

**VILLAGE OF SEVILLE, OHIO
MEDINA COUNTY**

INDEPENDENT AUDITOR'S REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2007**

Varney, Fink & Associates, Inc.
Certified Public Accountants



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Seville, Medina County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 28, 2009

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**VILLAGE OF SEVILLE, OHIO
MEDINA COUNTY
FOR THE YEAR ENDED
DECEMBER 31, 2007**

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INDEPENDENT AUDITOR'S REPORT

Village of Seville
120 Royal Crest Drive
Seville, Ohio 44273

To Members of Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Village of Seville, Medina County, Ohio, (the Village) as of and for the year ended December 31, 2007, which collectively compromise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Seville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and the Police and Education Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2008 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Certified Public Accountants

December 23, 2008

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007
(Unaudited)

The discussion and analysis of the Village of Seville, Medina County, Ohio (the Village's) financial performance provides an overall review of the Village's financial activities for the fiscal year ended December 31, 2007, within the limitations of the Villages' cash basis of accounting. The intent of this discussion and analysis is to look at the Village's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key Financial Highlights for 2007 are as follows:

- § General Receipts accounted for \$3,150,180 or 34.3% of all receipts. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for approximately \$6,041,672 or 65.7% of total receipts of \$9,191,852.
- § Total program expenses were \$2,185,962 in governmental activities and \$7,714,159 in business-type activities.
- § In total, net assets of governmental activities decreased \$270,089, which represents a 30.2% decrease from 2006.
- § Outstanding bond and note debt decreased from \$5,359,679 to \$4,882,150 through the payment of bond and note principal.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principals generally accepted in the United States of America (GAAP). Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007
(Unaudited)

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes. The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of the cash basis accounting.

In the statement of net assets and the statement of activities the Village is divided into two distinct kinds of activities:

Governmental Activities All of the Village's non-utility services are reported here, including security of persons and property and general governmental services.

Business-Type Activities All of the Village's utility services are reported here, including electric, water, sewer and storm sewer services.

Reporting the Village's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village uses many funds to account for financial transactions. However, these fund financial statements

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007
(Unaudited)

focus on the Village's most significant funds. The funds of the Village are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund statements provide a detailed view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent to finance the Village's programs. The Village's major governmental funds are the general fund the police and education special revenue fund and the village property capital project fund. The programs reported in government funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – All of the Village's proprietary funds are classified as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for water, electric sewer and storm sewer services provided to the Village residents and businesses. All four of the Village's enterprise funds are considered major funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village as a Whole

Recall that the statement of net assets provides the perspective of the Village as a whole. Table 1 provides a summary of Village's net assets for 2007 compared to 2006:

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007
(Unaudited)

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Cash and Cash Equivalents	\$421,870	\$663,360	\$3,982,163	\$4,122,402	\$4,404,033	\$4,785,762
Cash and Cash Equivalents-						
With Fiscal Agent	0	0	0	297,941	0	297,941
In Segregated Accounts	203,000	231,599	0	0	203,000	231,599
Total Assets	\$624,870	\$894,959	\$3,982,163	\$4,420,343	\$4,607,033	\$5,315,302
Net Assets						
Restricted for:						
Capital Projects	\$52,348	\$238,173	\$0	\$297,941	\$52,348	\$536,114
Debt Service	228,386	215,693	0	0	228,386	215,693
Police and Education	(517)	10,927	0	0	(517)	10,927
Village Property	0	37,574	0	0	0	37,574
Other Purposes	206,651	279,990	0	0	206,651	279,990
Unrestricted	138,002	112,602	3,982,163	4,122,402	4,120,165	4,235,004
Total Net Assets	\$624,870	\$894,959	\$3,982,163	\$4,420,343	\$4,607,033	\$5,315,302

The Village's governmental activities net assets decreased \$270,089, while the business-type activities decreased by \$438,180. For the governmental activities, this decrease is primarily the result of transferring kilowatt tax receipts to the Electric fund.

Table 2 reflects the changes in net assets for fiscal year 2007. This table presents two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the Village's financial statue and possibly project future problems.

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007
(Unaudited)

Table 2 - Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Receipts						
<i>Program Cash Receipts:</i>						
Charges for Services	\$31,251	\$29,803	\$6,010,421	\$6,712,971	\$6,041,672	\$6,742,774
<i>General Receipts:</i>						
Property Taxes	301,093	300,617	0	0	301,093	300,617
Income Taxes	1,000,601	1,016,153	0	0	1,000,601	1,016,153
Electric Taxes	308,389	308,832	0	0	308,389	308,832
Grants and Entitlements, Not Restricted	268,831	252,560	0	0	268,831	252,560
Proceeds from Debt Issuance	56,000	9,670	1,005,000	1,300,000	1,061,000	1,309,670
Investment Earnings	171,251	197,119	0	0	171,251	197,119
Miscellaneous	39,015	22,968	0	0	39,015	22,968
<i>Total Receipts</i>	<u>2,176,431</u>	<u>2,137,722</u>	<u>7,015,421</u>	<u>8,012,971</u>	<u>9,191,852</u>	<u>10,150,693</u>
Program Disbursements						
General Government	420,524	412,208	0	0	420,524	412,208
Security of Persons and Property	752,653	739,226	0	0	752,653	739,226
Public Health Services	1,092	1,050	0	0	1,092	1,050
Leisure Time Activities	164,845	124,158	0	0	164,845	124,158
Community Environment	17,305	23,762	0	0	17,305	23,762
Transportation	247,172	227,335	0	0	247,172	227,335
Capital Outlay	472,534	478,779	0	0	472,534	478,779
Water Services	0	0	436,395	1,103,497	436,395	1,103,497
Sewer Services	0	0	6,646,375	313,143	6,646,375	313,143
Electric Services	0	0	443,679	5,614,864	443,679	5,614,864
Storm Sewer Services	0	0	187,710	24,684	187,710	24,684
Debt Services:						
Principal Retirement	42,000	62,442	0	0	42,000	62,442
Interest and Fiscal Charges	67,837	68,825	0	0	67,837	68,825
<i>Total Disbursements</i>	<u>2,185,962</u>	<u>2,137,785</u>	<u>7,714,159</u>	<u>7,056,188</u>	<u>9,900,121</u>	<u>9,193,973</u>
<i>Change in Net Assets</i>	(9,531)	(63)	(698,738)	956,783	(708,269)	956,720
Transfers	(260,558)	(213,452)	260,558	213,452	0	0
Net Assets, Beginning of Year	<u>894,959</u>	<u>1,108,474</u>	<u>4,420,343</u>	<u>3,250,108</u>	<u>5,315,302</u>	<u>4,358,582</u>
Net Assets, End of Year	<u>\$624,870</u>	<u>\$894,959</u>	<u>\$3,982,163</u>	<u>\$4,420,343</u>	<u>\$4,607,033</u>	<u>\$5,315,302</u>

Program receipts represent 65.7% of total receipts in 2007 and consist primarily of charges for services.

General receipts represent 34.3% of the Village's total receipts, and of this amount, 51.5% are income, property, electric and other taxes. State and federal grants and entitlements and debt issued make up the balance of the Village's general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007
(Unaudited)

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of the Mayor's Office, Council, the Finance and Economic Development Office, and other departments.

Security of persons and property are the costs of police, fire protection and emergency medical services. Leisure time activities is the maintenance of the parks providing leisure activities during the year. Transportation is the cost of maintaining the roads. Capital outlay primarily represents the costs associated with the acquisition and improvements to the Villages' facilities and infrastructure.

Governmental Activities

The first column on the statement of activities on page 13 lists the major services provided by the Village. The next column identifies the costs of providing these services. The most significant program disbursements for governmental activities were for security of persons and property, general government and capital outlay, which account for 34.4%, 19.2%, and 21.6%, of cash disbursements for governmental activities, respectively. The next column of the statement, entitled charges for services, identifies amounts paid by users who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (disbursements)/receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which draws on the general receipts of the Village, which is primarily made up of property and income taxes assessed on the citizens and business of the Village and other grants and entitlements that are not restricted for particular purposes.

Table 3 summarizes the total cost and net cost of providing services to the residents and local businesses of the Village. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$2,176,431 and expenses of \$2,185,962 and the business-type activity had total revenues of \$7,015,421 and expenses of \$7,714,159.

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007
(Unaudited)

Table 3
Total and Net Costs of Services

	Governmental Activities			
	2007		2006	
	Total Cost Of Services	Net Cost of Services	Total Cost of Services	Total Cost of Services
Program Disbursements				
General Government	\$420,524	\$391,253	\$412,208	\$388,051
Security of Persons and Property	752,653	752,653	739,226	739,226
Public Health Services	1,092	1,092	1,050	1,050
Leisure Time Activities	164,845	164,845	124,158	124,158
Community Environment	17,305	15,325	23,762	18,116
Transportation	247,172	247,172	227,335	227,335
Capital Outlay	472,534	472,534	478,779	478,779
Debt Services				
Principal Retirement	42,000	42,000	62,442	62,442
Interest and Fiscal Charges	67,837	67,837	68,825	68,825
<i>Total Disbursements</i>	<u>\$2,185,962</u>	<u>\$2,154,711</u>	<u>\$2,137,785</u>	<u>\$2,107,982</u>
Business-Type Activities				
	2007		2006	
	Total Cost Of Services	Net Cost of Services	Total Cost of Services	Total Cost of Services
Program Disbursements				
Water Services	\$436,395	(\$126,476)	\$1,103,497	(\$591,565)
Electric Services	6,646,375	1,737,284	5,614,864	80,861
Sewer Services	443,679	(29,666)	313,143	124,847
Storm Sewer Services	187,710	122,596	24,684	42,640
<i>Total Disbursements</i>	<u>\$7,714,159</u>	<u>\$1,703,738</u>	<u>\$7,056,188</u>	<u>(\$343,217)</u>

The dependence upon general receipts is apparent as 98% of governmental activities are supported through these general receipts.

The Village's Funds

Total governmental funds had receipts of \$2,120,431 and disbursements of \$2,185,396. The fund balance of the General Fund increased \$25,020.

General Fund receipts were more than disbursements by \$1,232,246 indicating that the General Fund should be accumulating a large cash reserve. However, the Village Administration, with the approval of

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
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the Council, elected to transfer significant amounts of cash from the General Fund to Police and Education Fund to help account for salaries and wages accounted for in the Police and Education Fund.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2007, there were minor amendments to the Village's total general fund budget. The Village uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual receipts exceeded the final budgeted revenues of \$1,770,165 by \$97,755. The primary factor contributing to this were income tax receipts exceeding expectations.

Actual disbursements of the general fund were \$325,158 under the final budgeted amount of \$972,398 with the majority of that change in general government. This was achieved by a salary and wage freeze adopted by the Village.

Capital Assets and Debt Administration

Capital Assets

The Village maintains capital asset listings of its land, buildings, infrastructure, and vehicles. Other capital assets are not maintained on detailed capital asset listing. These records are not required to be presented in the financial statements.

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2007
(Unaudited)

Debt

At December 31, 2007, the Village had \$3,021,777 in bonds and notes outstanding. Table 4 summarizes the Village's long-term obligations outstanding as of year end.

Table 4
Long-Term Obligations
December 31, 2007

	<u>2007</u>	<u>2006</u>
Governmental Activates		
Development Revenue Bonds	\$1,333,725	\$1,375,725
Park Trails Note	<u>56,000</u>	<u>0</u>
Total Governmental Activates	<u>1,389,725</u>	<u>1,375,725</u>
 Business-Type Activates		
OWDA - Water	779,255	861,220
OWDA - Sewer	141,267	191,191
OPWC - Waste Water		
Treatment Plant	138,530	150,074
Development Revenue Bonds	<u>573,000</u>	<u>591,000</u>
<i>Total Business-Type Activates</i>	<u>1,632,052</u>	<u>1,793,485</u>
 Total Primary Government	 <u><u>\$3,021,777</u></u>	 <u><u>\$3,169,210</u></u>

The Village also has two outstanding notes through AMP-Ohio totaling \$1,860,373. See the Notes 6 and 7 to the basic financial statements for further information regarding the debt of the Village.

Current Issues

The Village continues to be the fastest growing area of Medina County. The Village has two housing developments in progress.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Clerk/Treasurer of the Village of Seville, 120 Royal Crest Dr., Seville, OH 44273.

Village of Seville, Medina County

Statement of Net Assets - Cash Basis

December 31, 2007

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$421,870	\$3,982,163	\$4,404,033
Cash and Cash Equivalents - In Segregated Accounts	<u>203,000</u>	<u>0</u>	<u>203,000</u>
<i>Total Assets</i>	<u><u>\$624,870</u></u>	<u><u>\$3,982,163</u></u>	<u><u>\$4,607,033</u></u>
 Net Assets			
Restricted for:			
Capital Projects	\$52,348	\$0	\$52,348
Debt Service	228,386	0	228,386
Police and Education	(517)	0	(517)
Village Project	206,651	0	206,651
Unrestricted	<u>138,002</u>	<u>3,982,163</u>	<u>4,120,165</u>
<i>Total Net Assets</i>	<u><u>\$624,870</u></u>	<u><u>\$3,982,163</u></u>	<u><u>\$4,607,033</u></u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Governmental Activities	Business-Type Activities	Total
Governmental Activities					
General Government	\$420,524	\$29,271	(\$391,253)	\$0	(\$391,253)
Security of Persons and Property	752,653	0	(752,653)	0	(752,653)
Public Health Services	1,092	0	(1,092)	0	(1,092)
Leisure Time Activities	164,845	0	(164,845)	0	(164,845)
Community Environment	17,305	1,980	(15,325)	0	(15,325)
Transportation	247,172	0	(247,172)	0	(247,172)
Capital Outlay	472,534	0	(472,534)	0	(472,534)
Principal Retirement	42,000	0	(42,000)	0	(42,000)
Interest and Fiscal Charges	67,837	0	(67,837)	0	(67,837)
<i>Total Governmental Activities</i>	2,185,962	31,251	(2,154,711)	0	(2,154,711)
Business Type Activity					
Water	436,395	562,871	0	126,476	126,476
Electric	6,646,375	4,909,091	0	(1,737,284)	(1,737,284)
Sewer	443,679	473,345	0	29,666	29,666
Storm Sewer	187,710	65,114	0	(122,596)	(122,596)
<i>Total Business Type Activities</i>	7,714,159	6,010,421	0	(1,703,738)	(1,703,738)
Total	<u>\$9,900,121</u>	<u>\$6,041,672</u>	<u>(2,154,711)</u>	<u>(1,703,738)</u>	<u>(3,858,449)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes			236,488	0	236,488
Police and Education			31,082	0	31,082
Other Purposes			33,523	0	33,523
Municipal Income Taxes			1,000,601	0	1,000,601
Electric Taxes			308,389	0	308,389
Grants and Entitlements not Restricted to Specific Programs			268,831	0	268,831
Proceeds from Debt Issuance			56,000	1,005,000	1,061,000
Interest			171,251	0	171,251
Miscellaneous			39,015	0	39,015
<i>Total General Receipts</i>			2,145,180	1,005,000	3,150,180
Transfers			(260,558)	260,558	0
Total General Receipts and Transfers			<u>1,884,622</u>	<u>1,265,558</u>	<u>3,150,180</u>
Change in Net Assets			(270,089)	(438,180)	(708,269)
<i>Net Assets Beginning of Year</i>			894,959	4,420,343	5,315,302
<i>Net Assets End of Year</i>			<u>\$624,870</u>	<u>\$3,982,163</u>	<u>\$4,607,033</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Police and Education	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$137,622	(\$517)	\$284,765	\$421,870
Cash and Cash Equivalents - In Segregated Accounts	0	0	203,000	203,000
<i>Total Assets</i>	<u>\$137,622</u>	<u>(\$517)</u>	<u>\$487,765</u>	<u>\$624,870</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$11,566	\$9,462	\$380	\$21,408
Unreserved: Undesignated Reported in:				
General Fund	126,056	0	0	126,056
Special Revenue Funds	0	(9,979)	206,651	196,672
Debt Service Fund	0	0	228,386	228,386
Capital Projects Funds	0	0	52,348	52,348
<i>Total Fund Balances</i>	<u>\$137,622</u>	<u>(\$517)</u>	<u>\$487,765</u>	<u>\$624,870</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Police and Education	Other Governmental Funds	Total Governmental Funds
Receipts				
Electric Taxes	\$308,389	\$0	\$0	\$308,389
Municipal Income Taxes	1,000,601	0	0	1,000,601
Property and Other Local Taxes	236,488	31,082	33,523	301,093
Charges for Services	218	0	0	218
Fines, Licenses and Permits	15,442	0	15,809	31,251
Intergovernmental	125,661	0	143,170	268,831
Interest	155,199	0	16,052	171,251
Miscellaneous	25,922	0	12,875	38,797
<i>Total Receipts</i>	<u>1,867,920</u>	<u>31,082</u>	<u>221,429</u>	<u>2,120,431</u>
Disbursements				
Current:				
General Government	419,958	0	0	419,958
Security of Persons and Property	0	752,496	157	752,653
Public Health Services	1,092	0	0	1,092
Leisure Time Activities	133,122	0	31,723	164,845
Community Environment	17,305	0	0	17,305
Transportation	0	0	247,172	247,172
Capital Outlay	64,197	30,715	377,622	472,534
Debt Service:				
Principal Retirement	0	0	42,000	42,000
Interest and Fiscal Charges	0	0	67,837	67,837
<i>Total Disbursements</i>	<u>635,674</u>	<u>783,211</u>	<u>766,511</u>	<u>2,185,396</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,232,246</u>	<u>(752,129)</u>	<u>(545,082)</u>	<u>(64,965)</u>
Other Financing Sources (Uses)				
Notes Issued	56,000	0	0	56,000
Transfers In	0	740,685	261,417	1,002,102
Transfers Out	(1,262,660)	0	0	(1,262,660)
Other Financing Uses	(566)	0	0	(566)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,207,226)</u>	<u>740,685</u>	<u>261,417</u>	<u>(205,124)</u>
<i>Net Change in Fund Balances</i>	25,020	(11,444)	(283,665)	(270,089)
<i>Fund Balances Beginning of Year</i>	112,602	10,927	771,430	894,959
<i>Fund Balances End of Year</i>	<u>\$137,622</u>	<u>(\$517)</u>	<u>\$487,765</u>	<u>\$624,870</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Electric Taxes	\$300,000	\$300,000	\$308,389	\$8,389
Municipal Income Taxes	957,341	957,341	1,000,601	43,260
Property and Other Local Taxes	227,514	227,514	236,488	8,974
Charges for Services	209	209	218	9
Fines, Licenses and Permits	15,425	15,425	15,442	17
Intergovernmental	101,076	101,076	125,661	24,585
Interest	151,164	151,164	155,199	4,035
Miscellaneous	17,436	17,436	25,922	8,486
<i>Total Receipts</i>	<u>1,770,165</u>	<u>1,770,165</u>	<u>1,867,920</u>	<u>97,755</u>
Disbursements				
Current:				
General Government	738,049	659,292	428,721	230,571
Public Health Services	1,100	1,265	1,092	173
Leisure Time Activities	79,358	170,695	135,655	35,040
Community Environment	36,265	41,275	17,575	23,700
Capital Outlay	30,864	99,871	64,197	35,674
<i>Total Disbursements</i>	<u>885,636</u>	<u>972,398</u>	<u>647,240</u>	<u>325,158</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>884,529</u>	<u>797,767</u>	<u>1,220,680</u>	<u>422,913</u>
Other Financing Sources (Uses)				
Proceeds from Debt	56,000	56,000	56,000	0
Transfers Out	(1,200,000)	(1,211,075)	(1,262,660)	(51,585)
Other, Financing (Uses)	(900)	(900)	(566)	334
<i>Total Other Financing Sources (Uses)</i>	<u>(1,144,900)</u>	<u>(1,155,975)</u>	<u>(1,207,226)</u>	<u>(51,251)</u>
<i>Net Change in Fund Balance</i>	<u>(260,371)</u>	<u>(358,208)</u>	<u>13,454</u>	<u>371,662</u>
<i>Fund Balance Beginning of Year</i>	88,287	88,287	88,287	0
Prior Year Encumbrances Appropriated	24,315	24,315	24,315	0
<i>Fund Balance End of Year</i>	<u>(\$147,769)</u>	<u>(\$245,606)</u>	<u>\$126,056</u>	<u>\$371,662</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police and Education Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	27,384	27,384	31,082	3,698
<i>Total Receipts</i>	<u>27,384</u>	<u>27,384</u>	<u>31,082</u>	<u>3,698</u>
Disbursements				
Current:				
Security of Persons and Property	792,373	792,963	752,496	40,467
Capital Outlay	51,869	51,079	30,715	20,364
<i>Total Disbursements</i>	<u>844,242</u>	<u>844,042</u>	<u>783,211</u>	<u>60,831</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(816,858)</u>	<u>(816,658)</u>	<u>(752,129)</u>	<u>64,529</u>
Other Financing Sources (Uses)				
Transfers In	800,503	800,503	740,685	(59,818)
<i>Total Other Financing Sources (Uses)</i>	<u>800,503</u>	<u>800,503</u>	<u>740,685</u>	<u>(59,818)</u>
<i>Net Change in Fund Balance</i>	(16,355)	(16,155)	(11,444)	4,711
<i>Fund Balance Beginning of Year</i>	1,647	1,647	1,647	0
Prior Year Encumbrances Appropriated	9,280	9,280	9,280	0
<i>Fund Balance End of Year</i>	<u>(\$5,428)</u>	<u>(\$5,228)</u>	<u>(\$517)</u>	<u>\$4,711</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2007

	Business-Type Activities				Governmental Activity
	Water	Electric	Sewer	Strom Sewer	Total Enterprise Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$641,325	\$1,743,288	\$1,339,490	\$258,060	\$3,982,163
<i>Total Assets</i>	<u>\$641,325</u>	<u>\$1,743,288</u>	<u>\$1,339,490</u>	<u>\$258,060</u>	<u>\$3,982,163</u>
Net Assets					
Unrestricted	\$641,325	\$1,743,288	\$1,339,490	\$258,060	\$3,982,163
<i>Total Net Assets</i>	<u>\$641,325</u>	<u>\$1,743,288</u>	<u>\$1,339,490</u>	<u>\$258,060</u>	<u>\$3,982,163</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2007*

	Business-Type Activities				Total Enterprise Funds
	Water	Electric	Sewer	Storm Sewer	
Operating Receipts					
Charges for Services	\$562,871	\$4,909,091	\$473,345	\$65,114	\$6,010,421
<i>Total Operating Receipts</i>	<u>562,871</u>	<u>4,909,091</u>	<u>473,345</u>	<u>65,114</u>	<u>6,010,421</u>
Operating Disbursements					
Personal Services	80,497	253,280	79,325	398	413,500
Fringe Benefits	29,360	104,989	29,452	73	163,874
Contractual Services	40,314	4,526,041	76,401	3,711	4,646,467
Materials and Supplies	31,483	24,240	18,311	3,293	77,327
Capital Outlay	51,508	306,871	166,807	180,235	705,421
Other	0	148	0	0	148
<i>Total Operating Disbursements</i>	<u>233,162</u>	<u>5,215,569</u>	<u>370,296</u>	<u>187,710</u>	<u>6,006,737</u>
<i>Operating Income (Loss)</i>	329,709	(306,478)	103,049	(122,596)	3,684
Non-Operating Receipts/(Disbursements)					
Proceeds from debt issuance	0	1,005,000	0	0	1,005,000
Interest revenue	0	0	0	0	0
Principal	(101,433)	(1,335,096)	(60,000)	0	(1,496,529)
Interest & Fiscal Charges	(101,800)	(95,710)	(13,383)	0	(210,893)
<i>Total Non-Operating Receipts/Disbursements</i>	<u>(203,233)</u>	<u>(425,806)</u>	<u>(73,383)</u>	<u>0</u>	<u>(702,422)</u>
<i>Income (Loss) before Transfers</i>	126,476	(732,284)	29,666	(122,596)	(698,738)
Transfers In	0	260,558	0	0	260,558
<i>Change in Net Assets</i>	126,476	(471,726)	29,666	(122,596)	(438,180)
<i>Net Assets Beginning of Year</i>	<u>514,849</u>	<u>2,215,014</u>	<u>1,309,824</u>	<u>380,656</u>	<u>4,420,343</u>
<i>Net Assets End of Year</i>	<u>\$641,325</u>	<u>\$1,743,288</u>	<u>\$1,339,490</u>	<u>\$258,060</u>	<u>\$3,982,163</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$114,231</u>
Net Assets	
Unrestricted	<u>\$114,231</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007**

NOTE 1: REPORTING ENTITY

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities nor to its enterprise funds. Following are the more significant of the Village's accounting policies.

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007**

type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Village's major governmental funds:

General Fund The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
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The other governmental funds of the Village are used to account for proceeds from specific sources (other than from trusts) such as Police, EMS or for the acquisition or construction of facilities, to include any maintenance on assets of the Village, other than those financed by proprietary funds.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds of the Village are classified as enterprise funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the Village's enterprise funds qualify as major funds and are as follows:

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

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

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

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to 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. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for mayor's court fines.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
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DECEMBER 31, 2007**

expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the object level for all funds. Advances out are not legally required to be appropriated.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years.

The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The Village has a segregated bank accounts for monies held separately from the Village's central bank account. These depository accounts are presented on the financial statements as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the Village treasury.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
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Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2007, the Village invested in nonnegotiable certificates of deposit, U.S. Treasury Bills, and a money market fund. The nonnegotiable certificates of deposit and the U.S. Treasury Bills are reported at cost. The Village's money market fund investment is recorded at the amount reported by First Merit at December 31, 2007.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$155,199, which includes \$149,157 assigned from other Village funds.

Restricted Assets

Cash and cash equivalents on investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributions, grantors, or laws of other governments, or imposed by law through constitutional provision or enabling legislation.

Capital Assets

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Note 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay disbursements are reported at inception. Lease payments are reported when paid.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007**

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include resources restricted for police, EMS and streets programs.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund and Police and Education fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$11,566 for the General fund and \$9,462 for the Police and Education fund.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007**

NOTE 4: ACCOUNTABILITY AND COMPLIANCE

Legal Compliance

Contrary to Section 5705.39, Ohio Revised Code, appropriations exceeded estimated fund resources by \$252,734 in the General Fund.

Contrary to Section 5705.41(B), Ohio Revised Code, expenditures and encumbrances exceeded authorized appropriations in the following funds: Street Construction by \$197,283 and General Obligation Bond by \$103,871.

Contrary to Section 135.21, Ohio Revised Code, interest earnings were distributed to the General Fund and the General Obligation Bond Fund only. Interest earnings should have also been distributed to the Street Construction Fund and State Highway Fund.

Contrary to Section 5705.36, Ohio Revised Code, the total amount from all sources available for expenditures from each fund was not filed with the County Auditor as required.

NOTE 5: EQUITY IN POOLED CASH

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
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DECEMBER 31, 2007**

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Village or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of Village cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited.

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Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Undeposited Cash At year-end, the Village had \$250 in undeposited cash on hand which is included as part of “equity in pooled cash and cash equivalents.”

Deposits At fiscal year end, the carrying amount of the Village's deposits was \$2,927,776 and the bank balance was \$2,977,517. Of the bank balance:

1. \$301,331 was covered by federal depository insurance; and
2. \$2,676,186 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

Investments

Investments are reported at fair value. As of December 31, 2007, the Village had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities Less than 1 Year</u>	<u>Percentage of Total Investment</u>
First American Treas Oblig - Money Market	\$203,000	\$203,000	11.32%
Overnight Repurchase Account	1,590,238	1,590,238	88.68%
Totals	<u>\$1,793,238</u>	<u>\$1,793,238</u>	<u>100.00%</u>

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The Village’s policy indicates that investments must mature within five years, unless matched to a specific obligation or debt of the Village. The Villages investments are summarized above.

Credit Risk – The Village’s investments are summarized above. The First American Treasurer Obligations money market account is rated AAA by Standard & Poor’s. The repurchase agreement is exempt from credit rating reporting.

Concentration of Credit Risk - The Village’s investment policy is to diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the entity’s total investment portfolio will be invested in a single security type or with a single financial institution. During the year, the Village’s investments were in overnight repurchase agreements and money markets.

NOTE 6: LONG TERM OBLIGATIONS

The summary that follows lists the outstanding long term obligations of the Village.

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A detail of long term obligations is as follows:

	<u>Balance</u> <u>1/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2007</u>
Governmental Activities				
Development Revenue Bonds, Series 2005A Interest Rate 5.1% Issued May 10, 2005 Ending May 25, 2025	\$1,375,725	\$0	(\$42,000)	\$1,333,725
Park Land Acreage Commercial loan 3.96% Issued January 8, 2007 Ending January 8, 2010	<u>0</u>	<u>56,000</u>	<u>0</u>	<u>56,000</u>
Total Governmental Activities	<u>1,375,725</u>	<u>56,000</u>	<u>(42,000)</u>	<u>1,389,725</u>
Business-Type Activities				
Ohio Water Development Authority - Water Interest Rate 7.66% Issued 1990 Due January 1, 2015	861,220	0	(81,965)	779,255
Ohio Water Development Authority - Water Interest Rate 7.51% Issued 1990 Due July 1, 2010	191,191	0	(49,924)	141,267
Development Revenue Bonds - Series 2005A Interest Rate 5.1% Issued May 10, 2005 Ending May 25, 2025	591,000	0	(18,000)	573,000
Ohio Public Works Commission - Waste Water Treatment Plant Interest Raga 0% Due January 1, 2020	<u>150,074</u>	<u>0</u>	<u>(11,544)</u>	<u>138,530</u>
Total Business-Type Activities	<u>1,793,485</u>	<u>0</u>	<u>(161,433)</u>	<u>1,632,052</u>
Total Primary Government	<u>\$3,169,210</u>	<u>\$56,000</u>	<u>(\$203,433)</u>	<u>\$3,021,777</u>

**VILLAGE OF SEVILLE
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On January 8, 2007, the Village entered into a loan agreement with First National Bank, for \$56,000 for the purchase of park land from Benjamin F. Wetter. Principal and interest will be paid in three equal payments of \$20,187, with the first payment is due on January 8, 2008 and the final payment due on January 8, 2010.

On May 10, 2005, the Village issued \$2,030,000 in Development Revenue Bonds, Series 2005A. The proceeds from these bonds are being used to provide a portion of the funds necessary to pay the costs of acquiring, constructing, renovation, improving, installing and equipping the Villages' administrative building and water filtration plant. The balance of funds needed to complete the estimated project costs will be provided by a State Issue II loan and locally contributed funds of the Village. The bonds were issued for a twenty-five year period with final maturity during fiscal 2025.

The Village incurred 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 a long term 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 \$150,074. The note payable is a 20 year non-interest bearing note with payments due semiannually.

The Village incurred a long term obligation with a bank to purchase park land. The loan has a three year maturity with payment due annually.

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

Governmental Activities

Year Ending December 31,	2005A Revenue Bonds		Commercial Loan		Total
	Principal	Interest	Principal	Interest	
2008	\$42,000	\$67,652	\$17,938	\$2,248	\$129,838
2009	43,167	65,510	18,654	1,532	128,863
2010	49,000	63,219	19,408	780	132,407
2011	49,000	60,720	0	0	109,720
2012	53,672	58,191	0	0	111,863
2013-2016	310,349	246,747	0	0	557,096
2017-2021	410,668	156,575	0	0	567,243
2022-2025	375,869	34,479	0	0	410,348
Totals	\$1,333,725	\$753,093	\$56,000	\$4,560	\$2,147,378

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Year Ending December 31,	Business-Type Activities								Total
	Ohio Water Department Authority Water		Series 2005A Revenue Bonds		Ohio Water Department Authority Sewer		Ohio Public Works Commission Sewer		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2008	\$88,244	\$59,691	\$18,000	\$28,994	\$53,673	\$10,609	\$11,544	\$0	\$270,755
2009	95,003	52,932	18,500	28,076	57,704	6,578	11,544	0	270,337
2010	102,281	45,654	21,000	27,094	29,890	2,251	11,544	0	239,714
2011	110,115	37,820	21,000	26,023	0	0	11,544	0	206,502
2012	118,550	29,385	23,003	24,939	0	0	11,544	0	207,421
2013-2016	265,062	30,806	133,007	105,749	0	0	57,721	0	592,345
2017-2021	0	0	176,000	67,104	0	0	23,089	0	266,193
2022-2025	0	0	162,490	14,777	0	0	0	0	177,267
Totals	<u>\$779,255</u>	<u>\$256,288</u>	<u>\$573,000</u>	<u>\$322,756</u>	<u>\$141,267</u>	<u>\$19,438</u>	<u>\$138,530</u>	<u>\$0</u>	<u>\$2,230,534</u>

NOTE 7: NOTE DEBT

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

The Municipal Electric note was originally issued in 1993 and may be renewed (most recently in 2004) to maintain the lowest possible interest rate. This loan may be converted to long term financing if interest rates fluctuate to a higher percentage. The administrator of the loan, American Municipal Power-Ohio (“AMP-Ohio”), advises them the amount to pay on principal so as the Village still meets the required debt covenant ratio. The note debt is required to be paid off in 2024.

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

	Balance 1/1/2007	Additions	Reductions	Balance 12/31/2007
.82% Municipal Electric	\$890,469	\$0	(\$35,096)	\$855,373
Bond Anticipation Notes 3.6%	1,300,000	0	(1,300,000)	0
Bond Anticipation Notes 2007	-	1,005,000	-	1,005,000
Total Notes Payable	<u>\$2,190,469</u>	<u>\$0</u>	<u>(\$1,335,096)</u>	<u>\$1,860,373</u>

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

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NOTE 8: *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. The assessed values of real and tangible property upon which 2007 property tax receipts were based are as follows:

	2007
	<u>Collections</u>
Agricultural/Residential and Other Real Estate	\$52,633,610
Public Utility Personal	402,300
Tangible Personal Property	<u>2,621,135</u>
Total Assessed Value	<u><u>\$55,657,045</u></u>

NOTE 9: *INCOME TAXES*

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

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MEDINA COUNTY, OHIO**

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NOTE 10: INTERFUND TRANSFERS AND ADVANCES

A. Interfund Transfers

During 2007 the following transfers were made:

<u>Transfer In</u>	<u>Transfer Out General Fund</u>
Police and Education	\$740,685
Other Governmental Funds	261,417
Electric Fund	<u>260,558</u>
Total	<u><u>\$1,262,660</u></u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

B. Interfund Advances

In a prior year, the General fund loaned the Village Property capital project fund \$20,000. Interfund loans are primarily the result of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of December 31, 2007, all interfund loans outstanding are anticipated to be repaid during 2008.

NOTE 11: 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 2007, PERS members contributed 9.5% of their gross salaries. The Village contributed an amount equal to 13.85% of participants' gross salaries. The Village required contributions for the fiscal year were \$110,252, 100% has been contributed for the fiscal year 2007.

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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 required contributions for the fiscal year were \$78,539, 100% has been contributed for the fiscal year 2007.

NOTE 12: RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

NOTE 13: JOINT VENTURE

OMEGA JV5

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M)

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DECEMBER 31, 2007**

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, 2007 Seville has met their debt coverage obligation.

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

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

The Village's net investment to date in OMEGA JV5 was \$73,386 at December 31, 2007. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

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MEDINA COUNTY, OHIO**

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

OMEGA JV2

The Village of Seville is a Non-Financing Participant and an Owner Participant with an ownership percentage of .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-Ohio and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participant's entitlement and

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

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4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$312,851 at December 31, 2007. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the Village's Auditor.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2007 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	0.79%	1,066	Custar	0.00%	4
	95.20%	127,640		4.80%	6,441
			Grand Total	100.00%	134,081

NOTE 14: SUBSEQUENT EVENTS

During January 2008, the Village retired the \$1,005,000 in bond anticipation notes issued during 2007. This was retired with the proceeds of the issuance of a new \$1,005,000 note.

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

Village of Seville
120 Royal Crest Drive
Seville, Ohio 44273

To Members of Council:

We have audited the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Village of Seville, Medina County, Ohio, (the Village), as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 23, 2008, wherein we noted the Village followed the cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash accounting basis such that there is more

Village of Seville, Medina County
Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements performed in
Accordance with *Government Auditing Standards*
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than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2007-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider item 2007-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying Schedule of Findings and Responses as items 2007-02 through 2007-06.

We noted certain matters that we reported to management of the Village in a separate letter dated December 23, 2008.

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

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

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

December 23, 2008

VILLAGE OF SEVILLE
MEDINA COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2007

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

Finding 2007-01 Significant Deficiency/Material Weakness

Financial Statement Presentation

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

Receipts and disbursements were not always posted properly. The Village made the following audit adjustments and reclassifications:

Homestead and rollback receipts of \$20,018 were recorded as property taxes rather than intergovernmental revenue in the General Fund.

Public utility property taxes of \$517 were recorded in the Police and Education Fund that should have been recorded in the General Fund.

Gas excise taxes of \$170,058 were recorded as Program Revenue—Operating Grants and should have been recorded as General Receipts—Grants and Entitlement receipts on the Statement of Activities.

Interest earnings of \$680 were posted as Fines, Licenses and Permits rather than Interest Income in the General Fund.

Hotel taxes of \$36,761 were receipted into the Streets Capital Project Fund rather than the General Fund.

The Debt Service Fund needs to reflect the balance of \$203,000 held by U.S. Bank as a reserve for future debt payments for the 2005 Development Revenue Bonds. During 2007, the Village made debt services payments of \$51,601 from the Debt Service Fund but did not transfer in any funds to cover the payments. This resulted in lowering the fund balance below the \$203,000 maintained in the reserve account. The money to make the payments would come from General Fund by a transfer.

Interest payments of \$1,479 were recorded as Capital Outlay rather than Interest and Fiscal Charges in the Village Property Fund.

Interest earnings of \$316 and \$3,160 were not posted to the Street Construction Fund and State Highway Fund respectively.

VILLAGE OF SEVILLE
MEDINA COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2007

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

Interest earning of \$25,269 were presented as Program Revenue rather than General Revenue on the Statement of Activities.

Interest earnings of \$12,693 from the 2005 Development Revenue Bond reserves was booked twice by the Village and recorded as an interest and fiscal charges expenditure in preparing the financial statements.

We recommend the Village's Clerk/Treasurer take steps to ensure the accurate posting of all transactions to the accounting system. Cash receipts and disbursement should be posted in accordance with procedures and posting guidelines established in the Village Officer's Handbook and Auditor of State Bulletins. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

Officials Response:

A Debt Service Fund has been established and will maintain a balance of \$203,000. Interest will be allocated properly.

Finding 2007-02 Noncompliance

Section 5705.39, Revised Code, requires that total appropriations from each fund not exceed total estimated fund resources from each fund.

Appropriations exceeded total estimated resources as follows:

Fund	As of December 31, 2007
General Fund	\$252,734

Officials Response:

Future appropriations will not exceed estimated resources.

VILLAGE OF SEVILLE
 MEDINA COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 DECEMBER 31, 2007

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

Finding 2007-03 Noncompliance

Section 5705.41(B), Revised Code, states that no subdivision is to expend money unless it has been appropriated. The following funds had expenditures and encumbrances greater than authorized appropriations by the following amounts:

Fund	As of December 31, 2007
Street Construction	\$197,283
General Obligation Bond	\$103,871

In addition, appropriations posted to the Village’s appropriation ledger did not agree to the Village’s actual annual appropriation measure and amendments. The Clerk/Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations to avoid overspending and ensure appropriations authorized are posted accurately and timely.

Officials Response:

Future expenditures will not exceed appropriations and appropriations posted in the ledger will agree with the annual appropriation measure and amendments.

Finding 2007-04 Noncompliance

Section 135.21, Revised Code, states in part, that all investment earnings shall be credited to the General Fund of the subdivision with the following exception:

Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

The Clerk/Treasurer distributed interest earnings to the General Fund and the General Obligation Bond Fund only. Interest should be distributed to the Street Construction and State Highway Funds also. The Village made the following adjustments to correct the interest allocation:

Fund	
Street Construction	\$316
State Highway	\$3,160

Officials Response:

Future interest earnings will be distributed properly.

VILLAGE OF SEVILLE
MEDINA COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2007

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

Finding 2007-05 Noncompliance

Section 5705.36, Revised Code, states in part, that on or about the first day of each fiscal year, the fiscal officers of subdivisions are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

The Clerk/Treasurer did not file the required reports for 2007 with the County Auditor. We recommend that the Clerk/Treasurer file these reports in the future so that an accurate amended certificate of estimated resources can be obtained for the Village in a timely manner.

Officials Response:

The required reports have been filed for 2009.

Finding 2007-06 Noncompliance

Resolution No. 2000-17, indicates that the Village will transfer from the General Fund to the Electric Fund all Kilowatt-hour taxes collected on and after May 2001.

For 2007, the Village has not transferred \$82,585 from the General Fund to the Electric Fund.

We recommend the Village follow Resolution No. 2000-17 and transfer the necessary funds. Should the Village decide not to transfer the funds, then a resolution should be passed to amend or rescind Resolution 2000-17.

Officials Response:

Of the \$82,585 that should have been transferred in 2007, \$62,951 was transferred in 2008. This was done in four installments throughout 2008. The remaining balance of \$19,634 was transferred in February 2009.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain
2006-01	Restatement of beginning fund balance and audit adjustments	No	Partially Corrected
2006-02	ORC Section 5705.39 appropriations not to exceed estimated resources.	No	Not Corrected, reissued as Finding 2007-02
2006-03	ORC Section 5705.41(B) expenditures exceeding appropriations.	No	Not Corrected, reissued as Finding 2007-03
2006-04	ORC Section 135.21 interest income to be distributed to proper funds.	No	Not Corrected, reissued as Finding 2007-04
2006-05	ORC Section 5705.36 filing certificate of sources available	No	Not Corrected, reissued as Finding 2007-05



Mary Taylor, CPA
Auditor of State

VILLAGE OF SEVILLE

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 12, 2009**