



Dave Yost • Auditor of State

VILLAGE OF BREWSTER
STARK COUNTY

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Dave Yost • Auditor of State

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

To the Honorable Mayor and Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

May 31, 2012, except for Note 13 for which the date is July 9, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Brewster, Stark County, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Village of Brewster, Stark County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Village of Brewster adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

May 31, 2012, except for Note 13 for which the date is July 9, 2012

**VILLAGE OF BREWSTER, OHIO
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$74,270	\$20,859	\$24,821	\$0	\$119,950
Municipal Income Tax	790,836	32,589	0	0	823,425
Intergovernmental	137,687	189,759	0	0	327,446
Special Assessments	4,099	0	0	0	4,099
Charges for Services	0	223,932	0	0	223,932
Fines, Licenses and Permits	4,707	97	0	0	4,804
Earnings on Investments	1,411	39	0	0	1,450
Miscellaneous	5,922	11,762	0	0	17,684
<i>Total Cash Receipts</i>	<u>1,018,932</u>	<u>479,037</u>	<u>24,821</u>	<u>0</u>	<u>1,522,790</u>
Cash Disbursements					
Current:					
Security of Persons and Property	438,278	242,507	0	0	680,785
Public Health Services	8,328	0	0	0	8,328
Leisure Time Activities	17,673	120	0	0	17,793
Community Environment	3,730	0	0	0	3,730
Basic Utility Services	6,390	0	0	0	6,390
Transportation	29,836	190,210	0	0	220,046
General Government	177,204	1,385	0	0	178,589
Capital Outlay	20,631	81,053	0	41,176	142,860
Debt Service:					
Principal Retirement	0	0	18,354	0	18,354
Interest and Fiscal Charges	0	0	6,467	0	6,467
<i>Total Cash Disbursements</i>	<u>702,070</u>	<u>515,275</u>	<u>24,821</u>	<u>41,176</u>	<u>1,283,342</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>316,862</u>	<u>(36,238)</u>	<u>0</u>	<u>(41,176)</u>	<u>239,448</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	155,954	0	61,065	217,019
Transfers Out	(217,019)	0	0	0	(217,019)
Other Financing Uses	(14,411)	0	0	0	(14,411)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(231,430)</u>	<u>155,954</u>	<u>0</u>	<u>61,065</u>	<u>(14,411)</u>
<i>Net Change in Fund Cash Balances</i>	85,432	119,716	0	19,889	225,037
<i>Fund Cash Balances, January 1 (restated)</i>	<u>366,628</u>	<u>575,195</u>	<u>24,821</u>	<u>350,653</u>	<u>1,317,297</u>
Fund Cash Balances, December 31					
Restricted	0	694,911	24,821	0	719,732
Assigned	0	0	0	370,542	370,542
Unassigned	452,060	0	0	0	452,060
<i>Fund Cash Balances, December 31</i>	<u>\$452,060</u>	<u>\$694,911</u>	<u>\$24,821</u>	<u>\$370,542</u>	<u>\$1,542,334</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 (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$5,448,332
Fines, Licenses and Permits	\$1,035
	5,449,367
<i>Total Operating Cash Receipts</i>	<i>5,449,367</i>
Operating Cash Disbursements	
Personal Services	713,111
Contractual Services	3,230,875
Supplies and Materials	483,705
Other - Capital Outlay	72,873
	4,500,564
<i>Total Operating Cash Disbursements</i>	<i>4,500,564</i>
<i>Operating Income (Loss)</i>	<i>948,803</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	39
Earnings on Investments	1,848
Miscellaneous Receipts	15,314
Principal Retirement	(456,647)
Interest and Other Fiscal Charges	(79,388)
Other Financing Sources	19,415
Other Financing Uses	(8,630)
	(508,049)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(508,049)</i>
<i>Net Change in Fund Cash Balances</i>	<i>440,754</i>
<i>Fund Cash Balances, January 1</i>	<i>2,566,713</i>
<i>Fund Cash Balances, December 31</i>	<i>\$3,007,467</i>

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$76,452	\$22,581	\$24,821	\$0	\$123,854
Municipal Income Tax	534,375	419,689	0	35,625	989,689
Intergovernmental	133,840	168,218	0	116,079	418,137
Special Assessments	475	0	0	0	475
Charges for Services	0	198,660	0	0	198,660
Fines, Licenses and Permits	5,844	374	0	0	6,218
Earnings on Investments	1,174	49	0	0	1,223
Miscellaneous	2,699	14,561	0	0	17,260
	<u>754,859</u>	<u>824,132</u>	<u>24,821</u>	<u>151,704</u>	<u>1,755,516</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	452,794	257,310	0	0	710,104
Public Health Services	8,104	0	0	0	8,104
Leisure Time Activities	0	23,995	0	0	23,995
Community Environment	2,253	0	0	0	2,253
Basic Utility Service	5,979	0	0	0	5,979
Transportation	27,638	195,531	0	0	223,169
General Government	170,458	8,966	0	0	179,424
Debt Service:					
Redemption of Principal	0	0	18,354	0	18,354
Interest and Fiscal Charges	0	0	6,467	0	6,467
Capital Outlay	14,734	412,264	0	200,139	627,137
	<u>681,960</u>	<u>898,066</u>	<u>24,821</u>	<u>200,139</u>	<u>1,804,986</u>
Total Receipts Over/(Under) Disbursements	<u>72,899</u>	<u>(73,934)</u>	<u>0</u>	<u>(48,435)</u>	<u>(49,470)</u>
Other Financing Receipts / (Disbursements):					
OPWC Loan Proceeds	0	0	0	103,584	103,584
Transfers-In	0	61,000	0	0	61,000
Transfers-Out	(61,000)	0	0	0	(61,000)
Other Financing Uses	(31,206)	(573)	0	0	(31,779)
	<u>(92,206)</u>	<u>60,427</u>	<u>0</u>	<u>103,584</u>	<u>71,805</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(19,307)	(13,507)	0	55,149	22,335
Fund Cash Balances, January 1	111,445	863,192	24,821	295,504	1,294,962
Fund Cash Balances, December 31	<u>\$92,138</u>	<u>\$849,685</u>	<u>\$24,821</u>	<u>\$350,653</u>	<u>\$1,317,297</u>
Reserve for Encumbrances, December 31	<u>\$211</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$211</u>

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$5,750,106
Fines, Licenses and Permits	\$1,075
Miscellaneous	110,288
	5,861,469
Total Operating Cash Receipts	5,861,469
Operating Cash Disbursements:	
Personal Services	690,786
Contractual Services	3,505,299
Supplies and Materials	527,456
Capital Outlay	228,968
Other	0
	4,952,509
Total Operating Cash Disbursements	4,952,509
Operating Income/(Loss)	908,960
Non-Operating Cash Receipts & Disbursements:	
Earnings on Investments	2,176
Redemption of Principal	(470,826)
Interest and Other Fiscal Charges	(103,470)
Other Non-Operating Cash Disbursements	(8,991)
	(581,111)
Total Non-Operating Cash Disbursements	(581,111)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	327,849
Fund Cash Balances, January 1	2,238,865
Fund Cash Balances, December 31	\$2,566,714
Reserve for Encumbrances, December 31	\$2,215

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

Jointly Governed Organizations:

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

Joint Ventures:

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Village values Certificates of Deposit at Cost. The value of STAROHIO monies are recorded at share values the Treasurer of State reports.

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

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

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

Income Tax Fund – This fund is used to record the collection of self-assessed taxes, the cost of collecting such tax and the distribution (interfund transfers) to various other funds in accordance with Village Ordinances. The Village's income tax rate was 1.33% in 2010 and 1% in 2011. In 2010, the 1.33% income tax is allocated as follows: 75% to the General Fund, 12% to the SCMR Fund, 3% to the Parks/Grounds Fund, 5% to the Capital Projects Fund, and 5% to the Street Equipment Fund. In 2011, the basic 1% income tax is allocated as follows: 82% to the General Fund, 12% to the SCMR Fund, 3% to the Parks/Grounds Fund, 3% to the Capital Projects Fund.

3. Debt Service Funds

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

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

4. Capital Project Funds

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

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

5. Enterprise Funds

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

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

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

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

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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:

1. Nonspendable

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

2. Restricted

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

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the 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.

4. Assigned

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

5. Unassigned

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Adjusted Fund Balance at January 1, 2011
General	\$ 92,138	\$ 274,490	366,628
Special Revenue	\$849,685	\$(274,490)	575,195

3. Equity in Pooled Deposits and Investments

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

	2011	2010
Demand deposits	\$2,894,331	\$3,603,557
Certificates of deposit (CDARS)	1,625,000	250,000
Total deposits	4,519,331	3,853,557
STAR Ohio	30,470	30,453
Total investments	30,470	30,453
Total deposits and investments	\$4,549,801	\$3,884,010

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

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

4. Budgetary Activity

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,909,960	\$1,388,485	(\$521,475)
Special Revenue	842,700	634,991	(207,709)
Debt Service	25,000	24,821	(179)
Capital Projects	40,000	61,065	21,065
Enterprise	6,307,500	5,485,983	(821,517)
Total	\$9,125,160	\$7,595,345	(\$1,529,815)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,276,588	\$1,303,053	\$973,535
Special Revenue	1,417,895	575,275	842,620
Debt Service	49,821	24,821	25,000
Capital Projects	390,653	41,176	349,477
Enterprise	8,874,213	5,045,229	3,828,984
Total	\$13,009,170	\$6,989,554	\$6,019,616

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$873,510	\$754,859	(\$118,651)
Special Revenue	1,970,950	885,132	(1,085,818)
Debt Service	25,000	24,821	(179)
Capital Projects	150,000	255,288	105,288
Enterprise	6,296,500	5,863,645	(432,855)
Total	\$9,315,960	\$7,783,745	(\$1,532,215)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$984,955	\$774,377	\$210,578
Special Revenue	2,834,143	898,639	1,935,504
Debt Service	49,821	24,821	25,000
Capital Projects	445,504	200,139	245,365
Enterprise	8,535,365	5,538,011	2,997,354
Total	\$12,849,788	\$7,435,987	\$5,413,801

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Local Income Tax

The Village levies a municipal income tax of 1.33 percent in 2010 and 1 percent in 2011 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.

7. Capital Lease Obligation

In 2006, the Village entered into a Capital Lease arrangement for a Fire Truck. The lease is for 10 years and requires a per annum payment of \$24,821. Interest is imputed at 5.16% per annum.

<u>Due Date</u>	<u>Amount</u>
12/11/2012	\$24,821
12/11/2013	\$24,821
12/11/2014	\$24,821
12/15/2015	<u>\$24,821</u>
	\$99,284
Less Imputed Int.	<u>\$11,597</u>
	<u>\$87,687</u>

8. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>
OPWC 907	\$107,071
OPWC 327 SRFS	\$28,220
OWDA 327	169,758
OPWC 12D	17,303
Hillview Mobile Home Park/OWDA	24,286
Municipal Electric	<u>780,000</u>
Total	<u><u>\$1,126,638</u></u>

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

The Ohio Public Works Commission Loan Numbers 327 and 327 SRFS were for sewer system improvements.

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Debt (Continued)

The Ohio Public Works Commission Loan Number 12D was for the Northeast Waterline Loop. The Municipal Electric Note is backed by the full faith and credit of the Village. The Note has a term of one year. The Note was issued in 2001 and has been renewed annually to maintain the lowest possible interest rate. The loan will be converted to long-term financing if interest rates rise to higher levels. Although the Village is not required to make principal payments for the first five years they have chosen to do so. The administrator of the Loan (AMP Ohio), advises the Village of the amount to pay on principal so that the Village still meets the required debt covenant ratio. The debt is required to be paid by 2025.

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

The Municipal Electric Note is backed by the full faith and credit of the Village. The note was issued in 2001 and has been renewed annually to maintain the lowest possible interest rate. The loan will be converted to long-term financing if interest rates rise to higher levels. Although the Village is not required to make principal payments for the first five years they have chosen to do so. The administrator of the loan, AMP-Ohio, advises them of the amount to pay on principal (therefore there is no predetermined amortization schedule) so that the Village still meets the required debt covenant ratio. The debt is required to be paid by 2025.

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

Year ending December 31:	OPWC 12D	OPWC 907	OPWC 327	OWDA 327	Hillview Mobile Home Park
2012	\$1,922	\$19,468	\$6,303	\$37,956	\$1,077
2013	\$1,922	19,468	6,303	37,956	1,077
2014	\$1,922	19,468	6,303	37,956	1,077
2015	\$1,922	19,468	6,303	37,956	1,077
2016	\$1,922	19,468	6,303	37,956	1,077
2017-2021	7,693	9,731	3,152	18,978	18,901
Total	<u>\$17,303</u>	<u>\$107,071</u>	<u>\$34,667</u>	<u>\$208,755</u>	<u>\$24,286</u>

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other part-time police officers belong to the Ohio Public Employees Retirement System (OPERS). The Village has no full-time firefighters, and maintains an all-volunteer force. The Village has one full-time paramedic and five part-time paramedics. All paramedic employees pay into OPERS. OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, 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, 2011.

10. Risk Management

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
- Employer's Liability
- Employee Benefits Liability

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

11. Joint Ventures

OMEGA JV5

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

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

11. Joint Ventures (Continued)

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, 2010 Brewster has met their debt coverage obligation.

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

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

The Village's net investment to date in OMEGA JV5 was \$85,343 at December 31, 2010 (latest information available). Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

11. Joint Ventures (Continued)

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 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$238,490 at December 31, 2010 (latest information available). Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2010 (latest information available) 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
	95.20%	127,640		4.80%	6,441
			Grand Total	100.00%	134,081

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

12. Jointly Governed Organizations

A. Stark Council of Governments

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

B. Stark County Regional Planning Commission

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

C. Municipal Energy Services Agency

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

**VILLAGE OF BREWSTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

13. American Municipal Power Generating Station Project

The Village is a member of American Municipal Power (AMP) and was a participant in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 4,276 kilowatts of a total 771,281 kilowatts, giving the Village a 0.55 percent share. This plant was estimated to be a \$3 billion project, but the project's targeted capital costs increased by 37 percent and the engineer, procure and construct (EPC) contractor could not guarantee the costs would not continue to escalate. In November 2009, the participants voted to terminate the AMPGS Project. The AMPGS Project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay any costs incurred for the project. In November 2011, the Village was notified by AMP their estimated share of the stranded costs was \$699,363. The Village intends to pay any potential future costs by paying monthly amounts to AMP. At this time it is unknown if these costs, if any, will be passed on to the consumer by raising rates.

The Village also received notification from AMP of a credit related to their participation in the AMP Freemont Energy Center (AFEC) Project. The Village's share is 3,140 kilowatts of a total 512,000 kilowatts which calculates to a total credit of \$328,746 in the AFEC Project, for which the Village Solicitor has approved the binding contract. Therefore in management's opinion and based on amp's experts, a remaining potential liability of \$370,618 exists. On December 13, 2011, the Village received a correspondence from AMP as to which option they elect to pay AMPGS sunk costs. The Village selected Option E – "Continue to carry sunk costs on AMP line of credit until final AMPGS litigation is settled." This litigation is related to AMP suing the EPC to recover the AMPGS stranded costs. If AMP is successful in their lawsuit, the amount collected may be passed on to members to reduce or eliminate stranded costs owed. Therefore, for these reason and since the Village follows the accounting basis the Auditor of State prescribes or permits, a potential liability has not been shown in the accompanying financial statements.



Dave Yost • Auditor of State

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

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

To the Village Council:

To the Honorable Mayor and Village Council:

We have audited the financial statements of the Village of Brewster, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 31, 2012, except for Note 13 for which the date is July 9, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted during 2011 the Village adopted *Governmental Accounting Standards Board* Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 31, 2012.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

May 31, 2012

VILLAGE OF BREWSTER
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-01	Ohio Rev. Code Section 5705.39 states that appropriations are limited by estimated resources. Village appropriations exceeded estimated resources in several funds	Yes	n/a



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, 2012