

**VILLAGE OF BREWSTER  
STARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2009 - 2008**

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# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Brewster  
302 South Wabash Avenue  
Brewster, Ohio 44613

We have reviewed the *Independent Accountants' Report* of the Village of Brewster, Stark County, prepared by Knox & Knox, for the audit period January 1, 2008 through December 31, 2009. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

September 16, 2010

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VILLAGE OF BREWSTER  
STARK COUNTY

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# KNOX & KNOX

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Accountants and Consultants

## Independent Accountants' Report

Village of Brewster  
Stark County  
302 Wabash Avenue  
Brewster, Ohio 44613

To the Village Council:

We have audited the accompanying financial statements of the Village of Brewster, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 1, the Village has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, 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, Stark County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the basis of accounting Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read in conjunction with this report in assessing the results of our audit.

***Knox & Knox***

Orrville, Ohio  
July 21, 2010

VILLAGE OF BREWSTER  
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>CASH RECEIPTS:</b>					
Property and Other Local Taxes	\$76,141	\$20,644	\$24,821		\$121,606
Municipal Income Tax		869,807			869,807
Intergovernmental Revenue	163,149	155,425			318,574
Special Assessments	960				960
Charges for Services		201,865			201,865
Fines, Licenses, and Permits	5,785	397			6,182
Earnings on Investments	9,374	420			9,794
Miscellaneous	8,149	37,355			45,504
<b>Total Cash Receipts</b>	<b>263,558</b>	<b>1,285,913</b>	<b>24,821</b>		<b>1,574,292</b>
<b>CASH DISBURSEMENTS:</b>					
Current:					
Security of Persons and Property	406,427	237,973			644,400
Public Health Services	7,679				7,679
Leisure Time Activities		22,042			22,042
Community Involvement	1,877				1,877
Basic Utility Services	7,450				7,450
Transportation	36,950	166,706			203,656
General Government	166,657	8,951			175,608
Capital Outlay	19,967	389,672		\$41,970	451,609
Debt Service					
Redemption of Principal			16,633		16,633
Interest/Other Fiscal Charges			7,367		7,367
<b>Total Cash Disbursements</b>	<b>647,007</b>	<b>825,344</b>	<b>24,000</b>	<b>41,970</b>	<b>1,538,321</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(383,449)</b>	<b>460,569</b>	<b>821</b>	<b>(41,970)</b>	<b>35,971</b>
<b>OTHER FINANCING RECEIPTS/DISBURSEMENTS</b>					
Sale of Fixed Assets	1,300				1,300
Transfers-In	496,388	408,600		34,012	939,000
Transfers-Out	(78,000)	(861,000)			(939,000)
Other Financing Uses	(31,587)	(137)			(31,724)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>388,101</b>	<b>(452,537)</b>		<b>\$34,012</b>	<b>(30,424)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,652	8,032	821	(7,958)	5,547
Fund Cash Balances, January 1	106,793	855,160	24,000	303,462	1,289,415
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$111,445</b>	<b>\$863,192</b>	<b>\$24,821</b>	<b>\$295,504</b>	<b>\$1,294,962</b>
Reserves for Encumbrances, December 31	\$246	\$142,504			\$142,750

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



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, 2009

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING CASH RECEIPTS:	
Charges for Services	\$5,615,771
Fees, Licenses, & Permits	1,075
Miscellaneous	<u>61,971</u>
Total Operating Cash Receipts	<u>5,678,817</u>
OPERATING CASH DISBURSEMENTS:	
Personal Services	684,714
Contractual Services	3,678,444
Supplies and Materials	511,974
Capital Outlay	<u>605,710</u>
Total Operating Cash Disbursements	<u>5,480,842</u>
Excess of Cash Receipts Over/(Under) Disbursements	<u>197,975</u>
NON-OPERATING CASH RECEIPTS AND DISBURSEMENTS:	
Earnings on Investments	16,679
Redemption of Principal	(452,965)
Interest and Other Fiscal Charges	(131,980)
Other Financing Uses	<u>(10,301)</u>
Total Non-Operating Cash Receipts and Disbursements	<u>(578,567)</u>
Net Receipts over/(Under) Disbursements	(380,592)
Fund Cash Balances, January 1	<u>2,619,457</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$2,238,865</u></u>
Reserves for Encumbrances, December 31	<u><u>\$30,626</u></u>

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

VILLAGE OF BREWSTER  
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>CASH RECEIPTS:</b>					
Property and Other Local Taxes	\$81,963	\$30,609	\$24,000		\$136,572
Municipal Income Tax		908,959			908,959
Intergovernmental Revenue	149,270	145,012			294,282
Special Assessments	1,135				1,135
Charges for Services		192,614			192,614
Fines, Licenses, and Permits	4,605	1,440			6,045
Earnings on Investments	37,326	2,064			39,390
Miscellaneous	2,274	5,354		\$46,974	54,602
	<u>276,573</u>	<u>1,286,052</u>	<u>24,000</u>	<u>46,974</u>	<u>1,633,599</u>
<b>CASH DISBURSEMENTS:</b>					
Current:					
Security of Persons and Property	402,953	256,878			659,831
Public Health Services	7,965				7,965
Leisure Time Activities		13,749			13,749
Community Involvement	2,147				2,147
Basic Utility Services	6,466				6,466
Transportation	39,409	211,423			250,832
General Government	173,454	15,128			188,582
Capital Outlay	18,476	319,539		105,006	443,021
	<u>650,870</u>	<u>816,717</u>	<u></u>	<u>105,006</u>	<u>1,572,593</u>
Total Receipts Over/(Under) Disbursements	<u>(374,297)</u>	<u>469,335</u>	<u>24,000</u>	<u>(58,032)</u>	<u>61,006</u>
<b>OTHER FINANCING RECEIPTS/(DISBURSEMENTS)</b>					
Sale of Fixed Assets	150				150
Transfers-In	551,655	365,980		118,365	1,036,000
Transfers-Out	(139,000)	(897,000)			(1,036,000)
Other Financing Uses	(40,345)	(1,573)			(41,918)
	<u>372,460</u>	<u>(532,593)</u>	<u></u>	<u>118,365</u>	<u>(41,768)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,837)	(63,258)	24,000	60,333	19,238
Fund Cash Balances, January 1	108,630	918,418		243,129	1,270,177
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u>\$106,793</u>	<u>\$855,160</u>	<u>\$24,000</u>	<u>\$303,462</u>	<u>\$1,289,415</u>
Reserves for Encumbrances, December 31		\$6,845			\$6,845

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

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, 2008

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING CASH RECEIPTS:	
Charges for Services	\$4,701,406
Fees, Licenses & Permits	10,820
Miscellaneous	<u>77,552</u>
Total Operating Cash Receipts	<u>4,789,778</u>
OPERATING CASH DISBURSEMENTS:	
Personal Services	679,770
Contractual Services	2,920,805
Supplies and Materials	508,733
Capital Outlay	<u>359,013</u>
Total Operating Cash Disbursements	<u>4,468,321</u>
Operating Income/(Loss)	<u>321,457</u>
NON-OPERATING CASH RECEIPTS/(DISBURSEMENTS):	
Earnings on Investments	83,312
Redemption of Principal	(454,333)
Interest and Other Fiscal Charges	(145,556)
Other Financing Uses	<u>(10,480)</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>(527,057)</u>
Net Receipts over/(Under) Disbursements	(205,600)
Fund Cash Balances, January 1	<u>2,825,057</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$2,619,457</u>
Reserves for Encumbrances, December 31	<u>\$454,062</u>

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

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Brewster, Stark County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services including water, sewer, and electric utilities, park operations, police, fire and ambulance protection services.

The Village participates in three jointly governed organizations and two joint ventures. Notes 9 & 10 to the financial statements provides additional information for these entities. These organizations are:

Joint Ventures

- Local Organized Governments in Cooperation (LOGIC) RED Center Operations
- Ohio Municipal Electric Generation Agency (OMEGA)

Jointly Governed Organizations

- Stark Council of Governments (SCOG)
- Stark Regional Planning Commission
- Municipal Energy Services Agency (MESA)

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

B. **ACCOUNTING BASIS**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. **DEPOSITS AND INVESTMENTS**

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

The Village values Certificates of Deposit at cost

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

D. **FUND ACCOUNTING**

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

1. **General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. **Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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 tax 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 constructing, maintaining, and repairing streets and sidewalks.

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

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

*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. The Village's income tax rate is 1 1/3 percent. The basic 1 percent income tax is allocated as follows: 82 percent to the general fund; 9 percent to the street construction, maintenance and repair fund; 3 percent to the parks and grounds fund; and 6 percent to the capital projects fund. The 1/3 percent is enacted for street improvement, storm sewers, and street trees.

3. **Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds

*Fire Truck Repayment Fund* - This fund is used to repay the capital lease for the fire truck.

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

D. **FUND ACCOUNTING** (continued)

4. **Capital Projects Funds**

These fund 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).

5. **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.

E. **BUDGETARY PROCESS**

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

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) July not exceed appropriations at the fund, function, or object level of control, and appropriations July 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued )

E. **BUDGETARY PROCESS** (continued)

3. **Encumbrances**

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

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

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$1,253,572	\$1,034,031
Certificates of deposit	<u>250,000</u>	<u>850,179</u>
Total deposits	1,503,572	1,884,210
STAR Ohio	<u>2,030,255</u>	<u>2,024,662</u>
Total deposits and investments	<u><u>\$3,533,827</u></u>	<u><u>\$3,908,872</u></u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2009 and 2008, follows:

<u>2009 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,078,963	\$761,246	(\$317,717)
Special Revenue	1,957,650	1,694,513	(263,137)
Capital Projects	24,000	24,821	821
Enterprise	252,500	34,012	(218,488)
Debt Service	<u>5,136,000</u>	<u>5,695,496</u>	<u>559,496</u>
Total	<u>\$8,449,113</u>	<u>\$8,210,088</u>	<u>(\$239,025)</u>

<u>2009 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,185,755	\$756,840	\$428,915
Special Revenue	2,819,657	1,828,985	990,672
Capital Projects	48,000	24,000	24,000
Enterprise	555,982	41,970	514,012
Debt Service	<u>8,209,520</u>	<u>6,106,714</u>	<u>2,102,806</u>
Total	<u>\$12,818,914</u>	<u>\$8,758,509</u>	<u>\$4,060,405</u>

<u>2008 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,083,860	\$828,378	(\$255,482)
Special Revenue	1,971,700	1,652,032	(319,668)
Debt Service	25,000	24,000	(1,000)
Capital Projects	302,500	165,339	(137,161)
Enterprise	<u>4,918,500</u>	<u>4,873,090</u>	<u>(45,410)</u>
Total	<u>\$8,301,560</u>	<u>\$7,542,839</u>	<u>(\$758,721)</u>

<u>2008 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,183,910	\$830,215	\$353,695
Special Revenue	2,890,119	1,722,135	1,167,984
Debt Service	25,000	25,000	25,000
Capital Projects	545,628	105,006	440,622
Enterprise	<u>7,743,557</u>	<u>5,532,752</u>	<u>2,210,805</u>
Total	<u>\$12,388,214</u>	<u>\$8,190,108</u>	<u>\$4,198,106</u>



VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**3. BUDGETARY ACTIVITY** (continued)

Contrary to Ohio law, appropriations were greater than estimated resources in the General, Special Revenue and Enterprise funds in 2008 and the Special Revenue and Enterprise funds during 2009. A summary can be found in Finding 2009-001.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments for 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property 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.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 1/3 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**6. CAPITAL LEASE OBLIGATIONS**

The Village entered into a capital lease arrangement for equipment in 2006. The lease is for 10 years and requires a per annum payment of \$24,821. Interest is imputed at 5.16% per annum.

<u>Due Date</u>	<u>Amount</u>
12/11/2010	\$24,821
12/11/2011	24,821
12/11/2012	24,821
12/11/2013	24,821
12/11/2014	24,821
12/11/2015	<u>24,821</u>
	148,926
Less: imputed interest	<u>23,580</u>
	<u>\$125,346</u>

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

6. **DEBT**

Debt outstanding at December 31, 2009 was as follows:

		<u>Interest Rate</u>
OPWC CS 12D	\$21,148	
OPWC CS 907	146,006	
OPWC CS 702	68,238	
OWDA 327 SRF	228,461	4.16%
OWDA 136 SRF	275,423	5.20%
OWDA 327 SRFS	37,993	4.12%
Municipal Electric	1,101,450	1.35%
	<u>\$1,878,719</u>	

Ohio Public Works Commission Loan Number CS 12D was for the northeast waterline loop.

Ohio Public Works Commission Loan Number CS 907 was for water pollution control improvements.

Ohio Public Works Commission Loan Number CS 702 was for a high service pumping station and clear well.

Ohio Water Development Authority Loan Number 327 SRF was for sewer system improvements.

Ohio Water Development Authority Loan Number 136 SRF was for sewer system improvements.

Ohio Water Development Authority Loan Number 327 SRFS was for sewer system improvements.

The Municipal Electric Note is backed by the full faith and credit of the Village. The note has a term of one year. The note was issued in 2001 and has been renewed annually to maintain the lowest possible interest rate. The loan may be converted to long-term financing if interest rates rise to higher levels. Although the Village is not required to make principal payments for the first five years they have chosen to do so. The administrator of the loan, AMP-Ohio, advises them of the amount to pay on principal so that the Village still meets the required debt covenant ratio. The debt is required to be paid by 2025.

The following are summaries of principal and interest maturities:

<u>Years Ending</u> <u>December 31:</u>	<u>Loan No. OPWC CS 12D</u>		
	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
2010	\$1,922	\$1,922	
2011	1,922	1,922	
2012	1,922	1,922	
2013	1,922	1,922	
2014	1,922	1,922	
2015-2019	9,616	9,616	
2020	1,922	1,922	
	<u>\$21,148</u>	<u>\$21,148</u>	<u>          </u>

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

6. **DEBT** (continued)

Years Ending December 31:	Loan No. OPWC CS 907		
	Payment	Principal	Interest
2010	\$19,468	\$19,468	
2011	19,468	19,468	
2012	19,468	19,468	
2013	19,468	19,468	
2014	19,468	19,468	
2015-2017	<u>48,663</u>	<u>48,663</u>	
	<u>\$146,003</u>	<u>\$146,003</u>	

Years Ending December 31:	Loan No. OPWC CS 702		
	Payment	Principal	Interest
2010	\$45,492	\$45,492	
2011	22,746	22,746	
	<u>\$68,238</u>	<u>\$68,238</u>	

Years Ending December 31:	Loan No. OWDA 327 SRF		
	Payment	Principal	Interest
2010	\$37,956	\$28,747	\$9, 209
2011	37,956	29,956	8,000
2012	37,956	31,215	6,741
2013	37,956	32,527	5,429
2014	37,956	33,894	4,062
2015-2017	<u>75,909</u>	<u>72,122</u>	<u>3,787</u>
	<u>265,689</u>	<u>\$228,461</u>	<u>\$37,228</u>

Years Ending December 31:	Loan No. OWDA 136 SRF		
	Payment	Principal	Interest
2010	146,776	134,176	12,600
2011	146,876	141,347	5,529
	<u>\$293,652</u>	<u>\$275,523</u>	<u>\$18,129</u>

Years Ending December 31:	Loan No. OWDA 327 SRFS		
	Payment	Principal	Interest
2010	\$6,303	\$4,787	\$1,516
2011	6,303	4,986	1,317
2012	6,303	5,193	1,110
2013	6,303	5,410	893
2014	6,303	5,634	669
2015-2016	<u>12,606</u>	<u>11,983</u>	<u>623</u>
	<u>\$44,121</u>	<u>\$37,993</u>	<u>\$6,128</u>

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**7. RETIREMENT SYSTEM**

The Village's full-time Police Officer belongs to the Police and Fireman's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). PFDPF and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, PFDPF participants contributed 10% of their wages. The Village contributed to PFDPF an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial inland marine
- General liability
- Public officials' liability
- Employer's liability
- Employee benefits liability

The Village also provides health insurance and dental coverage to full-time employees .

**9. JOINT VENTURES**

**A. OMEGA JV5**

The Village of Brewster is a Financing Participant with an ownership percentage of .79 percent, and shares participation with forty-one other subdivisions with 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 participation in the OMEGA JV5 Project.

Pursuant to the OMEGA 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.

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

9. **JOINT VENTURES** (continued)

A. **OMEGA JV5** (continued)

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) and from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system obligations. As of December 31, 2009 Brewster 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 July take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant July purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting 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 2004.

The Village's net investment to date in OMEGA JV5 was \$84,789 at December 31, 2009. Complete financial statements for OMEGA JV5 July be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

9. **JOINT VENTURES** (continued)

A. **OMEGA JV5** (continued)

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

B. **OMEGA JV2**

The Village of Brewster is a Non-Financing Participant and an Owner Participant with an ownership percentage of .75% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project Shares, ownership of which is held in trust for such Purchaser Participants.

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

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

9. **JOINT VENTURES** (continued)

B. **OMEGA JV2** (continued)

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 134.081 MW is the Participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-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 \$257,161 at December 31, 2009. Complete financial statements for OMEGA JV2 July be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

The thirty-six participating subdivisions and their respective ownership share at December 31, 2009 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	El more	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberton	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.19%	1,460	Bradner	0.09%	119
Yellow Springs	1.15%	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
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**10. JOINTLY GOVERNED ORGANIZATIONS**

A. Stark Council of Governments

The Village participates in Stark Council of Governments (the "Council"), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County, municipalities and Villages with twenty-four participants providing twenty-seven representatives. The Village appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriating, contracting, and designating management. Continued existence of the Council is not dependent on the Village's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens in the Village. The Village did not make any contributions during the fiscal year and does not have an equity interest in the Council. Financial statements of the Council can be obtained from Stark Council of Governments, Canton, Ohio.

B. Stark County Regional Planning Commission

The Village participates in the Stark County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County and other villages, cities and Villages. The principal aim of the Commission is to provide comprehensive planning, both long and short term range, dealing with economic and physical environment of Stark County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting and designating management. The Village has no financial responsibility for any of the Commission's liabilities. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

C. Municipal Energy Services Agency

The Municipal Energy Services Agency (MESA) is a jointly governed organization among the Village and approximately thirty other municipal electric systems. MESA was formed to provide access to a pool of personnel experienced in the planning, management, engineering, construction, safety training and other technical aspects of the operation and maintenance of municipal electric and other utility systems. The continued existence of MESA is not dependent on the Village's continued participation and the Village does not have an equity interest in or financial responsibility for MESA. MESA has no outstanding debt.



# KNOX & KNOX

Accountants and Consultants

## **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Brewster  
Stark County  
302 Wabash Avenue  
Brewster, Ohio 44613

To the Village Council:

We have audited the accompanying financial statements of The Village of Brewster, Stark County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 21, 2010 wherein we noted The Village of Brewster, Ohio followed accounting practices prescribed by the Auditor of State. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of control deficiencies, resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as Finding 2009-001.

Village of Brewster  
Stark County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 21, 2010.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.

*KNOX & KNOX*

Orrville, Ohio  
July 21, 2010

**VILLAGE OF BREWSTER  
STARK COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-01

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that appropriations are limited by estimated resources.

Village appropriations exceeded estimated resources in the following instances at December 31:

<u>FUND</u>	<u>APPROPRIATIONS</u>	<u>ESTIMATED RESOURCES</u>	<u>VARIANCE</u>
Special Revenue 2009:			
D.A.R.E.	\$3,992	\$3,432	(\$560)
Fire Equipment	298,797	286,199	(12,598)
Ambulance & Equipment	391,503	390,971	(532)
Enterprise 2009:			
Water	661,259	644,543	(16,716)
Sewer	697,735	692,735	(5,000)
Electric	6,807,015	5,920,606	(886,409)
General 2008	1,192,490	1,183,810	(8,680)
Special Revenue 2008:			
St. C.M. & R.	270,395	266,807	(3,588)
State Highway	24,498	17,268	(7,230)
Parks/Grounds & Buildings	52,417	51,667	(750)
Fire Equipment	334,252	334,208	(44)
Ambulance & Equipment	422,681	419,263	(3,418)
Enterprise 2008			
Water	621,798	618,099	(3,699)
Sewer	678,162	678,158	(4)
Electric	6,400,466	6,359,222	(41,244)

Client Response: None





**Mary Taylor, CPA**  
Auditor of State

**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  
SEPTEMBER 28, 2010**