

**VILLAGE OF BREWSTER  
STARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Brewster  
302 S. Wabash Avenue  
Brewster, Ohio 44613

We have reviewed the *Independent Accountants' Report* of the Village of Brewster, Stark County, prepared by Knox & Knox, for the audit period January 1, 2006 through December 31, 2007. 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 Accountants' 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 Accountants' 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

July 29, 2008

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VILLAGE OF BREWSTER  
STARK COUNTY

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# KNOX & KNOX

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Accountants and Consultants

## Independent Accountants' Report

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Brewster, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared its 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. In addition to the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Village of Brewster, Stark County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements and reserves for encumbrances for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

***Knox & Knox***

Orrville, Ohio  
April 21, 2008



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, 2007

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>CASH RECEIPTS:</b>					
Property and Other Local Taxes	\$94,132	\$43,977	\$24,000		\$162,109
Municipal Income Tax		879,693			879,693
Intergovernmental Revenue	149,466	145,830			295,296
Special Assessments	968				968
Charges for Services		208,076			208,076
Fines, Licenses, and Permits	4,998	528			5,526
Earnings on Investments	68,856	4,910			73,766
Other	7,124	213,147			220,271
<b>Total Cash Receipts</b>	<b>325,544</b>	<b>1,496,161</b>	<b>24,000</b>		<b>1,845,705</b>
<b>CASH DISBURSEMENTS:</b>					
Current:					
Security of Persons and Property	397,867	237,786			635,653
Public Health Services	8,127				8,127
Leisure Time Activities		14,739			14,739
Community Involvement	3,816				3,816
Basic Utility Services	3,652				3,652
Transportation	38,700	186,098			224,798
General Government	155,737	7,207			162,944
Capital Outlay	39,949	321,194		517,381	878,524
Debt Service					
Redemption of Principal			15,429		15,429
Interest/Other Fiscal Charges			8,571		8,571
<b>Total Cash Disbursements</b>	<b>647,848</b>	<b>767,024</b>	<b>24,000</b>	<b>517,381</b>	<b>1,956,253</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(322,304)</b>	<b>729,137</b>		<b>(517,381)</b>	<b>(110,548)</b>
<b>OTHER FINANCING RECEIPTS/DISBURSEMENTS</b>					
Sale of Fixed Assets	125				125
Transfers-In	535,050	356,800		174,150	1,066,000
Transfers-Out	(196,000)	(870,000)			(1,066,000)
Other Financing Uses	(29,567)	(975)			(30,542)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>309,608</b>	<b>(514,175)</b>		<b>\$174,150</b>	<b>(30,417)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(12,696)	214,962		(343,231)	(140,965)
Fund Cash Balances, January 1	121,326	703,456		586,360	1,411,142
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$108,630</b>	<b>\$918,418</b>		<b>\$243,129</b>	<b>\$1,270,177</b>
Reserves for Encumbrances, December 31	\$8,580	\$16,030		\$62,466	\$87,076

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 - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
OPERATING CASH RECEIPTS:	
Charges for Services	\$4,411,354
Fees, Licenses, & Permits	2,181
Other	<u>164,066</u>
Total Operating Cash Receipts	<u>4,577,601</u>
OPERATING CASH DISBURSEMENTS:	
Personal Services	649,833
Contractual Services	2,897,454
Supplies and Materials	477,672
Capital Outlay	<u>328,892</u>
Total Operating Cash Disbursements	<u>4,353,851</u>
Operating Income/(Loss)	<u>223,750</u>
NON-OPERATING CASH RECEIPTS:	
Interest	<u>145,315</u>
Total Non-Operating Cash Receipts	<u>145,315</u>
NON-OPERATING CASH DISBURSEMENTS:	
Debt Service:	
Principal Retirement	446,238
Interest and fiscal changes	159,181
Other Non-Operating Disbursements	<u>6,403</u>
Total Non-Operating Cash Disbursements	<u>611,822</u>
Net Receipts over/(Under) Disbursements	(242,757)
Fund Cash Balances, January 1	<u>3,067,814</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$2,825,057</u>
Reserves for Encumbrances, December 31	<u>\$44,947</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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>CASH RECEIPTS:</b>				
Property and Other Local Taxes	\$90,935	\$78,572		\$169,507
Municipal Income Tax		904,760		904,760
Intergovernmental Receipts	180,246	246,241		426,487
Special Assessments	2,265			2,265
Charges for Services		195,425		195,425
Fines, Licenses, and Permits	4,538	305		4,843
Earnings on Investments	61,410	3,417		64,827
Other	6,517	24,935		31,452
<b>Total Cash Receipts</b>	<b>345,911</b>	<b>1,453,655</b>		<b>1,799,566</b>
<b>CASH DISBURSEMENTS:</b>				
Current:				
Security of Persons and Property	364,141	218,013		582,154
Public Health Services	8,584			8,584
Leisure Time Activities		15,543		15,543
Community Involvement	2,110			2,110
Basic Utility Services	4,260			4,260
Transportation	21,422	144,127		165,549
General Government	166,984	7,566		174,550
Capital Outlay	15,323	349,773	\$118,142	483,238
<b>Total Cash Disbursements</b>	<b>582,824</b>	<b>735,022</b>	<b>118,142</b>	<b>1,435,988</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(236,913)</b>	<b>718,633</b>	<b>(118,142)</b>	<b>363,578</b>
<b>OTHER FINANCING RECEIPTS/DISBURSEMENTS</b>				
Sale of Fixed Assets	826			826
Transfers-In	553,500	371,325	265,500	1,190,325
Transfers-Out	(286,000)	(911,092)		(1,197,092)
Other Financing Uses	(9,329)	(742)		(10,071)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>258,997</b>	<b>(540,509)</b>	<b>265,500</b>	<b>(16,012)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	22,084	178,124	147,358	347,566
Fund Cash Balances, January 1	99,242	525,332	439,002	1,063,576
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$121,326</b>	<b>\$703,456</b>	<b>\$586,360</b>	<b>\$1,411,142</b>
Reserves for Encumbrances, December 31	\$5,953	\$21,053	\$145,832	\$172,838

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 - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>OPERATING CASH RECEIPTS:</b>	
Charges for Services	\$4,220,025
Fees, Licenses, & Permits	4,071
Other	<u>73,995</u>
Total Operating Cash Receipts	<u>4,298,091</u>
<b>OPERATING CASH DISBURSEMENTS:</b>	
Personal Services	523,347
Contractual Services	2,946,336
Supplies and Materials	342,056
Capital Outlay	<u>141,263</u>
Total Operating Cash Disbursements	<u>3,953,002</u>
Operating Income/(Loss)	<u>345,089</u>
<b>NON-OPERATING CASH RECEIPTS:</b>	
Interest	143,045
Transfers-In	<u>6,766</u>
Total Non-Operating Cash Receipts	<u>149,811</u>
<b>NON-OPERATING CASH DISBURSEMENTS:</b>	
Debt Service:	
Principal Retirement	354,449
Interest and fiscal changes	153,818
Other Non-Operating Disbursements	<u>14,393</u>
Total Non-Operating Cash Disbursements	<u>522,660</u>
Net Receipts over/(Under) Disbursements	(27,760)
Fund Cash Balances, January 1	<u>3,095,574</u>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b><u>\$3,067,814</u></b>
Reserves for Encumbrances, December 31	<u>\$7,235</u>

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

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The Village of Brewster, Stark County, Ohio, (the Village) is a body corporate and politic 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*. The organizations are presented in Notes 9 and 10. 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 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  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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

2. **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 has 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.

*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 the capital projects fund.

3. **Capital Projects Funds**

These fund 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).

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

D. **FUND ACCOUNTING** (continued)

4. **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.

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 department, division or office level of control, and within each, amounts appropriated for personal services. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

2. **Estimated Resources**

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

3. **Encumbrances**

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued )

E. **PROPERTY, PLANT AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2007	2006
Demand deposits	\$347,744	\$753,860
Certificates of deposit	3,747,490	3,725,096
Total deposits and investments	\$4,095,234	\$4,478,956

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

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and 2006, follows:

Fund Type	2007 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$1,087,060	\$ 860,719	(\$226,341)
Special Revenue	2,010,250	1,852,961	(157,289)
Capital Projects	333,333	174,150	(159,183)
Enterprise	4,719,000	4,722,914	3,914
Debt Service	25,000	24,000	(1,000)
Total	\$8,174,643	\$7,634,744	(\$539,899)



VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

3. **BUDGETARY ACTIVITY** (continued)

<u>Fund Type</u>	<u>2007 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$1,208,386	\$881,996	\$326,390
Special Revenue	2,713,706	1,654,028	1,059,678
Capital Projects	919,693	579,847	339,846
Enterprise	7,786,814	5,010,619	2,776,195
Debt Service	25,000	24,000	1,000
Total	<u>\$12,653,599</u>	<u>\$8,150,490</u>	<u>\$4,503,109</u>

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$912,050	\$900,237	(\$11,813)
Special Revenue	1,786,050	1,824,981	38,931
Capital Projects	275,000	265,500	(9,500)
Enterprise	4,870,200	4,447,902	(422,298)
Total	<u>\$7,843,300</u>	<u>\$7,438,620</u>	<u>(\$404,680)</u>

<u>Fund Type</u>	<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$1,012,620	\$884,108	\$128,512
Special Revenue	2,312,140	1,667,909	644,231
Capital Projects	714,002	263,974	450,028
Enterprise	7,965,775	4,482,898	3,482,877
Total	<u>\$12,004,537</u>	<u>\$7,298,889</u>	<u>\$4,705,648</u>

Contrary to Ohio law, appropriations were greater than estimated resources in the general and special revenue funds during 2006.

4. **PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments for 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  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

4. **PROPERTY TAX** (continued)

Tangible personal property tax is assessed by the property owner, 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.

5. **CAPITAL LEASE OBLIGATIONS**

The Village entered into a capital lease arrangement for equipment in 2006. The lease is for 10 years and requires a per annum payment of \$24,557. Interest is imputed at 4.75% per annum.

<u>Due Date</u>	<u>Amount</u>
12/11/08	\$24,557
12/11/09	24,557
12/11/10	24,557
12/11/11	24,557
12/11/12	24,557
12/11/13	24,557
12/11/14	24,557
12/11/15	<u>24,557</u>
	196,456
Less: Imputed interest	<u>(37,001)</u>
	<u>\$159,455</u>

6. **DEBT**

Debt outstanding at December 31, 2007 was as follows:

		<u>Interest Rate</u>
OPWC CS 12D	\$24,993	
OPWC CS 907	184,941	
OPWC CS 702	159,223	
OWDA 327 SRF	282,524	4.16%
OWDA 136 SRF	523,969	5.20%
OWDA 327 SRFS	47,000	4.12%
Municipal Electric	<u>1,580,000</u>	1.35%
	<u>\$2,802,650</u>	

Ohio Public Works Commission Loan Number CS 12D was for the northeast waterline loop.

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

Ohio Public Works Commission Loan Number CS 702 was for a high service pumping station and clear well.

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

6. **DEBT** (continued)

Ohio Water Development Authority Loan Number 327 SRF was for sewer system improvements.

Ohio Water Development Authority Loan Number 136 SRF was for sewer system improvements.

Ohio Water Development Authority Loan Number 327 SRFS was for sewer system improvements.

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 may 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 so that the Village still meets the required debt covenant ratio. The debt is required to be paid by 2025.

The following are summaries of principal and interest maturities:

Years Ending December 31:	Loan No. OPWC CS 12D		
	Payment	Principal	Interest
2008	\$1,922	\$1,922	
2009	1,922	1,922	
2010	1,922	1,922	
2011	1,922	1,922	
2012	1,922	1,922	
2013-2017	9,610	9,610	
2018-2021	5,773	5,773	
	<u>\$24,993</u>	<u>\$24,993</u>	<u>          </u>

Years Ending December 31:	Loan No. OPWC CS 907		
	Payment	Principal	Interest
2008	\$19,468	\$19,468	
2009	19,468	19,468	
2010	19,468	19,468	
2011	19,468	19,468	
2012	19,468	19,468	
2013-2017	87,601	87,601	
	<u>\$184,941</u>	<u>\$184,941</u>	<u>          </u>

Years Ending December 31:	Loan No. OPWC CS 702		
	Payment	Principal	Interest
2008	\$45,492	\$45,492	
2009	45,492	45,492	
2010	45,492	45,492	
2011	22,747	22,747	
	<u>\$159,223</u>	<u>\$159,223</u>	<u>          </u>

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

6. **DEBT** (continued)

Years Ending December 31:	Loan No. OWDA 327 SRF		
	Payment	Principal	Interest
2008	\$37,956	\$25,936	\$12,020
2009	37,956	27,026	10,930
2010	37,956	28,162	9,794
2011	37,956	29,345	8,611
2012	37,956	30,579	7,377
2013-2017	189,778	141,476	48,302
	<u>379,558</u>	<u>\$282,524</u>	<u>\$97,034</u>

Years Ending December 31:	Loan No. OWDA 136 SRF		
	Payment	Principal	Interest
2008	\$146,776	\$118,016	\$28,760
2009	146,776	124,232	22,544
2010	146,776	130,776	16,000
2011	146,776	137,664	9,112
2012	15,138	13,281	1,857
	<u>\$602,242</u>	<u>\$523,969</u>	<u>\$78,273</u>

Years Ending December 31:	Loan No. OWDA 327 SRFS		
	Payment	Principal	Interest
2008	\$6,303	\$4,323	\$1,980
2009	6,303	4,503	1,800
2010	6,303	4,690	1,613
2011	6,303	4,885	1,418
2012	6,303	5,089	1,214
2013-2017	26,224	23,510	2,714
	<u>\$57,739</u>	<u>\$47,000</u>	<u>\$10,739</u>

Years Ending December 31:	Municipal Electric		
	Payment	Principal	Interest
2008	<u>\$1,601,330</u>	<u>\$1,580,000</u>	<u>\$21,330</u>

7. **RETIREMENT SYSTEM**

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

Contributions rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, PFDPF participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 9.5% and 9.0% of their gross salaries,

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

7. **RETIREMENT SYSTEM** (continued)

respectively. The Village contributed an amount equal to 13.85% (2007) and 13.7% (2006) of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

8. **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
- Employer's liability
- Employee benefits liability

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

9. **JOINT VENTURES**

A. **OMEGA JV5**

The Village of Brewster is a Financing Participant with an ownership percentage of .79 percent, and shares participation with forty-one other subdivisions with 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 participation in the OMEGA JV5 Project.

Pursuant to the OMEGA 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) and 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 obligations. As of December 31, 2007 Brewster has met their debt coverage obligation.

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

9. **JOINT VENTURES** (continued)

A. **OMEGA JV5** (continued)

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

OMEGA JV5 is managed by AMP-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 2004.

The Village's net investment to date in OMEGA JV5 was \$70,701 at December 31, 2007. 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](http://www.auditor.state.oh.us).

PARTICIPANT	KW Demand	Ownership and Entitlement	PARTICIPANT	KW Demand	Ownership and Entitlement
Cuyahoga Falls	7,000	16.67%	Arcanum	352	0.84%
Bowling Green	6,608	15.73%	Seville	344	0.82%
Niles	4,463	10.63%	Brewster	333	0.79%
Napoleon	3,088	7.35%	Pioneer	321	0.76%
Jackson	3,000	7.14%	Genoa	288	0.69%
Hudson	2,388	5.69%	Jackson Center	281	0.67%
Wadsworth	2,360	5.62%	Grafton	269	0.64%
Oberlin	1,270	3.02%	Elmore	244	0.58%
New Bremen	1,000	2.38%	Woodville	209	0.50%
Bryan	919	2.19%	Milan	163	0.39%
Hubbard	871	2.07%	Bradner	145	0.35%
Montpelier	850	2.02%	Beach City	128	0.30%
Minster	837	1.99%	Prospect	115	0.27%
Columbiana	696	1.66%	Haskins	56	0.13%
Wellington	679	1.62%	Lucas	54	0.13%
Versailles	460	1.10%	Arcadia	46	0.11%
Monroeville	427	1.02%	South Vienna	45	0.11%
Oak Harbor	396	0.94%	Waynesfield	35	0.08%
Lodi	395	0.94%	Eldorado	35	0.08%
Pemberville	386	0.92%	Republic	35	0.08%
Edgerton	385	0.92%	Custar	24	0.06%
			Totals	42,000	100.00%

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

9. **JOINT VENTURES** (continued)

B. **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 134.081 MW is the Participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-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 \$293,481 at December 31, 2007. 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](http://www.auditor.state.oh.us).

The thirty-six participating subdivisions and their respective ownership share at December 31, 2007 are:

VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

9. **JOINT VENTURES** (continued)

B. **OMEGA JV2** (continued)

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	El more	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	Pemberton	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.19%	1,460	Bradner	0.09%	119
Yellow Springs	1.15%	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>
			<b>Grand Total</b>	<b>100.00%</b>	<b>134,081</b>

10. **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 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.



VILLAGE OF BREWSTER  
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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 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.

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.

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# KNOX & KNOX

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Accountants and Consultants

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Brewster, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 21, 2008, wherein we noted the Village followed 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 as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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. However, we noted other matters that we reported to the Village's management in a separate letter dated April 21, 2008.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic 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*. However, we've reported an instance of immaterial noncompliance to management in a separate letter dated April 21, 2008.

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

KNOX & KNOX

Orrville, Ohio  
April 21, 2008



**Mary Taylor, CPA**  
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  
AUGUST 12, 2008**