

Village of Brewster

Audited Financial Statements

December 31, 2005 and 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Village of Brewster, Stark County, prepared by Rea & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 13, 2006

This Page is Intentionally Left Blank.

**VILLAGE OF BREWSTER
STARK COUNTY**

DECEMBER 31, 2005 AND 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor’s Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types and Expendable Trust Fund for the Year Ended December 31, 2005.....	2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type for the Year Ended December 31, 2005.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types and Expendable Trust Fund for the Year Ended December 31, 2004.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type for the Year Ended December 31, 2004.....	5
Notes to the Financial Statements.....	6-18
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 <i>Government Auditing Standards</i>	19

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

March 17, 2006

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

Independent Auditor's Report

We have audited the accompanying financial statements of the Village of Brewster (the "Village") as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements using accounting practices prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as December 31, 2005 and 2004, or its changes in financial position, and cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Brewster, Stark County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the year ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 17, 2006 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 testing internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Rea & Associates, Inc.

VILLAGE OF BREWSTER
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only) Total
CASH RECEIPTS:					
Taxes	\$ 91,870	\$ 80,486	\$ 0	\$ 675,908	\$ 848,264
Intergovernmental Revenue	115,550	138,593	0	0	254,143
Special Assessments	2,820	0	0	0	2,820
Charges For Services	0	174,990	0	0	174,990
Fines, Licenses and Permits	4,340	433	0	0	4,773
Interest	39,847	991	0	0	40,838
Miscellaneous	2,030	10,296	0	0	12,326
Total Cash Receipts	256,457	405,789	0	675,908	1,338,154
CASH DISBURSEMENTS:					
Current:					
Security of Persons	303,766	177,350	0	0	481,116
Public Health Services	7,791	0	0	0	7,791
Leisure Time Activities	0	14,662	0	0	14,662
Community Environment	1,818	0	0	0	1,818
Basic Utility Services	8,261	0	0	0	8,261
Transportation	19,908	139,415	0	0	159,323
General Government	145,772	1,300	0	6,670	153,742
Capital Outlay	30,154	376,308	27,949	0	434,411
Total Cash Disbursements	517,470	709,035	27,949	6,670	1,261,124
Total Cash Receipts Over (Under) Cash Disbursements	(261,013)	(303,246)	(27,949)	669,238	77,030
OTHER FINANCING RECEIPTS (DISBURSEMENTS):					
Other Financing Sources	0	20,000	0	0	20,000
Other Financing Uses	(8,935)	(20,000)	0	(276)	(29,211)
Transfers - In	416,355	291,180	99,465	0	807,000
Transfers - Out	(130,000)	0	0	(677,000)	(807,000)
Total Other Financing Receipts (Disbursements)	277,420	291,180	99,465	(677,276)	(9,211)
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	16,407	(12,066)	71,516	(8,038)	67,819
FUND CASH BALANCES, January 1, 2005	82,835	534,401	367,486	11,035	995,757
FUND CASH BALANCES, December 31, 2005	\$ 99,242	\$ 522,335	\$ 439,002	\$ 2,997	\$ 1,063,576
RESERVE FOR ENCUMBRANCES	\$ 0	\$ 1,884	\$ 625	\$ 0	\$ 2,509

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

VILLAGE OF BREWSTER
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary
	Enterprise Funds
OPERATING CASH RECEIPTS:	
Charges for services	\$ 4,308,554
Fees, Licenses & Permits	2,128
Other operating receipts	26,658
Total Operating Cash Receipts	4,337,340
OPERATING CASH DISBURSEMENTS:	
Personal services	487,745
Contractual services	3,277,377
Material and supplies	179,790
Capital outlay	261,260
Total Operating Cash Disbursements	4,206,172
Operating Income	131,168
NON-OPERATING CASH RECEIPTS:	
Interest	84,768
Total Non-Operating Cash Receipts	84,768
NON-OPERATING CASH DISBURSEMENTS:	
Debt service:	
Principal retirement	397,986
Interest and fiscal charges	89,198
Other non-operating disbursements	8,933
Total Non-operating Cash Disbursements	496,117
Net Cash Receipts Over Cash Disbursements	(280,181)
FUND CASH BALANCES, January 1, 2005	3,375,755
FUND CASH BALANCES, December 31, 2005	\$ 3,095,574
RESERVE FOR ENCUMBRANCES	\$ 1,397

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

VILLAGE OF BREWSTER
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only) Total
CASH RECEIPTS:					
Taxes	\$ 89,492	\$ 78,123	\$ 0	\$ 584,256	\$ 751,871
Intergovernmental Revenue	111,867	147,382	0	0	259,249
Special Assessments	3,489	0	0	0	3,489
Charges For Services	0	97,928	0	0	97,928
Fines, Licenses and Permits	3,974	475	0	0	4,449
Interest	14,643	173	0	0	14,816
Miscellaneous	5,957	21,682	0	0	27,639
Total Cash Receipts	229,422	345,763	0	584,256	1,159,441
CASH DISBURSEMENTS:					
Current:					
Security of Persons	336,003	120,450	0	0	456,453
Public Health Services	7,223	0	0	0	7,223
Leisure Time Activities	0	14,180	0	0	14,180
Community Environment	1,353	0	0	0	1,353
Basic Utility Services	3,870	0	0	0	3,870
Transportation	25,768	121,815	0	0	147,583
General Government	153,810	1,231	0	14,192	169,233
Capital Outlay	10,125	201,931	97,676	0	309,732
Total Cash Disbursements	538,152	459,607	97,676	14,192	1,109,627
Total Cash Receipts Over (Under) Cash Disbursements	(308,730)	(113,844)	(97,676)	570,064	49,814
OTHER FINANCING RECEIPTS (DISBURSEMENTS):					
Other Financing Uses	(10,959)	0	0	(728)	(11,687)
Transfers - In	347,330	252,080	70,290	0	669,700
Transfers - Out	(106,000)	0	0	(563,700)	(669,700)
Total Other Financing Receipts (Disbursements)	230,371	252,080	70,290	(564,428)	(11,687)
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(78,359)	138,236	(27,386)	5,636	38,126
FUND CASH BALANCES, January 1, 2004	161,194	396,165	394,872	5,399	957,631
FUND CASH BALANCES, December 31, 2004	\$ 82,835	\$ 534,401	\$ 367,486	\$ 11,035	\$ 995,757
RESERVE FOR ENCUMBRANCES	\$ 400	\$ 0	\$ 4,209	\$ 0	\$ 4,609

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

VILLAGE OF BREWSTER
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary
	Enterprise Funds
OPERATING CASH RECEIPTS:	
Charges for services	\$ 3,517,476
Fees, Licenses & Permits	4,540
Other Operating Revenue	16,507
Total Operating Cash Receipts	3,538,523
OPERATING CASH DISBURSEMENTS:	
Personal services	482,693
Contractual services	2,134,828
Material and supplies	210,270
Capital outlay	386,734
Total Operating Cash Disbursements	3,214,525
Operating Income	323,998
NON-OPERATING CASH RECEIPTS:	
Interest	47,203
Total Non-Operating Cash Receipts	47,203
NON-OPERATING CASH DISBURSEMENTS:	
Debt service:	
Principal retirement	391,692
Interest and fiscal charges	97,080
Other non-operating disbursements	7,993
Total Non-Operating Disbursements	496,765
Net Cash Receipts Over Cash Disbursements	(125,564)
FUND CASH BALANCES, January 1, 2004	3,501,319
FUND CASH BALANCES, December 31, 2004	\$ 3,375,755
RESERVE FOR ENCUMBRANCES	\$ 184,587

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

The Village is associated with certain organizations which are defined as Joint Ventures and Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, *Reporting Entity*. These organizations are presented in Notes 10 and 11. These organizations include:

Joint Ventures

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

Jointly Governed Organizations

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations (Note 3) report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

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

C. Cash Investments

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

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

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

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

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

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

Capital Projects Funds

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

Enterprise Funds

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

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

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

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds (Trust Funds)

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

Income Tax Fund – This fund is used to record the collection of self-assessed taxes, the cost of collecting such tax and the distribution (interfund transfers) to various other funds in accordance with Village ordinances. The Village's income tax is 1 1/3 percent. The 1/3 percent income tax is enacted for street improvement, storm sewers and street trees. The basic 1 percent income tax is allocated as follows: 82 percent to the general fund, 9 percent to street construction, maintenance and repair, 3 percent to parks and grounds and 6 percent to capital projects fund.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2005**

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$ 607,714	\$ 1,592,956
Certificates of deposit	3,551,436	2,778,556
Total deposits	\$ 4,159,150	\$ 4,371,512

Deposits

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

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 is as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	Budgeted Receipts	Actual Receipts	Variance
General	\$ 660,360	\$ 672,812	\$ 12,452
Special Revenue	643,400	716,969	73,569
Capital Projects	35,000	99,465	64,465
Enterprise	3,784,500	4,422,108	637,608
Expendable Trust	694,000	675,908	(18,092)
Total	\$ 5,817,260	\$ 6,587,262	\$ 770,002

2005 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 743,195	\$ 656,405	\$ 86,790
Special Revenue	1,177,801	730,919	446,882
Capital Projects	402,486	28,574	373,912
Enterprise	7,160,256	4,703,686	2,456,570
Expendable Trust	705,036	683,946	21,090
Total	\$10,188,774	\$ 6,803,530	\$ 3,385,244

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2005**

NOTE 3: BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 794,211	\$ 576,752	\$ (217,459)
Special Revenue	594,755	597,843	3,088
Capital Projects	70,000	70,290	290
Enterprise	3,669,400	3,585,726	(83,674)
Expendable Trust	592,100	584,256	(7,844)
 Total	 <u>\$ 5,720,466</u>	 <u>\$ 5,414,867</u>	 <u>\$ (305,599)</u>

2004 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 959,299	\$ 655,511	\$ 303,788
Special Revenue	952,025	459,607	492,418
Capital Projects	424,872	101,885	322,987
Enterprise	7,170,719	3,895,877	3,274,842
Expendable Trust	597,500	578,620	18,880
 Total	 <u>\$10,104,415</u>	 <u>\$ 5,691,500</u>	 <u>\$ 4,412,915</u>

NOTE 4: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual payments, the first half is due December 31. The second half payment is due the following June 20.

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2005**

NOTE 4: PROPERTY TAX (Continued)

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

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

NOTE 5: LONG-TERM DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
OWDA Loans	\$ 1,135,844	5.20%, 4.16%, 4.12%
OPWC Loans	502,922	0%
Total	\$ 1,638,766	

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

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

Years Ending December 31:	OWDA Loans	OPWC Loans
2006	\$ 191,035	\$ 66,882
2007	191,035	66,882
2008	191,035	66,882
2009	191,035	66,882
2010	191,035	66,882
2011-2015	368,070	129,696
2016-2020	44,259	38,814
Total	\$ 1,367,504	\$ 502,920

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2005**

NOTE 6: NOTE DEBT

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

	Outstanding 01/01/2004	Additions	Reductions	Outstanding 12/31/2004
1.30% Municipal Electric	<u>\$ 2,380,000</u>	<u>\$ 0</u>	<u>\$ (200,000)</u>	<u>\$ 2,180,000</u>
	<u>Outstanding 01/01/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2005</u>
1.35% Municipal Electric	<u>\$ 2,180,000</u>	<u>\$ 0</u>	<u>\$ (200,000)</u>	<u>\$ 1,980,000</u>

The note is backed by the full faith and credit of the Village. The note has a term of one year. The note was originally issued in 2001 and has been renewed annually to maintain the lowest possible interest rate. This loan may be converted to long-term financing if interest rates fluctuate to a higher percentage. Although the Village is not required to make principal payments for the first five years, they have chosen to do so. The administrator of the loan, AMP-Ohio, advises them the amount to pay on principal so as the Village still meets the required debt covenant ratio. The note debt is required to be paid off in 2023.

NOTE 7: RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004 members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. In 2005 and 2004, the Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2005**

NOTE 8 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village's enterprise fund account for the provision of water, waste water, electric, and utility deposits. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise funds of the Village of Brewster as of and for the year December 31, 2005 and 2004:

2005 Segment Information:

	Water	Sanitary Sewer	Electric	Service Deposit	Total Enterprise
REVENUES:					
Charges For Services	\$ 282,403	\$ 430,399	\$ 3,595,752	\$ 0	\$ 4,308,554
Fees, Licenses and Permits	0	2,128	0	0	2,128
Miscellaneous	3,210	1,084	14,184	8,180	26,658
Total Operating Revenues	<u>285,613</u>	<u>433,611</u>	<u>3,609,936</u>	<u>8,180</u>	<u>4,337,340</u>
EXPENDITURES:					
Personal Services	108,686	120,847	258,212	0	487,745
Contractual Services	17,572	57,383	3,202,422	0	3,277,377
Supplies and Materials	32,716	71,944	75,130	0	179,790
Capital Outlay	33,847	5,691	221,722	0	261,260
Total Operating Expenses	<u>192,821</u>	<u>255,865</u>	<u>3,757,486</u>	<u>0</u>	<u>4,206,172</u>
Operating Income/(Loss)	92,792	177,746	(147,550)	8,180	131,168
Interest	3,745	4,501	76,522	0	84,768
Total Non-Operating Revenues	<u>3,745</u>	<u>4,501</u>	<u>76,522</u>	<u>0</u>	<u>84,768</u>
Redemption of Principal	(47,415)	(150,571)	(200,000)	0	(397,986)
Interest and Other Fiscal Charges	0	(59,931)	(29,267)	0	(89,198)
Other Financing Uses	0	0	(303)	(8,630)	(8,933)
Total Non-Operating Expense	<u>(47,415)</u>	<u>(210,502)</u>	<u>(229,570)</u>	<u>(8,630)</u>	<u>(496,117)</u>
Total Revenue Over Expenses	49,122	(28,255)	(300,598)	(450)	(280,181)
Fund Cash Balances, January 1	<u>119,791</u>	<u>174,904</u>	<u>3,049,434</u>	<u>31,626</u>	<u>3,375,755</u>
Fund Cash Balances, December 31	<u>\$ 168,913</u>	<u>\$ 146,649</u>	<u>\$ 2,748,836</u>	<u>\$ 31,176</u>	<u>\$ 3,095,574</u>

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2005**

NOTE 8 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

2004 Segment Information:

	Water	Sanitary Sewer	Electric	Service Deposit	Total Enterprise
REVENUES:					
Charges For Services	\$ 255,749	\$ 431,312	\$ 2,830,415	\$ 0	\$ 3,517,476
Fees, Licenses and Permits	0	4,540	0	0	4,540
Miscellaneous	8,357	1	839	7,310	16,507
Total Operating Revenues	<u>264,106</u>	<u>435,853</u>	<u>2,831,254</u>	<u>7,310</u>	<u>3,538,523</u>
EXPENDITURES:					
Personal Services	106,723	120,886	255,084	0	482,693
Contractual Services	16,163	41,367	2,077,298	0	2,134,828
Supplies and Materials	49,358	72,812	88,100	0	210,270
Capital Outlay	74,015	20,832	291,887	0	386,734
Total Operating Expenses	<u>246,259</u>	<u>255,897</u>	<u>2,712,369</u>	<u>0</u>	<u>3,214,525</u>
Operating Income/(Loss)	17,847	179,956	118,885	7,310	323,998
Interest	598	956	45,649	0	47,203
Total Non-Operating Revenues	<u>598</u>	<u>956</u>	<u>45,649</u>	<u>0</u>	<u>47,203</u>
Redemption of Principal	(47,415)	(144,277)	(200,000)	0	(391,692)
Interest and Other Fiscal Charges	0	(66,226)	(30,854)	0	(97,080)
Other Financing Uses	0	0	(475)	(7,518)	(7,993)
Total Non-Operating Expense	<u>(47,415)</u>	<u>(210,503)</u>	<u>(231,329)</u>	<u>(7,518)</u>	<u>(496,765)</u>
Total Revenue Over Expenses	(28,970)	(29,591)	(66,795)	(208)	(125,564)
Fund Cash Balances, January 1	<u>148,761</u>	<u>204,495</u>	<u>3,116,229</u>	<u>31,834</u>	<u>3,501,319</u>
Fund Cash Balances, December 31	<u>\$ 119,791</u>	<u>\$ 174,904</u>	<u>\$ 3,049,434</u>	<u>\$ 31,626</u>	<u>\$ 3,375,755</u>

NOTE 9: RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2005**

NOTE 10: JOINT VENTURES

OMEGA JV5

The Village of Brewster is a Financing Participant with an ownership percentage of .94 percent, 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-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

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, 2005 and 2004 Brewster has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2005**

NOTE 10: JOINT VENTURES (Continued)

OMEGA JV5 (Continued)

The Village's net investment to date in OMEGA JV5 was \$87,251 and \$81,264 at December 31, 2005 and 2004, respectively. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio 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-Ohio 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 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$332,793 and \$351,647 at December 31, 2005 and 2004, respectively. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2005**

NOTE 10: JOINT VENTURES (Continued)

OMEGA JV2 (Continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2005 and 2004 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2005**

NOTE 11: JOINTLY GOVERNED ORGANIZATIONS

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 townships 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.

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 townships. 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.

The Municipal Energy Services Agency (MESA) is a jointly governed organization among the Village and approximately 30 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.

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

March 17, 2006

Village Council
Village of Brewster
302 S. Wabash
Brewster, OH 44613

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*

We have audited the financial statements of the Village of Brewster (the "Village") as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March 17, 2006, wherein we noted the Village follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated March 17, 2006.

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*. However, we noted certain instances of noncompliance that we have reported to management of the Village in a separate letter dated March 17, 2006.

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



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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 27, 2006**