

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

Financial Statements

December 31, 2004



**Auditor of State
Betty Montgomery**

Village Council
Village of Seville
120 Royal Crest Drive
P.O. Box 22
Seville, Ohio 44273

We have reviewed the *Independent Auditor's Report* of the Village of Seville, Medina County, prepared by Rea & Associates, Inc., for the audit period January 1, 2004 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Village of Seville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 11, 2006

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**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2004**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

August 1, 2006

Mayor and Members of Council
Village of Seville
120 Royal Crest Drive
Seville, Ohio 44273

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Village of Seville, Medina County, Ohio (the Village), as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village of Seville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting principles and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Seville, Medina County, Ohio as of December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Kea & Associates, Inc.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
CASH RECEIPTS				
Taxes	\$ 1,001,376	\$ 31,201	\$ 51,978	\$ 1,084,555
Intergovernmental	248,658	178,123	13,774	440,555
Special Assessments	839	0	0	839
Charges for Services	141	0	0	141
Fines, Licenses, and Permits	17,032	4,500	0	21,532
Interest	40,453	16	3	40,472
Electricity Tax	107,582	0	0	107,582
Miscellaneous	14,904	13,514	2,276	30,694
Total Cash Receipts	1,430,985	227,354	68,031	1,726,370
CASH DISBURSEMENTS				
Current:				
Security of Persons and Property	0	769,863	0	769,863
Public Health Services	987	0	0	987
Leisure Time Activities	96,290	6,868	0	103,158
Community Environment	29,406	1,400	0	30,806
Transportation	0	169,728	0	169,728
General Government	375,517	0	0	375,517
Capital Outlay	24,957	95,350	287,731	408,038
Debt Service:				
Principal Retirement	23,000	0	150,000	173,000
Interest and Fiscal Charges	1,787	0	8,547	10,334
Total Cash Disbursements	551,944	1,043,209	446,278	2,041,431
Total Receipts Over (Under) Disbursements	879,041	(815,855)	(378,247)	(315,061)
OTHER FINANCING SOURCES (USES)				
Other Financing Uses	(455)	0	0	(455)
Transfers In	0	750,000	168,547	918,547
Transfers Out	(1,026,129)	0	0	(1,026,129)
Total Other Financing Sources (Uses)	(1,026,584)	750,000	168,547	(108,037)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(147,543)	(65,855)	(209,700)	(423,098)
Fund Cash Balances, Beginning of Year	338,347	311,455	374,655	1,024,457
Fund Cash Balances, End of Year	\$ 190,804	\$ 245,600	\$ 164,955	\$ 601,359
Reserved for Encumbrances, End of Year	\$ 33,753	\$ 17,319	\$ 1,180	\$ 52,252

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF OPERATING RECEIPTS, OPERATING EXPENSES, AND CHANGES IN
FUND BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Enterprise	Agency	Totals (Memorandum Only)
<u>Operating Receipts</u>			
Charges for Services	\$ 3,097,107	\$ 0	\$ 3,097,107
Fines, Licenses, and Permits	0	15,784	15,784
Total Operating Revenues	3,097,107	15,784	3,112,891
<u>Operating Expenses</u>			
Personal Services	357,787	0	357,787
Travel Transportation	136,812	0	136,812
Contractual Services	1,787,876	0	1,787,876
Supplies and Materials	106,002	0	106,002
Capital Outlay	372,118	0	372,118
Miscellaneous	65	40,171	40,236
Total Operating Expenses	2,760,660	40,171	2,800,831
Operating Income (Loss)	336,447	(24,387)	312,060
<u>Non-Operating Revenues</u>			
Miscellaneous Receipts	386	29,825	30,211
Total Non-Operating Revenue	386	29,825	30,211
<u>Non-Operating Expenses</u>			
Debt Service:			
Principal Retirement	147,088	0	147,088
Interest and Fiscal Charges	157,453	0	157,453
Total Non-Operating Expenses	304,541	0	304,541
Income (Loss) Before Operating Transfers	32,292	5,438	37,730
Operating Transfers In	107,582	0	107,582
Net Income (Loss)	139,874	5,438	145,312
Fund Balance at Beginning of Year	3,397,969	90,834	3,488,803
Fund Balance at End of Year	\$ 3,537,843	\$ 96,272	\$ 3,634,115

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Seville, Medina County, is a body political and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six member Council. The Village provides general governmental services, including road, bridge, water, electric and sewer disposal. The Village has a Mayor's Court which is classified as an agency fund of the governmental unit.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

GOVERNMENTAL FUND TYPES:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

The Special Revenue Funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. These include (a) Police, (b) EMS, and (c) Streets Funds.

Capital Projects

The Capital Projects 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 proprietary or trust funds. These include (a) Downtown Improvement Fund, (b) Street Capital Improvements Fund, and (c) Waste Water Treatment Plant.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004**

C. Fund Accounting

PROPRIETARY FUND TYPE:

Enterprise Funds

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy management control, accountability, or other purposes. These include (a) Electric, (b) Sewer, (c) Storm Sewer, and (d) Water Funds.

FIDUCIARY FUND TYPE:

Agency Funds

The Agency Funds are used to account for assets held by a governmental unit as an agent for another governmental unit. This includes the Mayor's Court Fund.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Village must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made.

A summary of 2004 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements (capital outlays) when paid. These items are not reflected as assets in the accompanying financial statements.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004**

NOTE 2: EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31, 2004 was as follows:

Deposits	\$ 156,038
Investments	3,357,443
Overnight Repurchase Agreements	721,993
	\$ 4,235,474

Deposits

At fiscal year-end, the carrying amount of the Village's deposits was \$156,038, and the bank balance was \$310,177. Of the bank balance, \$147,682 was covered by federal depository insurance. \$162,495 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 Village to a successful claim by the FDIC.

Investments

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the Village's investments to be categorized to give an indication of the level of risk assumed by the Village at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Village's name.

Statutory provisions require that all securities acquired by the Village be held by the Village treasurer or deposited with a qualified trustee. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterpart is a designated depository of the Village for the current period of designation of depositories, in which case the securities may be held in trust by the depository.

Level of risk assumed for fiscal year end December 31, 2004:

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Federated Government Obligations	\$ 3,357,443	\$ 3,357,443	\$ 3,357,443
Repurchase Agreement	721,993	721,993	721,993
Total	\$ 4,079,436	\$ 4,079,436	\$ 4,079,436

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004**

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2004 is summarized in the following tables. Amounts include other financing sources and uses and non-operating revenues and expenses when applicable.

	<u>Budgeted vs. Actual Receipts</u>		
	Budgeted	Actual	
	Receipts	Receipts	Variance
General	\$ 1,382,913	\$ 1,430,985	\$ 48,072
Special Revenue	961,313	977,354	16,041
Capital Projects	217,003	236,578	19,575
Enterprise	2,997,005	3,205,075	208,070
Total	<u>\$ 5,558,234</u>	<u>\$ 5,849,992</u>	<u>\$ 291,758</u>

	<u>Budgeted vs. Actual Disbursements</u>		
	Budgeted	Actual	
	Disbursements	Disbursements	Variance
General	\$ 1,759,431	\$ 1,626,074	\$ 133,357
Special Revenue	1,411,085	1,060,528	350,557
Capital Projects	489,694	447,458	42,236
Enterprise	5,125,069	3,065,201	2,059,868
Total	<u>\$ 8,785,279</u>	<u>\$ 6,199,261</u>	<u>\$ 2,586,018</u>

NOTE 4: LONG TERM OBLIGATIONS

The Village incurred the following obligations in connection with the Ohio Water Development Authority (OWDA) for the construction of the sewer and water facilities. The payments of the completed projects debt is reflected in the enterprise fund.

The Village also incurred the following obligation in connection with the Ohio Public Works Commission for the Waste Water Treatment Plant Sludge Handling Improvements. The project was completed during February 2000 with the total loan balance being \$173,162. The note payable is a 20 year non-interest bearing note with payments due semiannually. The first payment was made during July, 2000.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

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A detail of long term obligations is as follows:

	Balance	Additions	Reductions	Balance
	January 1, 2004			December 31, 2004
ENTERPRISE FUNDS				
Ohio Water Development Authority - Water				
Interest Rate 7.66%				
Issued 1990				
Due January 1, 2015	\$ 1,073,758	\$ 0	\$ (65,685)	\$ 1,008,073
Ohio Water Development Authority - Sewer				
Interest Rate 7.51%				
Issued 1990				
Due July 1, 2010	320,994	0	(40,175)	280,819
Ohio Public Works Commission				
Waste Water Treatment Plant				
Interest Rate 0%				
Due January 1, 2020	184,706	0	(11,544)	173,162
	1,579,458	0	(117,404)	1,462,054
	1,579,458	0	(117,404)	1,462,054
CAPITAL PROJECTS FUNDS				
Bank One (Chase)				
Park Project Note				
Interest Rate 5.62%				
Issued November 30, 2000				
Ending November 30, 2004	150,000	0	(150,000)	0
GENERAL FUND				
First Merit				
Park Trails Note				
Interest ate 2.48%				
Issued Nov 20, 2003				
Ending Dec 1, 2006	69,000	-	(23,000)	46,000
	\$ 219,000	\$ 0	\$ (173,000)	\$ 46,000
	\$ 219,000	\$ 0	\$ (173,000)	\$ 46,000

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
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The schedule for principal and interest payments on long-term borrowing for the next five years and thereafter follows:

Year Ending December 31,	Ohio Water Department Authority Water	Ohio Water Department Authority Sewer	Ohio Public Works Commission Waste Water	First Merit Parks Trails	Total
2005	\$ 70,641	\$ 31,372	\$ 11,544	\$ 24,140	\$ 137,697
2006	141,515	62,956	11,544	23,322	239,337
2007	141,999	63,184	11,544	0	216,727
2008	142,521	63,430	11,544	0	217,495
2009	143,083	63,694	11,544	0	218,321
2010-2014	725,469	63,977	57,721	0	847,167
2015-2019	73,514	0	57,721	0	131,235
Total Principal and Interest	1,438,742	348,613	173,162	47,462	2,007,979
Less: Interest	(430,669)	(67,794)	0	(1,462)	(499,925)
Total Principal	<u>\$ 1,008,073</u>	<u>\$ 280,819</u>	<u>\$ 173,162</u>	<u>\$ 46,000</u>	<u>\$ 1,508,054</u>

NOTE 5: NOTE DEBT

The Village's note activity, including amount outstanding and the purpose for which the note was issued is as follows:

	Outstanding 01/01/04	Additions	Reductions	Outstanding 12/31/04
.82% Municipal Electric	<u>\$ 1,106,795</u>	<u>\$ 0</u>	<u>\$ (29,684)</u>	<u>\$ 1,077,111</u>

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

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The note is backed by the full faith and credit of the Village. The note has a term of one year. The note was originally issued in 1993 and has been renewed annually to maintain the lowest possible interest rate. This loan may be converted to long term financing if interest rates fluctuate to a higher percentage. The administrator of the loan, AMP-Ohio, advises the Village as to the amount to pay on principal so that the Village still meets the required debt covenant ratio. The note is required to be paid off in 2024. See related information in Note 10 Joint Venture.

NOTE 6: *PROPERTY TAX*

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village of Seville. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property taxes to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

NOTE 7: *RETIREMENT SYSTEMS*

Ohio Public Employees Retirement System

The Board of Trustees, Village Clerk, and other employees of the Village belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Ohio Public Employee Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 8.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
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DECEMBER 31, 2004**

Ohio Police and Firemen's Disability and Pension Fund (OP&F)

The Village of Seville contributes to the Ohio Police and Firemen's Disability and Pension Fund (OP&F), a cost sharing multiple employer defined pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 11.75% and 16.25% respectively for police officers and firefighters. The Village has paid all contributions required through December 31, 2004.

NOTE 8: RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Automobile
- Public Officials Liability

NOTE 9: SEGMENT INFORMATION

The Village's enterprise fund account for the provision of water, sewer, electric, and storm sewers. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise funds of the Village of Seville as of and for the year December 31, 2004:

**VILLAGE OF SEVILLE
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**NOTES TO THE FINANCIAL STATEMENTS
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2004 Segment Information

	SANITARY		ELECTRIC	STORM	TOTAL
	WATER	SEWER		SEWER	ENTERPRISE
REVENUES:					
Charges For Services	\$ 396,689	\$ 456,674	\$ 2,178,161	\$ 65,583	\$ 3,097,107
Total Operating Revenues	396,689	456,674	2,178,161	65,583	3,097,107
EXPENDITURES:					
Personal Services	67,565	70,397	219,817	8	357,787
Travel Transportation	24,047	24,278	88,484	3	136,812
Contractual Services	27,324	67,473	1,690,476	2,603	1,787,876
Supplies and Materials	21,030	11,548	72,383	1,041	106,002
Other	0	0	65	0	65
Capital Outlay	124,825	62,711	174,260	10,322	372,118
Total Operating Expenses	264,791	236,407	2,245,485	13,977	2,760,660
Operating Income/(Loss)	131,898	220,267	(67,324)	51,606	336,447
Miscellaneous Receipts	386	0	0	0	386
Principal Payments	(65,685)	(51,719)	(29,684)	0	(147,088)
Interest and Fiscal Charges	(75,163)	(22,470)	(59,820)	0	(157,453)
Total Non-Operating Expense	(140,462)	(74,189)	(89,504)	0	(304,155)
Total Revenue Over Expenses	(8,564)	146,078	(156,828)	51,606	32,292
Transfers In	0	0	107,582	0	107,582
Net Revenues Over Expenses	(8,564)	146,078	(49,246)	51,606	139,874
Fund Cash Balances, 1/1/2004	798,531	865,050	1,488,132	246,256	3,397,969
Fund Cash Balances, 12/31/2004	\$ 789,967	\$ 1,011,128	\$ 1,438,886	\$ 297,862	\$ 3,537,843

NOTE 10: JOINT VENTURE

OMEGA JV5

The Village of Seville is a Financing Participant with an ownership percentage of .82 percent, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

**VILLAGE OF SEVILLE
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DECEMBER 31, 2004**

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004 Seville has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 for the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$70,894 at December 31, 2004. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004**

<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>
Arcadia	0.11%	46	Arcanum	0.84%	352
Bowling Green	15.73%	6,608	Bradner	0.35%	145
Beach City	0.30%	128	Brewster	0.79%	333
Bryan	2.19%	919	Custar	0.06%	24
Columbiana	1.66%	696	Elmore	0.58%	244
Cuyahoga Falls	16.67%	7,000	Genoa	0.69%	288
Edgerton	0.92%	385	Grafton	0.64%	269
Eldorado	0.08%	35	Haskins	0.13%	56
Hubbard	2.07%	871	Hudson	5.69%	2,388
Minster	1.99%	837	Jackson	7.14%	3,000
Montpelier	2.02%	850	Jackson Center	0.67%	281
New Bremen	2.38%	1,000	Lodi	0.94%	395
Niles	10.63%	4,463	Lucas	0.13%	54
Oberlin	3.02%	1,270	Milan	0.39%	163
Pioneer	0.76%	321	Monroeville	1.02%	427
Prospect	0.27%	115	Napoleon	7.35%	3,088
Republic	0.08%	35	Oak Harbor	0.94%	396
Seville	0.82%	344	Pemberville	0.92%	386
Versailles	1.10%	460	South Vienna	0.11%	45
Wadsworth	5.62%	2,360	Waynesfield	0.08%	35
Wellington	1.62%	679	Woodville	0.50%	209
	<u>70.04%</u>	<u>29,422</u>		<u>29.96%</u>	<u>12,578</u>
			Grand Total	<u>100.00%</u>	<u>42,000</u>

OMEGA JV2

The Village of Seville is a Non-Financing Participant and an Owner Participant with an ownership percentage of .80% and shares participation with thirty-six other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the JV2 Agreement.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004**

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$389,789 at December 31, 2004. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio, the State Auditor's website at www.auditor.oh.us, or from the Village's Auditor.

NOTE 10: JOINT VENTURE

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2004 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painsville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

August 1, 2006

Mayor and Members of Council
Village of Seville
Medina County, Ohio

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

We have audited the accompanying financial statements of Village of Seville, Medina County, Ohio (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated August 1, 2006, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Seville'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 reportable 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 caused by error or fraud 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 a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Seville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 1, 2006.

This report is intended solely for the information and use of Council Members, management, and others within the village, and it is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

VILLAGE OF SEVILLE

MEDINA 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
OCTOBER 23, 2006**