
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

VILLAGE OF SEVILLE

MEDINA COUNTY

REGULAR AUDIT

A&A

For the Year Ended

December 31, 2021

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North Canton, OH 44720
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OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Seville
120 Royal Crest Dr
Seville, OH 44273

We have reviewed the *Independent Auditor's Report* of the Village of Seville, Medina County, prepared by Alger & Associates, Inc., for the audit period January 1, 2020 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 14, 2022

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VILLAGE OF SEVILLE
MEDINA COUNTY

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council and the Mayor:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Seville, Medina County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021, or the changes in financial position thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.


- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2022, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.

Karen S
Alger, CPA



Digitally signed by Karen S Alger,
CPA
DN: cn=Karen S Alger, CPA,
o=Alger & Associates, Inc, ou,
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Date: 2022.06.09 20:21:08 -0400

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

May 31, 2022

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Village of Seville, Ohio
Medina County
Combined Statement of Receipts, Disbursements and Changes in Fund
Balances - (Regulatory Cash Basis) All Governmental Fund Types
For the Year Ended December 31, 2021

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$309,130	\$124,717			\$433,847
Municipal Income Taxes	1,133,140				1,133,140
Intergovernmental	104,638	352,825		\$34,373	491,836
Fines, Licenses and Permits	14,418				14,418
Earnings on Investments	7,183	1,723	\$1		8,907
Miscellaneous	271,384	17,025			288,409
<i>Total Cash Receipts</i>	<u>1,839,893</u>	<u>496,290</u>	<u>1</u>	<u>34,373</u>	<u>2,370,557</u>
Cash Disbursements					
Current:					
Security of Persons and Property		882,316			882,316
Public Health Services	1,819				1,819
Leisure Time Activities	149,120	50			149,170
Community Environment	20,236	18,117			38,353
Transportation		443,423			443,423
General Government	360,828	-			360,828
Capital Outlay		7,979		34,857	42,836
Debt Service:					
Redemption of Principal		33,376	92,097		125,473
Interest and Other Fiscal Charges		10,451	23,933		34,384
<i>Total Cash Disbursements</i>	<u>532,003</u>	<u>1,395,712</u>	<u>116,030</u>	<u>34,857</u>	<u>2,078,602</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,307,890</u>	<u>(899,422)</u>	<u>(116,029)</u>	<u>(484)</u>	<u>291,955</u>
Other Financing Receipts (Disbursements)					
Transfers In		818,033	116,030	115,205	1,049,268
Transfers Out	(1,307,121)				(1,307,121)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,307,121)</u>	<u>818,033</u>	<u>116,030</u>	<u>115,205</u>	<u>(257,853)</u>
<i>Net Change in Fund Cash Balances</i>	769	(81,389)	1	114,721	34,102
<i>Fu Fund Cash Balances, January 1</i>	<u>701,217</u>	<u>280,986</u>	<u>137,588</u>	<u>618,778</u>	<u>1,738,569</u>
<i>Fund Cash Balances , December 31</i>	<u><u>\$701,986</u></u>	<u><u>\$199,597</u></u>	<u><u>\$137,589</u></u>	<u><u>\$733,499</u></u>	<u><u>\$1,772,671</u></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 Balance (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2021

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$8,117,829
<i>Total Operating Cash Receipts</i>	8,117,829
Operating Cash Disbursements	
Personal Services	693,519
Employee Fringe Benefits	312,908
Contractual Services	5,893,580
Supplies and Materials	92,330
Other	1,123
<i>Total Operating Cash Disbursements</i>	6,993,460
<i>Operating Income (Loss)</i>	1,124,369
Non-Operating Receipts (Disbursements)	
Capital Outlay	(423,641)
Principal Retirement	(203,123)
Interest and Other Fiscal Charges	(54,014)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	(680,778)
<i>Income (Loss) before Transfers</i>	443,591
Transfers In	257,853
<i>Net Change in Fund Cash Balances</i>	701,444
<i>Fund Cash Balances, January 1</i>	6,947,180
<i>Fund Cash Balances, December 31</i>	\$7,648,624

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

Village of Seville, Ohio
Medina County
Combined Statement of Additions, Deductions and
Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2021

	Fiduciary Fund Type
	Custodial
	Other Custodial
Additions	
Other Amounts Collected for Distribution	\$46,225
<i>Total Additions</i>	46,225
Deductions	
Other Distributions	31,112
<i>Total Deductions</i>	31,112
<i>Net Change in Fund Balances</i>	15,113
<i>Fund Cash Balances, January 1</i>	194,744
<i>Fund Cash Balances, December 31</i>	\$209,857

See accompanying notes to the basic financial statements

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VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The Village of Seville, Medina County, Ohio, (the Village), 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 and Public Entity Risk Pool

The Village participates in joint ventures and a public entity risk pool. Notes 7 and 11 to the financial statements provides additional information for these entities which include:

Joint Ventures:

Ohio Municipal Electric Generation Agency (OMEGA JV2)
Ohio Municipal Electric Generation Agency Joint Venture (OMEGA JV5)

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP)

The Village’s management believes these financial statements present all activities for which the Village is financially accountable, except the financial statements do not include debt service funds external custodians maintain. Note 10 to the financial statements describes these assets.

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 fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all 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:

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies *(continued)*

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Levy Fund This fund accounts for and reports tax levy transactions restricted for operations and training of the Police Department.

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 payments of principal and interest on outstanding bond debt.

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 This fund receives transfers 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, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial funds account for utility deposits and unclaimed funds. The Village's custodial fund accounts for utility deposits and unclaimed funds.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies *(continued)*

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 custodial funds) be budgeted annually.

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

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 2021 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.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies *(continued)*

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,797,050	\$1,839,893	\$42,843
Special Revenue	1,290,443	1,314,323	23,880
Debt Service	121,010	116,031	(4,979)
Capital Projects	146,205	149,578	3,373
Enterprise	9,009,473	8,375,682	(633,791)
Total	\$12,364,181	\$11,795,507	(\$568,674)

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,058,977	\$1,839,124	\$219,853
Special Revenue	1,569,689	1,395,712	173,977
Debt Service	121,000	116,030	4,970
Capital Projects	764,075	34,857	729,218
Enterprise	9,992,134	7,911,300	2,080,834
Total	\$14,505,875	\$11,297,023	\$3,208,852

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

Demand deposits:	2021 \$9,493,564
Total deposits	9,493,564
Investments:	
Summit County Port Authority Bonds	137,588
Total investments	137,588
Total carrying amount of deposits and investments	\$9,631,152

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Deposits and Investments *(continued)*

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the village has remitted all employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 investments 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 1 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, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Transfer of funds

During 2021 the following transfers were made:

Transfer to:	Transfer From:
	General Fund
Street Construction Maint & Repair Fund	\$113,000
State Highway Fund	85,033
Police Levy Fund	620,000
GO Bond Retirement Fund	116,030
Streets Capital Projects Fund	16,597
Park Capital Projects Fund	71,260
Police Capital Project Fund	27,348
Electric Operating Fund	257,853
	<u>\$1,307,121</u>

Note 7 – Risk Management

Risk Pool Membership

The Village of Seville is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31: *(most recent information)*

	<u>2020</u>
Cash and investments	\$ 40,318,971
Actuarial liabilities	\$14,111,510

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2021.

Social Security

The other 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, 2021.

Note 9 – 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 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
OPWC Loan (CI43J)	\$8,457	0%
OPWC Loan (CI18H)	115,933	0%
OPWC - EQ Basin (CI320)	458,393	0%
Development Revenue Bonds	616,667	5.1%
OWDA - EQ Basin (6183)	564,009	2.0%
OWDA - EQ Basin (7744)	2,506,401	2.0%
Total	\$4,269,860	

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 \$9,661 and will be fully retired on July 1, 2027. The loan will be paid from the Water Operating Fund.

The Ohio Public Works Commission (OPWC) EQ Basin Loan #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 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 monthly payments including interest range from approximately \$13,754 to \$14,381. 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 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.

The Ohio Water Development Authority (OWDA) EQ Basin Loan #7744 relates to a \$2,957,104 for Water Distribution System and Roadways. The Village will repay the loan in semi-annual installments of principal and interest of \$86,930 over 20 years. The loan will be repaid by July, 2038 and paid from the State Highway Fund at 24.82%, the Sanitary Sewer Fund at .20%, the Storm Sewer Fund at 6.89% and Water Operating Fund at 68.09%.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt (continued)

Amortization

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

Year Ending December 31:	OPWC Loan	Development Refund Bonds	OWDA Loan #6183	OWDA Loan #7744
2022	\$40,129	\$172,572	\$57,312	\$173,859
2023	40,129	172,572	57,312	173,859
2024	40,129	172,572	57,312	173,859
2025	42,731	146,492	57,312	173,859
2026	48,479		57,312	173,859
2027-2031	97,530		286,561	869,295
2032-2036	97,530		85,968	869,295
2037-2040	97,530			347,718
2041-2044	78,596			
Total	<u>\$582,783</u>	<u>\$664,208</u>	<u>\$659,089</u>	<u>\$2,955,603</u>

American Municipal Power Generating Station Project:

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project 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, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt *(continued)*

Since March 31, 2014 the Village has made payments of \$133,850 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 \$8,081 and interest expense incurred on AMP's line-of-credit of \$21,421 resulting in a net impaired cost estimate at December 31, 2019 of \$168,968. The Village does have a potential PHFU Liability of \$131,438 resulting in a net total potential liability of \$300,406, 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 10 years through a power cost adjustment.

Note 11 – Joint Ventures

OMEGA JV2

The Village of Seville is a Non-Financing Participant and an Owner Participant with percentages of liability and ownership of 0.80% and shares participation with thirty-six 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, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 11 – Joint Ventures *(continued)*

As of December 31, 2021, the outstanding debt was \$0. The Village’s net obligation for this amount at December 31, 2021 was \$0. The Village’s net investment in OMEGA JV2 was (\$4,200) at December 31, 2021. 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, 2021 are:

OMEGA JV2					
Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement	Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Hamilton	32,000	23.87%	Grafton	1,056	0.79%
Bowling Green	19,198	14.32%	Brewster	1,000	0.75%
Niles	15,400	11.48%	Monroeville	764	0.57%
Cuyahoga Falls	10,000	7.46%	Milan	737	0.55%
Wadsworth	7,784	5.81%	Oak Harbor	737	0.55%
Painesville	7,000	5.22%	Elmore	364	0.27%
Dover	7,000	5.22%	Jackson Center	300	0.22%
Galion	5,753	4.29%	Napoleon	264	0.20%
Amherst	5,000	3.73%	Lodi	218	0.16%
St. Mary's	4,000	2.98%	Genoa	199	0.15%
Montpelier	4,000	2.98%	Pemberville	197	0.15%
Shelby	2,536	1.89%	Lucas	161	0.12%
Versailles	1,660	1.24%	South Vienna	123	0.09%
Edgerton	1,460	1.09%	Bradner	119	0.09%
Yellow Springs	1,408	1.05%	Woodville	81	0.06%
Oberlin	1,217	0.91%	Haskins	73	0.05%
Pioneer	1,158	0.86%	Arcanum	44	0.03%
Seville	1,066	0.80%	Custar	4	0.00%
	127,640	95.20%		6,441	4.80%
			Grand Total	134,081	100.00%

OMEGA JV5

The Village of Seville is a Financing Participant with an ownership percentage of 0.82%, and shares participation with forty-two 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, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 11 – 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 position 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, 2021, the Village has not met their debt obligation.

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

OMEGA JV5 is managed by AMP, which acts as the joint venture’s agent. During 1993 and 2001, AMP issued \$153,415,000 and \$13,899,981 respectively of 30-year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP’s revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. OMEGA JV5 issued \$49,745,000 Beneficial Interest Refunding Certificates, Series 2015 (“2016 Certificates”) to refund the promissory note to AMP in full on January 19, 2017. 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 \$24,472 at December 31, 2021. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor’s website at www.ohioauditor.gov.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 12 – 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 as follows:

	<u>2021</u>
Total Fund Cash Balance	\$5,540,731
Total Long-Term Debt	\$347,358
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	\$6,845,381
Operating Expenses	
Personal Services	383,718
Employee Fringe Benefits	178,847
Contractual Services	5,754,107
Supplies and Materials	30,520
Other	994
Total Operating Expenses	<u>6,348,186</u>
Operating Income (Loss)	497,195
Nonoperating Receipts (Disbursements)	
Other Nonoperating Receipts (Disbursements)	(185,523)
Transfers	257,853
Change in Fund Cash Balance	569,525
Beginning Fund Cash Balance	<u>4,971,206</u>
Ending Fund Cash Balance	<u><u>\$5,540,731</u></u>

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 12 – AMP Revenue Coverage *(continued)*

Condensed Cash Flows Information:	2021
Net Cash Provided (Used) by:	
Operating Activities	\$497,195
Noncapital Financing Activities	
Other Noncapital Financing Activities	72,330
Net Cash Provided (Used) by Noncapital Financing Activities	72,330
Net Increase (Decrease)	569,525
Beginning Fund Cash Balance	4,971,206
Ending Fund Cash Balance	\$5,540,731

Note 13 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Debt Service	Capital Projects	Total
Nonspendable:					
Unclaimed Monies	\$7,957				\$7,957
<i>Total</i>	\$7,957	\$0	\$0	\$0	\$7,957

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

**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, OH 44273

To the Members of Council and the Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2021, and the related notes to the financial statements of the Village of Seville, Medina County, (the Village) and have issued our report thereon dated May 31, 2022, wherein we noted as described in Note 2 to the financial statements, the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. Furthermore, we noted as described in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2021-001 through 2021-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings as item 2021-004 to be a significant deficiency.


Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2021-004.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karen S Alger
CPA



Digitally signed by Karen S Alger, CPA
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Associates, Inc, ou,
email=ksalger4@att.net, c=US
Date: 2022.06.09 20:21:33 -0400'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

May 31, 2022

VILLAGE OF SEVILLE, Ohio
Medina County

Schedule of Findings
December 31, 2021

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2021-001

Material Weakness - Financial Reporting and Fund Balance Presentation

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.

The following adjustments were identified and corrected regarding the fund type classification errors.

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 establish 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 following deficiencies were noted relating to fund type and balance classification and adjusted/reclassified to the financial statements:

- In 2021, 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 2021, the result was an overstatement of Fines, Licenses and Permits equal to \$925 and ending cash fund balance of \$11,335 in the Special Revenue Funds opinion unit and corresponding understatements in the same accounts in the General Fund.
- In 2021, 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 2021, the result was an overstatement year end fund balance of \$7,957 in the Custodial Funds opinion unit. Therefore, the fund balance in the General Fund was understated by the \$7,957.

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

VILLAGE OF SEVILLE, Ohio
Medina County

Schedule of Findings
December 31, 2021

FINDING NUMBER 2021-001 *(continued)*

Material Weakness - Financial Reporting and Fund Balance Presentation *(continued)*

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.

FINDING NUMBER 2021-002

Material Weakness - Budgetary Information – Accounting System

Accurate budgetary information within the Village's accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. The Board approved appropriations at year end for the Water Fund and Electric Operating Fund that totaled \$708,397 and \$7,949,948, respectively, however, the appropriations status report reflected \$950,770 and \$8,685,003, respectively resulting in variances of \$242,376 and \$735,055 respectively.

The Fiscal Officer should periodically compare amounts recorded in Appropriations Status Report to the amounts recorded on the Board approved appropriations to assure they agree. If the amounts do not agree, the Board may be using inaccurate information for budgeting and monitoring purposes.

FINDING NUMBER 2021-003

Material Weakness - Footnotes to the Financial Statements

Footnotes to the financial statements are an integral part to the financial statements and are the responsibility of management for the preparation and fair presentation. On review of the footnotes accompanying the financial statements submitted to the Hinkle system were not updated with the current information. All applicable corrections were made.

- The Budgetary Activity footnote 3 did not reflect the Budgeted vs. Actual Budgetary Basis Expenditures schedule.
- Debt footnote principal outstanding amounts were not update with the current outstanding amounts.
- Risk Management in Village submitted report had the incorrect footnote. The Village is a member of a risk pool. The footnotes submitted by the Village reflects a commercial insurance.
- Retirement System footnote disclosed the years 2016 and 2017 and did not identify the Social Security retirement system that some Village employees are a member.
- Postemployment Benefits footnote was missing from the Village's footnotes.
- Joint Venture was not updated and had the year 2017 information.

VILLAGE OF SEVILLE, Ohio
Medina County

Schedule of Findings
December 31, 2021

FINDING NUMBER 2021-003 *(continued)*

Material Weakness - Footnotes to the Financial Statements *(continued)*

- Segment Information – Ohio Municipal Electric Generation Agency was not updated and had the year 2017 information.
- The Fund Balance and COVID-19 footnotes were missing from the Village footnotes submitted to the Hinkle system.

There were some revisions made to the notes to the financial statements such as updating the description of the entity note to reference a joint venture instead of a jointly governed entity and to add a reference to the Ohio Pooled Collateral System (OPCS) to the equity in pooled cash note.

The accompanying financial statements' footnotes have been adjusted for these errors. It is possible that the lack of a final financial statement and footnotes review prior to filing may have contributed to these errors not being detected. Financial reporting errors impact the users' understanding of the financial statements and the ability of Council and management to make sound financial decisions.

Prior to filing, the annual financial statements, the Fiscal Officer should update and review all the footnotes before submitting to the Hinkle system, and accounting records should be reviewed for errors and omissions. The current and updated footnotes are found on the Auditor of State's website at <https://ohioauditor.gov/references.html>.

FINDING NUMBER 2021-004

Significant Deficiency/Noncompliance - Financial Statement Reclassifications and Adjustments

Ohio Administrative Code §117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The following financial statement reclassifications and adjustments were identified and adjusted in the financial statements:

- The Fiscal Officer improperly posted debt interest payment on the debt refunding bond series within the Debt Service Fund and the Enterprise Funds in the amounts of \$6,900 and \$2,957, respectively, to principal retirement expenditure e account rather than interest and fiscal charges.
- The second half OWDA payments were not properly posted within the year of payment; therefore, the respective funds expenditures were understated. Street Maintenance and Repair Fund principal retirement of \$16,354 and interest of \$5,245, Water Operating Fund principal retirement of \$45,052 and interest of \$14,275, Storm Sewer Operating Fund principal retirement \$4,559 and interest \$1,444; Sewer Operating Fund principal retirement \$22,846 and interest \$5,810.

VILLAGE OF SEVILLE, Ohio
Medina County

Schedule of Findings
December 31, 2021

FINDING NUMBER 2021-004 *(continued)*

Significant Deficiency/Noncompliance-Financial Statement Reclassifications and Adjustments *(continued)*

- The Fiscal Officer improperly posted OWDA principal payment of \$16,371 and interest payments of \$5,205 within the State Highway Fund to transportation expenditure account rather than the principal retirement and interest & fiscal charges, respectively.

Failure to accurately report transactions or balances could lead to undetected material misstatements on the financial statements.

The Village should exercise due care when posting transactions to help ensure transactions are correct and posted to the proper funds and accounts. Management should also review the financial statements to help ensure they are supported by sufficient documentation, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors, and help ensure more accurate financial reporting. These reclassifications have been made to the financial statements.

A similar comment was included in the Village's report and proceeding two management letters.

Officials Response: We did not receive a response from the Village on any of the above findings.

**Village of Seville, Ohio
Medina County**

*Schedule of Prior Audit Findings
December 31, 2021*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2020-001	Material Weakness/Noncompliance: Financial Reporting and Fund Balance Presentation GASB No. 54	No	Refer to Finding 2021-001
2020-002	Material Weakness/ Budgetary Information – Accounting System UAN system does not agree to Board approved appropriations.	No	Refer to Finding 2021-002
2020-003	Material Weakness – Footnotes to the Financial Statement	No	Refer to Finding 2021-003
2020-004	Significant Deficiency/Noncompliance Financial Statements Reclassifications and Adjustments: Ohio Admin Code §117-2-02(A) proper recording of transactions	No	Refer to Finding 2021-004

ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

VILLAGE OF SEVILLE

MEDINA COUNTY

REGULAR AUDIT

A&A

For the Year Ended

December 31, 2020

6927 Burgundy Ave NW
North Canton, OH 44720
Phone (330) 353-5851
Fax (330) 768-7574

VILLAGE OF SEVILLE
MEDINA COUNTY

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council and the Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020, and the related notes of the Village of Seville, Medina County, Ohio (the Village)

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(C) 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(C), 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(C) 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, 2020, and the respective changes in financial position thereof for the year 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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020, and related notes of the Village of Seville, Medina County, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 14 to the financial statements, during 2020, the Village of Seville made changes to its reporting model. We did not modify our opinion regarding this matter.

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2022, 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.

Karen S
Alger, CPA

Digitally signed by Karen S Alger,
CPA
DN: cn=Karen S Alger, CPA,
o=Alger & Associates, Inc. ou,
email=ksalger46@att.net, c=US
Date: 2022.06.09 19:55:05 -04'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

May 31, 2022

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Village of Seville, Ohio
Medina County
Combined Statement of Receipts, Disbursements and Changes in Fund Balances - (Regulatory Cash Basis) All Governmental Fund Types
For the Year Ended December 31, 2020

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$295,541	\$120,091		\$8,062	\$423,694
Municipal Income Taxes	1,193,824				1,193,824
Intergovernmental	97,795	444,998		23,585	566,378
Fines, Licenses and Permits	11,773				11,773
Earnings on Investments	23,904	11,264	\$1,993		37,161
Miscellaneous	294,681	50,635		30,992	376,308
<i>Total Cash Receipts</i>	<u>1,917,518</u>	<u>626,988</u>	<u>1,993</u>	<u>62,639</u>	<u>2,609,138</u>
Cash Disbursements					
Current:					
Security of Persons and Property		715,774			715,774
Public Health Services	1,684	199,563			201,247
Leisure Time Activities	127,919	152			128,071
Community Environment	19,287	8,956			28,243
Transportation		535,075			535,075
General Government	395,636				395,636
Capital Outlay		12,264		294,050	306,314
Debt Service:					
Redemption of Principal		33,647	88,678		122,325
Interest and Other Fiscal Charges		10,806	28,490		39,296
<i>Total Cash Disbursements</i>	<u>544,526</u>	<u>1,516,237</u>	<u>117,168</u>	<u>294,050</u>	<u>2,471,981</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,372,992</u>	<u>(889,249)</u>	<u>(115,175)</u>	<u>(231,411)</u>	<u>137,157</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	1,069,680	117,168	209,187	1,396,035
Transfers Out	<u>(1,672,718)</u>				<u>(1,672,718)</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,672,718)</u>	<u>1,069,680</u>	<u>117,168</u>	<u>209,187</u>	<u>(276,683)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(299,726)</u>	<u>180,431</u>	<u>1,993</u>	<u>(22,224)</u>	<u>(139,526)</u>
<i>Fund Cash Balances , January 1</i>	<u>1,000,943</u>	<u>100,555</u>	<u>135,595</u>	<u>641,002</u>	<u>1,878,095</u>
<i>Fund Cash Balances , December 31</i>	<u><u>\$701,217</u></u>	<u><u>\$280,986</u></u>	<u><u>\$137,588</u></u>	<u><u>\$618,778</u></u>	<u><u>\$1,738,569</u></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 Balance (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2020

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$8,495,007
<i>Total Operating Cash Receipts</i>	<i>8,495,007</i>
Operating Cash Disbursements	
Personal Services	735,655
Employee Fringe Benefits	353,753
Contractual Services	6,681,877
Supplies and Materials	86,295
<i>Total Operating Cash Disbursements</i>	<i>7,857,580</i>
<i>Operating Income (Loss)</i>	<i>637,427</i>
Non-Operating Receipts (Disbursements)	
Capital Outlay	(397,371)
Principal Retirement	(218,330)
Interest and Other Fiscal Charges	(58,732)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<i>(674,433)</i>
<i>Income (Loss) before Transfers</i>	<i>(37,006)</i>
Transfers In	276,683
<i>Net Change in Fund Cash Balances</i>	<i>239,677</i>
<i>Fund Cash Balances, January 1</i>	<i>6,707,503</i>
<i>Fund Cash Balances, December 31</i>	<i>\$6,947,180</i>

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

Village of Seville, Ohio
Medina County
Combined Statement of Additions, Deductions and
Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2020

	Fiduciary Fund Type
	Custodial
Additions	
Other Amounts Collected for Distribution	\$48,075
<i>Total Additions</i>	48,075
Deductions	
Other Distributions	26,600
<i>Total Deductions</i>	26,600
<i>Net Change in Fund Balances</i>	21,475
<i>Fund Cash Balances, January 1</i>	173,269
<i>Fund Cash Balances, December 31</i>	\$194,744

See accompanying notes to the basic financial statements

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VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of Seville, Medina County, Ohio, (the Village), 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 and Public Entity Risk Pool

The Village participates in joint ventures and a public entity risk pool. Notes 7 and 11 to the financial statements provides additional information for these entities which include:

Joint Ventures:

Ohio Municipal Electric Generation Agency (OMEGA JV2)

Ohio Municipal Electric Generation Agency Joint Venture (OMEGA JV5)

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP)

The Village’s management believes these financial statements present all activities for which the Village is financially accountable, except the financial statements do not include debt service funds external custodians maintain. Note 11 to the financial statements describes these assets.

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 fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all 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:

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies *(continued)*

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Police Levy Fund This fund accounts for and reports tax levy transactions restricted for operations and training of the Police Department.

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 payments of principal and interest on outstanding bond debt.

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 This fund receives transfers 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, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria. The Village does not have trust funds.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial funds account for utility deposits and unclaimed funds.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies *(continued)*

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

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 custodial funds) be budgeted annually.

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

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 2020 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.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies *(continued)*

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,930,260	\$1,917,518	(\$12,742)
Special Revenue	1,865,241	1,696,668	(168,573)
Debt Service	120,500	119,161	(1,339)
Capital Projects	214,293	271,826	57,533
Enterprise	10,815,012	8,771,690	(2,043,322)
Total	\$14,945,306	\$12,776,863	(\$2,168,443)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,591,437	\$2,217,244	\$374,193
Special Revenue	1,968,034	1,517,177	450,857
Debt Service	120,500	117,168	3,332
Capital Projects	853,082	294,050	559,032
Enterprise	9,970,434	8,656,585	1,313,849
Total	\$15,503,487	\$12,802,224	\$2,701,263

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

Demand deposits	2020 \$8,746,993
Total deposits	8,746,993
Investments	
Summit County Port Authority Bonds	133,500
Total investments	133,500
Total carrying amount of deposits and investments	\$8,880,493

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the village has remitted all employee payroll withholdings.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits and Investments *(continued)*

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 investments 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 1 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, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 –Transfer of Funds

During 2020 the following transfers were made:

Transfer to:	Transfer From:
	General Fund
Street Construction Maint & Repair Fund	\$75,000
State Highway Fund	259,680
Police Levy Fund	715,000
Bike Trail Fund	20,000
GO Bond Retirement Fund	117,168
Streets Capital Projects Fund	19,244
Park Capital Projects Fund	97,343
Police Capital Project Fund	92,600
Electric Operating Fund	276,683
	\$1,672,718

Note 7 – Risk Management

Risk Pool Membership

The Village of Seville is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2020</u>
Cash and investments	\$ 40,318,971
Actuarial liabilities	\$14,111,510

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 – 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2020.

Social Security

The other 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, 2020.

Note 9 – 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 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
OPWC Loan (CI43J)	\$9,107	0%
OPWC Loan (CI18H)	125,594	0%
OPWC - EQ Basin (CI320)	468,146	0%
Development Revenue Bonds	748,334	5.1%
OWDA - EQ Basin (6183)	609,478	2.0%
OWDA - EQ Basin (7744)	2,637,797	2.0%
Total	\$4,598,456	

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 \$9,661 and will be fully retired on July 1, 2027. The loan will be paid from the Water Operating Fund.

The Ohio Public Works Commission (OPWC) EQ Basin Loan #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 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 monthly payments including interest range from approximately \$13,754 to \$14,381. 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 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.

The Ohio Water Development Authority (OWDA) EQ Basin Loan #7744 relates to a \$2,957,104 for Water Distribution System and Roadways. The Village will repay the loan in semi-annual installments of principal and interest of \$86,930 over 20 years. The loan will be repaid by July, 2038 and paid from the State Highway Fund at 24.82%, the Sanitary Sewer Fund at .20%, the Storm Sewer Fund at 6.89% and Water Operating Fund at 68.09%.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt *(continued)*

Amortization

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

Year Ending December 31:	OPWC Loan	Development Refund Bonds	OWDA Loan #6183	OWDA Loan #7744
2021	\$40,129	\$172,572	\$57,312	\$173,859
2022	40,129	172,572	57,312	173,859
2023	40,129	172,572	57,312	173,859
2024	40,129	172,572	57,312	173,859
2025	42,731	146,492	57,312	173,859
2026-2030	126,513		286,561	869,295
2031-2035	97,530		143,280	869,295
2036-2040	97,530			521,577
2041-2044	78,026			
Total	<u>\$602,846</u>	<u>\$836,780</u>	<u>\$716,401</u>	<u>\$3,129,462</u>

American Municipal Power Generating Station Project:

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project 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, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt *(continued)*

The Village intends to recover these costs and repay AMP over the next 10 years through a power cost adjustment.

Note 11 – Joint Ventures

OMEGA JV2

The Village of Seville is a Non-Financing Participant and an Owner Participant with percentages of liability and ownership of 0.80% and shares participation with thirty-six 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, 2020, the outstanding debt was \$0. The Village's net obligation for this amount at December 31, 2020 was \$0. The Village's net investment in OMEGA JV2 was (\$255) at December 31, 2020. 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, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 11 – Joint Ventures *(continued)*

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2020 are:

OMEGA JV2					
Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement	Municipality	Project kW Entitlement	Percent Project Ownership and Entitlement
Hamilton	32,000	23.87%	Grafton	1,056	0.79%
Bowling Green	19,198	14.32%	Brewster	1,000	0.75%
Niles	15,400	11.48%	Monroeville	764	0.57%
Cuyahoga Falls	10,000	7.46%	Milan	737	0.55%
Wadsworth	7,784	5.81%	Oak Harbor	737	0.55%
Painesville	7,000	5.22%	Elmore	364	0.27%
Dover	7,000	5.22%	Jackson Center	300	0.22%
Galion	5,753	4.29%	Napoleon	264	0.20%
Amherst	5,000	3.73%	Lodi	218	0.16%
St. Mary's	4,000	2.98%	Genoa	199	0.15%
Montpelier	4,000	2.98%	Pemberville	197	0.15%
Shelby	2,536	1.89%	Lucas	161	0.12%
Versailles	1,660	1.24%	South Vienna	123	0.09%
Edgerton	1,460	1.09%	Bradner	119	0.09%
Yellow Springs	1,408	1.05%	Woodville	81	0.06%
Oberlin	1,217	0.91%	Haskins	73	0.05%
Pioneer	1,158	0.86%	Arcanum	44	0.03%
Seville	1,066	0.80%	Custar	4	0.00%
	127,640	95.20%		6,441	4.80%
			Grand Total	134,081	100.00%

OMEGA JV5

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

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

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

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (“Certificates”) from the revenue of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant’s system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System.

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 11 – Joint Ventures *(continued)*

On dissolution of OMEGA JV5, the net position 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, 2020, the Village has not met their debt obligation.

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

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001, AMP issued \$153,415,000 and \$13,899,981 respectively of 30-year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. OMEGA JV5 issued \$49,745,000 Beneficial Interest Refunding Certificates, Series 2015 ("2016 Certificates") to refund the promissory note to AMP in full on January 19, 2017. 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 \$24,472 at December 31, 2020. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Note 12 – 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 11. 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 as follows:

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 12 – AMP Revenue Coverage *(continued)*

	<u>2020</u>
Total Fund Cash Balance	\$4,971,206
Total Long-Term Debt	\$439,742
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	\$7,220,482
Operating Expenses	
Personal Services	441,279
Employee Fringe Benefits	217,106
Contractual Services	6,562,348
Supplies and Materials	<u>29,290</u>
Total Operating Expenses	7,250,023
Operating Income (Loss)	(29,541)
Nonoperating Receipts (Disbursements)	
Other Nonoperating Receipts (Disbursements)	(172,826)
Transfers	<u>276,683</u>
Change in Fund Cash Balance	74,316
Beginning Fund Cash Balance	<u>4,896,890</u>
Ending Fund Cash Balance	<u><u>\$4,971,206</u></u>
 Condensed Cash Flows Information:	
	<u>2020</u>
Net Cash Provided (Used) by:	
Operating Activities	(\$29,541)
Noncapital Financing Activities	
Other Noncapital Financing Activities	<u>103,857</u>
Net Cash Provided (Used) by Noncapital Financing Activities	103,857
Net Increase (Decrease)	74,316
Beginning Fund Cash Balance	<u>4,896,890</u>
Ending Fund Cash Balance	<u><u>\$4,971,206</u></u>

VILLAGE OF SEVILLE, Ohio
Medina County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 13 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Debt Service	Capital Projects	Total
Nonspendable:					
Unclaimed Monies	\$7,957				\$7,957
Outstanding Encumbrances		940			940
<i>Total</i>	<u>\$7,957</u>	<u>\$940</u>	<u>\$0</u>	<u>\$0</u>	<u>\$8,897</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- All Fiduciary Fund Types, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Note 15 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. (customize as needed) In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. Of the amounts received, \$70,949.69 was sub-granted to Seville-Guilford Fire Department and \$0 was returned to the granting agency. These amounts are reflected as Public Health Services expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

**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, OH 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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and the related notes to the financial statements of the Village of Seville, Medina County, Ohio, (the Village) and have issued our report thereon dated May 31, 2022, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted as described in Note 14 to the financial statements, the Village made changes to its reporting model. Furthermore, we noted as described in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

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 a 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. We consider findings 2020-001 through 2020-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2020-004 described in the accompanying schedule of findings to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2020-004.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karen S
Alger, CPA

Digitally signed by Karen S Alger,
CPA
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& Associates, Inc, ou,
email=ksalger46@att.net, c=US
Date: 2022.06.09 19:55:34 -04'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

May 31, 2022

VILLAGE OF SEVILLE, Ohio
Medina County

Schedule of Findings
December 31, 2020

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

Material Weakness - Financial Reporting and Fund Balance Presentation

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.

The Village had reimbursed the Police Levy fund from the Coronavirus Relief Fund for expenditures incurred due to the public health emergency using the Cares Act money by receipting the reimbursement in the Police Levy fund as miscellaneous revenue. These monies should have been recorded as a reduction of expenditure in the fund being reimbursed, the Police Levy. Therefore, the Police Levy fund expenditures and the revenue were overstated by the amount of \$95,278. The reimbursement from the Coronavirus Relief Fund - Public Health Services, the financial statements have been adjusted to eliminate the overstatement of the receipt and expenditures in the Police Levy fund.

These errors were not identified and corrected prior to the Village preparing its financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to correct these errors. Failing to prepare accurate financial statements could lead the Village or financial statement user to make misinformed decisions.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and the Village Council, to help identify and correct errors and omissions.

In addition to the adjustments noted above, we also identified fund type classification errors.

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 establish 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.

VILLAGE OF SEVILLE, Ohio
Medina County

Schedule of Findings
December 31, 2020

FINDING NUMBER 2020-001 (continued)

Material Weakness - Financial Reporting and Fund Balance Presentation (*continued*)

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

- In 2020, 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 2020, the result was an overstatement of Fines, Licenses and Permits equal to \$500, leisure time activity disbursements of \$50 and net change in the ending cash fund balance of \$450 in the Special Revenue Funds opinion unit and corresponding understatements in the same accounts in the General Fund. The ending cash fund balance was overstated by a total of \$9,960.
- In 2020, 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 2020, the result was an overstatement year end fund balance of \$7,957 in the Custodial Funds opinion unit. Therefore, the fund balance in the General Fund was understated by the \$10,410.

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.

FINDING NUMBER 2020-002

Material Weakness - Budgetary Information – Accounting System

Accurate budgetary information within the Village's accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. The Board approved appropriations at year end for the Water Fund and Electric Operating Fund that totaled \$708,397 and \$8,274,948, respectively, however, the appropriations status report reflected \$918,745 and \$9,674,403, respectively resulting in variances of \$210,351 and \$1,424,455, respectively.

The Fiscal Officer should periodically compare amounts recorded in Appropriations Status Report to the amounts recorded on the Board approved appropriations to assure they agree. If the amounts do not agree, the Board may be using inaccurate information for budgeting and monitoring purposes.

VILLAGE OF SEVILLE, Ohio
Medina County

Schedule of Findings
December 31, 2020

FINDING NUMBER 2020-003

Material Weakness - Footnotes to the Financial Statements

Footnotes to the financial statements are an integral part to the financial statements and are the responsibility of management for the preparation and fair presentation. On review of the footnotes accompanying the financial statements submitted to the Hinkle system were not updated with the current information. All applicable corrections were made.

- The Budgetary Activity footnote 3 did not reflect the Budgeted vs. Actual Budgetary Basis Expenditures schedule.
- The Budgetary Activity footnote 3 Budgeted vs. Actual Receipts were materially overstated in the Special Revenue and Enterprise funds actual receipts. The fiscal officer reported actual revenue in the Special Revenue fund as a negative \$1,162,477 rather than a positive \$1,792,446. The enterprise fund reflected \$11,774,692 as actual rather than the actual receipts of \$8,771,690.
- Debt footnote principal outstanding amounts were not update with the current outstanding amounts.
- Risk Management in Village submitted report had the incorrect footnote. The Village is a member of a risk pool. The footnotes submitted by the Village reflects a commercial insurance.
- Retirement System footnote disclosed the years 2016 and 2017 and did not identify the Social Security retirement system that some Village employees are a member.
- Postemployment Benefits footnote was missing from the Village's footnotes.
- Joint Venture was not updated and had the year 2017 information.
- Segment Information – Ohio Municipal Electric Generation Agency was not updated and had the year 2017 information.
- Following three footnotes were missing from the Village footnotes submitted to the Hinkle system: Fund Balance, Changes in Accounting Principles and COVID-19.

There were some revisions made to the notes to the financial statements such as updating the description of the entity note to reference a joint venture instead of a jointly governed entity and to add a reference to the Ohio Pooled Collateral System (OPCS) to the equity in pooled cash note.

The accompanying financial statements' footnotes have been adjusted for these errors. It is possible that the lack of a final financial statement and footnotes review prior to filing may have contributed to these errors not being detected. Financial reporting errors impact the users' understanding of the financial statements and the ability of Council and management to make sound financial decisions.

Prior to filing, the annual financial statements, the Fiscal Officer should update and review all the footnotes before submitting to the Hinkle system, and accounting records should be reviewed for errors and omissions. The current and updated footnotes are found on the Auditor of State's website at <https://ohioauditor.gov/references.html>.

VILLAGE OF SEVILLE, Ohio
Medina County

Schedule of Findings
December 31, 2020

FINDING NUMBER 2020-004

Significant Deficiency/Noncompliance - Financial Statement Reclassifications and Adjustments

Ohio Administrative Code §117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The following financial statement reclassifications and adjustments were identified and adjusted in the financial statements:

- The Fiscal Officer improperly posted debt interest payment on the debt refunding bond series within the Debt Service Fund and the Enterprise Funds in the amounts of \$8,576 and \$3,935, respectively, to principal retirement expenditure account rather than interest and fiscal charges.
- The Fiscal Officer improperly posted OPWC payment of \$1,301 within the Street Construction Fund transportation expenditure account rather than the principal retirement.
- The Fiscal Officer improperly posted OWDA payment of \$32,346 and \$10,806 within the Street Construction Fund transportation expenditure account rather than the principal retirement and interest & fiscal charges, respectively.

Failure to accurately report transactions or balances could lead to undetected material misstatements on the financial statements.

The Village should exercise due care when posting transactions to help ensure transactions are correct and posted to the proper funds and accounts. Management should also review the financial statements to help ensure they are supported by sufficient documentation, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors, and help ensure more accurate financial reporting. These reclassifications have been made to the financial statements.

A similar comment was included in the Village's report and preceding two management letters.

Officials Response: We did not receive a response from the Village on any of the above findings.

**Village of Seville, Ohio
Medina County**

*Schedule of Prior Audit Findings
December 31, 2020*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2019-001	Non-compliance/Material Weakness Ohio Rev. Code § 5705.42 and Ohio Rev. Code § 5705.39 – payments made On Behalf-of the Village by OWDA	Yes	Finding No Longer Valid
2019-002	Material Weakness/ Budgetary Information – Accounting System UAN system does not agree to County Auditor Certification.	Yes	Finding No Longer Valid
2019 -003	Material Weakness: Fund Balance and Fund Type Classification GASB No. 54	No	Refer to Finding 2020-001
2019-004	Significant Deficiency - Financial Statement Reclassifications and Adjustments	No	Refer to Finding 2020-004

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SEVILLE

MEDINA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/28/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov