



Dave Yost • Auditor of State

VILLAGE OF SEVILLE
MEDINA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Seville
Medina County
120 Royal Crest Drive
Seville, Ohio 44273

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Seville, Medina County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Seville, Medina County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 9, 2014

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$268,534	\$18,852			\$287,386
Municipal Income Tax	1,065,688				1,065,688
Kilowatt Hour Tax	314,342				314,342
Intergovernmental	248,564	221,063		\$35,339	504,966
Fines, Licenses and Permits	4,408				4,408
Earnings on Investments	8,215	1,462	\$31		9,708
Miscellaneous	11,886	15,012			26,898
<i>Total Cash Receipts</i>	<u>1,921,637</u>	<u>256,389</u>	<u>31</u>	<u>35,339</u>	<u>2,213,396</u>
Cash Disbursements					
Current:					
Security of Persons and Property		561,904			561,904
Public Health Services	1,507				1,507
Leisure Time Activities	90,191				90,191
Community Environment	9,571	10,945			20,516
Transportation		304,553			304,553
General Government	290,243				290,243
Capital Outlay		380,536		85,144	465,680
Debt Service:					
Principal Retirement			56,000		56,000
Interest and Fiscal Charges			61,731		61,731
<i>Total Cash Disbursements</i>	<u>391,512</u>	<u>1,257,938</u>	<u>117,731</u>	<u>85,144</u>	<u>1,852,325</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,530,125</u>	<u>(1,001,549)</u>	<u>(117,700)</u>	<u>(49,805)</u>	<u>361,071</u>
Other Financing Receipts (Disbursements)					
Loan Proceeds		358,860			358,860
Sale of Capital Assets				46,000	46,000
Transfers In		753,100	117,701	115,500	986,301
Transfers Out	(1,174,018)				(1,174,018)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,174,018)</u>	<u>1,111,960</u>	<u>117,701</u>	<u>161,500</u>	<u>217,143</u>
<i>Net Change in Fund Cash Balances</i>	356,107	110,411	1	111,695	578,214
<i>Fund Cash Balances, January 1</i>	<u>1,082,150</u>	<u>224,731</u>	<u>203,000</u>	<u>173,848</u>	<u>1,683,729</u>
Fund Cash Balances, December 31					
Restricted		335,142	203,001	285,543	823,686
Assigned	1,045				1,045
Unassigned	1,437,212				1,437,212
<i>Fund Cash Balances, December 31</i>	<u>\$1,438,257</u>	<u>\$335,142</u>	<u>\$203,001</u>	<u>\$285,543</u>	<u>\$2,261,943</u>

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$7,619,967		\$7,619,967
Operating Cash Disbursements			
Personal Services	511,421		511,421
Employee Fringe Benefits	205,406		205,406
Contractual Services	6,134,220		6,134,220
Supplies and Materials	117,946		117,946
Other	650	\$22,525	23,175
<i>Total Operating Cash Disbursements</i>	<u>6,969,643</u>	<u>22,525</u>	<u>6,992,168</u>
<i>Operating Income (Loss)</i>	<u>650,324</u>	<u>(22,525)</u>	<u>627,799</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts		24,375	24,375
Capital Outlay	(543,503)		(543,503)
Principal Retirement	(476,263)		(476,263)
Interest and Other Fiscal Charges	(110,372)		(110,372)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,130,138)</u>	<u>24,375</u>	<u>(1,105,763)</u>
Income before Transfers	(479,814)	1,850	(477,964)
Transfers In	187,717		187,717
<i>Net Change in Fund Cash Balances</i>	(292,097)	1,850	(290,247)
<i>Fund Cash Balances, January 1</i>	<u>5,958,347</u>	<u>127,216</u>	<u>6,085,563</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,666,250</u></u>	<u><u>\$129,066</u></u>	<u><u>\$5,795,316</u></u>

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$254,925	\$17,610			\$272,535
Municipal Income Tax	1,035,294				1,035,294
Kilowatt Hour Tax	292,582				292,582
Intergovernmental	99,934	212,776		\$35,491	348,201
Special Assessments		6,501			6,501
Charges for Services		200			200
Fines, Licenses and Permits	4,433				4,433
Earnings on Investments	8,501	1,280	\$23		9,804
Miscellaneous	12,167	2,900		3,855	18,922
<i>Total Cash Receipts</i>	<u>1,707,836</u>	<u>241,267</u>	<u>23</u>	<u>39,346</u>	<u>1,988,472</u>
Cash Disbursements					
Current:					
Security of Persons and Property		556,128			556,128
Public Health Services	1,288				1,288
Leisure Time Activities	93,265				93,265
Community Environment	8,993	6,500			15,493
Transportation		304,579			304,579
General Government	357,003				357,003
Capital Outlay		1,235,211		118,664	1,353,875
Debt Service:					
Principal Retirement			53,667		53,667
Interest and Fiscal Charges			64,771		64,771
<i>Total Cash Disbursements</i>	<u>460,549</u>	<u>2,102,418</u>	<u>118,438</u>	<u>118,664</u>	<u>2,800,069</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,247,287</u>	<u>(1,861,151)</u>	<u>(118,415)</u>	<u>(79,318)</u>	<u>(811,597)</u>
Other Financing Receipts (Disbursements)					
Loan Proceeds		1,110,175			1,110,175
Transfers In		744,000	118,415	125,000	987,415
Transfers Out	(1,155,157)				(1,155,157)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,155,157)</u>	<u>1,854,175</u>	<u>118,415</u>	<u>125,000</u>	<u>942,433</u>
<i>Net Change in Fund Cash Balances</i>	92,130	(6,976)		45,682	130,836
<i>Fund Cash Balances, January 1</i>	<u>990,020</u>	<u>231,707</u>	<u>203,000</u>	<u>128,166</u>	<u>1,552,893</u>
Fund Cash Balances, December 31					
Restricted		224,731	203,000	173,848	601,579
Unassigned	1,082,150				1,082,150
<i>Fund Cash Balances, December 31</i>	<u>\$1,082,150</u>	<u>\$224,731</u>	<u>\$203,000</u>	<u>\$173,848</u>	<u>\$1,683,729</u>

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$7,798,108		\$7,798,108
Operating Cash Disbursements			
Personal Services	503,912		503,912
Employee Fringe Benefits	205,530		205,530
Contractual Services	5,528,775		5,528,775
Supplies and Materials	90,037		90,037
Other	995	\$21,410	22,405
<i>Total Operating Cash Disbursements</i>	<u>6,329,249</u>	<u>21,410</u>	<u>6,350,659</u>
<i>Operating Income (Loss)</i>	<u>1,468,859</u>	<u>(21,410)</u>	<u>1,447,449</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts		23,900	23,900
Capital Outlay	(986,603)		(986,603)
Principal Retirement	(311,430)		(311,430)
Interest and Other Fiscal Charges	(119,908)		(119,908)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,417,941)</u>	<u>23,900</u>	<u>(1,394,041)</u>
Income before Transfers	50,918	2,490	53,408
Transfers In	<u>167,742</u>		<u>167,742</u>
<i>Net Change in Fund Cash Balances</i>	218,660	2,490	221,150
<i>Fund Cash Balances, January 1</i>	<u>5,739,687</u>	<u>124,726</u>	<u>5,864,413</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,958,347</u></u>	<u><u>\$127,216</u></u>	<u><u>\$6,085,563</u></u>

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Seville, Medina County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and electric utilities, park operations, road and bridge maintenance, and police services. The Village contracts with Guilford Township to receive fire protection services.

The Village participates in two jointly governed organizations. Note 9 to the financial statements provide additional information for these entities. These organizations are the OMEGA JV5 and OMEGA JV2.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values its investment in repurchase agreements and governmental bonds at cost.

D. 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:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had 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 Levy Fund – This fund receives property taxes for police department operations and training.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

General Obligation Bond Retirement Fund – This fund receives transfers for payment of principal and interest on outstanding bonds.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Streets Capital Projects Fund – This fund is used to account for major permanent street repairs and major capital purchase of street equipment.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Electric Fund – This fund receives charges for services from residents to cover electric service costs.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

6. Fiduciary Funds

Fiduciary 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 trust funds.

Agency 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 funds account for mayor's court fines and fees, and utility deposits.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

VILLAGE OF SEVILLE
MEDINA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Equity in Pooled Deposits and Investments

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

	2013	2012
Demand deposits	\$6,647,328	\$7,542,564
Investments:		
Summit County Port Authority Bonds	203,001	203,003
Repurchase agreement	1,206,930	23,725
Total investments	1,409,931	226,728
Total deposits and investments	\$8,057,259	\$7,769,292

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or 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 not in the Village's name. A financial institution's trust department holds the Village's investment in the Summit County, Ohio – Port Authority Bonds in book entry form in the Village's name.

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,498,200	\$1,921,637	\$423,437
Special Revenue	1,231,111	1,368,349	137,238
Debt Service	117,701	117,732	31
Capital Projects	118,100	196,839	78,739
Enterprise	8,049,306	7,807,684	(241,622)
Total	\$11,014,418	\$11,412,241	\$397,823

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,096,300	\$1,566,575	\$529,725
Special Revenue	1,437,898	1,260,249	177,649
Debt Service	117,701	117,731	(30)
Capital Projects	124,124	85,144	38,980
Enterprise	9,337,935	8,170,628	1,167,307
Total	\$13,113,958	\$11,200,327	\$1,913,631

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,526,850	\$1,707,836	\$180,986
Special Revenue	1,082,920	2,095,442	1,012,522
Debt Service	126,200	118,438	(7,762)
Capital Projects	158,100	164,346	6,246
Enterprise	7,584,864	7,965,850	380,986
Total	\$10,478,934	\$12,051,912	\$1,572,978

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,970,568	\$1,615,706	\$354,862
Special Revenue	1,275,073	2,108,630	(833,557)
Debt Service	126,000	118,438	7,562
Capital Projects	202,500	118,664	83,836
Enterprise	9,471,842	8,114,905	1,356,937
Total	\$13,045,983	\$12,076,343	\$969,640

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

5. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan #C13J	\$75,037	0.0%
OWDA - Water (1879)	137,433	7.7%
OPWC - Waste Water Treatment C148B	18,215	0.0%
OPWC - Water Plant Upgrade C18H	270,510	0.0%
Development Revenue Bonds	1,465,000	5.1%
OPWC- EQ Basin (C1320)	534,182	0.0%
OWDA- EQ Basin (6183)	923,380	2.0%
Total	<u>\$3,423,757</u>	

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 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.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Debt (Continued)

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

The Ohio Public Works Commission (OPWC) Water Plan Upgrade 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 Ohio Public Works Commission (OPWC) EQ Basin Loan (C1320) relates to a loan entered into for a water treatment plant upgrade. The loan is in the maximum amount of \$660,000; however, the loan and project have not been completed as of December 31, 2013, and no payments or repayment plan has been finalized. As of December 31, 2013, the Village owes \$534,182 to OPWC for disbursements made on behalf of the Village. The amortization of this debt is not included in the table below.

The Ohio Water Development Authority (OWDA) EQ Basin Loan (#6138) relates to a \$942,703 water facility construction project. The loan payments have been made in semi-annual installments beginning July 1, 2013. The semi-annual payments including interest total \$203,541 and will be fully retired on January 1, 2033. The loan will be paid from the Water Operating Fund.

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.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	*OPWC Loans	OWDA Loan	Development Revenue Bonds
2014	\$32,167	\$205,247	\$155,735
2015	32,167	131,280	161,528
2016	32,167	57,312	156,937
2017	32,167	57,312	162,220
2018	32,167	57,312	162,125
2019-2023	120,432	286,561	813,518
2024-2029	82,495	343,873	452,030
2030-2033		200,593	
Total	<u>\$363,762</u>	<u>\$1,339,490</u>	<u>\$2,064,093</u>

*Does not include \$534,182 in OPWC Loan #C1320 for the EQ Basin Project for which repayment terms have not been finalized.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Debt (Continued)

AMP Loan Agreement

During January 2006, the Village entered into a loan agreement with AMP for \$1,300,000 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 ("Bonds") in anticipation of which Bonds the Notes are issued. Interest is due and payable at maturity on the Notes or any refunding notes. The final maturity date of any notes, refunding notes, or Bonds shall not be later than December 31, 2026.

The note will be retired with pledged revenues of the Electric Fund. The Village's note activity including amount outstanding and interest rate at December 31, 2013, follows:

	<u>Principal</u>	<u>Interest</u>
Bond Anticipation Notes	\$399,000	1.625%

7. Retirement Systems

The Village's Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For January 1, 2012 through June 30, 2013, and from July 1, 2013 to December 31, 2103, OP&F participants contributed 10% and 10.75%, respectively, of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 24% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village is uninsured for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

9. Joint Ventures

OMEGA JV5

The Village of Seville is a Financing Participant with an ownership percentage of .82 %, 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.

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, 2013, Seville has not met their debt coverage obligation. The Village is financing its debt obligations through a line of credit with AMP Ohio.

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, which acts as the joint venture's agent. During 1993 and 2001 AMP 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.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

9. Joint Ventures (Continued)

The Village's net investment to date in OMEGA JV5 was \$80,130 at December 31, 2013. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

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.

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 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 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, which acts as the joint venture's agent. During 2001, AMP 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. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2013, the outstanding debt was \$15,769,323. The Village's net investment in OMEGA JV2 was \$181,150 at December 31, 2013. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

9. Joint Ventures (Continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2013 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
Painesville	5.22	7,000	Elmore	0.27	364
Dover	5.22	7,000	Jackson Center	0.22	300
Galion	4.29	5,573	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	<u>0.79</u>	<u>1,066</u>	Custar	<u>0.00</u>	<u>4</u>
	<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>

10. American Municipal Power Generating Station Project

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 3,848 kilowatts of a total 771,281 kilowatts, giving the Village a 0.50 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result, of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$667,579. The Village received a credit of \$151,522 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$174,025 related to the AMPGS costs deemed to have future benefit for the project participants, and payments made of \$68,716, leaving a net impaired cost estimate of \$273,316. The Village will begin making payments in 2015. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments.

The Village intends to recover these costs and repay AMP over the next 15 years.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

11. Segment Information

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 9. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	2013	2012
Total Assets	\$3,384,377	\$3,741,200
Total Liabilities	\$672,316	\$599,000
 Condensed Operating Information:		
Operating Receipts		
Charges for Services	6,572,309	6,773,904
Operating Expenses	6,519,782	5,908,256
Operating Income (Loss)	52,527	865,648
Nonoperating Receipts (Disbursements)		
Principal Payments	(254,928)	(139,014)
Interest Payments	(46,901)	(65,295)
Other Nonoperating Receipts (Disbursements)	(295,238)	(133,193)
Transfers	187,717	167,742
Change in Fund Cash Balance	(356,823)	695,888
Beginning Fund Cash Balance	3,741,200	3,045,312
Ending Fund Cash Balance	\$3,384,377	\$3,741,200

12. Subsequent Event

On March 19, 2014, the Ohio Supreme Court affirmed a Ninth District Court of Appeals decision, requiring the Village to refund 2005 and 2006 income taxes to a local trucking company. The refund, including interest totaled \$221,310, which was paid in June 2014 from the General Fund.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 Crest Drive
Seville, Ohio 44273

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Seville, Medina County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements, and have issued our report thereon dated July 9, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 9, 2014

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Certification of Expenditures – Ohio Revised Code § 5705.41(D): Twenty-nine percent of tested expenditures were not certified prior to incurring the obligation.	No	Partially Corrected- Repeated in the Management Letter

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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
JULY 31, 2014**