



Dave Yost • Auditor of State



VILLAGE OF SEVILLE  
MEDINA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2015 .....	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2015 .....	4
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2014 .....	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2014 .....	6
Notes to the Financial Statements .....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19

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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Seville, Medina County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***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 opinions.

***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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2015 and 2014, 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, 2015 and 2014, 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 October 12, 2016, 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

October 12, 2016

**Village of Seville, Ohio  
Medina County  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$256,765	\$109,988			\$366,753
Municipal Income Tax	977,957				977,957
Kilowatt Hour Tax	295,604				295,604
Intergovernmental	90,059	255,681		\$37,923	383,663
Fines, Licenses and Permits	12,429				12,429
Earnings on Investments	5,830	1,887			7,717
Miscellaneous	14,575	10,499		6,100	31,174
<i>Total Cash Receipts</i>	<u>1,653,219</u>	<u>378,055</u>		<u>44,023</u>	<u>2,075,297</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property		610,937			610,937
Public Health Services	1,507				1,507
Leisure Time Activities	106,281				106,281
Community Environment	15,363	11,117			26,480
Transportation		314,334			314,334
General Government	353,501				353,501
Capital Outlay		177,169		173,766	350,935
Debt Service:					
Principal Retirement		1,301	\$63,000		64,301
Interest and Fiscal Charges			55,277		55,277
<i>Total Cash Disbursements</i>	<u>476,652</u>	<u>1,114,858</u>	<u>118,277</u>	<u>173,766</u>	<u>1,883,553</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,176,567</u>	<u>(736,803)</u>	<u>(118,277)</u>	<u>(129,743)</u>	<u>191,744</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In		720,000	118,277	171,781	1,010,058
Transfers Out	(1,295,260)				(1,295,260)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,295,260)</u>	<u>720,000</u>	<u>118,277</u>	<u>171,781</u>	<u>(285,202)</u>
<i>Net Change in Fund Cash Balances</i>	(118,693)	(16,803)	0	42,038	(93,458)
<i>Fund Cash Balances, January 1</i>	<u>1,455,108</u>	<u>277,290</u>	<u>203,001</u>	<u>299,118</u>	<u>2,234,517</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		260,487	203,001	341,156	804,644
Unassigned	1,336,415				1,336,415
<i>Fund Cash Balances, December 31</i>	<u>\$1,336,415</u>	<u>\$260,487</u>	<u>\$203,001</u>	<u>\$341,156</u>	<u>\$2,141,059</u>

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

**Village of Seville, Ohio**  
**Medina County**  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balances (Cash Basis)**  
**All Proprietary and Fiduciary Fund Types**  
**For the Year Ended December 31, 2015**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$6,859,953		\$6,859,953
<b>Operating Cash Disbursements</b>			
Personal Services	579,080		579,080
Employee Fringe Benefits	210,907		210,907
Contractual Services	5,513,006		5,513,006
Supplies and Materials	79,478		79,478
Other	172	\$19,950	20,122
<i>Total Operating Cash Disbursements</i>	<u>6,382,643</u>	<u>19,950</u>	<u>6,402,593</u>
<i>Operating Income (Loss)</i>	<u>477,310</u>	<u>(19,950)</u>	<u>457,360</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts		22,375	22,375
Capital Outlay	(464,735)		(464,735)
Principal Retirement	(530,544)		(530,544)
Interest and Other Fiscal Charges	(50,340)		(50,340)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,045,619)</u>	<u>22,375</u>	<u>(1,023,244)</u>
<i>Income (Loss) before Transfers</i>	<u>(568,309)</u>	<u>2,425</u>	<u>(565,884)</u>
Transfers In	<u>285,202</u>		<u>285,202</u>
<i>Net Change in Fund Cash Balances</i>	<u>(283,107)</u>	<u>2,425</u>	<u>(280,682)</u>
<i>Fund Cash Balances, January 1</i>	<u>6,690,663</u>	<u>136,951</u>	<u>6,827,614</u>
<i>Fund Cash Balances, December 31</i>	<u>\$6,407,556</u>	<u>\$139,376</u>	<u>\$6,546,932</u>

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



**Village of Seville, Ohio  
Medina County  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$259,054	\$18,091			\$277,145
Municipal Income Tax	1,084,345				1,084,345
Kilowatt Hour Tax	317,607				317,607
Intergovernmental	94,428	239,298		\$37,765	371,491
Special Assessments	294				294
Charges for Services		5			5
Fines, Licenses and Permits	9,155				9,155
Earnings on Investments	9,741	2,635			12,376
Miscellaneous	16,489	23,760			40,249
<i>Total Cash Receipts</i>	<u>1,791,113</u>	<u>283,789</u>		<u>37,765</u>	<u>2,112,667</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property		588,479			588,479
Public Health Services	1,530				1,530
Leisure Time Activities	101,888				101,888
Community Environment	11,789	12,451			24,240
Transportation		421,045			421,045
General Government	533,547				533,547
Capital Outlay		68,789		150,306	219,095
Debt Service:					
Principal Retirement		1,301	\$57,167		58,468
Interest and Fiscal Charges			58,564		58,564
<i>Total Cash Disbursements</i>	<u>648,754</u>	<u>1,092,065</u>	<u>115,731</u>	<u>150,306</u>	<u>2,006,856</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,142,359</u>	<u>(808,276)</u>	<u>(115,731)</u>	<u>(112,541)</u>	<u>105,811</u>
<b>Other Financing Receipts (Disbursements)</b>					
Loan Proceeds		56,664			56,664
Transfers In		693,760	115,731	126,116	935,607
Transfers Out	(1,125,508)				(1,125,508)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,125,508)</u>	<u>750,424</u>	<u>115,731</u>	<u>126,116</u>	<u>(133,237)</u>
<i>Net Change in Fund Cash Balances</i>	16,851	(57,852)		13,575	(27,426)
<i>Fund Cash Balances, January 1</i>	<u>1,438,257</u>	<u>335,142</u>	<u>203,001</u>	<u>285,543</u>	<u>2,261,943</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		277,290	203,001	299,118	779,409
Unassigned	1,455,108				1,455,108
<i>Fund Cash Balances, December 31</i>	<u>\$1,455,108</u>	<u>\$277,290</u>	<u>\$203,001</u>	<u>\$299,118</u>	<u>\$2,234,517</u>

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

**Village of Seville, Ohio  
Medina County  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Proprietary and Fiduciary Fund Types  
For the Year Ended December 31, 2014**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$8,614,211		\$8,614,211
<b>Operating Cash Disbursements</b>			
Personal Services	551,366		551,366
Employee Fringe Benefits	199,329		199,329
Contractual Services	6,141,111		6,141,111
Supplies and Materials	113,966		113,966
Other	330	\$24,015	24,345
<i>Total Operating Cash Disbursements</i>	<u>7,006,102</u>	<u>24,015</u>	<u>7,030,117</u>
<i>Operating Income (Loss)</i>	<u>1,608,109</u>	<u>(24,015)</u>	<u>1,584,094</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	237		237
Miscellaneous Receipts		31,900	31,900
Capital Outlay	(346,042)		(346,042)
Principal Retirement	(359,970)		(359,970)
Interest and Other Fiscal Charges	(67,820)		(67,820)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(773,595)</u>	<u>31,900</u>	<u>(741,695)</u>
<i>Income before Transfers</i>	834,514	7,885	842,399
Transfers In	189,901		189,901
<i>Net Change in Fund Cash Balances</i>	1,024,415	7,885	1,032,300
<i>Fund Cash Balances, January 1</i>	5,666,250	129,066	5,795,316
<i>Fund Cash Balances, December 31</i>	<u>\$6,690,665</u>	<u>\$136,951</u>	<u>\$6,827,616</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, 2015 AND 2014**

**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, (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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Council 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Fund Accounting (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 – 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:

Street 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, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Fund Accounting (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 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 2015 and 2014 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, 2015 AND 2014  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Fund Balance (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, 2015 AND 2014  
(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:

	2015	2014
Demand deposits	\$8,484,990	\$8,859,132
Investments:		
Summit County Port Authority Bonds	203,001	203,001
Total deposits and investments	\$8,687,991	\$9,062,133

**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 Port Authority Bonds in book entry form in the Village's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,491,200	\$1,653,219	\$162,019
Special Revenue	1,242,025	1,098,055	(143,970)
Debt Service	118,800	118,277	(523)
Capital Projects	204,881	215,804	10,923
Enterprise	8,194,306	7,145,155	(1,049,151)
Total	\$11,251,212	\$10,230,510	(\$1,020,702)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,351,156	\$1,771,912	\$579,244
Special Revenue	1,435,414	1,114,858	320,556
Debt Service	118,800	118,277	523
Capital Projects	502,263	197,766	304,497
Enterprise	9,533,217	7,741,449	1,791,768
Total	\$13,940,850	\$10,944,262	\$2,996,588

**VILLAGE OF SEVILLE  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,441,000	\$1,791,113	\$350,113
Special Revenue	1,111,248	1,034,213	(77,035)
Debt Service	115,902	115,731	(171)
Capital Projects	159,216	163,881	4,665
Enterprise	7,836,118	8,804,349	968,231
Total	\$10,663,484	\$11,909,287	\$1,245,803

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,186,992	\$1,774,262	\$412,730
Special Revenue	1,373,128	1,092,065	281,063
Debt Service	115,852	115,731	121
Capital Projects	441,727	150,306	291,421
Enterprise	8,544,444	7,824,512	719,932
Total	\$12,662,143	\$10,956,876	\$1,705,267

**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.



**VILLAGE OF SEVILLE  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan (CI43J)	\$15,613	0%
OPWC Loan (CI18H)	222,204	0%
OPWC Loan (CI48B)	46,176	0%
Development Revenue Bonds	1,320,000	5.1%
OPWC - EQ Basin (CI320)	565,676	0%
OWDA - EQ Basin (6183)	823,855	2.0%
Total	<u>\$2,993,524</u>	

The Ohio Public Works Commission (OPWC) Loan #CI43J 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 Public Works Commission (OPWC) Loan #CI18H 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 \$19,322 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) Loan #CI48B relates to a \$230,882 waste water treatment improvement project. The loan payments have been made in semi-annual installments since July 1, 2000. The semi-annual payments total \$11,544 and will be fully retired on January 1, 2020. The loan will be paid from the Sewer 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 which the Village utilized for Town Hall renovations and upgrades to a water filtration plant. The bond payments have been made in annual installments since May 15, 2006. The annual payments including interest range from approximately \$155,000 to \$287,140. The bonds 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.

The Ohio Public Works Commission (OPWC) EQ Basin Loan #CI320 relates to \$585,182 flow equalization basin and waste water treatment improvements. The loan payments will be made on a semi-annual basis, and the initial semi-annual payment of \$9,753 was made July 1, 2015. The loan will be fully retired on January 1, 2045. Loan payments will be paid from the Sewer Operating Fund.

The Ohio Water Development Authority (OWDA) EQ Basin Loan #6183 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 \$57,312 and will be fully retired on January 1, 2033. The loan will be paid from the Sewer Operating Fund.

**VILLAGE OF SEVILLE  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. DEBT (continued)**

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

Year ending December 31:	OPWC Loans	OWDA Loan	Development Revenue Bonds
2016	\$51,673	\$57,312	\$156,938
2017	51,673	57,312	162,220
2018	51,673	57,312	162,120
2019	128,962	57,312	161,638
2020	123,190	57,312	161,028
2021-2025	200,646	286,561	942,883
2026-2030	139,427	286,564	
2031-2035	97,530	143,281	
2036-2040	97,530		
2041-2045	87,777		
Total	<u>\$1,030,082</u>	<u>\$1,002,967</u>	<u>\$1,746,825</u>

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, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 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. 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. These amounts will be recorded as they become estimable. Since March 31, 2014 the Village has made \$42,008 to AMP toward its net impaired cost estimate. Also, since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$5,116 and interest expense incurred on AMP's line-of-credit of \$3,682 resulting in a net impaired cost estimate at December 31, 2015 of \$240,106.

The Village intends to recover these costs and repay AMP.

**VILLAGE OF SEVILLE  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. RETIREMENT SYSTEMS**

The Village's full-time 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. Participants contributed 10.75% of their wages from July 1, 2013 through June 30, 2014. Participants contributed 11.50% of their wages from July 1, 2014 through June 30, 2015. Participants contributed 12.25% of their wages from July 1, 2015 through December 31, 2015. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015 and 2014, 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, 2015.

**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.

**9. JOINT VENTURES**

**OMEGA JV2**

The Village of Seville is a Non-Financing Participant and an Owner Participant with an ownership percentage of 0.79% 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 or 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.

**VILLAGE OF SEVILLE  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**9. JOINT VENTURES (continued)**

**OMEGA JV2 (continued)**

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric 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 134.081 MW is the participants' entitlement and 4.569 MW 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. 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, 2015, the outstanding debt was \$8,052,470. The Village's net investment in OMEGA JV2 was \$131,880 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2015 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%	5,753	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	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	95.20%	127,640		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

**VILLAGE OF SEVILLE  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**9. JOINT VENTURES (continued)**

**OMEGA JV5**

The Village of Seville is a Financing Participant with an ownership percentage of 0.82%, 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 40 MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operation to OMEGA JV5 Participants.

Also pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates ("Certificates") from the revenue 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, 2015 the Village has not met their debt obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed without consent of the non-defaulting JV 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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187.\* AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

**VILLAGE OF SEVILLE  
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**9. JOINT VENTURES (continued)**

**OMEGA JV5 (continued)**

The Village's net investment to date in OMEGA JV5 was \$24,501 at December 31, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

\*Subsequent to year-end, on January 19, 2016, OMEGA JV5 issued the Beneficial Interest Refunding Certificates, Series 2015 ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount of the promissory note had been reduced to \$49,243,377 at the time of refunding.

**10. 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:

	2015	2014
Total Assets	\$4,045,270	\$4,404,438
Total Liabilities	\$898,987	\$1,332,399
 <b>Condensed Operating Information:</b>		
Operating Receipts		
Charges for Services	5,959,399	7,591,036
Total Operating Receipts	5,959,399	7,591,036
 Operating Expenses	 5,960,836	 6,511,683
Operating Income (Loss)	(1,437)	1,079,353
 Nonoperating Receipts (Disbursements)		
Intergovernmental Receipts		
Capital Outlay	(220,417)	(106,208)
Principal Payments	(412,773)	(127,560)
Interest Payments	(9,742)	(15,425)
Transfers	285,201	189,901
Change in Fund Cash Balance	(359,168)	1,020,061
Beginning Fund Cash Balance	4,404,438	3,384,377
Ending Fund Cash Balance	\$4,045,270	\$4,404,438



# 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 cash balances, receipts, and disbursements by fund type of the Village of Seville, Medina County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated October 12, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) 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 opinions 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 12, 2016





# Dave Yost • 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  
NOVEMBER 10, 2016