

**VILLAGE OF BREWSTER**



**AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Mayor and Members of Council  
Village of Brewster  
Brewster, OH 44613

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

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

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JIM PETRO  
Auditor of State

August 5, 2002

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**VILLAGE OF BREWSTER  
STARK COUNTY**

**DECEMBER 31, 2001 AND 2000**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

April 9, 2002

Mayor and Members of Council  
Village of Brewster  
Brewster, OH 44613

## Independent Auditor's Report

We have audited the accompanying financial statements of the Village of Brewster (the "Village") as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. These financial statements are the responsibility of the Village'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 in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting 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 combined fund cash balances and reserves for encumbrances of the Village of Brewster as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 9, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

*Rea & Associates, Inc.*

VILLAGE OF BREWSTER  
STARK COUNTY

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

	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only) Total
<b>CASH RECEIPTS:</b>					
Taxes	\$ 163,245	\$ 69,174	\$ 0	\$ 540,750	\$ 773,169
Intergovernmental Revenue	138,250	78,848	0	0	217,098
Special Assessments	7,384	0	0	0	7,384
Charges For Services	0	67,732	0	0	67,732
Fines, Licenses and Permits	1,868	1,194	0	0	3,062
Interest	160,571	3,277	0	0	163,848
Miscellaneous	44,266	15,038	0	0	59,304
<b>Total Cash Receipts</b>	<b>515,584</b>	<b>235,263</b>	<b>0</b>	<b>540,750</b>	<b>1,291,597</b>
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of Persons	272,130	107,129	0	0	379,259
Public Health Services	6,430	0	0	0	6,430
Leisure Time Activities	0	6,978	0	0	6,978
Community Environment	1,203	0	0	0	1,203
Basic Utility Services	7,748	0	0	0	7,748
Transportation	22,666	103,830	0	0	126,496
General Government	160,936	0	0	8,022	168,958
Capital Outlay	73,309	98,010	9,257	0	180,576
<b>Total Cash Disbursements</b>	<b>544,422</b>	<b>315,947</b>	<b>9,257</b>	<b>8,022</b>	<b>877,648</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(28,838)</b>	<b>(80,684)</b>	<b>(9,257)</b>	<b>532,728</b>	<b>413,949</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):</b>					
Sale of Fixed Assets	0	4,700	0	0	4,700
Transfers - In	332,715	235,940	104,345	0	673,000
Transfers - Out	(317,982)	0	0	(541,000)	(858,982)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>14,733</b>	<b>240,640</b>	<b>104,345</b>	<b>(541,000)</b>	<b>(181,282)</b>
<b>Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(14,105)</b>	<b>159,956</b>	<b>95,088</b>	<b>(8,272)</b>	<b>232,667</b>
<b>FUND CASH BALANCES, January 1, 2001</b>	<b>181,698</b>	<b>351,628</b>	<b>278,694</b>	<b>12,804</b>	<b>824,824</b>
<b>FUND CASH BALANCES, December 31, 2001</b>	<b>\$ 167,593</b>	<b>\$ 511,584</b>	<b>\$ 373,782</b>	<b>\$ 4,532</b>	<b>\$ 1,057,491</b>
<b>RESERVE FOR ENCUMBRANCES</b>	<b>\$ 523</b>	<b>\$ 67,740</b>	<b>\$ 0</b>	<b>\$ 1,544</b>	<b>\$ 69,807</b>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF BREWSTER  
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary
	Enterprise Funds
OPERATING CASH RECEIPTS:	
Charges for services	\$ 3,105,577
Other operating receipts	25,639
Total Operating Cash Receipts	3,131,216
OPERATING CASH DISBURSEMENTS:	
Personal services	377,865
Contractual services	1,930,973
Material and supplies	257,989
Capital outlay	220,084
Total Operating Cash Disbursements	2,786,911
Operating Income	344,305
NON-OPERATING CASH RECEIPTS:	
Taxes	14,699
Proceeds from Sale of Fixed Assets	1,631
Total Non-Operating Cash Receipts	16,330
NON-OPERATING CASH DISBURSEMENTS:	
Debt service:	
Principal retirement	174,578
Interest and fiscal charges	83,340
Other non-operating disbursements	10,677
Total Non-operating Cash Disbursements	268,595
Total Cash Receipts Over Cash Disbursements Before Interfund Transfers	92,040
Transfers-in	185,982
Net Cash Receipts Over Cash Disbursements	278,022
FUND CASH BALANCES, January 1, 2001	2,866,082
FUND CASH BALANCES, December 31, 2001	\$ 3,144,104
RESERVE FOR ENCUMBRANCES	\$ 21,300

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BREWSTER  
STARK COUNTY

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

	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only) Total
<b>CASH RECEIPTS:</b>					
Taxes	\$ 67,633	\$ 66,323	\$ 0	\$ 511,050	\$ 645,006
Intergovernmental Revenue	136,439	73,928	0	0	210,367
Special Assessments	11,397	0	0	0	11,397
Charges For Services	0	56,576	0	0	56,576
Fines, Licenses and Permits	1,397	549	0	0	1,946
Interest	191,280	3,503	0	0	194,783
Miscellaneous	33,386	19,665	0	0	53,051
<b>Total Cash Receipts</b>	<b>441,532</b>	<b>220,544</b>	<b>0</b>	<b>511,050</b>	<b>1,173,126</b>
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of Persons	251,711	73,667	0	0	325,378
Public Health Services	6,364	0	0	0	6,364
Leisure Time Activities	0	12,543	0	0	12,543
Community Environment	1,130	0	0	0	1,130
Basic Utility Services	7,064	0	0	0	7,064
Transportation	23,562	100,887	0	0	124,449
General Government	154,726	0	4,531	6,755	166,012
Capital Outlay	92,911	207,759	40,418	0	341,088
<b>Total Cash Disbursements</b>	<b>537,468</b>	<b>394,856</b>	<b>44,949</b>	<b>6,755</b>	<b>984,028</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(95,936)</b>	<b>(174,312)</b>	<b>(44,949)</b>	<b>504,295</b>	<b>189,098</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):</b>					
Sale of Fixed Assets	618	0	0	0	618
Transfers - In	318,570	228,120	98,310	0	645,000
Transfers - Out	(202,000)	0	0	(518,000)	(720,000)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>117,188</b>	<b>228,120</b>	<b>98,310</b>	<b>(518,000)</b>	<b>(74,382)</b>
<b>Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>21,252</b>	<b>53,808</b>	<b>53,361</b>	<b>(13,705)</b>	<b>114,716</b>
<b>FUND CASH BALANCES, January 1, 2000</b>	<b>160,446</b>	<b>297,820</b>	<b>225,333</b>	<b>26,509</b>	<b>710,108</b>
<b>FUND CASH BALANCES, December 31, 2000</b>	<b>\$ 181,698</b>	<b>\$ 351,628</b>	<b>\$ 278,694</b>	<b>\$ 12,804</b>	<b>\$ 824,824</b>
<b>RESERVE FOR ENCUMBRANCES</b>	<b>\$ 0</b>	<b>\$ 2,495</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,495</b>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BREWSTER  
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary
	Enterprise Funds
OPERATING CASH RECEIPTS:	
Charges for services	\$ 3,183,089
OPERATING CASH DISBURSEMENTS:	
Personal services	336,237
Contractual services	1,915,792
Material and supplies	228,994
Capital outlay	351,712
Total Operating Cash Disbursements	2,832,735
Operating Income	350,354
NON-OPERATING CASH RECEIPTS:	
Intergovernmental receipts	65,420
Proceeds from Loan	38,451
Total Non-Operating Cash Receipts	103,871
NON-OPERATING CASH DISBURSEMENTS:	
Debt service:	
Principal retirement	167,492
Interest and fiscal charges	88,503
Other non-operating disbursements	7,455
Total Non-Operating Disbursements	263,450
Total Cash Receipts Over Cash Disbursements Before Interfund Transfers	190,775
Transfers-in	75,000
Net Cash Receipts Over Cash Disbursements	265,775
FUND CASH BALANCES, January 1, 2000	2,600,307
FUND CASH BALANCES, December 31, 2000	\$ 2,866,082
RESERVE FOR ENCUMBRANCES	\$ 5,661

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF BREWSTER  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2001**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

The Village of Brewster (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water, sewer, and electric utilities, park operations (leisure time activities), police, fire and ambulance protection services.

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

B. Basis of Accounting

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

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

C. Cash Investments

Certificates of deposit are valued at cost.

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 disbursements, respectively.

D. Fund Accounting

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

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.

**VILLAGE OF BREWSTER  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2001**

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Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

*State Highway Improvement Fund* – This fund receives gasoline and license taxes and motor vehicle tax money for maintaining and repairing streets and sidewalks.

*Fire and Ambulance Equipment Fund* – This fund receives local tax monies and charges for services for the purpose of providing protection and purchasing equipment.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except for those financed through enterprise or trust funds).

Enterprise Funds

These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

*Water Fund* – This fund receives charges for services from residents to cover the cost of providing water service.

*Sewer Fund* – This fund receives charges for services from residents to cover the cost of providing sewer service.

*Electric Fund* – This fund receives charges for services from residents to cover the cost of providing electric service.

Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. The Village had the following significant expendable trust fund:

*Income Tax Fund* – This fund is used to record the collection of self-assessed taxes, the cost of collecting such tax and the distribution (interfund transfers) to various other funds in accordance with Village ordinances.

**VILLAGE OF BREWSTER  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2001**

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E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$ 2,284,229	\$ 3,315,926
Certificates of deposit	<u>1,917,366</u>	<u>374,980</u>
Total deposits	<u>\$ 4,201,595</u>	<u>\$ 3,690,906</u>

**VILLAGE OF BREWSTER  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2001**

Deposits

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

NOTE 3: BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 836,970	\$ 848,299	\$ 11,329
Special Revenue	438,927	475,903	36,976
Capital Projects	94,000	104,345	10,345
Enterprise	3,412,000	3,333,528	(78,472)
Expendable Trust	<u>540,100</u>	<u>540,750</u>	<u>650</u>
Total	<u>\$ 5,321,997</u>	<u>\$ 5,302,825</u>	<u>\$ (19,172)</u>

2001 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 992,229	\$ 862,927	\$ 129,302
Special Revenue	761,993	383,687	378,306
Capital Projects	333,694	9,257	324,437
Enterprise	6,031,081	3,076,806	2,954,275
Expendable Trust	<u>520,905</u>	<u>550,566</u>	<u>(29,661)</u>
Total	<u>\$ 8,639,902</u>	<u>\$ 4,883,243</u>	<u>\$ 3,756,659</u>

**VILLAGE OF BREWSTER  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2001**

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 740,000	\$ 760,720	\$ 20,720
Special Revenue	393,400	448,664	55,264
Capital Projects	95,000	98,310	3,310
Enterprise	3,411,150	3,361,960	(49,190)
Expendable Trust	501,900	511,050	9,150
 Total	 <u>\$ 5,141,450</u>	 <u>\$ 5,180,704</u>	 <u>\$ 39,254</u>

2000 Budgeted vs. Actual Budgetary Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 800,446	\$ 739,468	\$ 60,978
Special Revenue	691,219	397,351	293,868
Capital Projects	245,333	44,949	200,384
Enterprise	5,669,456	3,101,846	2,567,610
Expendable Trust	489,409	524,755	(35,346)
 Total	 <u>\$ 7,895,863</u>	 <u>\$ 4,808,369</u>	 <u>\$ 3,087,494</u>

During 2000 and 2001 the Village's expenditures exceeded appropriations in the expendable trust income tax fund, contrary to Ohio Rev. Code Section 5705.41(B).

NOTE 4: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. 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 financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual payments, the first half is due December 31. The second half payment is due the following June 20.

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



**VILLAGE OF BREWSTER  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2001**

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

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

**NOTE 5: LONG-TERM DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loans	\$ 1,623,702	5.20%, 4.16%, 4.12%
OPWC Loans	770,450	0%
Total	\$ 2,394,152	

The Village obtained three Ohio Water Development Authority project loans for the purpose of building three aeration tanks, two equalization tanks, and making improvements to the chlorine tank and improvements for water pollution control. The Ohio Public Works Commission project loans are for the purpose of improving the pumping stations. The OWDA loans will be repaid in semiannual installments with interest, over 20 years and the OPWC loans will be repaid in semiannual installments with no interest over 20 and 15 years.

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

<u>Year Ending December 31:</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>
2002	\$ 191,035	\$ 66,882
2003	191,035	66,882
2004	191,035	66,882
2005	191,035	66,882
2006	191,035	66,883
Subsequent	1,176,469	436,039
Total	\$ 2,131,644	\$ 770,450

**VILLAGE OF BREWSTER  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2001**

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**NOTE 6: NOTE DEBT**

The Village's note activity, including amount outstanding, interest rate, and the purpose for which the note was issued is as follows:

	<u>Outstanding 01/01/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/01</u>
4.25% Municipal Electric	<u>\$ 0</u>	<u>\$ 440,000</u>	<u>\$ 0</u>	<u>\$ 440,000</u>

The note is backed by the full faith and credit of the Village. The note has a term of one year.

**NOTE 7: RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees' Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multi-employer plans. These plans provide retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000 members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for January 1, 2000 through June 30, 2000 and a contribution equal to 8.13% of participants' gross salaries from July 1, 2000 through December 31, 2000. In 2001, the Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2001.

**NOTE 8: RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial Inland Marine
- General liability
- Public officials' liability
- Employers liability
- Employee benefits liability

The Village also provides health insurance and dental coverage to full-time employees through the Aultcare Benefit Plan.

**VILLAGE OF BREWSTER  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2001**

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**NOTE 9: SUBSEQUENT EVENT**

On January 16, 2002, the Village issued a \$2,640,000 bond anticipation note. \$340,000 of the note was a refinancing of an existing note (see Note 6). The remaining \$2,300,000 was issued for electric substation repairs and distribution upgrades. The note is payable on January 16, 2003, plus interest at 2.10%.

# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

April 9, 2002

Village Council  
Village of Brewster  
Brewster, OH 44613

## Report of Independent Accountant's on Compliance and on Internal Control Required by *Government Auditing Standards*

We have audited the financial statements of the Village of Brewster (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 9, 2002. We conducted our audits 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.

### Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 9, 2002.

### Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements.

Reportable Condition

\*Posting Supplemental Appropriations

The Village does analyze their budgeted revenues and expenditures versus actual amounts throughout the year. However, a system to assure council formally acts on appropriation changes is not in place. As a result, 2001 and 2000 appropriation changes were posted to the accounting records without Council's formal action to approve appropriation changes.

We recommend the Village Clerk obtain Council's formal approval prior to posting appropriation modifications into their accounting system. The Assistant Clerk should trace all budget modifications to ordinances and resolutions passed by the Council to assure the accuracy of the budgeted amounts posted to the accounting system.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated April 9, 2002.

This report is intended for the information and use of the Mayor, Village Council, and management and is not intended to be and should not be used by anyone other than these specific parties.

*Rea & Associates, Inc.*

\* Reportable condition also made in prior audit.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF BREWSTER**

**STARK 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  
AUGUST 20, 2002**