

VILLAGE OF BREWSTER

STARK COUNTY

Audit Report

For the Years Ended December 31, 2017 and 2016





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, 2016 through December 31, 2017. 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 19, 2018

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Village of Brewster
Stark County
For the Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Village of Brewster
Stark County
302 Wabash Ave
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, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating of the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 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 determined, 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, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and the related notes of the Village of Brewster, Stark County, as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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 15, 2018

**Village of Brewster
Stark County**

*Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$ 73,471	\$ 102,995	\$ -	\$ 176,466
Municipal Income Tax	776,034	262,777	-	1,038,811
Intergovernmental	90,759	121,891	-	212,650
Special Assessments	5,754	-	-	5,754
Charges for Services	-	241,846	21,435	263,281
Fines, Licenses and Permits	4,894	440	-	5,334
Earnings on Investments	30,079	1,078	-	31,157
Miscellaneous	26,080	8,701	5,500	40,281
<i>Total Cash Receipts</i>	1,007,071	739,728	26,935	1,773,734
Cash Disbursements				
Current:				
Security of Persons and Property	510,382	307,933	-	818,315
Public Health Services	7,601	-	-	7,601
Leisure Time Activities	26,186	-	-	26,186
Community Environment	10,253	-	-	10,253
Basic Utility Services	5,680	-	-	5,680
Transportation	33,638	163,259	-	196,897
General Government	229,116	1,504	-	230,620
Capital Outlay	103,270	97,225	6,834	207,329
Debt Service:				
Principal Retirement	-	-	953	953
<i>Total Cash Disbursements</i>	926,126	569,921	7,787	1,503,834
<i>Excess of Receipts Over (Under) Disbursements</i>	80,945	169,807	19,148	269,900
Other Financing Receipts (Disbursements)				
Transfers In	-	96,268	22,045	118,313
Transfers Out	(118,313)	-	-	(118,313)
Other Financing Sources	6	-	-	6
Other Financing Uses	(2,500)	-	-	(2,500)
<i>Total Other Financing Receipts (Disbursements)</i>	(120,807)	96,268	22,045	(2,494)
<i>Net Change in Fund Cash Balances</i>	(39,862)	266,075	41,193	267,406
<i>Fund Cash Balances, January 1</i>	408,441	393,410	297,034	1,098,885
Fund Cash Balances, December 31				
Nonspendable	1,180	-	-	1,180
Restricted	-	659,485	-	659,485
Committed	246,489	-	338,227	584,716
Assigned	120,910	-	-	120,910
<i>Fund Cash Balances, December 31</i>	<u>\$ 368,579</u>	<u>\$ 659,485</u>	<u>\$ 338,227</u>	<u>\$ 1,366,291</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 (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2017

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 6,161,177
Fines, Licenses and Permits	2,322
Miscellaneous	65,913
<i>Total Operating Cash Receipts</i>	6,229,412
Operating Cash Disbursements	
Personal Services	939,568
Contractual Services	4,069,313
Supplies and Materials	294,634
<i>Total Operating Cash Disbursements</i>	5,303,515
<i>Operating Income (Loss)</i>	925,897
Non-Operating Receipts (Disbursements)	
Capital Outlay	(274,551)
Principal Retirement	(334,152)
Interest and Other Fiscal Charges	(6,680)
Other Financing Sources	9,373
Other Financing Uses	(8,561)
<i>Total Non-Operating Receipts (Disbursements)</i>	(614,571)
<i>Net Change in Fund Cash Balances</i>	311,326
<i>Fund Cash Balances, January 1</i>	4,246,795
<i>Fund Cash Balances, December 31</i>	\$ 4,558,121

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

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Brewster, Stark County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Joint Venture

The Village participates in the Ohio Municipal Electric Generation Agency (OMEGA), a joint venture. Note 11 to the financial statements provides additional information for this entity.

Jointly Governed Organizations

The Village participates in the Stark Council of Governments (SCOG), Stark Regional Planning Commission and Municipal Energy Services Agency (MESA), all jointly governed organizations. Note 12 to the financial statements provides additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and change in fund balance (regulatory cash basis) for the proprietary fund type, which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund The street construction, maintenance and repair fund accounts for and reports the receipt of gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Fire Equipment Fund The fire equipment fund accounts for and reports the receipt of local tax monies and contract services for the purpose of providing protection and purchasing equipment.

EMS Fund The EMS fund accounts for and reports the receipt of charges for services for the purpose of providing protection and purchasing equipment.

Capital Project Funds These funds account for and report financial resources that are committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Sidewalk Capital Improvement Fund The sidewalk capital improvement fund accounts for and reports the receipt of General Fund transfers that are committed to the acquisition or improvement construction of the Village's sidewalks.

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 The water fund accounts for and reports the receipt of charges for services from residents to cover water service costs.

Sewer Fund The sewer fund accounts for and reports the receipt of charges for services from residents to cover sewer service costs.

Electric Fund The electric fund accounts for and reports the receipt of charges for services from residents to cover the cost of providing electric service.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. Council 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 disbursements 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.

Budgetary Process

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

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Appropriations Budgetary disbursements (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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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

A summary of 2017 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. Nonnegotiable certificates of deposit are valued at cost.

Capital Assets

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

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.

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:

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

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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

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 Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the General Fund.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,239,632	\$ 1,007,077	\$ (232,555)
Special Revenue	916,000	835,996	(80,004)
Capital Projects	29,400	48,980	19,580
Enterprise	5,948,895	6,238,785	289,890

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity (continued)

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,645,476	\$ 1,054,629	\$ 590,847
Special Revenue	1,243,499	574,723	668,776
Capital Projects	362,434	188,526	173,908
Enterprise	10,151,715	5,947,010	4,204,705

Note 4 – 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:

	2017
Demand deposits	\$ 4,742,517
Total deposits	4,742,517
STAR Ohio	31,040
CDARS	1,150,855
Total investments	1,181,895
Total deposits and investments	\$ 5,924,412

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the Ohio Pooled Collateral System (OPCS).

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

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.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Taxes (continued)

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1.5% 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.

Note 6 – Risk Management

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

Commercial Insurance

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
- Employers' liability
- Employee benefits liability

Settled claims have not exceeded insurance coverage in any of the past three years. Coverage limits have not changed significantly from last year.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most of the Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plans (continued)

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

The Village’s full-time police officers belong to the Ohio Police and Fire Retirement System (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F members contributed 12.25%, of their gross salaries and the Village contributed an amount equaling 19.5%, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2017.

Social Security

The Village’s volunteer firefighters and one Council member contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefit

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. For OPERS, the portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1% during calendar year 2017. OP&F contributed 0.5% to fund these benefits during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OWDA Loan #5277	\$ 20,969	0.00%
OWDA Loan #6691	4,447,504	0.00%
OPWC Loan #CS12D	5,767	0.00%
Total	\$ 4,474,240	

The above outstanding debt does not include the OMEGA JV5 obligations. The Village paid a total of \$71,651 in 2017 in principal and interest payments for the OMEGA JV5 obligations.

The OPWC loan #CS12D was for the Northeast Waterline Loop and will be paid from user charges.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (continued)

During 2009, the Village received loan #5277 from the Ohio Development Water Authority (OWDA) 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 (OWDA Loan #6691) 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 as of December 31, 2017.

Amortization

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

Year ending December 31:	OWDA #5277	OPWC #CS12D
2018	\$ 953	\$ 1,923
2019	953	1,922
2020	953	1,922
2021	953	-
2022	953	-
2023-2027	4,765	-
2028-2032	4,765	-
2033-2037	4,765	-
2037-2042	1,908	-
Total	<u>\$ 20,969</u>	<u>\$ 5,767</u>

Note 10 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

Note 11 – Joint Venture

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.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – Joint Venture (continued)

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, 2017, 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 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. On January 29, 2016, OMEGA JV5 issued 2016 Beneficial Interest Certificates (2016 Certificates) in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – Joint Venture (continued)

The Village's net investment to date in OMEGA JV5 was \$23,604 at December 31, 2017. 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.

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 position 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, 2017, the outstanding debt was \$188,606. The Village's net investment in OMEGA JV2 was \$75,324 at December 31, 2017. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – Joint Venture (continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2017 are:

<u>Municipality</u>	<u>Percent</u> <u>Ownership</u>	<u>Kw</u> <u>Entitlement</u>	<u>Municipality</u>	<u>Percent</u> <u>Ownership</u>	<u>Kw</u> <u>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>

Note 12 – Jointly Governed Organizations

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.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 12 – Jointly Governed Organizations (continued)

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 and cities. 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.

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.

Note 13 – 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 was 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% project 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. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel. 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.

In February 2011, AMP filed a complaint against Bechtel Power Corporation stemming from the cancellation of the proposed AMPGS project. This litigation was settled in December 2016 and mutual releases of all claims was obtained.

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 \$8,801 and interest expense incurred on AMP's line of credit is \$922, resulting in a net impaired cost estimate at December 31, 2017 of \$3,826.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 13 – American Municipal Power Generating Station Project (continued)

The Village reduced its AMPGS obligation related to plant held for future use by \$193,381 during 2016, leaving a remaining balance of \$6,645 which includes accumulated interest costs partially offset by rental income.

The Village intends to absorb these costs.

Village of Brewster
Stark County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 71,267	\$ 46,664	\$ -	\$ -	\$ 117,931
Municipal Income Tax	838,167	-	-	-	838,167
Intergovernmental	72,616	161,557	-	-	234,173
Special Assessments	6,756	-	-	-	6,756
Charges for Services	-	205,374	-	18,432	223,806
Fines, Licenses and Permits	7,059	300	-	-	7,359
Earnings on Investments	22,909	798	-	-	23,707
Miscellaneous	15,220	35,815	-	-	51,035
<i>Total Cash Receipts</i>	1,033,994	450,508	-	18,432	1,502,934
Cash Disbursements					
Current:					
Security of Persons and Property	537,478	317,514	-	-	854,992
Public Health Services	7,782	-	-	-	7,782
Leisure Time Activities	39,370	-	-	-	39,370
Community Environment	4,255	-	-	-	4,255
Basic Utility Services	5,540	-	-	-	5,540
Transportation	36,235	192,542	-	-	228,777
General Government	219,489	1,390	-	-	220,879
Capital Outlay	76,961	43,727	-	21,311	141,999
Debt Service:					
Principal Retirement	-	-	21,193	953	22,146
Interest and Fiscal Charges	-	-	1,218	-	1,218
<i>Total Cash Disbursements</i>	927,110	555,173	22,411	22,264	1,526,958
<i>Excess of Receipts Over (Under) Disbursements</i>	106,884	(104,665)	(22,411)	(3,832)	(24,024)
Other Financing Receipts (Disbursements)					
Transfers In	-	135,982	-	52,763	188,745
Transfers Out	(153,343)	-	-	(35,402)	(188,745)
Other Financing Sources	5	-	-	-	5
<i>Total Other Financing Receipts (Disbursements)</i>	(153,338)	135,982	-	17,361	5
<i>Net Change in Fund Cash Balances</i>	(46,454)	31,317	(22,411)	13,529	(24,019)
<i>Fund Cash Balances, January 1</i>	454,895	362,093	22,411	283,505	1,122,904
Fund Cash Balances, December 31					
Nonspendable	1,174	-	-	-	1,174
Restricted	-	393,410	-	-	393,410
Committed	251,510	-	-	297,034	548,544
Assigned	155,757	-	-	-	155,757
<i>Fund Cash Balances, December 31</i>	<u>\$ 408,441</u>	<u>\$ 393,410</u>	<u>\$ -</u>	<u>\$ 297,034</u>	<u>\$ 1,098,885</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 (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2016

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 5,694,622
Fines, Licenses and Permits	6,498
Miscellaneous	260,536
<i>Total Operating Cash Receipts</i>	5,961,656
Operating Cash Disbursements	
Personal Services	863,588
Contractual Services	3,920,499
Supplies and Materials	388,303
<i>Total Operating Cash Disbursements</i>	5,172,390
<i>Operating Income (Loss)</i>	789,266
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	295,903
Capital Outlay	(936,455)
Principal Retirement	(377,202)
Interest and Other Fiscal Charges	(15,740)
Other Financing Sources	6,463
Other Financing Uses	(7,355)
<i>Total Non-Operating Receipts (Disbursements)</i>	(1,034,386)
<i>Net Change in Fund Cash Balances</i>	(245,120)
<i>Fund Cash Balances, January 1</i>	4,491,915
<i>Fund Cash Balances, December 31</i>	\$ 4,246,795

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

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Village of Brewster, Stark County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Joint Venture

The Village participates in the Ohio Municipal Electric Generation Agency (OMEGA), a joint venture. Note 11 to the financial statements provides additional information for this entity.

Jointly Governed Organizations

The Village participates in the Stark Council of Governments (SCOG), Stark Regional Planning Commission and Municipal Energy Services Agency (MESA), all jointly governed organizations. Note 12 to the financial statements provides additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and change in fund balance (regulatory cash basis) for the proprietary fund type, which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund The street construction, maintenance and repair fund accounts for and reports the receipt of gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

Fire Equipment Fund The fire equipment fund accounts for and reports the receipt of local tax monies and contract services for the purpose of providing protection and purchasing equipment.

EMS Fund The EMS fund accounts for and reports the receipt of charges for services for the purpose of providing protection and purchasing equipment.

Debt Service Fund These funds account for and report financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Fire Truck Repayment Fund The fire truck repayment fund accounts for and reports the receipt of property tax money to repay the capital lease for the fire truck.

Capital Project Funds These funds account for and report financial resources that are committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Capital Projects Fund The capital projects fund accounts for and reports the receipt of General fund transfers that are committed to the acquisition or construction of major capital projects.

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 The water fund accounts for and reports the receipt of charges for services from residents to cover water service costs.

Sewer Fund The sewer fund accounts for and reports the receipt of charges for services from residents to cover sewer service costs.

Electric Fund The electric fund accounts for and reports the receipt of charges for services from residents to cover the cost of providing electric service.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. Council 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 disbursements 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.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

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

Appropriations Budgetary disbursements (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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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

A summary of 2016 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. Nonnegotiable certificates of deposit are valued at cost.

Capital Assets

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

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.

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:

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

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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

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 Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the General Fund.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,002,462	\$ 1,033,995	\$ 31,533
Special Revenue	615,320	586,490	(28,830)
Debt Service	-	-	-
Capital Projects	47,500	71,195	23,695
Enterprise	6,274,400	6,343,908	69,508

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Budgetary Activity (continued)

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,447,290	\$ 1,088,143	\$ 359,147
Special Revenue	968,935	630,991	337,944
Debt Service	22,411	22,411	-
Capital Projects	327,537	57,665	269,872
Enterprise	10,303,121	6,589,028	3,714,093

Note 4 – 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:

	2016
Demand deposits	\$ 3,814,969
Total deposits	3,814,969
STAR Ohio	30,711
CDARS	1,500,000
Total investments	1,530,711
Total deposits and investments	\$ 5,345,680

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; 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.

Note 5 – Taxes

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.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Taxes (continued)

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1% 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.

Note 6 – Risk Management

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

Commercial Insurance

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
- Employers' liability
- Employee benefits liability

Settled claims have not exceeded insurance coverage in any of the past three years. Coverage limits have not changed significantly from last year.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most of the Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Defined Benefit Pension Plans (continued)

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Ohio Police and Fire Retirement System

The Village’s full-time police officers belong to the Ohio Police and Fire Retirement System (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F members contributed 12.25%, of their gross salaries and the Village contributed an amount equaling 19.5%, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

The Village’s volunteer firefighters and one Council member contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefit

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits, and OP&F contributes 0.5% to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OWDA Loan #5277	\$ 21,922	0.00%
OWDA Loan #6691	4,705,029	0.00%
OPWC Loan #CS12D	7,690	0.00%
OPWC Loan #CS907	9,733	0.00%
Total	\$ 4,744,374	

The above outstanding debt does not include the OMEGA JV5 obligations. The Village paid a total of \$70,138 in 2016 in principal and interest payments for the OMEGA JV5 obligations.

The OPWC loan #CS12D was for the Northeast Waterline Loop and will be paid from user charges.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (continued)

The Ohio Public Works Commission (OPWC) loan #CS907 was for water pollution control improvements and will be paid from user charges.

During 2009, the Village received loan #5277 from the Ohio Development Water Authority (OWDA) 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 (OWDA Loan #6691) 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 as of December 31, 2016.

Amortization

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

Year ending December 31:	OWDA #5277	OPWC #CS12D	OPWC #CS907
2017	\$ 953	\$ 1,923	\$ 9,733
2018	953	1,923	-
2019	953	1,922	-
2020	953	1,922	-
2021	953	-	-
2022-2026	4,765	-	-
2027-2031	4,765	-	-
2032-2036	4,765	-	-
2037-2041	2,861	-	-
Total	<u>\$ 21,922</u>	<u>\$ 7,690</u>	<u>\$ 9,733</u>

Note 10 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

Note 11 – Joint Venture

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.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Joint Venture (continued)

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, 2016, 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 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. On January 29, 2016, OMEGA JV5 issued 2016 Beneficial Interest Certificates (2016 Certificates) in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Joint Venture (continued)

The Village's net investment to date in OMEGA JV5 was \$23,604 at December 31, 2016. 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.

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 position 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, 2016, the outstanding debt was \$4,142,633. The Village's net investment in OMEGA JV2 was \$99,305 at December 31, 2016. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Joint Venture (continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2016 are:

<u>Municipality</u>	<u>Percent</u> <u>Ownership</u>	<u>Kw</u> <u>Entitlement</u>	<u>Municipality</u>	<u>Percent</u> <u>Ownership</u>	<u>Kw</u> <u>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>

Note 12 – Jointly Governed Organizations

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.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 12 – Jointly Governed Organizations (continued)

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 and cities. 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.

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.

Note 13 – 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 was 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% project 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. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel. 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.

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, classified as Plant Held for Future Use (PHFU). In addition, the Village made payments totaling \$10,514 leaving an estimated net impaired cost balance of \$197,021. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

Village of Brewster
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 13 – American Municipal Power Generating Station Project (continued)

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participant's meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

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 \$7,450 and interest expense incurred on AMP's line of credit is \$868, resulting in a net impaired cost estimate at December 31, 2016 of \$2,421. The Village does have a potential PHFU liability of \$3,034 resulting in a net total potential liability of \$5,455, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include such negative items as property taxes as well as such positive items as revenue from leases or sale of all or a portion of the Meigs County site property.

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
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

To Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated May 15, 2018, 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

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

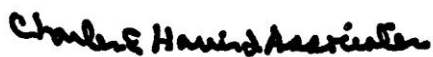
We noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 15, 2018.

Entity's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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 15, 2018

Village of Brewster
Stark County
Schedule of Findings
December 31, 2017 and 2016

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS
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Finding Number: 2017-001 – Material Weakness

Audit Adjustments and Reclassifications

During 2017 and 2016, errors were noted in the Village’s financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- In the General Fund, fund balance was reclassified as Assigned for subsequent year appropriations.
- Fund balances for four funds that are “rolled up” into the General Fund were reclassified as Committed.
- Fund balance for the Unclaimed Monies Fund which is “rolled up” into the General Fund was reclassified as Nonspendable.
- Debt proceeds and capital outlay included in audit adjustments for 2015 were incorrectly included in the 2016 financial statements.
- Intrafund transfers from the General Fund to various funds that are “rolled up” into the General Fund on the financial statements needed to be eliminated.
- Changes were made to the budgetary footnotes and various other footnotes.

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 Governmental Accounting Standards Board (GASB) Statement No. 54, Auditor of State Bulletin 2011-004, the Village Officer’s Handbook, the Uniform Accounting Network Manual, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Management’s Response:

See Corrective Action Plan on page 35.

Village of Brewster
Stark County
Corrective Action Plan – Prepared by Management
December 31, 2017 and 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Management plans to use more care in completing the financial statements in the future and will review all postings prior to filing in the future.	Immediately	Kris King, Clerk-Treasurer



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, 31 2018