

***VILLAGE OF BREWSTER***

***STARK COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012***







# Dave Yost • Auditor of State

Village Council  
Village of Brewster  
302 Wabash Ave.  
Brewster, Ohio 44613

We have reviewed the *Independent Auditor's Report* of the Village of Brewster, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 26, 2014

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**VILLAGE OF BREWSTER  
STARK COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2013 and 2012**

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**INDEPENDENT AUDITORS' REPORT**

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

To the Honorable Mayor and Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Brewster, Stark County, (the Village) as of and for the years ended December 31, 2013 and 2012.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Brewster, Stark County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**CHARLES E. HARRIS & ASSOCIATES, INC.**  
July 30, 2014



**VILLAGE OF BREWSTER  
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 65,142	\$ 21,664	\$ 24,821	\$ -	\$ 111,627
Municipal Income Tax	806,362	-	-	-	806,362
Intergovernmental	70,208	124,926	-	-	195,134
Special Assessments	6,405	-	-	-	6,405
Charges for Services	-	242,858	-	4,631	247,489
Fines, Licenses and Permits	4,832	1,195	-	-	6,027
Earnings on Investments	11,864	279	-	-	12,143
Miscellaneous	19,044	6,781	-	-	25,825
<i>Total Cash Receipts</i>	<u>983,857</u>	<u>397,703</u>	<u>24,821</u>	<u>4,631</u>	<u>1,411,012</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	470,784	244,207	-	-	714,991
Public Health Services	8,025	-	-	-	8,025
Leisure Time Activities	19,687	-	-	-	19,687
Community Environment	2,458	-	-	-	2,458
Basic Utility Services	6,640	-	-	-	6,640
Transportation	24,380	175,014	-	-	199,394
General Government	206,342	944	-	-	207,286
Capital Outlay	13,192	178,575	-	17,959	209,726
Debt Service:					
Principal Retirement	-	-	20,297	-	20,297
Interest & Fiscal Charges	-	-	4,524	-	4,524
<i>Total Cash Disbursements</i>	<u>751,508</u>	<u>598,740</u>	<u>24,821</u>	<u>17,959</u>	<u>1,393,028</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	232,349	(201,037)	-	(13,328)	17,984
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	96,763	-	58,595	155,358
Transfers Out	(155,358)	-	-	-	(155,358)
Other Financing Sources	185	-	-	-	185
Other Financing Uses	(11,241)	(662)	-	-	(11,903)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(166,414)</u>	<u>96,101</u>	<u>-</u>	<u>58,595</u>	<u>(11,718)</u>
<i>Net Change in Fund Cash Balances</i>	65,935	(104,936)	-	45,267	6,266
<i>Fund Cash Balances, January 1</i>	<u>396,871</u>	<u>639,270</u>	<u>24,821</u>	<u>312,468</u>	<u>1,373,430</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	185	-	-	-	185
Restricted	-	534,334	24,821	-	559,155
Assigned	-	-	-	357,735	357,735
Unassigned	462,621	-	-	-	462,621
<i>Fund Cash Balances, December 31</i>	<u>\$ 462,806</u>	<u>\$ 534,334</u>	<u>\$ 24,821</u>	<u>\$ 357,735</u>	<u>\$ 1,379,696</u>

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

**VILLAGE OF BREWSTER  
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u><b>Proprietary Fund Types Enterprise</b></u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 5,735,855
Fines, Licenses and Permits	1,223
Miscellaneous	<u>22,733</u>
<i>Total Operating Cash Receipts</i>	5,759,811
<b>Operating Cash Disbursements</b>	
Personal Services	699,227
Contractual Services	3,732,737
Supplies and Materials	324,618
Capital Outlay	<u>872,667</u>
<i>Total Operating Cash Disbursements</i>	<u>5,629,249</u>
<i>Operating Income (Loss)</i>	130,562
<b>Non-Operating Receipts (Disbursements)</b>	
Sale of Notes	450,459
Principal Retirement	(402,498)
Interest and Other Fiscal Charges	(44,217)
Other Financing Sources	12,735
Other Financing Uses	<u>(9,191)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>7,288</u>
<i>Net Income (Loss)</i>	137,850
<i>Fund Cash Balances, January 1</i>	<u>3,455,463</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 3,593,313</u></u>

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

**VILLAGE OF BREWSTER  
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 74,330	\$ 20,775	\$ 24,821	\$ -	\$ 119,926
Municipal Income Tax	698,527	-	-	-	698,527
Intergovernmental	91,831	118,800	-	-	210,631
Special Assessments	8,126	-	-	-	8,126
Charges for Services	-	218,118	-	-	218,118
Fines, Licenses and Permits	4,765	250	-	-	5,015
Earnings on Investments	3,978	81	-	-	4,059
Miscellaneous	12,572	1,857	-	-	14,429
<i>Total Cash Receipts</i>	<u>894,129</u>	<u>359,881</u>	<u>24,821</u>	<u>-</u>	<u>1,278,831</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	468,709	233,170	-	-	701,879
Public Health Services	8,394	-	-	-	8,394
Leisure Time Activities	13,170	-	-	-	13,170
Community Environment	1,663	-	-	-	1,663
Basic Utility Services	7,875	-	-	-	7,875
Transportation	42,599	168,471	-	-	211,070
General Government	169,247	851	-	-	170,098
Capital Outlay	110,755	107,255	-	78,910	296,920
Debt Service:					
Principal Retirement	-	-	19,301	-	19,301
Interest & Fiscal Charges	-	-	5,520	-	5,520
<i>Total Cash Disbursements</i>	<u>822,412</u>	<u>509,747</u>	<u>24,821</u>	<u>78,910</u>	<u>1,435,890</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	71,717	(149,866)	-	(78,910)	(157,059)
<b>Other Financing Receipts (Disbursements)</b>					
Sales of Fixed Assets	329	-	-	-	329
Transfers In	1,000	98,343	-	20,836	120,179
Transfers Out	(119,179)	(1,000)	-	-	(120,179)
Other Financing Sources	132	-	-	-	132
Other Financing Uses	(9,188)	(3,118)	-	-	(12,306)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(126,906)</u>	<u>94,225</u>	<u>-</u>	<u>20,836</u>	<u>(11,845)</u>
<i>Net Change in Fund Cash Balances</i>	(55,189)	(55,641)	-	(58,074)	(168,904)
<i>Fund Cash Balances, January 1</i>	<u>452,060</u>	<u>694,911</u>	<u>24,821</u>	<u>370,542</u>	<u>1,542,334</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	132	-	-	-	132
Restricted	-	639,270	24,821	-	664,091
Assigned	-	-	-	312,468	312,468
Unassigned	396,739	-	-	-	396,739
<i>Fund Cash Balances, December 31</i>	<u>\$ 396,871</u>	<u>\$ 639,270</u>	<u>\$ 24,821</u>	<u>\$ 312,468</u>	<u>\$ 1,373,430</u>

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

**VILLAGE OF BREWSTER  
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 5,279,526
Fines, Licenses and Permits	21,046
Miscellaneous	<u>16,431</u>
<i>Total Operating Cash Receipts</i>	5,317,003
<b>Operating Cash Disbursements</b>	
Personal Services	710,386
Contractual Services	3,010,742
Supplies and Materials	521,494
Capital Outlay	<u>276,460</u>
<i>Total Operating Cash Disbursements</i>	<u>4,519,082</u>
<i>Operating Income (Loss)</i>	797,921
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments	534
Principal Retirement	(292,583)
Interest and Other Fiscal Charges	(60,485)
Other Financing Sources	12,530
Other Financing Uses	<u>(9,921)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(349,925)</u>
<i>Net Income (Loss)</i>	447,996
<i>Fund Cash Balances, January 1</i>	<u>3,007,467</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 3,455,463</u></u>

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

**Village of Brewster  
Stark County  
Notes to the Financial Statements  
December 31, 2013 and 2012**

**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 such as water, sewer, and electric utilities, Water operations, police services, fire, and ambulance protective services.

The Village participates in three jointly governed organizations and two joint ventures. Notes 12 and 13 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

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

Joint Ventures:

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

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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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:

**Village of Brewster  
Stark County  
Notes to the Financial Statements  
December 31, 2013 and 2012**

**1. Summary of Significant Accounting Policies (continued)**

**D. Fund Accounting (continued)**

**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.

**3. Debt Service Fund**

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

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

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Projects Fund – This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

**Village of Brewster  
Stark County  
Notes to the Financial Statements  
December 31, 2013 and 2012**

**1. Summary of Significant Accounting Policies (continued)**

**5. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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 (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 individual commitments are made. Encumbrances outstanding at year end are carried forward to the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**Village of Brewster  
Stark County  
Notes to the Financial Statements  
December 31, 2013 and 2012**

**1. Summary of Significant Accounting Policies (continued)**

**F. Fund Balance (Continued)**

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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



**Village of Brewster  
Stark County  
Notes to the Financial Statements  
December 31, 2013 and 2012**

**2. Equity in Pooled Deposits and Investments**

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

	2013	2012
Demand deposits	<u>\$2,817,504</u>	<u>\$2,673,402</u>
Total deposits	2,817,504	2,673,402
Certificate of deposit (CDARS)	2,125,000	2,125,000
STAR Ohio	<u>30,505</u>	<u>30,491</u>
Total investments	<u>2,155,505</u>	<u>2,155,491</u>
Total deposits and investments	<u><u>\$4,973,009</u></u>	<u><u>\$4,828,893</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.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,442,570	\$918,107	\$524,463
Special Revenue	1,048,121	599,402	448,719
Debt Service	49,821	24,821	25,000
Capital Projects	421,500	17,959	403,541
Enterprise	10,597,075	6,085,155	4,511,920
Total	<u><u>\$13,559,087</u></u>	<u><u>\$7,645,444</u></u>	<u><u>\$5,913,643</u></u>

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,046,720	\$984,042	\$62,678
Special Revenue	516,310	494,466	21,844
Debt Service	25,000	24,821	179
Capital Projects	110,000	63,226	46,774
Enterprise	7,205,500	6,223,005	982,495
Total	<u><u>\$8,903,530</u></u>	<u><u>\$7,789,560</u></u>	<u><u>\$1,113,970</u></u>

**Village of Brewster  
Stark County  
Notes to the Financial Statements  
December 31, 2013 and 2012**

**3. Budgetary Activity (continued)**

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,460,022	\$950,779	\$509,243
Special Revenue	1,241,071	513,865	727,206
Debt Service	49,821	24,821	25,000
Capital Projects	443,042	78,910	364,132
Enterprise	9,242,624	4,882,071	4,360,553
Total	<u>\$12,436,580</u>	<u>\$6,450,446</u>	<u>\$5,986,134</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,051,470	\$895,590	\$155,880
Special Revenue	621,000	458,224	162,776
Debt Service	25,000	24,821	179
Capital Projects	125,000	20,836	104,164
Enterprise	6,270,500	5,330,067	940,433
Total	<u>\$8,092,970</u>	<u>\$6,729,538</u>	<u>\$1,363,432</u>

**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 pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Stark 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 percent in 2012 and 2013 on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**Village of Brewster  
Stark County  
Notes to the Financial Statements  
December 31, 2013 and 2012**

**6. Capital Lease Obligation**

In 2006, the Village entered into a capital lease arrangement for a Fire Truck. 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>
2/5/2014	\$24,821
2/5/2015	24,821
2/5/2016	24,821
	<u>74,463</u>
Less Imputed Int.	<u>7,070</u>
	<u><u>\$67,393</u></u>

The beginning lease balance was understated by \$24,821.

**7. Debt**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC 907	\$68,136	0.00%
OWDA 327 (SRFS 2697)	17,617	4.12%
OWDA 327 (SRFS 2696)	106,016	4.16%
OPWC 12D	13,452	0.00%
OWDA Pump Station (6318 & 6317)	450,459	0.00%
Hillview Mobile Home Park/OWDA	24,781	0.00%
Municipal Electric Note	290,000	
Total	<u><u>\$970,461</u></u>	

The beginning debt balance was understated by \$2,154. The above outstanding debt does not include the capital lease nor the JV5 obligations.

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

The Ohio Water Development Authority Loan Numbers 327 (SRFS 2696 and 2697) were for sewer system improvements.

The Ohio Public Works Commission Loan Number 12D was for the Northeast Waterline Loop. The Note was issued in 2001 and has been renewed annually to maintain the lowest possible interest rate. The loan will 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) advises the Village 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.

During 2009, the Village received money from the Ohio Development Water Authority for water sewer improvements for the Hillview Mobile Home Park. During 2010, the Village received a grant which was used to repay a portion of the loan. The remainder of the loan is being paid by the Village in annual payments.

**Village of Brewster  
Stark County  
Notes to the Financial Statements  
December 31, 2013 and 2012**

**7. Debt – (continued)**

The Municipal Electric Note is backed by the full faith and credit of the Village. The note was issued in 2001 and has been renewed annually to maintain the lowest possible interest rate. The loan will 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, advises them of the amount to pay on principal (therefore there is no predetermined amortization schedule) so that the Village still meets the required debt covenant ratio. The debt is required to be paid by 2025.

During 2012, the Village received money from the Ohio Development Water Authority for Kings Highway pump station improvement and relocation.

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

Year ending December 31:	OPWC 907	OWDA 327 SRFS (2697)	OWDA 327 SRFS (2696)	OPWC 12D	Hillview Mobile Home Park
2014	\$ 19,468	\$ 6,303	\$ 37,956	\$ 1,922	\$1,077
2015	19,468	6,303	37,956	1,922	1,077
2016	19,468	6,303	37,956	1,922	1,077
2017	9,732	3,152	18,978	1,922	1,077
2018	-	-	-	1,922	1,077
2019-2024	-	-	-	3,842	19,396
Total	<u>\$ 68,136</u>	<u>\$ 22,061</u>	<u>\$ 132,846</u>	<u>\$ 13,452</u>	<u>\$24,781</u>

**8. Retirement Systems**

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other part-time police officers belong to the Ohio Public Employees Retirement System (OPERS). The Village has no full-time firefighters, and maintains an all-volunteer force. The Village has one full-time paramedic and five part-time paramedics. All paramedic employees pay into OPERS. OP&F 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 2013 and 2012, OP&F participants contributed 10% of their wages, after July 1, 2013 this rate increased to 10.75%. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**Village of Brewster  
Stark County  
Notes to the Financial Statements  
December 31, 2013 and 2012**

**9. Risk Management**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions
- Commercial inland marine
- General Liability
- Public Officials Liability
- Employer's Liability
- Employee Benefits Liability

The Village also provides health insurance, life, dental and vision coverage to all full-time employees.

**10. Contingent Liabilities/Subsequent Events**

There is one pending claim filed in the Stark County Court of Common Pleas against the Village. The claim involves action for declaratory judgment in which a property owner is seeking an interpretation of the annexation agreement in such a way as to force the Village to pay for a sewer extension. Management believes the claim will be resolved in favor of the Village of Brewster.

**11. Transfers**

During 2012 and 2013, the Village made various transfers to subsidize operations and to provide for expenditures. The Village closed its Centennial Fund (special revenue) and the money was moved to the general fund in accordance with Ohio Revised Code. All transfers were approved in accordance with Ohio Revised Code sections 5705.14, 5705.15, and 5705.16.

**12. Joint Ventures**

OMEGA JV5

The Village of Brewster is a Financing Participant with an ownership percentage of .79 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

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

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 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  
December 31, 2013 and 2012**

**12. Joint Ventures – (continued)**

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) 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 revenue obligations. As of December 31, 2013, 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 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting 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, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$77,199 at December 31, 2013. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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 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  
December 31, 2013 and 2012**

**12. Joint Ventures – (continued)**

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 134.081MW is the participants' 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, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility.

As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2013, the outstanding debt was \$15,769,323. The Village's net investment in OMEGA JV2 was \$169,935 at December 31, 2013. Complete financial statements for OMEGA JV2 may be obtained from AMP 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 shares at December 31, 2013 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	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	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  
December 31, 2013 and 2012**

**13. 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.

**14. American Municipal Power Generating Station Project**

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 4,276 kilowatts of a total 771,281 kilowatts, giving the Village a 0.55 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability.



**Village of Brewster  
Stark County  
Notes to the Financial Statements  
December 31, 2013 and 2012**

**14. American Municipal Power Generating Station Project – (continued)**

The Village's estimated share at March 31, 2014, of the impaired costs is \$738,347. The Village received a credit of \$337,431 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$193,381 related to the AMPGS costs deemed to have future benefit for the project participants, and payments made of \$10,514 leaving a net impaired cost estimate of \$197,021. The Village will begin making payments in 2015. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments.

The Village intends to recover these costs and repay AMP during 2015 through a power cost adjustment.

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Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Village of Brewster  
Stark County  
302 S. Wabash Ave.  
Brewster, Ohio 44613

To the Honorable Mayor and Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Brewster, Stark County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated July 30, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2013-VB-01 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

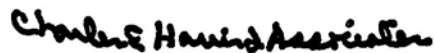
We also noted certain matters that we have reported to management of the Village in a separate letter dated July 30, 2014.

***Entity's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



***CHARLES E. HARRIS & ASSOCIATES, INC.***

July 30, 2014

**VILLAGE OF BREWSTER  
STARK COUNTY, OHIO**

SCHEDULE OF FINDINGS  
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2013-VB-01 – Significant Deficiency

Cash Collection, Deposit, and Reconciliation

Segregation of duties is one of the most important control issues in risk management. Active involvement by officers is critical when staff is small and segregation of duties is not feasible. Within the Income Tax department and Utility department it was noted that the collection of cash, the deposit of cash, and the reconciliation was performed by the same employee, with the Clerk-Treasurer not being involved in the process. We believe the deposit of daily receipt should be done by another person other than the person receiving and booking receipts.

To ensure proper segregation of duties, a separate employee, namely the Village's Clerk-Treasurer, should review the deposit prepared and then make the deposit of daily receipts.

Officials' Response:

Management will review the current procedures and modify accordingly to ensure proper segregation of duties.

**VILLAGE OF BREWSTER  
STARK COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2013 and 2012**

The prior audit, for the years ended December 31, 2011 and 2010, reported no material citations or recommendations.





# Dave Yost • 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 9, 2014**