



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF SEVILLE
MEDINA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Seville, Medina County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Seville, Medina County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

May 14, 2019

Village of Seville, Ohio
Medina County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$261,178	\$113,822			\$375,000
Municipal Income Tax	1,004,075				1,004,075
Intergovernmental	82,568	284,081		\$39,660	406,309
Special Assessments		7,009			7,009
Fines, Licenses and Permits	12,015				12,015
Earnings on Investments	4,114	1,415	\$3,978		9,507
Miscellaneous	324,993	24,125			349,118
<i>Total Cash Receipts</i>	<u>1,688,943</u>	<u>430,452</u>	<u>3,978</u>	<u>39,660</u>	<u>2,163,033</u>
Cash Disbursements					
Current:					
Security of Persons and Property		715,071			715,071
Public Health Services	1,475				1,475
Leisure Time Activities	116,570	4,018			120,588
Community Environment	12,751	11,660			24,411
Transportation		484,049			484,049
General Government	333,029				333,029
Capital Outlay		484,365		41,309	525,674
Debt Service:					
Principal Retirement		1,301	84,000		85,301
Interest and Fiscal Charges			34,046		34,046
<i>Total Cash Disbursements</i>	<u>463,825</u>	<u>1,700,464</u>	<u>118,046</u>	<u>41,309</u>	<u>2,323,644</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,225,118</u>	<u>(1,270,012)</u>	<u>(114,068)</u>	<u>(1,649)</u>	<u>(160,611)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds		480,016			480,016
Debt Issuance Costs		(10,179)			(10,179)
Transfers In		817,923	118,046	34,912	970,881
Transfers Out	(1,278,399)				(1,278,399)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,278,399)</u>	<u>1,287,760</u>	<u>118,046</u>	<u>34,912</u>	<u>162,319</u>
<i>Net Change in Fund Cash Balances</i>	(53,281)	17,748	3,978	33,263	1,708
<i>Fund Cash Balances, January 1</i>	<u>977,938</u>	<u>188,326</u>	<u>131,500</u>	<u>562,138</u>	<u>1,859,902</u>
Fund Cash Balances, December 31					
Nonspendable	7,476				7,476
Restricted		206,074	135,478	335,126	676,678
Committed	9,750			260,275	270,025
Assigned	410,347				410,347
Unassigned	497,084				497,084
<i>Fund Cash Balances, December 31</i>	<u>\$924,657</u>	<u>\$206,074</u>	<u>\$135,478</u>	<u>\$595,401</u>	<u>\$1,861,610</u>

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

Village of Seville, Ohio
Medina County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$8,461,854		\$8,461,854
Operating Cash Disbursements			
Personal Services	709,048		709,048
Employee Fringe Benefits	309,391		309,391
Contractual Services	6,754,566		6,754,566
Supplies and Materials	110,019		110,019
Other	290	\$23,100	23,390
<i>Total Operating Cash Disbursements</i>	<u>7,883,314</u>	<u>23,100</u>	<u>7,906,414</u>
<i>Operating Income (Loss)</i>	<u>578,540</u>	<u>(23,100)</u>	<u>555,440</u>
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	1,453,769		1,453,769
Debt Issuance Costs	(30,826)		(30,826)
Miscellaneous Receipts		27,175	27,175
Capital Outlay	(1,961,933)		(1,961,933)
Principal Retirement	(197,230)		(197,230)
Interest and Other Fiscal Charges	(35,062)		(35,062)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(771,282)</u>	<u>27,175</u>	<u>(744,107)</u>
<i>Income (Loss) before Transfers</i>	<u>(192,742)</u>	<u>4,075</u>	<u>(188,667)</u>
Transfers In	<u>307,518</u>		<u>307,518</u>
<i>Net Change in Fund Cash Balances</i>	<u>114,776</u>	<u>4,075</u>	<u>118,851</u>
<i>Fund Cash Balances, January 1</i>	<u>6,121,753</u>	<u>136,932</u>	<u>6,258,685</u>
<i>Fund Cash Balances, December 31</i>	<u>\$6,236,529</u>	<u>\$141,007</u>	<u>\$6,377,536</u>

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 - Reporting Entity

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in two jointly governed organizations and a public entity risk pool. Notes 6 and 10 to the financial statements provides additional information for these entities.

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

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Police Levy Fund The police levy fund accounts for and reports property tax revenue for police department operations and training.

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Street Capital Projects Fund The street capital projects fund accounts for and reports major permanent street repairs and major capital purchases of street equipment.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund The electric fund accounts for the provision of electric services to the residents and commercial users within the Village

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for mayor's court fines and fees and utility deposits.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,655,397	\$1,688,943	\$33,546
Special Revenue	1,351,833	1,728,391	376,558
Debt Service	120,010	122,024	2,014
Capital Projects	69,100	74,572	5,472
Enterprise	8,176,474	9,915,623	1,739,149
Total	\$11,372,814	\$13,529,553	\$2,156,739

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,102,598	\$1,742,224	\$360,374
Special Revenue	1,998,037	1,710,643	287,394
Debt Service	120,000	118,046	1,954
Capital Projects	614,850	41,309	573,541
Enterprise	11,024,097	10,108,365	915,732
Total	\$15,859,582	\$13,720,587	\$2,138,995

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 4 – Deposits and Investments

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

	<u>2017</u>
Demand deposits	\$8,103,668
Investments:	
Summit County Port Authority Bonds	<u>135,478</u>
Total deposits and investments	<u><u>\$8,239,146</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity risk pool.

Investments

The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name. A financial institution's trust department holds the Village's investment in the Summit County Port Authority Bonds in book entry form in the Village's name.

Note 5 – Taxes

Property Taxes

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

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

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

Income Taxes

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 6 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$34,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2017 Contributions to PEP
\$ 54,527

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 6 - Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 14%, of their gross salaries and the Village contributed an amount equaling 10%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Several Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC Loan (CJ143J)	\$13,011	0%
OPWC Loan (C118H0)	183,560	0%
OPWC Loan (C148B)	23,088	0%
Development Revenue Bonds	1,125,000	5.1%
OPWC - EQ Basin (C1320)	526,664	0%
OWDA - EQ Basin (6183)	740,630	2.0%
Total	\$2,611,953	

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

The Ohio Public Works Commission (OPWC) Loan #C118H relates to a \$386,442 water treatment plant upgrade project. The loan payments have been made in semi-annual installments since January 1, 2008. The semi-annual payments total \$19,322 and will be fully retired on July 1, 2027. The loan will be paid from the Water Operating Fund.

The Ohio Public Works Commission (OPWC) Loan #C148B relates to a \$230,882 waste water treatment improvement project. The loan payments have been made in semi-annual installments since July 1, 2000. The semi-annual payments total \$11,544 and will be fully retired on January 1, 2020. The loan will be paid from the Sewer Operating Fund.

The Development Revenue Bonds relate to a series of bonds issued by the Summit County Port Authority in the amount of \$2,030,000 which the Village utilized for Town Hall renovations and upgrades to a water filtration plant. The bond payments have been made in annual installments since May 15, 2006. The bonds were refunded during 2016 in the amount of \$1,315,000. The annual payments including interest range from approximately \$82,992 to \$169,657. The bonds will be fully retired on October 15, 2024. The bonds will be paid from the General Obligation Bond Retirement Fund and the Water Operating Fund.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9 – Debt (Continued)

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

The Ohio Water Development Authority (OWDA) EQ Basin Loan #6183 relates to a \$942,703 water facility construction project. The loan payments have been made in semi-annual installments beginning July 1, 2013. The semi-annual payments including interest total \$57,312 and will be fully retired on January 1, 2033. The loan will be paid from the Sewer Operating Fund.

Amortization

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

Year Ending December 31:	OPWC Loans	OWDA Loan	Development Revenue Bonds
2018	\$51,673	\$57,312	\$169,657
2019	51,673	57,312	166,923
2020	45,901	57,312	167,383
2021	40,129	57,312	165,757
2022	40,129	57,312	168,803
2023-2027	200,647	286,561	310,205
2028-2032	97,530	286,561	
2033-2037	97,530	28,656	
2038-2042	97,530		
2043-2045	48,765		
Total	\$771,507	\$888,338	\$1,148,728

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9 – Debt (Continued)

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014 the Village has made payments of \$78,445 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$7,920 and interest expense incurred on AMP's line-of-credit of \$10,884, resulting in a net impaired cost estimate at December 31, 2016 of \$194,712. The Village does have a potential PHFU Liability of \$146,552 resulting in a net total potential liability of \$341,264, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next 12 years through a power cost adjustment.

Note 10 – Joint Ventures

OMEGA JV2

The Village of Seville is a Non-Financing Participant and an Owner Participant with an ownership percentage of 0.79% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions or OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081 MW is the participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 10 – Joint Ventures (Continued)

As of December 31, 2017, the outstanding debt was \$188,606. The Village's net investment in OMEGA JV2 was \$80,345 at December 31, 2017. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2017 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	95.20%	127,640		4.80%	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

OMEGA JV5

The Village of Seville is a Financing Participant with an ownership percentage of 0.82%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 10 – Joint Ventures (Continued)

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (“Certificates”) from the revenue of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant’s system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2017, the Village has met their debt obligation.

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

OMEGA JV5 is managed by AMP, which acts as the joint venture’s agent. During 1993 and 2001, AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP’s revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 19, 2016, OMEGA JV5 issued \$49,745,000 Beneficial Interest Refunding Certificates, Series 2015 (“2016 Certificates”) to refund the promissory note to AMP. The outstanding amount of the promissory note had been reduced to \$49,243,377 at the time of refunding. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village’s net investment to date in OMEGA JV5 was \$24,501 at December 31, 2017. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor’s website at www.ohioauditor.gov.

Note 11 – AMP Revenue Coverage

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 10. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village’s Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 11 – AMP Revenue Coverage (Continued)

	<u>2017</u>
Total Fund Cash Balance	\$4,131,869
Total Long-Term Debt	\$598,248
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	7,526,357
Operating Expenses	
Personal Services	436,801
Employee Fringe Benefits	191,335
Contractual Services	6,624,976
Supplies and Materials	32,876
Other	<u>289</u>
Total Operating Expenses	7,286,277
Operating Income (Loss)	240,080
Nonoperating Receipts (Disbursements)	
Principal Payments	(68,835)
Interest Payments	(5,181)
Other Nonoperating Receipts (Disbursements)	(242,281)
Transfers	<u>307,518</u>
Change in Fund Cash Balance	231,301
Beginning Fund Cash Balance	<u>3,900,568</u>
Ending Fund Cash Balance	<u><u>\$4,131,869</u></u>
 Condensed Cash Flows Information:	
	<u>2017</u>
Net Cash Provided (Used) by:	
Operating Activities	\$240,080
Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(68,835)
Interest Payments on Capital and Related Debt	(5,181)
Other Capital and Related Financing Activities	<u>65,237</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(8,779)
Net Increase (Decrease)	231,301
Beginning Fund Cash Balance	<u>3,900,568</u>
Ending Fund Cash Balance	<u><u>\$4,131,869</u></u>

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Village of Seville, Ohio
Medina County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$248,710	\$107,888			\$356,598
Municipal Income Tax	922,259				922,259
Intergovernmental	81,709	288,790		\$41,455	411,954
Special Assessments		6,203			6,203
Fines, Licenses and Permits	8,775				8,775
Earnings on Investments	4,252	1,851	\$7		6,110
Miscellaneous	304,882	19,909		627	325,418
<i>Total Cash Receipts</i>	<u>1,570,587</u>	<u>424,641</u>	<u>7</u>	<u>42,082</u>	<u>2,037,317</u>
Cash Disbursements					
Current:					
Security of Persons and Property		606,492			606,492
Public Health Services	1,461				1,461
Leisure Time Activities	193,094	32,113			225,207
Community Environment	11,686	11,295			22,981
Transportation		312,553			312,553
General Government	355,736				355,736
Capital Outlay		223,773		98,631	322,404
Debt Service:					
Principal Retirement		1,301	80,500		81,801
Interest and Fiscal Charges			35,404		35,404
<i>Total Cash Disbursements</i>	<u>561,977</u>	<u>1,187,527</u>	<u>115,904</u>	<u>98,631</u>	<u>1,964,039</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,008,610</u>	<u>(762,886)</u>	<u>(115,897)</u>	<u>(56,549)</u>	<u>73,278</u>
Other Financing Receipts (Disbursements)					
Sale of Refunding Bonds			1,315,000		1,315,000
Payment to Refunded Bond Escrow Agent			(1,307,451)		(1,307,451)
Premium and Accrued Interest on Debt			25,926		25,926
Debt Issuance Costs			(104,983)		(104,983)
Transfers In		690,725	115,904	277,531	1,084,160
Transfers Out	(1,367,087)				(1,367,087)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,367,087)</u>	<u>690,725</u>	<u>44,396</u>	<u>277,531</u>	<u>(354,435)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(358,477)</u>	<u>(72,161)</u>	<u>(71,501)</u>	<u>220,982</u>	<u>(281,157)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,336,415</u>	<u>260,487</u>	<u>203,001</u>	<u>341,156</u>	<u>2,141,059</u>
Fund Cash Balances, December 31					
Nonspendable	3,619				3,619
Restricted		188,326	131,500	294,554	614,380
Committed	9,433			267,584	277,017
Assigned	435,079				435,079
Unassigned	529,807				529,807
<i>Fund Cash Balances, December 31</i>	<u>\$977,938</u>	<u>\$188,326</u>	<u>\$131,500</u>	<u>\$562,138</u>	<u>\$1,859,902</u>

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

Village of Seville, Ohio
Medina County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$7,453,380		\$7,453,380
Operating Cash Disbursements			
Personal Services	640,191		640,191
Employee Fringe Benefits	253,618		253,618
Contractual Services	5,942,250		5,942,250
Supplies and Materials	87,762		87,762
Other	19	\$23,850	23,869
<i>Total Operating Cash Disbursements</i>	<u>6,923,840</u>	<u>23,850</u>	<u>6,947,690</u>
<i>Operating Income (Loss)</i>	<u>529,540</u>	<u>(23,850)</u>	<u>505,690</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts		21,406	21,406
Capital Outlay	(868,075)		(868,075)
Principal Retirement	(193,814)		(193,814)
Interest and Other Fiscal Charges	(36,381)		(36,381)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,098,270)</u>	<u>21,406</u>	<u>(1,076,864)</u>
<i>Income (Loss) before Transfers</i>	<u>(568,730)</u>	<u>(2,444)</u>	<u>(571,174)</u>
Transfers In	<u>282,927</u>		<u>282,927</u>
<i>Net Change in Fund Cash Balances</i>	<u>(285,803)</u>	<u>(2,444)</u>	<u>(288,247)</u>
<i>Fund Cash Balances, January 1</i>	<u>6,407,556</u>	<u>139,376</u>	<u>6,546,932</u>
<i>Fund Cash Balances, December 31</i>	<u>\$6,121,753</u>	<u>\$136,932</u>	<u>\$6,258,685</u>

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 - Reporting Entity

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in two jointly governed organizations, and a public entity risk pool. Notes 6 and 10 to the financial statements provides additional information for these entities.

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

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Police Levy Fund The police levy fund accounts for and reports property tax revenue for police department operations and training.

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Street Capital Projects Fund The street capital projects fund accounts for and reports major permanent street repairs and major capital purchases of street equipment.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund The electric fund accounts for the provision of electric services to the residents and commercial users within the Village

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for mayor's court fines and fees and utility deposits.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,563,000	\$1,570,587	\$7,587
Special Revenue	287,925	1,115,366	827,441
Debt Service	20	1,456,837	1,456,817
Capital Projects	35,100	319,613	284,513
Enterprise	3,809,883	7,736,307	3,926,424
Total	\$5,695,928	\$12,198,710	\$6,502,782

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,448,280	\$1,929,064	\$519,216
Special Revenue	1,484,241	1,187,527	296,714
Debt Service	117,000	1,528,338	(1,411,338)
Capital Projects	616,850	98,631	518,219
Enterprise	9,204,015	8,022,110	1,181,905
Total	\$13,870,386	\$12,765,670	\$1,104,716

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 4 – Deposits and Investments

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

	<u>2016</u>
Demand deposits	\$7,987,087
Investments:	
Summit County Port Authority Bonds	<u>131,500</u>
Total deposits and investments	<u>\$8,118,587</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Investments

The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name. A financial institution's trust department holds the Village's investment in the Summit County Port Authority Bonds in book entry form in the Village's name.

Note 5 – Taxes

Property Taxes

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

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

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

Income Taxes

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 6 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$34,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2016 Contributions to PEP
\$ 53,836

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 6 - Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

Several Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OPWC Loan (CI43J)	\$14,312	0%
OPWC Loan (CI18H)	202,882	0%
OPWC Loan (CI48B)	34,632	0%
Development Revenue Bonds	1,245,000	5.1%
OPWC - EQ Basin (CI320)	546,170	0%
OWDA - EQ Basin (6183)	782,653	2.0%
Total	\$2,825,649	

The Ohio Public Works Commission (OPWC) Loan #CI43J relates to a \$26,021 general street reconstruction project. The loan payments have been made in semi-annual installments since July 1, 2008. The semi-annual payments total \$650, and will be fully retired on January 1, 2028.

The Ohio Public Works Commission (OPWC) Loan #CI18H relates to a \$386,442 water treatment plant upgrade project. The loan payments have been made in semi-annual installments since January 1, 2008. The semi-annual payments total \$19,322 and will be fully retired on July 1, 2027. The loan will be paid from the Water Operating Fund.

The Ohio Public Works Commission (OPWC) Loan #CI48B relates to a \$230,882 waste water treatment improvement project. The loan payments have been made in semi-annual installments since July 1, 2000. The semi-annual payments total \$11,544 and will be fully retired on January 1, 2020. The loan will be paid from the Sewer Operating Fund.

The Development Revenue Bonds relate to a series of bonds issued by the Summit County Port Authority in the amount of \$2,030,000 which the Village utilized for Town Hall renovations and upgrades to a water filtration plant. The bond payments have been made in annual installments since May 15, 2006. The bonds were refunded during 2016 in the amount of \$1,315,000. The annual payments including interest range from approximately \$82,992 to \$169,657. The bonds will be fully retired on October 15, 2024. The bonds will be paid from the General Obligation Bond Retirement Fund, and the Water Operating Fund.

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

The Ohio Water Development Authority (OWDA) EQ Basin Loan #6183 relates to a \$942,703 water facility construction project. The loan payments have been made in semi-annual installments beginning July 1, 2013. The semi-annual payments including interest total \$57,312 and will be fully retired on January 1, 2033. The loan will be paid from the Sewer Operating Fund.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 9 – Debt (Continued)

Amortization

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

Year Ending December 31:	OPWC Loans	OWDA Loan	Development Revenue Bonds
2017	\$51,673	\$57,312	\$168,637
2018	51,673	57,312	169,657
2019	51,673	57,312	166,923
2020	45,901	57,312	167,383
2021	40,129	57,312	165,757
2022-2026	200,646	286,561	479,008
2027-2031	118,154	286,561	
2032-2036	97,530	85,968	
2037-2041	97,530		
2042-2045	68,271		
Total	<u>\$823,180</u>	<u>\$945,650</u>	<u>\$1,317,365</u>

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

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 9 – Debt (Continued)

Since March 31, 2014 the Village has made payments of \$60,229 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$6,704 and interest expense incurred on AMP's line-of-credit of \$6,988, resulting in a net impaired cost estimate at December 31, 2016 of \$226,779. The Village does have a potential PHFU Liability of \$155,491 resulting in a net total potential liability of \$382,270, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next 13 years through a power cost adjustment.

Note 10 – Joint Ventures

OMEGA JV2

The Village of Seville is a Non-Financing Participant and an Owner Participant with an ownership percentage of 0.79% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions or OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081 MW is the participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2016, the outstanding debt was \$4,142,633. The Village's net investment in OMEGA JV2 was \$106,519 at December 31, 2016. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 10 – Joint Ventures (Continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2016 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	95.20%	127,640		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

OMEGA JV5

The Village of Seville is a Financing Participant with an ownership percentage of 0.82%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 10 – Joint Ventures (Continued)

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (“Certificates”) from the revenue of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant’s system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016, the Village has met their debt obligation.

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

OMEGA JV5 is managed by AMP, which acts as the joint venture’s agent. During 1993 and 2001, AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP’s revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 19, 2016, OMEGA JV5 issued \$49,745,000 Beneficial Interest Refunding Certificates, Series 2015 (“2016 Certificates”) to refund the promissory note to AMP. The outstanding amount of the promissory note had been reduced to \$49,243,377 at the time of refunding. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village’s net investment to date in OMEGA JV5 was \$24,501 at December 31, 2016. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor’s website at www.ohioauditor.gov.

Note 11 – AMP Revenue Coverage

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 10. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village’s Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 11 – AMP Revenue Coverage (Continued)

	2016
Total Fund Cash Balance	\$3,900,568
Total Long-Term Debt	\$632,296
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	6,585,604
Operating Expenses	
Personal Services	404,378
Employee Fringe Benefits	160,554
Contractual Services	5,835,773
Supplies and Materials	28,579
Total Operating Expenses	6,429,284
Operating Income (Loss)	156,320
Nonoperating Receipts (Disbursements)	
Principal Payments	(67,739)
Interest Payments	(5,099)
Other Nonoperating Receipts (Disbursements)	(511,111)
Transfers	282,927
Change in Fund Cash Balance	(144,702)
Beginning Fund Cash Balance	4,045,270
Ending Fund Cash Balance	\$3,900,568
 Condensed Cash Flows Information:	
Net Cash Provided (Used) by:	
Operating Activities	\$156,320
Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(67,739)
Interest Payments on Capital and Related Debt	(5,099)
Other Capital and Related Financing Activities	(228,184)
Net Cash Provided (Used) by Capital and Related Financing Activities	(301,022)
Net Increase (Decrease)	(144,702)
Beginning Fund Cash Balance	4,045,270
Ending Fund Cash Balance	\$3,900,568

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OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Seville, Medina County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated May 14, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider findings 2017-002 through 2017-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as findings 2017-001 through 2017-003.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

May 14, 2019

**VILLAGE OF SEVILLE
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance Finding

Finding for Recovery – Resolved Under Audit – Severance Payment

The Village of Seville's Employee Handbook: Termination of Employment Policy provides employees desiring to terminate their employment relationship with the Village are urged to notify the Village at least two weeks in advance of their intended termination. Notice shall be given in writing to the Department Supervisor. Unused sick leave time accumulated as set forth in the sick leave section of the employee handbook will only be paid upon retirement from the Village, upon proper notice as is set forth in the handbook. Unused personal leave will not be paid upon termination of employment for any reason. Unused vacation time accumulated as set forth in the handbook will not be paid upon layoff or involuntary termination of employment with the Village. Retirement from the Village is defined as application for and receipt of OPERS retirement and/or disability benefits.

In 2016, the Village paid Michael A. Behary for two weeks' severance pay to which he was not entitled, resulting in an overpayment of \$1,770. The payment was not in accordance with the Village's Termination of Employment policy, and was not formally approved by Council.

In accordance with the above facts, and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public money illegally expended is hereby issued against Michael A. Behary in the amount of \$1,770 and in favor of the Village of Seville's Electric Fund.

At the March 11, 2019 Council meeting, the Council retroactively authorized the exception to the Village's Termination of Employment Policy and approved severance pay in the sum of \$1,770 to Michael A. Behary. Therefore, we consider this finding resolved under audit.

The Village should implement procedures to ensure terminated employees are compensated in accordance with Village policy.

Officials' Response: An ordinance was passed in 2019 correcting the finding.

FINDING NUMBER 2017-002

Noncompliance Finding / Material Weakness

Finding for Recovery – Resolved Under Audit – Vacation Payout

The Village of Seville's Employee Handbook: Vacation Policy stipulates in the event available vacation time is not used prior to the employee's anniversary date, with approval of their department supervisor, employees may carry over up to one week of unused vacation time for a period not to exceed three months from the employee's anniversary date. Additionally, **The Village of Seville's Employee Handbook: Termination of Employment Policy** provides employees desiring to terminate their employment relationship with the Village are urged to notify the Village at least two weeks in advance of their intended termination. Notice shall be given in writing to the Department Supervisor. Unused vacation time accumulated as set forth in the handbook will only be paid upon retirement and an employee's voluntary termination of employment, upon proper notice as set forth above.

In 2017, the Village paid Earl A. Fockler \$3,799 for 134 vacation hours, which exceeded the allowed carryover per the Employee Handbook.

In accordance with the above facts, and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public money illegally expended is hereby issued against Earl A. Fockler in the amount of \$3,799, and in favor of the Village of Seville's Policy Levy Fund.

At the March 11, 2019 Council meeting, the Council retroactively authorized the exception to the Termination of Employment Policy and Vacation Policy contained in the Village of Seville Employee Handbook and approved the vacation pay in the sum of \$3,799 to Earl A. Fockler. Therefore, we consider this finding resolved under audit.

The Village should implement procedures to ensure terminated employees are compensated in accordance with Village policy, and vacation accrual is recorded in accordance with Village policy.

Officials' Response: An ordinance was passed in 2019 correcting the finding.

FINDING NUMBER 2017-003

Noncompliance Finding / Material Weakness - Ohio Water Development Authority Loan

Ohio Rev. Code § 5705.42 requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. **Ohio Rev. Code § 5705.39** requires total appropriations from each fund to not exceed total estimated fund resources from each fund. The proper accounting treatment for these on-behalf-of expenditures is to record the expenditure in the fund(s) accounting for the project that will be repaying the loan and to record a corresponding receipt of loan proceeds in the same fund(s). The certificate of estimated resources should be amended to reflect the loan proceeds and both appropriations and estimated resources should also be updated in the accounting system.

In 2017, the Village received a loan from the Ohio Water Development Authority (OWDA) in the amount of \$3,080,682. As of December 31, 2017, OWDA disbursed payments directly to the vendor on the Village's behalf totaling \$1,933,785. The loan is being repaid from the State Highway Fund, Water Fund, Sewer Fund, and the Storm Sewer Fund based the Engineer's estimates of related costs.

FINDING NUMBER 2017-003 (Continued)

The 2017 financial statements were adjusted for the following items related to this loan:

- In the Special Revenue Funds opinion unit, special assessment revenue and intergovernmental revenue were overstated by \$399,548 and \$22,119, respectively; loan proceeds were understated by \$480,016; capital outlay disbursements and debt issuance costs were understated by \$70,289 and \$10,179, respectively; and transportation disbursements were overstated by \$22,119.
- In the Enterprise Funds opinion unit, charges for services revenue was overstated by \$67,003; loan proceeds were understated by \$1,453,765; and capital outlay disbursements and debt issuance costs were understated by \$1,355,940 and \$30,826, respectively.

Additionally, the Village did not update appropriations in their accounting system or obtain an amended certificate of estimated resources for this project. As a result, appropriations for the Water Fund exceeded estimated resources by \$629,335.

All payments made on behalf-of the Village by other agencies should be recorded by the Village, with a corresponding receipt and/or other financing source.

Officials' Response: The Village acknowledges the finding and is working to correct it.

FINDING NUMBER 2017-004

Material Weakness - Bank Reconciliations

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash balance. Bank reconciliation means accounting for the differences between the bank statements' balances and the cash and investment balances according to the entity's records at a specific point in time. Effective internal controls to help prevent financial statement misstatements, and detect, prevent, and mitigate fraud include also adequate segregation of duties. Segregation of duties means the same person should not be performing the record keeping, authorization, asset custody, and reconciliation functions within each accounting cycle. When duties cannot be segregated within each accounting cycle, compensating controls, such as using an individual outside of the accounting function to perform non-technical duties, should be utilized. In addition, a necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash balance each month. This reconciliation should be presented to Village Council for review and approval, allowing for knowledge of business transactions and the financial position by the governing Council.

The Fiscal Officer has the authority to open bank accounts, initiate requests for and authorize access to on-line banking, is an authorized signatory on bank accounts, initiates investment activities, initiates transfers to/from bank accounts, posts investment activities to the accounting system, reconciles investment and bank accounts to the accounting system, and maintains investments. Monthly bank reconciliations are available for Council review; however, Council does not perform a detailed review of the reconciliations, and does not formally approve reconciliations.

FINDING NUMBER 2017-004 (Continued)

The Village refunded debt during 2016; however the activity related to the refunding was not recorded in the accounting system. In the Debt Service Funds opinion unit, receipts for sale of refunding bonds and premium on debt were understated by \$1,315,000 and \$25,926, respectively, and payments to refunded bond escrow agent and bond issuance costs were understated by \$1,307,443 and \$104,983, respectively. As a result, the cash fund balance in the Debt Service Funds opinion unit was overstated by \$71,500 and primary bond reserve account related to the refunding was not reconciled during 2016 or 2017. In addition, the Village did not record \$3,978 of interest receipts received in this account during 2017. These items were adjusted to the financial statements by management and the related fund balances were adjusted in the accounting system.

Failure to implement effective internal controls for segregation of duties, and complete monthly bank reconciliations may result in inability to timely detect errors and omissions, erroneous financial decisions, or loss of Village assets.

The Village should assign a Council Member complete a detailed review of the monthly bank reconciliation to ensure its accuracy. In addition, the monthly bank reconciliations should be completed, provided to all Council members, and formally approved at monthly Council meetings.

Officials' Response: The Village acknowledges the finding and is working to correct it.

FINDING NUMBER 2017-005

Material Weakness - Fund Balance and Fund Type Classification

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board Statement (GASB) No. 54 provides revised governmental fund-type and fund balance definitions. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. A government should discontinue reporting a special revenue fund if the resources in the fund are not restricted or committed for a specific purpose, and instead, should report the activity of the fund in the General Fund. **Auditor of State Bulletin 2011- 004** provides additional guidance regarding the implementation of GASB 54, and indicates GASB 54 changes the definitions of governmental funds; therefore, some funds that are maintained for day-today accounting purposes may no longer meet the fund type criteria for reporting in the year-end external financial statements. These funds should be presented as part of the General Fund in the year-end financial statements.

The General Fund should also report assigned fund balances for any encumbrances outstanding at fiscal year-end, as well as amounts assigned from subsequent year appropriations, which would be equal to amount of subsequent year's appropriations that exceed the subsequent year's estimated receipts. The residual amount of any fund balance in the General Fund should be classified as unassigned fund balance.

Additionally, agency funds account for activity that is purely custodial in nature, held on-behalf-of another entity or entities, and remitted at a later time.

FINDING NUMBER 2017-005 (Continued)

The following deficiencies were noted relating to fund type and balance classification and adjusted to the financial statements by management:

- In 2017 and 2016, the New Park Improvement Fund and the Leohr Park Tree Fund which do not have specific revenue sources or external restrictions or internal commitments were reported as Special Revenue Funds; however, per the fund definitions in GASB 54, the activity should have been reported in the General Fund for financial reporting purposes. For 2017, the result was an overstatement of transfers equal to \$497, community environment disbursements of \$180, and cash fund balance of \$317 in the Special Revenue Funds opinion unit and corresponding understatements in the same accounts in the General Fund. For 2016, the result was an overstatement of transfers in equal to \$83,800, transportation disbursements of \$74,297, community environment disbursements of \$70, and cash fund balance of \$9,433 in the Special Revenue Funds opinion unit and corresponding understatements in leisure time activities and community environment disbursements of \$74,297 and \$70, respectively, and cash fund balance of \$9,433 and an overstatement of transfers out equal to \$83,300 in the General Fund.
- In 2017 and 2016, the unclaimed monies fund was improperly reported as an agency fund. The fund's resources are not purely custodial in nature; therefore, the fund should have been classified as part of the General Fund with the entire fund cash balance being reported as nonspendable. For 2017, the result was an overstatement of both intergovernmental receipts and cash fund balance of \$3,857 in the Agency Funds opinion unit. Miscellaneous receipts and the cash fund balance in the General Fund were also understated \$3,857. For 2016, the result was an overstatement of both miscellaneous receipts and cash fund balance of \$3,619 in the Agency Funds opinion unit and corresponding understatements in the same accounts in the General Fund.
- In 2017 and 2016, the entire fund balance for the Debt Service Funds opinion unit was improperly reported as assigned rather than restricted.
- \$265,841 and \$267,584, of the fund balance reported for the Capital Projects Funds opinion unit in 2017 and 2016, respectively, was improperly reported as restricted rather than committed.
- In 2017 and 2016, the Village did not classify any encumbrances or subsequent year appropriations exceeding estimated receipts in the General Fund as assigned fund balance. The result was an understatement of assigned fund balance in the General Fund of \$410,347 and \$435,079, respectively.

Failure to properly classify funds and fund balances could result in material financial statement errors in the future.

The activity of the New Park Improvement Fund, the Leohr Park Tree Fund, and the Unclaimed Monies Fund can still be maintained separate for day-to-day operations. However, these funds' activity should be reported in the year-end General Fund activity. The Village should review GASB 54 and Auditor of State Bulletin 2011-004 for proper classification of fund balances and fund types on the year-end financial statements. Additionally, the Village should monitor its financial reporting to ensure proper processes and procedures are in place.

Officials' Response: The Village acknowledges the finding and is working to correct it.

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OHIO AUDITOR OF STATE KEITH FABER



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 30, 2019**