

VILLAGE OF BREWSTER

STARK COUNTY, OHIO

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014





Dave Yost • Auditor of State

Village Council
Village of Brewster
302 Wabash Ave
Brewster, OH 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, 2014 through December 31, 2015. 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

July 5, 2016

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**VILLAGE OF BREWSTER
STARK COUNTY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Brewster, Stark County, (the Village) as of and for the years ended December 31, 2015 and 2014.

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

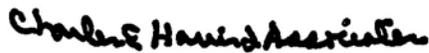
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 May 13, 2016, 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.
May 13, 2016

**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, 2015**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 65,712	\$ 24,895	\$ 22,411	\$ -	\$ 113,018
Municipal Income Tax	847,674	-	-	-	847,674
Intergovernmental	72,734	138,836	-	33,124	244,694
Special Assessments	4,681	-	-	-	4,681
Charges for Services	-	209,442	-	22,523	231,965
Fines, Licenses and Permits	6,517	1,614	-	-	8,131
Earnings on Investments	15,034	438	-	-	15,472
Miscellaneous	23,752	6,741	-	-	30,493
<i>Total Cash Receipts</i>	<u>1,036,104</u>	<u>381,966</u>	<u>22,411</u>	<u>55,647</u>	<u>1,496,128</u>
Cash Disbursements					
Current:					
Security of Persons and Property	502,100	284,480	-	-	786,580
Public Health Services	7,844	-	-	-	7,844
Leisure Time Activities	31,938	-	-	-	31,938
Community Environment	6,346	-	-	-	6,346
Basic Utility Services	4,720	-	-	-	4,720
Transportation	33,355	182,548	-	-	215,903
General Government	235,508	866	-	-	236,374
Capital Outlay	89,889	140,835	-	68,615	299,339
Debt Service:					
Principal Retirement	-	-	22,445	953	23,398
Interest & Fiscal Charges	-	-	2,376	-	2,376
<i>Total Cash Disbursements</i>	<u>911,700</u>	<u>608,729</u>	<u>24,821</u>	<u>69,568</u>	<u>1,614,818</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	124,404	(226,763)	(2,410)	(13,921)	(118,690)
Other Financing Receipts (Disbursements)					
Transfers In	-	101,989	-	21,498	123,487
Transfers Out	(123,487)	-	-	-	(123,487)
Other Financing Sources	424	-	-	-	424
Other Financing Uses	-	(15)	-	-	(15)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(123,063)</u>	<u>101,974</u>	<u>-</u>	<u>21,498</u>	<u>409</u>
<i>Net Change in Fund Cash Balances</i>	1,341	(124,789)	(2,410)	7,577	(118,281)
<i>Fund Cash Balances, January 1</i>	<u>453,554</u>	<u>486,882</u>	<u>24,821</u>	<u>275,928</u>	<u>1,241,185</u>
Fund Cash Balances, December 31					
Nonspendable	1,169	-	-	-	1,169
Restricted	-	362,093	22,411	-	384,504
Committed	-	-	-	283,505	283,505
Assigned	274,191	-	-	-	274,191
Unassigned	179,535	-	-	-	179,535
<i>Fund Cash Balances, December 31</i>	<u>\$ 454,895</u>	<u>\$ 362,093</u>	<u>\$ 22,411</u>	<u>\$ 283,505</u>	<u>\$ 1,122,904</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 AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$ 5,516,384	\$ -	\$ 5,516,384
Fines, Licenses and Permits	2,180	-	2,180
Miscellaneous	342,354	16,200	358,554
<i>Total Operating Cash Receipts</i>	5,860,918	16,200	5,877,118
Operating Cash Disbursements			
Personal Services	806,490	-	806,490
Contractual Services	3,520,923	-	3,520,923
Supplies and Materials	392,019	-	392,019
Other	-	16,200	16,200
<i>Total Operating Cash Disbursements</i>	4,719,432	16,200	4,735,632
<i>Operating Income (Loss)</i>	1,141,486	-	1,141,486
Non-Operating Receipts (Disbursements)			
OWDA Debt Proceeds	2,849,395	-	2,849,395
Capital Outlay	(3,187,255)	-	(3,187,255)
Principal Retirement	(257,850)	-	(257,850)
Interest and Other Fiscal Charges	(3,777)	-	(3,777)
Other Financing Sources	16,944	-	16,944
Other Financing Uses	(7,651)	-	(7,651)
<i>Total Non-Operating Receipts (Disbursements)</i>	(590,194)	-	(590,194)
<i>Net Income (Loss)</i>	551,292	-	551,292
<i>Fund Cash Balances, January 1</i>	3,940,623	-	3,940,623
<i>Fund Cash Balances, December 31</i>	<u>\$ 4,491,915</u>	<u>\$ -</u>	<u>\$ 4,491,915</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, 2014**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 63,178	\$ 20,355	\$ 24,821	\$ -	\$ 108,354
Municipal Income Tax	746,582	-	-	-	746,582
Intergovernmental	64,178	124,334	-	-	188,512
Special Assessments	57,493	-	-	-	57,493
Charges for Services	-	206,253	-	22,831	229,084
Fines, Licenses and Permits	5,326	738	-	-	6,064
Earnings on Investments	11,727	321	-	-	12,048
Miscellaneous	22,826	8,620	-	955	32,401
<i>Total Cash Receipts</i>	<u>971,310</u>	<u>360,621</u>	<u>24,821</u>	<u>23,786</u>	<u>1,380,538</u>
Cash Disbursements					
Current:					
Security of Persons and Property	517,081	285,168	-	-	802,249
Public Health Services	8,126	-	-	-	8,126
Leisure Time Activities	16,887	-	-	-	16,887
Community Environment	3,481	-	-	-	3,481
Basic Utility Services	6,580	-	-	-	6,580
Transportation	31,268	190,124	-	-	221,392
General Government	189,956	840	-	-	190,796
Capital Outlay	96,469	20,743	-	119,570	236,782
Debt Service:					
Principal Retirement	-	-	21,344	953	22,297
Interest & Fiscal Charges	-	-	3,477	-	3,477
<i>Total Cash Disbursements</i>	<u>869,848</u>	<u>496,875</u>	<u>24,821</u>	<u>120,523</u>	<u>1,512,067</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	101,462	(136,254)	-	(96,737)	(131,529)
Other Financing Receipts (Disbursements)					
Transfers In	-	89,578	-	14,930	104,508
Transfers Out	(104,508)	-	-	-	(104,508)
Other Financing Sources	485	-	-	-	485
Other Financing Uses	(6,691)	(776)	-	-	(7,467)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(110,714)</u>	<u>88,802</u>	<u>-</u>	<u>14,930</u>	<u>(6,982)</u>
<i>Net Change in Fund Cash Balances</i>	(9,252)	(47,452)	-	(81,807)	(138,511)
<i>Fund Cash Balances, January 1</i>	<u>462,806</u>	<u>534,334</u>	<u>24,821</u>	<u>357,735</u>	<u>1,379,696</u>
Fund Cash Balances, December 31					
Nonspendable	745	-	-	-	745
Restricted	-	486,882	24,821	-	511,703
Committed	-	-	-	275,928	275,928
Assigned	277,976	-	-	-	277,976
Unassigned	174,833	-	-	-	174,833
<i>Fund Cash Balances, December 31</i>	<u>\$ 453,554</u>	<u>\$ 486,882</u>	<u>\$ 24,821</u>	<u>\$ 275,928</u>	<u>\$ 1,241,185</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, 2014**

	Proprietary Fund Type Enterprise
Operating Cash Receipts	
Charges for Services	\$ 5,726,561
Fines, Licenses and Permits	2,230
Miscellaneous	27,530
<i>Total Operating Cash Receipts</i>	5,756,321
Operating Cash Disbursements	
Personal Services	708,525
Contractual Services	3,566,799
Supplies and Materials	293,545
<i>Total Operating Cash Disbursements</i>	4,568,869
<i>Operating Income (Loss)</i>	1,187,452
Non-Operating Receipts (Disbursements)	
Earnings on Investments	1,902
OWDA Debt Proceeds	1,495,561
Capital Outlay	(1,901,900)
Principal Retirement	(426,048)
Interest and Other Fiscal Charges	(16,895)
Other Financing Sources	15,291
Other Financing Uses	(8,053)
<i>Total Non-Operating Receipts (Disbursements)</i>	(840,142)
<i>Net Income (Loss)</i>	347,310
<i>Fund Cash Balances, January 1</i>	3,593,313
<i>Fund Cash Balances, December 31</i>	\$ 3,940,623

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

**Village of Brewster
Stark County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015 and 2014**

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, and police, fire, and ambulance protective services. The Village contracts with Local Organized Governments in Cooperation (LOGIC) RED Center Operations for dispatch 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 Venture:

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 permitted by the financial reporting provisions of the Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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. Certificates of deposit are valued at cost.

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 Basic Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)**

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 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.

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

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

3. Debt Service Fund

This fund accounts 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.

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.

**Village of Brewster
Stark County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

5. Enterprise Funds (continued)

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

6. Fiduciary Fund

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations and other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's primary agency fund accounts for funds received from insurance legally required to be held by the Village until repairs are completed in accordance with the Village zoning code.

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 2015 and 2014 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 Basic Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)**

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. The Village classifies unclaimed monies as nonspendable.

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 Basic Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)**

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:

	2015	2014
Demand deposits	\$ 3,584,272	\$ 3,776,293
Total deposits	3,584,272	3,776,293
Certificate of deposit (CDARS)	2,000,000	1,375,000
STAR Ohio	30,547	30,515
Total investments	2,030,547	1,405,515
Total deposits and investments	<u>\$ 5,614,819</u>	<u>\$ 5,181,808</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 are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,072,615	\$ 1,036,528	\$ (36,087)
Special Revenue	501,900	483,955	(17,945)
Debt Service	24,821	22,411	(2,410)
Capital Projects	46,500	77,145	30,645
Enterprise	9,530,160	8,727,257	(802,903)

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,481,165	\$ 1,309,378	\$ 171,787
Special Revenue	988,782	617,212	371,570
Debt Service	49,642	24,821	24,821
Capital Projects	256,491	69,568	186,923
Enterprise	13,426,943	8,175,965	5,250,978

**Village of Brewster
Stark County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)**

3. Budgetary Activity (continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,065,000	\$ 971,795	\$ (93,205)
Special Revenue	472,900	450,199	(22,701)
Debt Service	25,000	24,821	(179)
Capital Projects	128,000	38,716	(89,284)
Enterprise	11,123,000	7,269,075	(3,853,925)

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,527,806	\$ 1,259,023	\$ 268,783
Special Revenue	954,235	572,734	381,501
Debt Service	49,821	24,821	25,000
Capital Projects	485,735	120,523	365,212
Enterprise	9,331,617	6,921,765	2,409,852

4. Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 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 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. Payments are made from the Village's debt service fund which is financed by a tax levy specifically for debt service.

**Village of Brewster
Stark County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)**

6. Capital Lease Obligation (continued)

Future minimum lease payments are as follows:

Due Date	Amount
2016	\$ 24,821
Future Minimum Lease Payments	24,821
Less Imputed Interest	(1,218)
	\$ 23,603

7. Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OPWC Loans	\$38,808	0.00%
OWDA Loans	4,732,443	4.12% - 4.16%
Total	\$4,771,251	

The above outstanding debt does not include the capital lease nor the OMEGA JV5 obligations. The Village paid a total of \$66,509 and \$75,129 in 2015 and 2014, respectively, in principal payments for the OMEGA JV5 obligations.

The Ohio Public Works Commission Loan Number 907 was for water pollution control improvements and will be paid from user charges.

The Ohio Water Development Authority Loan Numbers 327 (SRFS 2696 and 2697) were for sewer system improvements and will be paid from user charges.

The Ohio Public Works Commission Loan Number 12D was for the Northeast Waterline Loop and will be paid from user charges.

During 2009, the Village received money from the Ohio Development Water Authority for water 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 from user charges.

In 2013, the Village began work on the Sweetwater Pump Station project which is being financed through OWDA. The project total has yet to be determined as the project is ongoing and no amortization schedule has been completed for this project. This project is not included in the table below.

**Village of Brewster
Stark County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)**

7. Debt (continued)

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

Year ending Dec 31:	OPWC		OWDA	
	Principal		Principal	Interest
2016	\$ 21,390		\$ 43,870	\$ 1,342
2017	11,656		953	-
2018	1,923		953	-
2019	1,923		953	-
2020	1,916		953	-
2021-2025	-		4,766	-
2026-2030	-		4,766	-
2031-2035	-		4,766	-
2036-2040	-		3,812	-
Total	<u>\$ 38,808</u>		<u>\$ 65,792</u>	<u>\$ 1,342</u>

8. Retirement Systems

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). The Village has no full-time firefighters, and maintains an all-volunteer force all of whom contribute to Social Security. 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.

From January 1 to June 30, 2014, OP&F participants contributed 10.75% of covered payroll, from July 1, 2014 to July 1, 2015, OP&F participants contributed 11.50% of covered payroll and from July 1, 2015 to December 31, 2015 OP&F participants contributed 12.25%. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages. For 2015 and 2014, OPERS members contributed 10% of their covered payroll and the Village contributed an amount equaling 14% of participants' covered payroll. The Village has paid all contributions required through December 31, 2015.

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

There have been no settlements paid in excess of insurance coverage nor has insurance coverage been significantly reduced in the past three years.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

**Village of Brewster
Stark County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)**

9. Risk Management (continued)

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 2014 and 2015, the Village made various transfers to subsidize operations and to provide for expenditures. 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.

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, 2015, Brewster has met their debt coverage obligation.

**Village of Brewster
Stark County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)**

12. Joint Ventures (continued)

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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$23,604 at December 31, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

The Village's net investment to date in OMEGA JV5 is not yet available. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at 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 Basic Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)**

12. Joint Ventures (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, 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, 2015, the outstanding debt was \$8,052,470. The Village's net investment in OMEGA JV2 was \$123,715 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2015 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga	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	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	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<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 Basic Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)**

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 .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 Basic Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)**

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. 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. Since March 31, 2014 the Village has made payments of \$202,918 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$5,685 and interest expense incurred on AMP's line of credit is \$849, resulting in a net impaired cost estimate at December 31, 2015 of \$637.

The Village intends to absorb these costs.

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

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Brewster, Stark County (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated May 13, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-001 described in the accompanying schedule of findings to be a material weakness.

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*.

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 and Associates, Inc.
May 13, 2016

**VILLAGE OF BREWSTER
STARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2015-001 – Material Weakness

Audit Adjustments and Reclassifications

During audit procedures performed, errors were noted in the Village’s financial statements that required audit adjustments and reclassifications as follows:

- During 2015 and 2014, fund balance classifications were incorrectly reported on the financial statements.
- During 2015 a newly created agency fund was rolled into the General fund instead of being reported as a fiduciary fund.
- During 2015 grant funds received for capital projects were incorrectly posted as Miscellaneous revenue instead of Intergovernmental revenue.
- During 2015 and 2014, debt service payments were misclassified as Capital Outlay expenditures instead of Principal Retirement.
- During 2015 and 2014, posting of OWDA Debt Proceeds was delayed due to an internal Village policy. This caused the total OWDA Debt Proceeds revenue and Capital Outlay expense in the Enterprise funds to be understated in both 2015 and 2014.

The accompanying financial statements and the Village’s records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Village adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the UAN Handbook, the Village Officer’s Handbook and other Auditor of State guidance to aid in properly identifying account classifications and fund balance classifications.

Official's Response:

The Village is working with their software programmer to reclassify the fund balances and move the agency fund from the General Fund to a Fiduciary Fund in their financial statement program. The Village has created an Intergovernmental revenue line item for posting grant funds in the Capital Projects Fund along with a principal retirement expense line item in that fund. The Village is working on new internal controls and procedures for the end of the month deposits and postings.

**VILLAGE OF BREWSTER
STARK COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-VB-01	Cash Collection, Deposit and Reconciliation	Yes	Finding No Longer Valid

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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
JULY 19, 2016**