

**VILLAGE OF SEVILLE, OHIO
MEDINA COUNTY**

INDEPENDENT AUDITOR'S REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2006**

Varney, Fink & Associates, Inc.
Certified Public Accountants



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Seville, Medina County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 28, 2009

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**VILLAGE OF SEVILLE, OHIO
MEDINA COUNTY
FOR THE YEAR ENDED
DECEMBER 31, 2006**

TABLE OF CONTENTS

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements for December 31, 2006:	
Government-Wide Financial Statements:	
Statement of Net Assets –Cash Basis	12
Statement of Activities – Cash Basis.....	13
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	14
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund.....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Police and Education Fund	17
Statement of Fund Net Assets – Cash Basis Proprietary Funds	18
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets Cash Basis – Proprietary Funds	19
Statement of Fiduciary Net Assets Cash Basis – Fiduciary Funds.....	20
Notes to the Financial Statements	21
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	41
Schedule of Findings and Responses.....	43

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Village of Seville
120 Royal Crest Drive
Seville, Ohio 44273

To Members of Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Village of Seville, Medina County, Ohio, (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Seville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and the Police and Education Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Certified Public Accountants

December 23, 2008

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2006
(Unaudited)

The discussion and analysis of the Village of Seville, Medina County, Ohio (the Village's) financial performance provides an overall review of the Village's financial activities for the fiscal year ended December 31, 2006, within the limitations of the Villages' cash basis of accounting. The intent of this discussion and analysis is to look at the Village's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key Financial Highlights for 2006 are as follows:

- § General Revenues accounted for \$3.4 million in revenue or 33.6% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$6.7 million or 66.4% of total revenues of \$10.1 million.
- § Total program expenses were \$2.1 million in Governmental Activities and \$7.0 million in Business-Type Activities.
- § In total, net assets of Governmental Activities decreased \$213,515, which represents a 19.3% decrease from 2005.
- § Outstanding bond and note debt increased from \$4,305,521 to \$5,359,679.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2006
(Unaudited)

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

Reporting the Village as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes. The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of the cash basis accounting.

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

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

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

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2006
(Unaudited)

Reporting the Village's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village uses many funds to account for financial transactions. However, these fund financial statements focus on the Village's most significant funds. The funds of the Village are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

The Village as a Whole

Recall that the statement of net assets provides the perspective of the Village as a whole. Table 1 provides a summary of Village's net assets for 2006 compared to 2005:

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2006
(Unaudited)

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
Assets						
Cash and Cash Equivalents	\$663,360	\$677,223	\$4,122,402	\$3,039,981	\$4,785,762	\$3,717,204
Cash and Cash Equivalents-						
With Fiscal Agent	0	0	297,941	0	297,941	0
Restricted	231,599	641,378	0	0	231,599	641,378
Total Assets	\$894,959	\$1,318,601	\$4,420,343	\$3,039,981	\$5,315,302	\$4,358,582
Net Assets						
Restricted for:						
Capital Projects	\$238,173	\$585,006	\$297,941	\$0	\$536,114	\$585,006
Debt Service	215,693	206,860	0	0	215,693	206,860
Police and Education	10,927	10,008	0	0	10,927	10,008
Village Property	37,574	93,805	0	0	37,574	93,805
Other Purposes	279,990	248,764	0	0	279,990	248,764
Unrestricted	112,602	174,158	4,122,402	3,039,981	4,235,004	3,214,139
Total Net Assets	\$894,959	\$1,318,601	\$4,420,343	\$3,039,981	\$5,315,302	\$4,358,582

The Village's Governmental Activities net assets decreased by approximately \$213,000, while the Business-Type Activities increased by approximately \$1,170,000. For the governmental activities this decrease is primarily the result of capital outlay of \$264,932 spent to construct and renovate the Village municipality building.

Table 2 reflects the changes in net assets for fiscal year 2006. This table presents two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the Village's financial statue and possibly project future problems.

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2006
(Unaudited)

Table 2 - Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
Receipts						
<i>Program Cash Receipts:</i>						
Charges for Services	\$29,803	\$19,933	\$6,712,971	\$4,646,816	\$6,742,774	\$4,666,749
Operating Grants	0	74,473	0	0	0	74,473
<i>General Receipts:</i>						
Property Taxes	300,617	353,071	0	0	300,617	353,071
Income Taxes	1,016,153	833,247	0	0	1,016,153	833,247
Electric Taxes	308,832	218,740	0	0	308,832	218,740
Grants and Entitlements Not Restricted	252,560	186,346	0	0	252,560	186,346
Proceeds from Debt Issuance	0	1,466,795	1,300,000	563,205	1,300,000	2,030,000
Investment Earnings	197,119	139,414	0	7,404	197,119	146,818
Miscellaneous	32,638	46,077	0	0	32,638	46,077
<i>Total Receipts</i>	<u>2,137,722</u>	<u>3,338,096</u>	<u>8,012,971</u>	<u>5,217,425</u>	<u>10,150,693</u>	<u>8,555,521</u>
Program Disbursements						
General Government	412,208	284,120	0	0	412,208	284,120
Security of Persons and Property	739,226	653,304	0	0	739,226	653,304
Public Health Services	1,050	999	0	0	1,050	999
Leisure Time Activities	124,158	115,933	0	0	124,158	115,933
Community Environment	23,762	18,946	0	0	23,762	18,946
Transportation	227,335	209,372	0	0	227,335	209,372
Capital Outlay	478,779	885,848	0	0	478,779	885,848
Water Services	0	0	1,103,497	928,089	1,103,497	928,089
Sewer Services	0	0	313,143	388,823	313,143	388,823
Electric Services	0	0	5,614,864	4,656,235	5,614,864	4,656,235
Storm Sewer Services	0	0	24,684	27,887	24,684	27,887
<i>Debt Services:</i>						
Principal Retirement	62,442	23,000	0	0	62,442	23,000
Interest and Fiscal Charges	68,825	143,584	0	0	68,825	143,584
<i>Total Disbursements</i>	<u>2,137,785</u>	<u>2,335,106</u>	<u>7,056,188</u>	<u>6,001,034</u>	<u>9,193,973</u>	<u>8,336,140</u>
<i>Change in Net Assets</i>	(63)	1,002,990	956,783	(783,609)	956,720	219,381
Transfers	(213,452)	(285,748)	213,452	285,748	0	0
Net Assets, January 1, 2006 (Restated)	<u>1,108,474</u>	<u>601,359</u>	<u>3,250,108</u>	<u>3,537,842</u>	<u>4,358,582</u>	<u>4,139,201</u>
Net Assets, December 31, 2006	<u>\$894,959</u>	<u>\$1,318,601</u>	<u>\$4,420,343</u>	<u>\$3,039,981</u>	<u>\$5,315,302</u>	<u>\$4,358,582</u>

Program receipts represent 66.4% of total receipts in 2006 and consist primarily of charges for services.

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2006
(Unaudited)

General receipts represent 33.6% of the Village's total receipts, and of this amount, 47.7% are income, property, electric and other taxes. State and federal grants and entitlements and debt issued make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

Governmental Activities

The first column on the statement of activities on page 13 lists the major services provided by the Village. The next column identifies the costs of providing these services. The most significant program disbursements for governmental activities were for security of persons and property, capital outlay and general government, which account for 34.6%, 22.4%, and 19.3%, of cash disbursements for governmental activities, respectively. The next column of the statement, entitled charges for services, identifies amounts paid by users who are directly charged for the service that must be used to provide a specific service. The net (disbursements)/receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which draws on the general receipts of the Village, which is primarily made up of property and income taxes assessed on the citizens and business of the Village and other grants and entitlements that are not restricted for particular purposes.

Table 3 summarizes the total cost and net cost of providing services to the residents and local businesses of the Village. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$2.1 million and expenses of \$2.1 million and the business-type activity had total revenues of \$8.2 million and expenses of \$7.0 million.

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2006
(Unaudited)

Table 3 Total and Net Costs of Services

	2006		2005	
	Government Activities		Government Activities	
	<u>Total Cost Of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services (Restated)</u>	<u>Total Cost of Services (Restated)</u>
Program Disbursements				
General Government	\$412,208	(\$388,051)	\$284,120	(\$268,092)
Security of Persons and Property	739,226	(739,226)	653,304	(653,304)
Public Health Services	1,050	(1,050)	999	(999)
Leisure Time Activities	124,158	(124,158)	115,933	(115,688)
Community Environment	23,762	(18,116)	18,946	(15,286)
Transportation	227,335	(227,335)	209,372	(134,899)
Capital Outlay	478,779	(478,779)	885,848	(885,848)
Debt Services				
Principal Retirement	62,442	(62,442)	23,000	(23,000)
Interest and Fiscal Charges	68,825	(68,825)	143,584	(143,584)
<i>Total Disbursements</i>	<u>\$2,137,785</u>	<u>(\$2,107,982)</u>	<u>\$2,335,106</u>	<u>(\$2,240,700)</u>

	2006		2005	
	Business-Type Activities		Business-Type Activities	
	<u>Total Cost Of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services (Restated)</u>	<u>Total Cost of Services (Restated)</u>
Program Disbursements				
Water Services	\$1,103,497	(\$591,565)	\$639,042	(\$175,242)
Sewer Services	313,143	124,847	388,823	173,849
Electric Services	5,614,864	80,861	5,032,764	(1,392,980)
Storm Sewer Services	24,684	42,640	27,887	40,155
<i>Total Disbursements</i>	<u>\$7,056,188</u>	<u>(\$343,217)</u>	<u>\$6,088,516</u>	<u>(\$1,354,218)</u>

The dependence upon general receipts is apparent as over 95% of governmental activities are supported through these general receipts.

The Village's Funds

Total governmental funds had receipts of \$2,137,722 and disbursements of \$2,137,785. During the year, the fund balance in the Village Property Fund decreased by \$222,631, or 85.6%. This decrease is primarily the result of capital outlay spent to construct and renovate the Village municipality building.

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2006
(Unaudited)

The fund balance of the General Fund decreased \$61,556 or 35.3% as the result of transferring to other funds, to offset the costs related to the programs provided by the specific fund.

General Fund receipts were more than disbursements by \$1,290,778 indicating that the General Fund should be accumulating a cash reserve. However, the Village Administration, with the approval of the Council, elected to transfer significant amounts of cash from the General Fund to Police and Education Fund to help account for salaries and wages accounted for in the Police and Education Fund.

General Fund Budgeting Highlights

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

During the course of fiscal year 2006, there were minor amendments to the Village's total general fund budget. The Village uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual receipts exceeded the final budgeted revenues (\$1.4 million) by nearly \$620,000. The primary factor contributing to this were income tax receipts and investment earnings exceeding expectations.

Actual disbursements of the general fund were nearly \$12,000 below the final budgeted amount of just over \$646,000. The primary factor contributing to this was expenditures for capital outlay being approximately \$18,000 below budgeted amounts. This was achieved by a salary and wage freeze adopted by the Village.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2006, the Village had \$5,359,679 in bonds and notes outstanding. Table 4 summarizes the Village's long-term obligations outstanding as of year end.

Village of Seville, Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2006
(Unaudited)

Table 4 Long-Term Obligations
December 31, 2006

	<u>2006</u>	<u>Restated 2005</u>
Governmental Activities		
Development Revenue Bonds	\$1,375,725	\$1,415,167
Park Trails Note	0	23,000
Total Governmental Activities	<u>1,375,725</u>	<u>1,438,167</u>
Business-Type Activities		
OWDA - Water	861,220	937,354
OWDA - Sewer	191,191	237,627
OPWC - Waste Water Treatment Plant	150,074	161,618
Development Revenue Bonds	<u>591,000</u>	<u>606,500</u>
Total Business-Type Activities	<u>1,793,485</u>	<u>1,943,099</u>
Total Primary Government	<u><u>\$3,169,210</u></u>	<u><u>\$3,381,266</u></u>

The Village also has two outstanding notes through AMP-Ohio totaling \$2,190,469. See the Notes 7 and 8 to the basic financial statements for further information regarding the debt of the Village.

Current Issues

The Village has completed this year:

- Ø UV Disinfection Project at the Sanitary Sewer Plant.
- Ø Reconstruction of the Warner Street which included curbs and new storm sewers.
- Ø Purchased additional park property adjacent to Leohr Park.
- Ø Purchased property across from the entrance to Cy Hewit Park.

The Village continues to be the fastest growing area of Medina County. The Village has two housing developments in progress, another company in the Beacon South Development and a daycare center opened next to the village municipal building.

The Village completed a rewrite of the Village Zoning Code, after two years of review and help from Medina County.

Contacting the Village's Financial Management

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

Village of Seville, Medina County

Statement of Net Assets - Cash Basis

December 31, 2006

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$663,360	\$4,122,402	\$4,785,762
Cash and Cash Equivalents - With Fiscal Agent	0	297,941	297,941
Cash and Cash Equivalents - In Segregated Accounts	<u>231,599</u>	<u>0</u>	<u>231,599</u>
<i>Total Assets</i>	<u>\$894,959</u>	<u>\$4,420,343</u>	<u>\$5,315,302</u>
Net Assets			
Restricted for:			
Capital Projects	\$238,173	\$297,941	\$536,114
Debt Service	215,693	0	215,693
Police and Education	10,927	0	10,927
Village Project	37,574	0	37,574
Other Purposes	279,990	0	279,990
Unrestricted	<u>112,602</u>	<u>4,122,402</u>	<u>4,235,004</u>
<i>Total Net Assets</i>	<u>\$894,959</u>	<u>\$4,420,343</u>	<u>\$5,315,302</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Governmental Activities	Business-Type Activities	Total
Governmental Activities					
General Government	\$412,208	\$24,157	(\$388,051)	\$0	(\$388,051)
Security of Persons and Property	739,226	0	(739,226)	0	(739,226)
Public Health Services	1,050	0	(1,050)	0	(1,050)
Leisure Time Activities	124,158	0	(124,158)	0	(124,158)
Community Environment	23,762	5,646	(18,116)	0	(18,116)
Transportation	227,335	0	(227,335)	0	(227,335)
Capital Outlay	478,779	0	(478,779)	0	(478,779)
Principal Retirement	62,442	0	(62,442)	0	(62,442)
Interest and Fiscal Charges	68,825	0	(68,825)	0	(68,825)
<i>Total Governmental Activities</i>	2,137,785	29,803	(2,107,982)	0	(2,107,982)
Business Type Activity					
Water	1,103,497	511,932	0	(591,565)	(591,565)
Electric	5,614,864	5,695,725	0	80,861	80,861
Sewer	313,143	437,990	0	124,847	124,847
Storm Sewer	24,684	67,324	0	42,640	42,640
<i>Total Business Type Activities</i>	7,056,188	6,712,971	0	(343,217)	(343,217)
Total	\$9,193,973	\$6,742,774	(2,107,982)	(343,217)	(2,451,199)
General Receipts					
Property Taxes Levied for:					
General Purposes			243,173	0	243,173
Police and Education			26,477	0	26,477
Other Purposes			30,967	0	30,967
Municipal Income Taxes			1,016,153	0	1,016,153
Electric Taxes			308,832	0	308,832
Grants and Entitlements not Restricted to Specific Programs			252,560	0	252,560
Proceeds from Debt Issuance			0	1,300,000	1,300,000
Interest			197,119	0	197,119
Miscellaneous			32,638	0	32,638
<i>Total General Receipts</i>			2,107,919	1,300,000	3,407,919
Transfers			(213,452)	213,452	0
Total General Receipts and Transfers			1,894,467	1,513,452	3,407,919
Change in Net Assets			(213,515)	1,170,235	956,720
<i>Net Assets Beginning of Year (Restated See No</i>			<u>1,108,474</u>	<u>3,250,108</u>	<u>4,358,582</u>
<i>Net Assets End of Year</i>			<u><u>\$894,959</u></u>	<u><u>\$4,420,343</u></u>	<u><u>\$5,315,302</u></u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2006

	General	Police and Education	Village Property	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$112,602	\$10,927	\$21,668	\$518,163	\$663,360
Cash and Cash Equivalents - In Segregated Accounts	0	0	15,906	215,693	231,599
<i>Total Assets</i>	<u>\$112,602</u>	<u>\$10,927</u>	<u>\$37,574</u>	<u>\$733,856</u>	<u>\$894,959</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$24,316	\$9,280	\$14,129	\$270	\$47,995
Unreserved:					
Undesignated Reported in:					
General Fund	88,286	0	0	0	88,286
Special Revenue Funds	0	1,647	0	279,720	281,367
Debt Service Fund	0	0	0	215,693	215,693
Capital Projects Funds	0	0	23,445	238,173	261,618
<i>Total Fund Balances</i>	<u>\$112,602</u>	<u>\$10,927</u>	<u>\$37,574</u>	<u>\$733,856</u>	<u>\$894,959</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2006

	General	Police and Education	Village Property	Other Governmental Funds	Total Governmental Funds
Receipts					
Electric Taxes	\$308,832	\$0	\$0	\$0	\$308,832
Municipal Income Taxes	1,016,153	0	0	0	1,016,153
Property and Other Local Taxes	243,173	26,477	0	30,967	300,617
Charges for Services	196	0	0	0	196
Fines, Licenses and Permits	23,803	0	0	6,000	29,803
Intergovernmental	115,973	0	0	136,587	252,560
Interest	181,318	0	0	15,801	197,119
Miscellaneous	12,298	1,398	9,670	9,076	32,442
<i>Total Receipts</i>	<u>1,901,746</u>	<u>27,875</u>	<u>9,670</u>	<u>198,431</u>	<u>2,137,722</u>
Disbursements					
Current:					
General Government	412,208	0	0	0	412,208
Security of Persons and Property	0	738,981	0	245	739,226
Public Health Services	1,050	0	0	0	1,050
Leisure Time Activities	121,629	0	0	2,529	124,158
Community Environment	23,762	0	0	0	23,762
Transportation	0	0	0	227,335	227,335
Capital Outlay	28,741	66,537	264,932	118,569	478,779
Debt Service:					
Principal Retirement	23,000	0	39,442	0	62,442
Interest and Fiscal Charges	578	0	68,247	0	68,825
<i>Total Disbursements</i>	<u>610,968</u>	<u>805,518</u>	<u>372,621</u>	<u>348,678</u>	<u>2,137,785</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,290,778</u>	<u>(777,643)</u>	<u>(362,951)</u>	<u>(150,247)</u>	<u>(63)</u>
Other Financing Sources (Uses)					
Transfers In	0	778,562	140,320	220,000	1,138,882
Transfers Out	(1,352,334)	0	0	0	(1,352,334)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,352,334)</u>	<u>778,562</u>	<u>140,320</u>	<u>220,000</u>	<u>(213,452)</u>
<i>Net Change in Fund Balances</i>	(61,556)	919	(222,631)	69,753	(213,515)
<i>Fund Balances Beginning of Year (Restated See Note 3)</i>	<u>174,158</u>	<u>10,008</u>	<u>260,205</u>	<u>664,103</u>	<u>1,108,474</u>
<i>Fund Balances End of Year</i>	<u>\$112,602</u>	<u>\$10,927</u>	<u>\$37,574</u>	<u>\$733,856</u>	<u>\$894,959</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Electric Taxes	\$179,363	\$182,144	\$308,832	\$126,688
Municipal Income Taxes	595,798	619,289	1,016,153	396,864
Property and Other Local Taxes	216,400	223,952	243,173	19,221
Charges for Services	3,995	4,153	196	(3,957)
Fines, Licenses and Permits	12,476	12,969	23,803	10,834
Intergovernmental	132,863	138,102	115,973	(22,129)
Interest	8,698	91,072	181,318	90,246
Miscellaneous	5,166	9,661	12,298	2,637
<i>Total Receipts</i>	<u>1,154,759</u>	<u>1,281,342</u>	<u>1,901,746</u>	<u>620,404</u>
Disbursements				
Current:				
General Government	399,815	424,522	429,582	(5,060)
Public Health Services	825	932	1,050	(118)
Leisure Time Activities	109,835	116,533	124,787	(8,254)
Community Environment	34,176	34,618	24,327	10,291
Capital Outlay	46,509	49,516	31,405	18,111
Debt Service:				
Principal Retirement	18,481	19,677	23,000	(3,323)
Interest and Fiscal Charges	464	494	578	(84)
<i>Total Disbursements</i>	<u>610,105</u>	<u>646,292</u>	<u>634,729</u>	<u>11,563</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>544,654</u>	<u>635,050</u>	<u>1,267,017</u>	<u>631,967</u>
Other Financing Sources (Uses)				
Transfers In	129,674	134,787	0	(134,787)
Transfers Out	(1,089,978)	(1,160,463)	(1,352,334)	(191,871)
Other Financing Uses	(723)	(770)	(554)	216
<i>Total Other Financing Sources (Uses)</i>	<u>(961,027)</u>	<u>(1,026,446)</u>	<u>(1,352,888)</u>	<u>(326,442)</u>
<i>Net Change in Fund Balance</i>	(416,373)	(391,396)	(85,871)	305,525
<i>Fund Balance Beginning of Year (Restated See Note 3)</i>	159,638	159,638	159,638	0
Prior Year Encumbrances Appropriated	14,520	14,520	14,520	0
<i>Fund Balance End of Year</i>	<u>(\$242,215)</u>	<u>(\$217,238)</u>	<u>\$88,287</u>	<u>\$305,525</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police and Education Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$24,900	\$28,334	\$26,477	(\$1,857)
Miscellaneous	0	113	1,398	1,285
<i>Total Receipts</i>	24,900	28,447	27,875	(572)
Disbursements				
Current:				
Security of Persons and Property	755,488	758,083	743,392	14,691
Capital Outlay	77,842	76,829	71,406	5,423
<i>Total Disbursements</i>	833,330	834,912	814,798	20,114
<i>Excess of Receipts Over (Under) Disbursements</i>	(808,430)	(806,465)	(786,923)	19,542
Other Financing Sources (Uses)				
Transfers In	1,024,301	900,702	778,562	(122,140)
<i>Total Other Financing Sources (Uses)</i>	1,024,301	900,702	778,562	(122,140)
<i>Net Change in Fund Balance</i>	215,871	94,237	(8,361)	(102,598)
<i>Fund Balance Beginning of Year (Restated See Note 3)</i>	(47,938)	(47,938)	(47,938)	0
Prior Year Encumbrances Appropriated	57,946	57,946	57,946	0
<i>Fund Balance End of Year</i>	\$225,879	\$104,245	\$1,647	(\$102,598)

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2006

	Business-Type Activities				Governmental Activity
	Water	Electric	Sewer	Strom Sewer	Total Enterprise Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$514,849	\$1,917,073	\$1,309,824	\$380,656	\$4,122,402
Cash and Cash Equivalents - With Fiscal Agent	0	297,941	0	0	297,941
<i>Total Assets</i>	<u>\$514,849</u>	<u>\$2,215,014</u>	<u>\$1,309,824</u>	<u>\$380,656</u>	<u>\$4,420,343</u>
Net Assets					
Restricted for Capital Projects	\$0	\$297,941	\$0	\$0	\$297,941
Unrestricted	514,849	1,917,073	1,309,824	380,656	4,122,402
<i>Total Net Assets</i>	<u>\$514,849</u>	<u>\$2,215,014</u>	<u>\$1,309,824</u>	<u>\$380,656</u>	<u>\$4,420,343</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006*

	Business-Type Activities				Total Enterprise Funds
	Water	Electric	Sewer	Storm Sewer	
Operating Receipts					
Charges for Services	\$511,932	\$5,695,725	\$437,990	\$67,324	\$6,712,971
<i>Total Operating Receipts</i>	<u>511,932</u>	<u>5,695,725</u>	<u>437,990</u>	<u>67,324</u>	<u>6,712,971</u>
Operating Disbursements					
Personal Services	78,135	232,704	76,564	212	387,615
Fringe Benefits	26,953	88,088	25,100	67	140,208
Contractual Services	32,249	4,479,419	63,628	5,735	4,581,031
Materials and Supplies	27,820	26,047	15,305	1,720	70,892
Capital Outlay	750,351	713,911	57,932	16,950	1,539,144
Other	0	266	0	0	266
<i>Total Operating Disbursements</i>	<u>915,508</u>	<u>5,540,435</u>	<u>238,529</u>	<u>24,684</u>	<u>6,719,156</u>
<i>Operating Income (Loss)</i>	(403,576)	155,290	199,461	42,640	(6,185)
Non-Operating Receipts/(Disbursements)					
Proceeds from debt issuance	0	1,300,000	0	0	1,300,000
Interest revenue	0	0	0	0	0
Principal	(91,634)	(33,786)	(57,980)	0	(183,400)
Interest & Fiscal Charges	(96,355)	(40,643)	(16,634)	0	(153,632)
<i>Total Non-Operating Receipts/Disbursements</i>	<u>(187,989)</u>	<u>1,225,571</u>	<u>(74,614)</u>	<u>0</u>	<u>962,968</u>
<i>Income (Loss) before Transfers</i>	(591,565)	1,380,861	124,847	42,640	956,783
Transfers In	0	213,452	0	0	213,452
<i>Change in Net Assets</i>	(591,565)	1,594,313	124,847	42,640	1,170,235
<i>Net Assets Beginning of Year (See Restatement Note 3)</i>	<u>1,106,414</u>	<u>620,701</u>	<u>1,184,977</u>	<u>338,016</u>	<u>3,250,108</u>
<i>Net Assets End of Year</i>	<u>\$514,849</u>	<u>\$2,215,014</u>	<u>\$1,309,824</u>	<u>\$380,656</u>	<u>\$4,420,343</u>

See accompanying notes to the basic financial statements

Village of Seville, Medina County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$108,184</u>
Net Assets	
Unrestricted	<u>\$108,184</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

NOTE 1: REPORTING ENTITY

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Government-Wide Financial Statements

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

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

Fund Financial Statements

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

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

Fund Accounting

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

Governmental Funds

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

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

Village Property The Village Property capital project fund is used to account for the acquisition, construction and maintenance of various projects to improve and maintain the Village's administrative buildings.

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

Proprietary Funds

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

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

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

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

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

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for mayor's court fines.

Basis of Accounting

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

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

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

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

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

Cash and Investments

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

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

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

During 2006, the Village invested in nonnegotiable certificates of deposit, U.S. Treasury Bills, and a money market fund. The nonnegotiable certificates of deposit and the U.S. Treasury Bills are reported at cost. The Village's money market fund investment is recorded at the amount reported by First Merit at December 31, 2006.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$181,998, which includes \$178,091 assigned from other Village funds.

Restricted Assets

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

Capital Assets

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Note 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay disbursements are reported at inception. Lease payments are reported when paid.

Net Assets

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

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

Fund Balance Reserves

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

Interfund Transactions

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

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

NOTE 3: RESTATEMENT OF FUND BALANCES/NET ASSETS

During the year, it was determined that cash balances for construction projects were misclassified by fund in error. It was also determined that kilowatt tax receipts were reported as a transfer from the general fund to the electric fund as part of the preparation of the Village's financial statements. These amounts were reported in error and should only be recognized when the actual transfer is recorded within the record of the City. The following is the effects on beginning fund and net assets balances of the Village:

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

<u>Budget Basis</u>	<u>General</u>					<u>Total</u>
Fund/Net Asset Balances 12/31/2005	\$72,158					
Transfer of KW Receipts in Error	<u>87,480</u>					
Fund/Net Asset Balances 1/1/2006	<u>\$159,638</u>					
		<u>Police & Education</u>	<u>Village Property</u>	<u>Other Governmental</u>	<u>Governmental Fund/Activities</u>	<u>Total</u>
<u>Cash Basis</u>	<u>General</u>	<u>Police & Education</u>	<u>Village Property</u>	<u>Other Governmental</u>	<u>Governmental Fund/Activities</u>	<u>Total</u>
Fund/Net Asset Balances 12/31/2005	\$86,678	\$10,008	\$93,805	\$664,103	\$854,594	
Transfer of KW Receipts in Error	87,480	0	0	0	87,480	
Fund Misclassification of Unrecorded Cash	<u>0</u>	<u>0</u>	<u>166,400</u>	<u>0</u>	<u>166,400</u>	
Fund/Net Asset Balances 1/1/2006	<u>\$174,158</u>	<u>\$10,008</u>	<u>\$260,205</u>	<u>\$664,103</u>	<u>\$1,108,474</u>	
		<u>Water</u>	<u>Electric</u>	<u>Sewer</u>	<u>Storm</u>	<u>Enterprise/BTA</u>
<u>Cash Basis</u>	<u>Water</u>	<u>Electric</u>	<u>Sewer</u>	<u>Storm</u>	<u>Enterprise/BTA</u>	<u>Total</u>
Fund/Net Asset Balances 12/31/2005	\$1,272,814	\$708,181	\$1,184,977	\$338,016	\$3,503,988	
Transfer of KW Receipts in Error	0	(87,480)	0	0	(87,480)	
Fund Misclassification of Unrecorded Cash	<u>(166,400)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(166,400)</u>	
Fund/Net Asset Balances 1/1/2006	<u>\$1,106,414</u>	<u>\$620,701</u>	<u>\$1,184,977</u>	<u>\$338,016</u>	<u>\$3,250,108</u>	

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund and Police and Education fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$24,316 for the General fund and \$9,280 for the Police and Education fund.

NOTE 5: ACCOUNTABILITY AND COMPLIANCE

Contrary to Ohio Revised Code Section 5705.39, the Village had appropriations greater than total estimated resources in the General, Municipal Building and Electric Operating Funds by \$194,122, \$109,864 and \$532,036 respectively.

Contrary to Ohio Revised Section 5705.41(B), the Village had expenditures and encumbrances greater than authorized appropriations in the General and Municipal Building funds by \$180,092 and \$467,106 respectively.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

Contrary to Ohio Revised Code Section 135.21, the Village did not credit the Street Construction and State Highway Funds with interest earned on money derived from a motor vehicle license or fuel tax that must follow the principal.

Contrary to Ohio Revised Code Section 5705.36, the Village did not certify to the County Auditor the total amount from all sources available for expenditures from each fund.

NOTE 6: EQUITY IN POOLED CASH

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

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

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

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

Deposits At fiscal year end, the carrying amount of the Village's deposits was \$3,090,379 and the bank balance was \$3,157,791. Of the bank balance:

1. \$301,157 was covered by federal depository insurance; and

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

2. \$2,856,634 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

Investments

Investments are reported at fair value. As of December 31, 2006, the Village had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities Less than 1 Year</u>	<u>Percentage of Total Investment</u>
First American Treas Oblig - Money Market	\$231,599	\$231,599	9.93%
Overnight Repurchase Account	2,101,258	2,101,258	90.07%
Totals	<u>\$2,332,857</u>	<u>\$2,332,857</u>	<u>100.00%</u>

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

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

NOTE 7: LONG TERM OBLIGATIONS

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

A detail of long term obligations is as follows:

	Restated Balance <u>1/1/2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2006</u>
Governmental Activities				
Park Trails Note				
Interest Rate 2.48%				
Issued Nov. 20, 2003				
Ending Dec. 1, 2006	\$23,000	\$0	(\$23,000)	\$0
Development Revenue Bonds,				
Series 2005A				
Interest Rate 5.1%				
Issued May 10, 2005				
Ending May 25, 2005	<u>1,415,167</u>	<u>0</u>	<u>(39,442)</u>	<u>1,375,725</u>
Total Governmental Activities	<u>1,438,167</u>	<u>0</u>	<u>(62,442)</u>	<u>1,375,725</u>
 Business-Type Activities				
Ohio Water Development				
Authority - Water				
Interest Rate 7.66%				
Issued 1990				
Due January 1, 2015	937,354	0	(76,134)	861,220
Ohio Water Development				
Authority - Water				
Interest Rate 7.51%				
Issued 1990				
Due July 1, 2010	237,627	0	(46,436)	191,191
Development Revenue Bonds -				
Series 2005A				
Interest Rate 5.1%				
Issued May 10, 2005				
Ending May 25, 2025	606,500	0	(15,500)	591,000
Ohio Public Works commission -				
Waste Water Treatment Plant				
Interest Rate 0%				
Due January 1, 2020	<u>161,618</u>	<u>0</u>	<u>(11,544)</u>	<u>150,074</u>
Total Business-Type Activities	<u>1,943,099</u>	<u>0</u>	<u>(149,614)</u>	<u>1,793,485</u>
 Total Primary Government	<u>\$3,381,266</u>	<u>\$0</u>	<u>(\$212,056)</u>	<u>\$3,169,210</u>

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

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

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

The Village also incurred a long term obligation in connection with the Ohio Public Works Commission for the Waste Water Treatment Plant Sludge Handling Improvements. The project was completed during February 2000 with the total loan balance being \$150,074. The note payable is a 20 year non-interest bearing note with payments due semiannually.

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

Governmental Activities

Year Ending December 31,	2005A Revenue Bonds		
	Principal	Interest	Total
2007	\$42,000	\$69,794	\$111,794
2008	42,000	67,651	109,651
2009	43,167	65,510	108,677
2010	49,000	63,219	112,219
2011	49,000	60,720	109,720
2012-2016	294,021	261,979	556,000
2017-2021	388,500	176,655	565,155
2022-2025	468,037	57,358	525,395
Totals	<u>\$1,375,725</u>	<u>\$822,886</u>	<u>\$2,198,611</u>

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

Business-Type Activities

Year Ending December 31,	Ohio Water Department Authority Water		Ohio Water Department Authority Sewer		Ohio Public Works Commission Sewer		Series 2005A Revenue Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2007	\$81,965	\$65,973	\$49,924	\$14,358	\$11,544	\$0	\$18,000	\$29,912	\$271,676
2008	88,244	59,691	53,673	10,609	11,544	0	18,000	28,994	270,755
2009	95,003	52,932	57,704	6,578	11,544	0	18,500	28,076	270,337
2010	102,281	45,654	29,890	2,251	11,544	0	21,000	27,094	239,714
2011	110,115	37,820	0	0	11,544	0	21,000	26,023	206,502
2012-2016	383,612	60,191	0	0	57,721	0	126,009	112,277	739,810
2017-2021	0	0	0	0	34,633	0	166,500	75,710	276,843
2022-2025	0	0	0	0	0	0	201,991	24,582	226,573
Totals	<u>\$861,220</u>	<u>\$322,261</u>	<u>\$191,191</u>	<u>\$33,796</u>	<u>\$150,074</u>	<u>\$0</u>	<u>\$591,000</u>	<u>\$352,668</u>	<u>\$2,502,210</u>

NOTE 8: NOTE DEBT

During January 2006, the Village entered into a loan agreement with AMP-Ohio for \$1,300,000 in order to finance the cost of making improvements to its electric system, including the construction and installation of a new substation. Principal and interest payments will be retired from net revenues of its electric system, together with interest thereon equal to the rate of interest on the AMP-Ohio Member Electric System Improvement Bond Anticipation Notes (“Notes”), or notes issued to refund the Notes, or the AMP-Ohio Member Electric System Improvement Bonds (“Bonds”) in anticipation of which Bonds the Notes are issued. Interest is due and payable at maturity on the Notes and any refunding notes. The final maturity date of any notes, refunding notes, or any Bonds shall be not later than December 31, 2026.

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

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

	Balance 1/1/2006	Additions	Reductions	Balance 12/31/2006
.82% Municipal Electric	\$924,255	\$0	(\$33,786)	\$890,469
Bond Anticipation Notes 3.6%	0	1,300,000	0	1,300,000
Total Notes Payable	<u>\$924,255</u>	<u>\$1,300,000</u>	<u>(\$33,786)</u>	<u>\$2,190,469</u>

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

NOTE 9: PROPERTY TAX

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

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village. The assessed values of real and tangible property upon which 2006 property tax receipts were based are as follows:

	2006 Collections
Agricultural/Residential and Other Real Estate	\$50,603,530
Public Utility Personal	453,620
Tangible Personal Property	4,457,043
Total Assessed Value	<u>\$55,514,193</u>

NOTE 10: INCOME TAXES

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

NOTE 11: INTERFUND TRANSFERS AND ADVANCES

A. Interfund Transfers

During 2006 the following transfers were made:

<u>Transfer In</u>	<u>Transfer Out General Fund</u>
Police and Education	\$778,562
Village Property	140,320
Other Governmental Funds	220,000
Electric Fund	213,452
	<u>\$1,352,334</u>

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

B. Interfund Advances

In a prior year, the General fund loaned the Village Property capital project fund \$20,000. Interfund loans are primarily the result of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of December 31, 2006, all interfund loans outstanding are anticipated to be repaid during 2007.

NOTE 12: RETIREMENT SYSTEMS

Public Employees Retirement System

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2006, PERS members contributed 9.0% of their gross salaries. The Village contributed an amount equal to 13.70% of participants' gross salaries. The Village required contributions for the fiscal year were \$76,956, 100% has been contributed for the fiscal year 2006.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The Village required contributions for the fiscal year were \$102,870, 100% has been contributed for the fiscal year 2006.

NOTE 13: RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

NOTE 14: JOINT VENTURE

OMEGA JV5

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

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

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

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

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2006 Seville has met their debt coverage obligation.

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

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

The Village's net investment to date in OMEGA JV5 was \$88,586 at December 31, 2006. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

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

OMEGA JV2

The Village of Seville is a Non-Financing Participant and an Owner Participant with an ownership percentage of .79 and shares participation with thirty-five other subdivisions

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participant's entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$333,089 at December 31, 2006. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the Village's Auditor.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2006 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painsville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Geona	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucus	0.12%	161

**VILLAGE OF SEVILLE
MEDINA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	95.20%	127,640		4.80%	6,441
			Grand Total	100.00%	134,081

NOTE 15: SUBSEQUENT EVENTS

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

Also during January 2007, the Village retired the \$1,300,000 in bond anticipation notes issued during 2006. This was retired with the unspent proceeds balance from the \$1,300,000 issuance (\$295,000) and with the proceeds of the issuance of a new \$1,005,000 note.

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

Village of Seville
120 Royal Crest Drive
Seville, Ohio 44273

To Members of Council:

We have audited the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Village of Seville, Medina County, Ohio, (the Village), as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 23, 2008, wherein we noted the Village followed the cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Village of Seville, Medina County
Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements performed in
Accordance with *Government Auditing Standards*
Page 2

inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2006-01 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider item 2006-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2006-02 through 2006-05.

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

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

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

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

December 23, 2008

VILLAGE OF SEVILLE
MEDINA COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2006

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

Finding 2006-01 Significant Deficiency/Material Weakness

Financial Statement Presentation

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

The Village did not properly record activity relating to the issuance of the 2005 Development Revenue Bonds and the construction activity on the Town Hall and Water Plant projects. In the preparation of the GAAP Look-Like statements, fund balance was restated by decreasing the January 1, 2006 fund balance \$376,527 in the Water Fund and increasing the fund balance in the Village Property Fund by the same amount. The restatement did not account for all of the activity properly and an adjustment has been made for \$210,127 decreasing the Village Property Fund's January 1, 2006 fund balance and increasing the Water Fund balance by the same amount.

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

Homestead and Rollback receipts of \$19,906 were recorded as property taxes rather than intergovernmental revenue in the General Fund.

Note proceeds totaling \$9,670 were recorded as miscellaneous receipts rather than Note Proceeds in the Village Property Fund.

Gas excise taxes of \$84,480 were recorded as Program Revenue—Operating Grants and should have been recorded as General Receipts-Grants and Entitlement receipts on the Statement of Activities.

Hotel taxes of \$38,413 were receipted into the Streets Capital Project Fund rather than the General Fund.

Principal payments \$3,275, and interest payments \$4,519, were recorded as Capital Outlay disbursements in the Village Property Fund. Also, in the Water Fund interest payments of \$3,104 were recorded as Capital Outlay disbursements.

Interest earnings of \$377 and \$6,590 were not posted to the Street Construction Fund and State Highway Fund respectively.

VILLAGE OF SEVILLE
 MEDINA COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 DECEMBER 31, 2006

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

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

Officials Response:

Receipts and disbursements will be coded and entered accurately.

Finding 2006-02 Noncompliance

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

Appropriations exceeded total estimated resources at year end as follows:

Fund	As of December 31, 2006
General Fund	\$194,122
Municipal Building	\$109,864
Electric Operating	\$532,036

Officials Response:

Future appropriations will not exceed estimated resources.

Finding 2006-03 Noncompliance

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

Fund	As of December 31, 2006
General Fund	\$180,092
Municipal Building	\$467,106

VILLAGE OF SEVILLE
MEDINA COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2006

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

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

Officials Response:

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

Finding 2006-04 Noncompliance

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

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

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

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

Officials Response:

Interest will be properly distributed in the future.

Finding 2006-05 Noncompliance

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

VILLAGE OF SEVILLE
MEDINA COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2006

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

The Clerk/Treasurer did not file the required reports for 2006 with the County Auditor. We recommend that the Clerk/Treasurer file these reports in the future so that an accurate amended certificate of estimated resources can be obtained for the Village in a timely manner.

Officials Response:

The required reports have been filed for 2009.



Mary Taylor, CPA
Auditor of State

VILLAGE OF SEVILLE

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 12, 2009**