and \$3,688, respectively.

Transactions in short-term debt for the year are summarized below:

	Balance at 01/01/10	Issued	Redeemed	Balance at 12/31/10
<u>Governmental activities:</u>				
BAN maturing 05/20/10 at 2.00%	\$ 619,369	\$ -	\$ 619,369	\$ -
BAN maturing 05/20/10 at 2.00%	370,006	-	370,006	-
BAN maturing 05/20/10 at 2.00%	874,717	-	874,717	-
BAN maturing 05/20/10 at 2.00%	273,954	-	273,954	-
BAN maturing 05/20/10 at 2.00%	258,893	-	258,893	-
BAN maturing 05/20/10 at 2.00%	935,000	-	935,000	-
BAN maturing 05/20/10 at 2.00%	415,000	-	415,000	-
BAN maturing 05/20/10 at 2.00%	428,479	-	428,479	-
Total governmental activities	<u>\$ 4,175,418</u>	<u>\$ -</u>	<u>\$ 4,175,418</u>	<u>\$ -</u>
<u>Business-Type activities:</u>				
<u>Water</u>				
BAN maturing 05/20/10 at 2.00%	\$ 346,300	\$ -	\$ 346,300	\$ -
BAN maturing 05/20/10 at 2.00%	497,190	-	497,190	-
BAN maturing 05/20/10 at 2.00%	174,107	-	174,107	-
BAN maturing 05/20/10 at 2.00%	274,256	-	274,256	-
BAN maturing 05/20/10 at 2.00%	546,378	-	546,378	-
BAN maturing 02/10/11 at 1.20%	-	4,712,568	-	4,712,568
Total Water	1,838,231	4,712,568	1,838,231	4,712,568
<u>Sewer</u>				
BAN maturing 05/20/10 at 2.00%	35,000	-	35,000	-
BAN maturing 05/20/10 at 2.00%	1,583,000	-	1,583,000	-
BAN maturing 05/19/11 at 1.30%	1,118,053	-	68,053	1,050,000
BAN maturing 05/19/11 at 1.30%	240,000	-	15,000	225,000
BAN maturing 05/20/10 at 2.00%	637,210	-	637,210	-
BAN maturing 05/20/10 at 2.00%	253,952	-	253,952	-
BAN maturing 05/20/10 at 2.00%	445,471	-	445,471	-
BAN maturing 05/20/10 at 2.00%	715,380	-	715,380	-
BAN maturing 05/20/10 at 2.00%	75,614	-	75,614	-
Total Sewer	<u>5,103,680</u>	<u>-</u>	<u>3,828,680</u>	<u>1,275,000</u>
Total business-type activities	<u>\$ 6,941,911</u>	<u>\$ 4,712,568</u>	<u>\$ 5,666,911</u>	<u>\$ 5,987,568</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

b. LONG-TERM OBLIGATIONS

Serial Bonds - The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the City. The provision to be made in the future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the City recognized \$588,751 of expenditures for long-term liabilities interest.

Other liabilities:

HUD 108 Loan Payable - Payments owed to the Department of Housing and Urban Development.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2010:

	<u>Balance</u> <u>01/01/10</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>12/31/10</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
General obligation debt:					
Serial Bonds	\$ 6,023,695	\$ 3,911,000	\$ 976,465	\$ 8,958,230	\$ 1,290,465
Other liabilities:					
Compensated absences	400,478	151,097	75,549	476,026	47,603
Loan payable	726,000	-	100,000	626,000	100,000
Post-employment benefits	<u>1,482,562</u>	<u>1,066,693</u>	<u>811,133</u>	<u>1,738,122</u>	<u>-</u>
Total government activities	<u>8,632,735</u>	<u>5,128,790</u>	<u>1,963,147</u>	<u>11,798,378</u>	<u>1,438,068</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

	<u>Balance</u> <u>01/01/10</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>12/31/10</u>	<u>Due Within</u> <u>One Year</u>
Business-type activities:					
General obligation debt:					
Serial bonds	19,641,207	5,284,000	1,198,787	23,726,420	1,474,287
Other liabilities:					
Compensated absences	54,674	1,428	5,164	50,938	5,094
Post-employment benefits	292,280	226,076	171,912	346,444	-
Installment purchase debt	143,179	-	46,040	97,139	47,706
Total business-type activities	<u>20,131,340</u>	<u>5,511,504</u>	<u>1,421,903</u>	<u>24,220,941</u>	<u>1,527,087</u>
Total long-term obligations	<u>\$ 28,764,075</u>	<u>\$ 10,578,987</u>	<u>\$ 3,354,396</u>	<u>\$ 35,988,666</u>	<u>\$ 2,962,089</u>

c. MATURITY

Following is a summary of maturities of indebtedness:

<u>Issue Description</u>	<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal</u> <u>Outstanding</u> <u>at 12/31/10</u>
Serial Bonds Payable	03/92	03/01/12	6.10%	\$ 260,000
Serial Bonds Payable	06/93	06/01/11	5.10%	120,000
Serial Bonds Payable	01/94	05/15/13	3.15%	105,000
Serial Bonds Payable	12/94	05/15/15	4.80%	465,000
Serial Bonds Payable	06/95	06/01/11	5.10%	50,000
Serial Bonds Payable	05/99	05/01/18	4.48%	1,870,000
Serial Bonds Payable	07/00	07/15/30	4.26%-5.74%	895,000
Serial Bonds Payable	05/04	05/15/14	4.20%-4.75%	1,135,000
Serial Bonds Payable	05/05	05/15/24	3.75%-4.00%	2,860,000
Serial Bonds Payable	11/05	11/15/17	3.86%-4.25%	405,000
Serial Bonds Payable	05/07	05/15/21	Various	2,550,000
Serial Bonds Payable	11/08	05/27/38	0%	12,755,450
Serial Bonds Payable	05/10	05/15/28	3.25%-4.00%	9,195,000
G. Edward Grant Trust Note Payable	01/97	01/01/11	5.00%	<u>19,200</u>
Total Serial Bonds				32,684,650
Installment Purchase Debt	06/08	06/01/12	3.62%	97,139
HUD 108 Loan Payable	09/06	08/01/17	Various	<u>626,000</u>
Total Indebtedness				<u>\$ 33,407,789</u>

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (Continued)

The following is a summary of maturing debt service requirements for the City's serial bonds, loans payable, and installment purchase debt:

<u>Fiscal Year</u>	<u>Serial Bonds</u>		<u>Loans Payable</u>		<u>Installment Purchase Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principle</u>	<u>Interest</u>
2011	\$ 2,764,752	\$ 890,042	\$ 100,000	\$ 31,748	\$ 47,706	\$ 3,517
2012	2,550,552	643,208	100,000	26,728	49,433	1,790
2013	2,190,552	567,219	100,000	21,698	-	-
2014	2,110,552	499,341	100,000	16,648	-	-
2015	2,055,552	434,841	100,000	11,578	-	-
2016-2020	8,577,760	1,381,321	126,000	7,866	-	-
2021-2025	5,417,760	468,093	-	-	-	-
2026-2030	3,372,760	72,343	-	-	-	-
2031-2035	2,277,757	-	-	-	-	-
2036-2038	<u>1,366,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 32,684,650</u>	<u>\$ 4,956,408</u>	<u>\$ 626,000</u>	<u>\$ 116,266</u>	<u>\$ 97,139</u>	<u>\$ 5,307</u>

There is a statutory debt limit applicable to City's within New York State. The City is in compliance with this debt limit. The City has exhausted 37% of their available debt limit.

d. OPERATING LEASE

The City of Geneva entered into a fifteen year operating lease agreement as of August 6, 1998 to lease a firehouse. The lease requires annual payments ranging from \$192,850 to \$197,675. Rental expense under this lease amounted to \$197,675 for the year ended December 31, 2010. The following is a schedule of minimum required lease payments for the years subsequent to 2010:

2011	\$ 193,875
2012	194,800
2013	<u>195,175</u>
Total	<u>\$ 583,850</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. Overdrawn Appropriations

Expenditures for the year ended December 31, 2010 exceeded appropriations in the General Fund for employee benefits and interest by \$200, and \$15,451, respectively.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - COMMITMENTS AND CONTINGENCIES

A. RISK FINANCING AND RELATED INSURANCE

Workers' Compensation Plan

The City is a participant in the Ontario County Self-Insurance Workers' Compensation Plan (the Plan). The Plan was established under the provisions of Workers' Compensation Law of the State of New York and is administered and sponsored by its predominant participant, Ontario County. The Plan is a public entity risk pool and provides the City the opportunity to participate in a cooperative program for providing workers' compensation benefits to its employees.

The City is one of 27 municipal corporations that participate in the Plan. Eligible participants may become members upon filing with the County Board of Supervisors a copy of the resolution of the prospective member's governing board electing participation in the Plan on or before July 15th. Voluntary withdrawal from the Plan is effective only once annually.

Withdrawal from the Plan is effective at the end of the operating year upon filing with the County Board of Supervisors a copy of the resolution of the member's governing board electing to withdraw from the Plan on or before July 15th of the prior year. Currently, the Plan does not provide for payment of remaining financial obligations upon withdrawal of an entity. It is the intent of the County Board of Supervisors to evaluate, on a case by case basis, an entity's share of Plan liabilities once it elects out of the Plan. Contributions to the Plan are determined annually based upon claim payment experience, the number of employees of a participant, real property tax assessments, cash flow and bi-annual actuarial studies.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations. In the event that the Plan's assets are not sufficient to meet its liabilities, the deficiency would be built into the Plan's ensuing year's budget. The Plan has established reserve liabilities which provide for current claim expenses. At December 31, 2010, the Plan sponsor determined that the reserves were considered adequate to cover discounted future claim liabilities.

NOTE 5 - SUBSEQUENT EVENTS

Subsequent to year-end the City received a notification that the New York State Home Program Grant for the federal fiscal year 2005 is being closed out in the amount of approximately \$400,000. In addition, the City authorized the issuance of \$2,770,028 in serial bonds to finance various public improvements and authorized the refunding of the 1999 Series municipal bonds. Also, the City established a local law implementing the Geneva Transportation Infrastructure Benefit Assessment District.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 - FUTURE GASB PRONOUNCEMENTS

A. FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which will be effective for the City beginning with its year ending December 31, 2011. Statement No. 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. It distinguishes fund balance between amounts that are considered *nonspendable*, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications such as restricted, committed, assigned and unassigned.

The new standards also clarify the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or "rainy-day" amounts should be reported. GASB Statement No. 54 is effective for financial statements for periods beginning after June 15, 2010. Governments that wish to implement earlier than that date are encouraged to do so.

B. THE FINANCIAL REPORTING ENTITY: OMNIBUS

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The Statement is designed to improve guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity by modifying certain requirements in GASB Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

Component units are legally separate organizations that state and local governments include in their financial reports. Statement No. 61 modifies the existing criteria for inclusion of organizations that are "fiscally dependent" on a government. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government’s management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

CITY OF GENEVA, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 - FUTURE GASB PRONOUNCEMENTS (Continued)

Statement No. 61 also amends the criteria for reporting component units as if they were part of the primary government (*i.e.*, blending) in certain circumstances. For component units that currently are blended based on the “substantively the same governing body” criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The requirements of Statement No. 61 are effective for financial statements for periods beginning after June 15, 2012, with earlier application encouraged

CITY OF GENEVA, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE YEAR ENDED DECEMBER 31, 2010

Schedule of Funding Progress

	Actuarial Valuation Date	
	<u>01/01/09</u>	<u>01/01/07</u>
1. Actuarial Accrued Liability	\$ 19,198,213	\$ 31,332,022
2. Actuarial Value of Assets	-	-
3. Unfunded Actuarial Accrued Liability	19,198,213	31,332,022
4. Funded Ratio (2. divided by 1.)	0.00%	0.00%
5. Annual Covered Payroll	6,529,816	6,170,656
6. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	294.01%	507.76%

Schedule of Employer Contributions

Fiscal Year Ending

December 31, 2008	\$ 910,969
December 31, 2009	719,450
December 31, 2010	983,045

GASB Statement No. 45 was implemented prospectively.

CITY OF GENEVA, NEW YORK
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Real property taxes	\$ 6,403,477	\$ 6,421,477	\$ 6,265,403	\$ (156,074)
Real property tax items	743,120	743,120	753,191	10,071
Non-property tax items	3,465,746	3,465,746	3,178,754	(286,992)
Departmental income	731,000	731,000	504,575	(226,425)
Intergovernmental charges	99,000	99,000	130,151	31,151
Use of money and property	219,761	227,176	204,212	(22,964)
Licenses and permits	61,700	61,700	72,179	10,479
Fines and forfeitures	85,000	85,000	49,089	(35,911)
Sale of property and compensation for loss	21,000	21,000	48,444	27,444
Miscellaneous local sources	394,400	542,400	867,514	325,114
State sources	2,622,796	2,559,796	2,268,067	(291,729)
Total revenues	14,847,000	14,957,415	14,341,579	(615,836)
EXPENDITURES:				
General government	2,122,846	2,122,211	2,119,519	2,692
Public safety	6,895,651	6,970,018	6,584,115	385,903
Transportation	2,288,125	2,405,186	2,281,139	124,047
Economic assistance and opportunity	157,300	184,307	184,112	195
Culture and recreation	624,603	637,903	563,967	73,936
Home and community services	696,933	769,795	658,507	111,288
Employee benefits	951,164	770,049	770,249	(200)
Debt service:				
Principal	1,540,883	1,530,831	1,340,883	189,948
Interest	339,366	344,527	359,978	(15,451)
Total expenditures	15,616,871	15,734,827	14,862,469	872,358
Excess (deficit) of revenue over expenditures	(769,871)	(777,412)	(520,890)	256,522
OTHER FINANCING SOURCES:				
Interfund transfers in	468,500	468,500	468,500	-
Appropriated fund balance	301,371	308,912	-	(308,912)
Total other financing sources	769,871	777,412	468,500	(308,912)
Net change in fund balance	-	-	(52,390)	(52,390)
Fund balance - beginning of the year	-	-	4,014,421	4,014,421
Fund balance - end of the year	\$ -	\$ -	\$ 3,962,031	\$ 3,962,031