

VILLAGE OF SEVILLE

MEDINA COUNTY

INDEPENDENT ACCOUNTANTS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2009 AND DECEMBER 31, 2008

Varney, Fink & Associates, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

January 11, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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Mary Taylor, CPA

Auditor of State

Village Council
Village of Seville
120 Royal Crest Drive
Seville, Ohio 44273

We have reviewed the *Independent Accountants' Report* of the Village of Seville, Medina County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. 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 Accountants' 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 Accountants' 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 29, 2010

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**VILLAGE OF SEVILLE, OHIO
MEDINA COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND DECEMBER 31, 2008**

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INDEPENDENT ACCOUNTANTS' REPORT

Village of Seville, Medina County
120 Royal Creast Drive
Seville, OH 44273

To the Village Council:

We have audited the accompanying financial statements of the Village of Seville, Medina County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, 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 practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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.

INDEPENDENT ACCOUNTANTS' REPORT (continued)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

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 October 29, 2010, 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. While we did not express an opinion on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

October 29, 2010

Village of Seville, Ohio
Medina County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental Fund Types
For the Year Ended December 31, 2009

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
CASH RECEIPTS					
Property and Other Local Taxes	\$254,051	\$21,065	\$0	\$28,740	\$303,856
Municipal Income Tax	953,732	0	0	0	953,732
Electric Tax	287,883	0	0	0	287,883
Intergovernmental Revenue	130,386	169,181	0	405	299,972
Special Assessments	350	0			350
Fines, Licenses, and Permits	12,783	4,000	0	0	16,783
Earnings on Investments	10,381	60	0	0	10,441
Miscellaneous	7,452	5,364	0	0	12,816
Total Cash Receipts	1,657,018	199,670	0	29,145	1,885,833
CASH DISBURSEMENTS					
Current:					
Security of Persons and Property	0	662,115	0	0	662,115
Public Health Services	1,120	0	0	0	1,120
Leisure Time Activities	103,074	1,415	0	0	104,489
Community Environment	10,109	0	0	0	10,109
Transportation	0	250,972	0	0	250,972
General Government	443,151	0	0	0	443,151
Capital Outlay	0	309	0	7,849	8,158
Debt Service					
Principal	17,938	651	43,167	0	61,756
Interest and Fiscal Charges	2,248	0	72,807	0	75,055
Total Cash Disbursements	577,640	915,462	115,974	7,849	1,616,925
Total Receipts Over (Under) Disbursements	1,079,378	(715,792)	(115,974)	21,296	268,908
OTHER FINANCING RECEIPTS AND (DISBURSEMENTS)					
Transfers-In	0	652,806	115,974	0	768,780
Transfers-Out	(961,284)	0	0	0	(961,284)
Total Other Financing Receipts (Disbursements)	(961,284)	652,806	115,974	0	(192,504)
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	118,094	(62,986)	0	21,296	76,404
Fund Cash Balances/(Deficits), Beginning of Year	918,336	(527,400)	203,000	95,134	689,070
Fund Cash Balances/(Deficits), End of Year	\$1,036,430	(\$590,386)	\$203,000	\$116,430	\$765,474
Reserved for Encumbrances, End of Year	\$42,364	\$10,774	\$0	\$0	\$53,138

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

Village of Seville, Ohio
Medina County
**Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$7,168,106	\$0	\$7,168,106
Fines, Licenses, and Permits	0	12,771	12,771
Total Operating Cash Receipts	<u>7,168,106</u>	<u>12,771</u>	<u>7,180,877</u>
Operating Cash Disbursements			
Personal Services	471,390	0	471,390
Employee Fringe Benefits	187,905	0	187,905
Contractual Services	5,438,685	0	5,438,685
Capital Outlay	408,239		408,239
Supplies and Materials	73,769	0	73,769
Other	5	35,327	35,332
Total Operating Cash Disbursements	<u>6,579,993</u>	<u>35,327</u>	<u>6,615,320</u>
Operating Income (Loss)	<u>588,113</u>	<u>(22,556)</u>	<u>565,557</u>
Non-Operating Cash Receipts/(Disbursements)			
Other Non-Operating Cash Receipts	0	29,894	29,894
Redemption of Principal	(339,439)	0	(339,439)
Interest and Other Fiscal Charges	(172,282)	0	(172,282)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(511,721)</u>	<u>29,894</u>	<u>(481,827)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	76,392	7,338	83,730
Transfers - In	<u>192,504</u>	<u>0</u>	<u>192,504</u>
Net Receipts Over/(Under) Disbursements	268,896	7,338	276,234
Fund Cash Balances, Beginning of Year	<u>4,453,326</u>	<u>116,177</u>	<u>4,569,503</u>
Fund Cash Balances, End of Year	<u>\$4,722,222</u>	<u>\$123,515</u>	<u>\$4,845,737</u>
Reserved for Encumbrances, End of Year	<u>\$24,319</u>	<u>\$0</u>	<u>\$24,319</u>

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

Village of Seville, Ohio
Medina County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental Fund Types
For the Year Ended December 31, 2008

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
CASH RECEIPTS					
Property and Other Local Taxes	\$226,530	\$23,171	\$0	\$28,443	\$278,144
Municipal Income Tax	1,026,797	0	0	0	1,026,797
Electric Taxes	312,338	0	0	0	312,338
Intergovernmental Revenue	133,862	172,536	0	345	306,743
Fines, Licenses, and Permits	13,202	8,000	0	0	21,202
Earnings on Investments	61,117	1,481	0	0	62,598
Miscellaneous	12,469	8,525	0	0	20,994
Total Cash Receipts	<u>1,786,315</u>	<u>213,713</u>	<u>0</u>	<u>28,788</u>	<u>2,028,816</u>
CASH DISBURSEMENTS					
Current:					
Security of Persons and Property	0	662,655	0	0	662,655
Public Health Services	1,080	0	0	0	1,080
Leisure Time Activities	140,292	3,592	0	0	143,884
Community Environment	8,422	0	0	0	8,422
Transportation	0	255,571	0	0	255,571
General Government	463,819	0	0	0	463,819
Capital Outlay	5,175	33,539	0	27,293	66,007
Debt Service					
Principal	17,938	1,301	42,624	0	61,863
Interest and Fiscal Charges	2,248	0	74,535	0	76,783
Total Cash Disbursements	<u>638,974</u>	<u>956,658</u>	<u>117,159</u>	<u>27,293</u>	<u>1,740,084</u>
Total Receipts Over (Under) Disbursements	<u>1,147,341</u>	<u>(742,945)</u>	<u>(117,159)</u>	<u>1,495</u>	<u>288,732</u>
OTHER FINANCING RECEIPTS AND (DISBURSEMENTS)					
Loan Proceeds	0	24,936	0	0	24,936
Transfers-In	0	0	117,159	0	117,159
Transfers-Out	(366,038)	0	0	0	(366,038)
Other Financing Disbursements	(589)	0	0	0	(589)
Total Other Financing Receipts (Disbursements)	<u>(366,627)</u>	<u>24,936</u>	<u>117,159</u>	<u>0</u>	<u>(224,532)</u>
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	780,714	(718,009)	0	1,495	64,200
Fund Cash Balances, Beginning of Year	137,622	190,609	203,000	93,639	624,870
Fund Cash Balances/(Deficit), End of Year	<u>\$918,336</u>	<u>(\$527,400)</u>	<u>\$203,000</u>	<u>\$95,134</u>	<u>\$689,070</u>
Reserved for Encumbrances, End of Year	<u>\$52,134</u>	<u>\$38,457</u>	<u>\$0</u>	<u>\$0</u>	<u>\$90,591</u>

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

Village of Seville, Ohio
Medina County
**Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2008**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$6,918,299	\$0	\$6,918,299
Fines, Licenses, and Permits	0	11,779	11,779
Total Operating Cash Receipts	<u>6,918,299</u>	<u>11,779</u>	<u>6,930,078</u>
Operating Cash Disbursements			
Personal Services	452,739		452,739
Employee Fringe Benefits	166,283		166,283
Contractual Services	5,025,021		5,025,021
Capital Outlay	501,976		501,976
Supplies and Materials	71,089		71,089
Other	164	31,408	31,572
Total Operating Cash Disbursements	<u>6,217,272</u>	<u>31,408</u>	<u>6,248,680</u>
Operating Income (Loss)	<u>701,027</u>	<u>(19,629)</u>	<u>681,398</u>
Non-Operating Cash Receipts/(Disbursements)			
Other Non-Operating Cash Receipts	25	21,575	21,600
Redemption of Principal	(280,435)	0	(280,435)
Interest and Other Fiscal Charges	(198,333)	0	(198,333)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(478,743)</u>	<u>21,575</u>	<u>(457,168)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	222,284	1,946	224,230
Transfers - In	<u>248,879</u>	<u>0</u>	<u>248,879</u>
Net Receipts Over/(Under) Disbursements	471,163	1,946	473,109
Fund Cash Balances, Beginning of Year	<u>3,982,163</u>	<u>114,231</u>	<u>4,096,394</u>
Fund Cash Balances, End of Year	<u>\$4,453,326</u>	<u>\$116,177</u>	<u>\$4,569,503</u>
Reserved for Encumbrances, End of Year	<u>\$21,767</u>	<u>\$0</u>	<u>\$21,767</u>

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, 2009 AND 2008**

NOTE 1: REPORTING 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 participates in two jointly governed organizations. Note 12 to the financial statements provide additional information for these entities. These organizations are OMEGA JV5 and OMEGA JV2.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 presentation 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.

B. 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:

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 accounted for in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Police and Education – The Police and Education Fund is used to accumulate property taxes levied for the Village's Police Department operating, training and education expenses.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Funds – The General Obligation Bond Retirement Fund is the Village’s only debt service fund, and is used to account for resources the Village accumulates to pay bond and note debt.

Capital Projects Funds - 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. The Village has the following significant Capital Projects Fund:

Street Capital Improvements Fund - The Street Capital Improvements Fund is used to account for major permanent street repairs and major purchases of street equipment.

Enterprise Funds – These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village has the following significant Enterprise Funds:

Electric Fund – The Electric Fund is to account for revenues generated from charges for electric services provided to residential and commercial users of the Village.

Sewer Fund – The Sewer Fund is used to account for the operations of the sewage collection and treatment operations.

Storm Sewer Fund – The Storm Sewer Fund accounts for the revenues and expenses from the activities related to the Village owned storm drainage system.

Water Fund – The Water Fund is used to account for the operation of the water treatment plant and distribution of the water to the residents and commercial users of the Village.

Fiduciary Funds – These funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village’s own programs. The Village does not have any private purpose trust funds.

Agency Funds – These funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village’s agency fund accounts for Mayor’s Court fines and unclaimed monies.

C. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Appropriations

Budgetary expenditures (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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 4.

D. 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.

E. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

NOTE 3: CHANGE IN BASIS OF ACCOUNTING

In 2007, the Village reported cash basis financial statements by major funds in a separate column with nonmajor funds aggregated and presented in a single column. For 2008 and 2009, the Village is presenting fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's office as described in Note 2. There is no restatement of fund equity due to this change.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

Budgetary activity for the years ended December 31, 2009 and December 31, 2008 was as follows:

<u>2009 Budget vs. Actual Receipts</u>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,933,760	\$1,656,463	(\$277,297)
Special Revenue	1,023,506	851,959	(171,547)
Debt Service	233,000	115,974	(117,026)
Capital Projects	28,745	29,145	400
Enterprise	7,120,000	7,360,610	240,610
Total	\$10,339,011	\$10,014,151	(\$324,860)
<u>2009 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,004,346	\$1,580,733	\$423,613
Special Revenue	1,275,306	926,236	349,070
Debt Service	115,840	115,974	(134)
Capital Projects	119,326	7,849	111,477
Enterprise	8,132,773	7,116,033	1,016,740
Total	\$11,647,591	\$9,746,825	\$1,900,766
<u>2008 Budget vs. Actual Receipts</u>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,087,734	\$1,786,315	(\$301,419)
Special Revenue	1,745,696	238,649	(1,507,047)
Debt Service	0	117,159	117,159
Capital Projects	75,700	28,788	(46,912)
Enterprise	8,335,000	7,167,203	(1,167,797)
Total	\$12,244,130	\$9,338,114	(\$2,906,016)
<u>2008 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,371,533	\$1,057,735	\$1,313,798
Special Revenue	1,483,588	995,115	488,473
Debt Service	143,630	117,159	26,471
Capital Projects	29,722	27,293	2,429
Enterprise	8,112,968	6,717,807	1,395,161
Total	\$12,141,441	\$8,915,109	\$3,226,332

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

NOTE 5: NONCOMPLIANCE

Legal Compliance

Contrary to Section 5705.36(A)(4), Ohio Revised Code, the Village did not request an amended certificate of estimated resources for the General, Street Construction Maintenance and Repair, and Police Levy Funds in 2009 and 2008.

Contrary to Section 5705.39, Ohio Revised Code, the General Fund appropriations exceeded total estimated fund resources at December 31, 2008.

Contrary to Section 5705.10, Ohio Revised Code, the Street Construction Maintenance and Repair, and Police Levy Funds, after audit adjustments, had negative fund balances as of December 31, 2009 and December 31, 2008.

NOTE 6: EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2009</u>	<u>2008</u>
Deposits	\$2,820,645	\$2,746,073
Overnight Repurchase Account	2,587,566	2,309,500
First American Treasury		
Obligation - Money Market	<u>203,000</u>	<u>203,000</u>
Total Investments	<u>2,790,566</u>	<u>2,512,500</u>
Total Deposits and Investments	<u><u>\$5,611,211</u></u>	<u><u>\$5,258,573</u></u>

Deposits – Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution’s public entity deposit pool.

Investments – The Village’s financial institution transfers securities to the Village’s agent to collateralize repurchase agreements. The securities are in the Village’s name.

NOTE 7: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO
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NOTE 7: PROPERTY TAX (continued)

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. Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2008 was 6.25 percent. This was reduced to zero for 2009.

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

NOTE 8: INCOME TAXES

The Village levies a one percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or one-quarter of one percent of the one percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 9: DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest</u>
Park Land Acreage	20,124	3.96%
OPWC Loan #C143J	24,069	0%
OWDA - Water (1879)	596,008	7.66%
OWDA - Sewer (1878)	29,890	7.51%
OPWC - Waste Water Treatment	115,442	0.00%
OPWC - Water Plant Upgrades	347,798	0.00%
Development Revenue Bonds	<u>1,784,434</u>	5.10%
	<u>2,917,765</u>	

The Park Land Acreage Loan relates to a \$56,000 purchase of park land. The loan payments have been made in annual installments including interest that total \$20,186 and will fully retire on January 8, 2010. The loan is paid from the General Fund.

The Ohio Public Works Commission (OPWC) Loan #C143J relates to a \$26,021 general street reconstruction project. The loan payments have been made in semi-annual installments since July 1, 2008. The semi-annual payments total \$650 and will be fully retired on January 1, 2028. The

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9: DEBT (continued)

loan will be paid from the Special Revenue Street Construction Maintenance and Repair Fund. A loan amortization schedule was not available from the OPWC until 2008. Loan proceeds of \$1,085 were paid by the OPWC in 2007 and \$24,936 were paid out in 2008.

The Ohio Water Development Authority (OWDA) Loan 1879 relates to a \$1,626,140 water facility construction project. The loan payments have been made in semi-annual installments since July 1, 1990. The semi-annual payments including interest total \$73,967 and will be fully retired on January 1, 2015. The loan will be paid from the Water Operating Fund.

The Ohio Water Development Authority (OWDA) Loan 1878 relates to a \$654,822 sewer facility construction project. The loan payments have been made in semi-annual installments since January 1, 1991. The semi-annual payments including interest total \$32,141 and will be fully retired on July 1, 2010. The loan will be paid from the Sewer Operating Fund.

The Ohio Public Works Commission (OPWC) Waste Water Treatment Loan relates to a waste water treatment plant reconstruction project. The loan payments have been made in annual installments that total \$11,544. The loan will be fully retired in 2019. The loan will be paid from the Sewer Operating Fund.

The Ohio Public Works Commission (OPWC) Loan relates to a \$386,442 water treatment plant upgrade project. The loan payments have been made in semi-annual installments since January 1, 2008. The semi-annual payments total \$9,662 and will be fully retired on July 1, 2027. The loan will be paid from the Water Operating Fund. The loan was not finalized until 2008. All proceeds were paid directly to the contractor during 2006 and 2007 from the OPWC.

The Development Revenue Bonds relate to a series of bonds issued by the Summit County Port Authority in the amount of \$2,030,000 in which the Village used to pay for Town Hall renovations and upgrading a water filtration plant. The bond payments have been made in annual installments since May 15, 2006. The annual payments including interest range approximately from \$155,000 to \$165,000 and will be fully retired on May 15, 2025. The bonds will be paid from the General Obligation Bond Retirement Fund and the Water Operating Fund.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO
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NOTE 9: DEBT (continued)

The following is a summary of the Village's future annual debt service requirements:

Year Ending December 31,	Park Land Acreage		OPWC Loans		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
	2010	\$20,124	\$63	\$32,167	\$0	\$132,170
2011	0	0	32,167	0	110,115	37,820
2012	0	0	32,167	0	118,550	29,385
2013	0	0	32,167	0	127,631	20,304
2014	0	0	32,167	0	137,432	10,502
2015-1019	0	0	160,836	0	0	0
2020-2024	0	0	103,117	0	0	0
2025-2029	0	0	62,521	0	0	0
Total	\$20,124	\$63	\$487,309	\$0	\$625,898	\$145,916

Year Ending December 31,	Development Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
	2010	\$70,000	\$90,313	\$254,461
2011	70,000	86,743	212,282	124,563
2012	76,675	83,130	227,392	112,515
2013	80,012	79,135	239,810	99,439
2014	81,677	75,055	251,276	85,557
2015-1019	498,333	305,235	659,169	305,235
2020-2024	657,351	161,246	760,468	161,246
2025-2029	250,386	4,760	312,907	4,760
Total	\$1,784,434	\$885,617	\$2,917,765	\$1,031,596

AMP-Ohio Loan Agreement

During January 2007, the Village entered into a loan agreement with AMP-Ohio for \$1,005,000 in order to finance the cost of making improvements to its electric system, including the construction and installation of a new substation. Principal and interest payments will be retired from net revenues of its electric system, together with interest thereon equal to the rate of interest on the AMP-Ohio Member Electric System Improvement Bond Anticipation Notes ("Notes"), or notes issued to refund the Notes, or the AMP-Ohio Member Electric System Improvement Bonds ("Bonds") in anticipation of which Bonds the Notes are issued. Interest is due and payable at maturity on the Notes and any refunding notes. The final maturity date of any notes, refunding notes, or any Bonds shall be not later than December 31, 2026.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO
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NOTE 9: DEBT (continued)

The Municipal Electric note was originally issued in 1993 and may be renewed (most recently in 2004) 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, American Municipal Power-Ohio (“AMP-Ohio”), advises them the amount to pay on principal so as the Village still meets the required debt covenant ratio. The note debt is required to be paid off in 2024.

These notes will be retired with pledged revenues of the Electric Fund. The Village’s note activity, including amount outstanding and interest rate for 2008, is as follows:

	<u>Principal</u>	<u>Interest</u>
.82% Municipal Electric	\$781,355	3.00%
Bond Anticipation Notes	<u>852,000</u>	3.60%
Total	<u>\$1,633,355</u>	

NOTE 10: RETIREMENT SYSTEMS

The Village’s law enforcement officers belong to the Ohio Police and Fire Pension Funds(OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OERS are cost-sharing, multiple-employer plans. These Plans provide retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 10 percent of their wages for 2009 and 2008. The Village contributed an amount equal to 14 percent for 2009 and 2008 of participants’ gross salaries. The Village has paid all contributions required through December 31, 2009.

NOTE 11: RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The system administers and pays all claims.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO
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NOTE 12: CONTINGENT LIABILITIES

The Village is a defendant in several lawsuits. Although management cannot presently determine the outcome to these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

NOTE 13: 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.

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, 2009 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 nondefaulting 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.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO
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NOTE 13: JOINT VENTURE (continued)

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 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$88,009 at December 31, 2009. 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.

Municipality	Percent Ownership	KW Entitlement	Municipality	Percent Ownership	KW Entitlement
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	Jackso 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>	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 .79% and shares participation with thirty-five 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.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13: JOINT VENTURE (continued)

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.

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 participant's 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 \$272,395 at December 31, 2009. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the Village's Auditor.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2009 are:

Municipality	Percent Ownership	KW Entitlement	Municipality	Percent Ownership	KW Entitlement
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
Painesville	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>

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Seville, Medina County
120 Royal Creast Drive
Seville, OH 44273

To the Village Council:

We have audited the financial statements of the Village of Seville, Medina County (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated October 29, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not expressed an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Responses we identified a certain deficiency in internal control over financial reporting that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-01 described in the accompanying Schedule of Findings and Responses to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-02 described in the accompanying Schedule of Findings and Responses to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2009-03 through 2009-09.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 29, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

October 29, 2010

VILLAGE OF SEVILLE
 MEDINA COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
 TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding 2009-01 Material Weakness

Sound financial reporting is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Failure to correctly record revenues and expenditures may not only impact the users' understanding of the financial operations, it may also inhibit Village Council and management's ability to make sound financial decisions, and result in material misstatement of the financial statements.

The following adjustments have been made to correctly reflect the financial activity of the Village:

MVL tax receipts were recorded to the General Fund instead of the State Highway Fund in the amount of \$191 in 2008.

Law enforcement assistance monies from the state were recorded to miscellaneous receipts instead of intergovernmental revenue in the Police Levy Fund. The amount was \$1,120 in 2008.

Principal payments were recorded as a Capital Outlay disbursement in 2008 and as a transportation disbursement in 2009 in the Street Construction Maintenance and Repair Fund. The amount was \$650 in 2008 and \$651 in 2009.

Mayor's Court receipts were incorrectly posted to the General Fund instead of the Mayor's Court Fund in the amount of \$8,780 in 2008 and \$1,190 in 2009.

OPWC proceeds were recorded as charges for services in the Storm Sewer Fund instead of loan proceeds in the Street Construction Maintenance and Repair Fund in 2008. The amount was \$24,936. Related capital outlay expenses of \$24,936 were also charged to the Storm Sewer Fund rather than the Street Construction Maintenance and Repair Fund.

Property tax receipts were improperly recorded in the Police Levy Fund instead of the General Fund in the amount of \$32,290 in 2008 and \$69,212 in 2009.

Property tax receipts were recorded as intergovernmental revenue rather than property tax revenue. The revenue reclassified is as follows:

<u>Fund</u>	<u>2009</u>	<u>2008</u>
General Fund	\$13,888	\$3,477
Street Construction Maintenance and Repair Fund	2,324	0
State Highway Fund	188	0
Police Levy Fund	1,793	0

VILLAGE OF SEVILLE
 MEDINA COUNTY
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 YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
 TO BE REPORTED IN ACCORDANCE WITH GAGAS

Homestead and rollback receipts were recorded as property tax receipts instead of intergovernmental revenue in the General and Police Levy Funds in 2008. The amount was \$14,745 for the General Fund and \$1,824 for the Police Levy Fund.

Mayor’s Court Fund disbursements were recorded as revenue in the Mayor’s Court Fund instead of the General Fund in 2008. The amount was \$1,241.

Income Tax receipts were recorded net of collection fees instead of gross in the General Fund in 2009, thereby understating income tax receipts and general government disbursements by \$10,796.

Property tax receipts were recorded net of collection fees thereby understating property tax receipts and general government disbursements as follows:

	<u>Fund</u>	<u>2009</u>	<u>2008</u>
General Fund		\$3,208	\$1,682
Police Levy Fund		236	159

Hotel tax receipts were posted to the Street Capital Projects Fund instead of the General Fund in 2009. The amount was \$4,899.

Income tax receipts of \$3,855 in 2009 were recorded as intergovernmental revenue instead of municipal income tax revenue in the General Fund.

Officials Response:

The above adjustments are noted and will be corrected in the future.

Finding 2009-02

Significant Deficiency

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statements and the cash and investment balances according to the Village’s records at a specific point in time.

Although reconciliations were performed by the Fiscal Officer, there were unidentified reconciling items. Based on our testing, the bank balances are higher than the book balances when reconciled by \$4,204 in 2008 and \$1,844 in 2009.

VILLAGE OF SEVILLE
 MEDINA COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
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FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
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Without complete and accurate monthly cash reconciliations the Village's internal control is significantly weakened which could hinder the timely detection of errors or irregularities by the Village's management.

The Village needs to prepare accurate monthly bank reconciliations in a timely manner. All unreconciled differences should be resolved as quickly as possible so they are not carried forward from month to month. All reconciling items should be appropriately documented.

Officials Response:

Unreconciled differences will be addressed monthly and corrected, and reconciling items will be appropriately documented.

Finding 2009-03 Noncompliance

Section 135.21, Ohio Revised Code, requires, that all investment earnings shall be credited to the General Fund. One exception is found in Ohio Constitution, Article XII, Section 5a, which states that interest earned on money derived from a motor vehicle license of fuel tax must follow the principal.

Interest should have been distributed to Street Construction Maintenance and Repair Fund and was not. Also, the amount of interest distributed to the State Highway Fund was less than it should have been based on average fund balances and interest was distributed to the General Obligation Bond Retirement Fund and should not have been. Interest has been moved as follows:

Fund	As of December 31, 2008
General Fund	(\$802)
Street Construction	\$261
State Highway	\$1,096
General Obligation Bond Retirement Fund	(\$555)

Officials Response:

Future interest earnings will be posted in the proper funds and in the proper amounts.

VILLAGE OF SEVILLE
 MEDINA COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
 TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding 2009-04 Noncompliance

Section 5705.36(A)(4), Ohio Revised Code, requires upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate of estimated resources and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall obtain a reduced amended certificate.

The following funds had actual resources (after audit adjustments) less than appropriations by the following amounts:

Fund	2009 Amount	2008 Amount
General Fund	\$115,748	\$485,984
Street Construction Maintenance and Repair	56,870	417,305
Police Levy	149,786	852,350

Officials Response:

Actual receipts will be monitored and amended certificates will be obtained when actual resources are determined to be below those budgeted.

Finding 2009-05 Noncompliance

Section 5705.39, Ohio Revised Code, requires that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission.

Appropriations exceeded total estimated revenue available in the General Fund by \$151,978 at December 31, 2008.

Officials Response:

Future appropriations will not exceed estimated resources.

VILLAGE OF SEVILLE
 MEDINA COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
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FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
 TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding 2009-06 Noncompliance

Section 5705.10, Ohio Revised Code, states, in part, “money that is paid into a fund must be used only for the purpose for which such fund has been established.” As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Negative fund balances occurred as follows:

<u>Fund</u>	December 31, 2008 after audit <u>adjustments</u>	December 31, 2009 after audit <u>adjustments</u>
Street Construction Maintenance and Repair	\$98,434	\$142,790
Policy Levy	\$635,643	\$705,278

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of those funds. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

Officials Response:

The negative balances are the result of audit adjustments due to improper transfers. Authorized transfers will be made to correct the negative balances.

Finding 2009-07 Noncompliance

Section 5705.14, 5705.15 and 5705.16, Ohio Revised Code, provides guidelines pertaining to allowable interfund transfers. During 2008, 41 of 61 transfers made did not have proper authorization. Total transfers made but not authorized by fund was as follows:

<u>Fund</u>	Transfer <u>Out</u>	Transfer <u>In</u>
General Fund	\$751,000	\$0
Police Levy Fund	0	622,000
Street Construction Maintenance and Repair	0	129,000

All transfers from the General Fund are to be approved by Council resolution. The Village has agreed to return the funds to correct this matter and the adjustments are also reflected in the financial statements.

Officials Response:

All future transfers will have a corresponding resolution from Council.

VILLAGE OF SEVILLE
MEDINA COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding 2009-08

Noncompliance

Section 5705.41(D), Ohio Revised Code, states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon:

This section also provides for two “exceptions” to the above requirements:

1. Then and Now Certificate – If the fiscal officer can certify that both at the time the contract or order and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free of any previous encumbrances, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certification to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
2. If the amount involved is less than \$3,000 the Treasurer may authorize payment through a Then and Now Certificate without the affirmation of the Board, if such expenditures is otherwise valid.

The Fiscal Officer certification was either not signed or was signed after the purchase was made for 32% of the purchases tested in 2008 and for 19% of the purchased tested in 2009. We also noted one instance in 2009 where a Then and Now Certificate was used, however, the amount of the purchase was over \$3,000 and did not have Council approval.

Officials Response:

All purchase requisitions will be submitted timely to obtain the fiscal officer certification or a Then and Now Certificate will be utilized.

Finding 2009-09

Noncompliance

Section 5705.41(B), Ohio Revised Code, requires that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

VILLAGE OF SEVILLE
MEDINA COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS

Expenditures plus encumbrances exceeded appropriations in the General Obligation Bond Fund by \$134 in 2009.

Officials Response:

Expenditures and encumbrances will be monitored to make sure they do not exceed appropriations.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009
AND DECEMBER 31, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2007-01	Audit Adjustments	No	Not Corrected Reissued as Finding 2009-01
2007-02	ORC Section 5705.39 Appropriations exceeding estimated resouces	No	Not Corrected Reissued as Finding 2009-05
2007-03	ORC Section 5705.41(B) Expenditures and encumbrances greater than appropriations	No	Not Corrected Reissued as Finding 2009-09
2007-04	ORC Section 135.21 Interest earnings credited to the proper fund	No	Not Corrected Reissued as Finding 2009-03
2007-05	ORC Section 5705.36 Amended Certificate of estimated resources	No	Not Corrected Reissued as Finding 2009-04
2007-06	Resolution No. 2000-17 Transfer of Kilowatt-hour taxes	Yes	Corrected



Mary Taylor, CPA
Auditor of State

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
JANUARY 11, 2011**