

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398
www.auditor.state.oh.us

Board of Trustees
Village of Seville
P.O. Box 22
Seville, Ohio 44273

We have reviewed the Independent Auditor's Report of the Village of Seville, Medina County, prepared by Rea & Associates, Inc., for the audit period January 1, 2000 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Seville is responsible for compliance with these laws and regulations.

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JIM PETRO
Auditor of State

May 14, 2002

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**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 28, 2002

To the Members of Council
Village of Seville
Medina County, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Village of Seville, Ohio, as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. These financial statements are the responsibility of the Village of Seville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Village prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Seville, Ohio as of December 31, 2001 and 2000, and the cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Board of Directors, management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and it is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
CASH RECEIPTS				
Taxes	\$ 917,528	\$ 26,528	\$ 47,069	\$ 991,125
Intergovernmental	150,274	297,534	0	447,808
Special Assessments	3,240	0	0	3,240
Charges for Services	163	14,353	0	14,516
Fines, Licenses, and Permits	16,103	1,500	0	17,603
Interest	163,903	53	25	163,981
Miscellaneous	27,615	13,822	0	41,437
Total Cash Receipts	1,278,826	353,790	47,094	1,679,710
CASH DISBURSEMENTS				
Current:				
Security of Persons and Property	0	454,704	0	454,704
Public Health Services	893	228,417	0	229,310
Leisure time Activities	72,181	3,700	0	75,881
Community Environment	11,179	0	0	11,179
Transportation	0	167,194	0	167,194
General Government	254,484	0	0	254,484
Capital Outlay	16,388	160,249	81,090	257,727
Debt Service:				
Principal Retirement	0	0	150,000	150,000
Interest and Fiscal Charges	0	0	33,720	33,720
Total Cash Disbursements	355,125	1,014,264	264,810	1,634,199
Total Receipts Over (Under) Disbursements	923,701	(660,474)	(217,716)	45,511
OTHER FINANCING SOURCES (USES)				
Other Financing Uses	(480)	(720)	0	(1,200)
Transfers In	0	590,108	0	590,108
Transfers Out	(641,908)	0	0	(641,908)
Total Other Financing Sources (Uses)	(642,388)	589,388	0	(53,000)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	281,313	(71,086)	(217,716)	(7,489)
Fund cash balances, beginning of year	892,808	392,601	844,696	2,130,105
Fund cash balances, end of year	\$ 1,174,121	\$ 321,515	\$ 626,980	\$ 2,122,616

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF OPERATING RECEIPTS, OPERATING EXPENSES, AND CHANGES IN
FUND BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise	Agency	Totals (Memorandum Only)
<u>Operating Receipts</u>			
Charges for Services	\$ 3,055,449	\$ 0	\$ 3,055,449
Fines, Licenses, and Permits	0	36,838	36,838
Total Operating Revenues	3,055,449	36,838	3,092,287
<u>Operating Expenses</u>			
Personal Services	321,323	0	321,323
Travel Transportation	114,414	0	114,414
Contractual Services	1,603,010	0	1,603,010
Supplies and Materials	108,802	0	108,802
Capital Outlay	684,184	0	684,184
Miscellaneous	175	36,948	37,123
Total Operating Expenses	2,831,908	36,948	2,868,856
Operating Income (Loss)	223,541	(110)	223,431
<u>Non-Operating Expenses</u>			
Debt Service:			
Principal Retirement	96,513	0	96,513
Interest and Fiscal Charges	127,247	0	127,247
Other financing uses	96,231	0	96,231
Total Non-Operating Expenses	319,991	0	319,991
Income (Loss) Before Operating Transfers	(96,450)	(110)	(96,560)
Operating Transfers In	51,800	0	51,800
Net Income (Loss)	(44,650)	(110)	(44,760)
Retained Earnings/Fund Balance at Beginning of Year	2,903,708	83,944	2,987,652
Retained Earnings/Fund Balance at End of Year	\$ 2,859,058	\$ 83,834	\$ 2,942,892

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
CASH RECEIPTS				
Taxes	\$ 843,578	\$ 24,872	\$ 51,100	\$ 919,550
Intergovernmental	172,287	267,937	0	440,224
Special Assessments	2,783	0	0	2,783
Charges for Services	177	16,479	0	16,656
Fines, Licenses, and Permits	17,989	900	0	18,889
Interest	239,775	68	34	239,877
Miscellaneous	67,945	1,350	16,544	85,839
Total Cash Receipts	<u>1,344,534</u>	<u>311,606</u>	<u>67,678</u>	<u>1,723,818</u>
CASH DISBURSEMENTS				
Current:				
Security of Persons and Property	0	426,234	0	426,234
Public Health Services	869	194,102	0	194,971
Leisure time Activities	65,222	14,500	0	79,722
Community Environment	9,086	0	0	9,086
Transportation	0	128,915	0	128,915
General Government	248,802	0	0	248,802
Capital Outlay	40,978	129,395	0	170,373
Total Cash Disbursements	<u>364,957</u>	<u>893,146</u>	<u>0</u>	<u>1,258,103</u>
Total Receipts Over (Under) Disbursements	979,577	(581,540)	67,678	465,715
OTHER FINANCING SOURCES (USES)				
Proceeds from Notes	0	0	600,000	600,000
Other Financing Uses	(504)	(100)	0	(604)
Operating Transfers In	0	684,300	0	684,300
Operating Transfers Out	(700,941)	0	0	(700,941)
Total Other Financing Sources (Uses)	<u>(701,445)</u>	<u>684,200</u>	<u>600,000</u>	<u>582,755</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	278,132	102,660	667,678	1,048,470
Fund cash balances, beginning of year	614,676	289,941	177,018	1,081,635
Fund cash balances, end of year	<u>\$ 892,808</u>	<u>\$ 392,601</u>	<u>\$ 844,696</u>	<u>\$ 2,130,105</u>

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**COMBINED STATEMENT OF OPERATING RECEIPTS, OPERATING EXPENSES, AND CHANGES IN
FUND BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Enterprise	Agency	Totals (Memorandum Only)
<u>Operating Receipts</u>			
Charges for Services	\$ 2,988,015	\$ 0	\$ 2,988,015
Fines, Licenses, and Permits	0	42,521	42,521
Total Operating Revenues	2,988,015	42,521	3,030,536
<u>Operating Expenses</u>			
Personal Services	291,596	0	291,596
Travel Transportation	99,570	0	99,570
Contractual Services	1,560,109	0	1,560,109
Supplies and Materials	138,626	0	138,626
Capital Outlay	220,155	0	220,155
Miscellaneous	27	33,983	34,010
Total Operating Expenses	2,310,083	33,983	2,344,066
Operating Income (Loss)	677,932	8,538	686,470
<u>Non-Operating Expenses</u>			
Debt Service:			
Principal Retirement	90,509	0	90,509
Interest and Fiscal Charges	133,252	0	133,252
Other financing uses	87,000	0	87,000
Total Non-Operating Expenses	310,761	0	310,761
Income (Loss) Before Operating Transfers	367,171	8,538	375,709
Operating Transfers In	16,641	0	16,641
Net Income (Loss)	383,812	8,538	392,350
Retained Earnings/Fund Balance at Beginning of Year	2,519,896	75,406	2,595,302
Retained Earnings/Fund Balance at End of Year	\$ 2,903,708	\$ 83,944	\$ 2,987,652

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Capital Projects

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds. These include (a) Downtown Improvement Fund, (b) Street Capital Improvements Fund, and (c) Waste Water Treatment Plant.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

PROPRIETARY FUND TYPE:

Enterprise Funds

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

FIDUCIARY FUND TYPE:

Agency Funds

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

D. Budgetary Process

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

Appropriations

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property, Plant and Equipment

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

NOTE 2: EQUITY IN POOLED CASH

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

	2001	2000
Deposits	\$ 124,465	\$ 202,535
Investments	4,574,008	3,928,559
Overnight Repurchase Agreements	367,035	986,663
	<u>\$ 5,065,508</u>	<u>\$ 5,117,757</u>

Deposits

Deposits are covered by Federal Depository Insurance and security pledged as collateral.

Investments

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 2: EQUITY IN POOLED CASH (continued)

Investments (continued)

Level of risk assumed for fiscal year end December 31, 2001

	Category			Carrying Value	Fair Value
	1	2	3		
Federated Government Obligations	\$ 0	\$ 0	\$ 4,574,008	\$ 4,574,008	\$ 4,574,008
Total Investments	0	0	4,574,008	4,574,008	4,574,008
Repurchase Agreement	0	0	367,035	367,035	367,035
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,941,043</u>	<u>\$ 4,941,043</u>	<u>\$ 4,941,043</u>

Level of risk assumed for fiscal year ended December 31, 2000

	Category			Carrying Value	Fair Value
	1	2	3		
Federated Government Obligation	\$ 0	\$ 0	\$ 3,928,559	\$ 3,928,559	\$ 3,928,559
Total Investments	0	0	3,928,559	3,928,559	3,928,559
Repurchase Agreement	0	0	986,663	\$ 986,663	986,663
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,915,222</u>	<u>\$ 4,915,222</u>	<u>\$ 4,915,222</u>

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 was as follows:

Budgeted vs. Actual Receipts

	2001			2000		
	Budgeted Receipts	Actual Receipts	Variance	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,239,414	\$ 1,278,826	\$ 39,412	\$ 1,055,726	\$ 1,344,534	\$ 288,808
Special Revenue	1,224,964	943,898	(281,066)	1,024,590	995,906	(28,684)
Capital Projects	520,800	47,094	(473,706)	65,000	667,678	602,678
Enterprise	3,435,579	3,107,249	(328,330)	3,580,000	3,004,656	(575,344)
Total	\$ 6,420,757	\$ 5,377,067	\$ (1,043,690)	\$ 5,725,316	\$ 6,012,774	\$ 287,458

Budgeted vs. Actual Disbursements

	2001			2000		
	Budgeted Disbursements	Actual Disbursements	Variance	Budgeted Disbursements	Actual Disbursements	Variance
General	\$ 1,146,304	\$ 997,513	\$ 148,791	\$ 1,244,169	\$ 1,066,402	\$ 177,767
Special Revenue	1,184,701	1,014,984	169,717	1,043,362	893,246	150,116
Capital Projects	265,575	264,810	765	0	0	0
Enterprise	3,826,332	3,151,899	674,433	3,799,696	2,620,844	1,178,852
Total	\$ 6,422,912	\$ 5,429,206	\$ 993,706	\$ 6,087,227	\$ 4,580,492	\$ 1,506,735

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 4: LONG TERM OBLIGATIONS

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

The Village also incurred the following obligation in connection with the Ohio Public Works Commission for the Waste Water Treatment Plant Sludge Handling Improvements. The project was completed during February 2000 with the total loan balance being \$230,882. The note payable is a 20 year non-interest bearing note with payments due semiannually. The first payment is due July 1, 2000.

A detail of long term obligations is as follows:

	Balance	Additions	Reductions	Balance
	January 1, 2000			December 31, 2000
ENTERPRISE FUNDS				
Ohio Water Development Authority - Water				
Interest Rate 7.66%				
Issued 1990				
Due January 1, 2015	\$ 1,292,970	\$ 0	\$ (48,893)	\$ 1,244,077
Ohio Water Development Authority - Sewer				
Interest Rate 7.51%				
Issued 1990				
Due July 1, 2010	455,523	0	(30,072)	425,451
Ohio Public Works Commission				
Waste Water Treatment Plant				
Interest Rate 0%				
Due January 1, 2020	228,272	2,610	(11,544)	219,338
Bank One				
Park Project Note				
Interest Rate 5.62%				
Issued 11/30/2000				
Ending 11/30/2004	0	600,000	0	600,000
	\$ 1,976,765	\$ 602,610	\$ (90,509)	\$ 2,488,866

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
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NOTE 4: LONG TERM OBLIGATIONS (continued)

	Balance	Additions	Reductions	Balance
	January 1, 2001			December 31, 2001
ENTERPRISE FUNDS				
Ohio Water Development Authority - Water Interest Rate 7.66% Issued 1990 Due January 1, 2015	\$ 1,244,077	\$ 0	\$ (52,639)	\$ 1,191,438
Ohio Water Development Authority - Sewer Interest Rate 7.51% Issued 1990 Due July 1, 2010	425,451	0	(32,330)	393,121
Ohio Public Works Commission Waste Water Treatment Plant Interest Rate 0% Due January 1, 2020	219,338	0	(11,544)	207,794
Bank One Park Project Note Interest Rate 5.62% Issued 11/30/00 Ending 11/30/04	600,000	0	(150,000)	450,000
	\$ 2,488,866	\$ 0	\$ (246,513)	\$ 2,242,353

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
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NOTE 4: LONG TERM OBLIGATIONS (continued)

The schedule for principal and interest payments on long-term borrowing for the next five years and thereafter follows:

Ohio Water Department Authority Water	Ohio Water Department Authority Sewer	Ohio Public Works Commission Sewer	Bank One Parks Project	Total
\$ 147,935	\$ 32,141	\$ 11,544	\$ 175,290	\$ 366,910
147,935	64,282	11,544	166,860	390,621
147,935	64,282	11,544	158,430	382,191
147,935	64,282	11,544	0	223,761
147,935	64,282	11,544	0	223,761
1,183,480	257,128	150,074	0	1,590,682
1,923,155	546,397	207,794	500,580	3,177,926
(731,717)	(153,276)	0	(50,580)	(935,573)
<u>\$ 1,191,438</u>	<u>\$ 393,121</u>	<u>\$ 207,794</u>	<u>\$ 450,000</u>	<u>\$ 2,242,353</u>

NOTE 5: PROPERTY TAX

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

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000**

NOTE 6: RETIREMENT SYSTEMS

Public Employees Retirement System

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% of participants' gross salaries. The Village has paid all contributions required through December 31, 2001.

Police and Firemen's Disability and Pension Fund (PFDPF)

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The Village has paid all contributions required through December 31, 2001.

NOTE 7: RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 28, 2002

To the Members of Council
Village of Seville
Medina County, Ohio

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the Village of Seville, Ohio, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 28, 2002. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Seville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village of Seville in a separate letter dated March 28, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Seville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Seville in a separate letter dated March 28, 2002.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization, and it is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF SEVILLE

MEDINA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 23, 2002**