

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**



**Mary Taylor, CPA**  
Auditor of State



**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis For the Year Ended December 31, 2009.....	11
Statement of Activities – Cash Basis For the Year Ended December 31, 2009.....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – For the Year Ended December 31, 2009.....	13
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2009.....	14
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis General Fund – For the Year Ended December 31, 2009.....	15
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis FEMA Fund – For the Year Ended December 31, 2009 .....	16
Statement of Fiduciary Assets and Liabilities – Cash Basis For the Year Ended December 31, 2009.....	17
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis For the Year Ended December 31, 2008.....	18
Statement of Activities – Cash Basis For the Year Ended December 31, 2008.....	19
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – For the Year Ended December 31, 2008.....	20
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2008.....	21

VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY

TABLE OF CONTENTS  
(Continued)

TITLE	PAGE
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis General Fund – For the Year Ended December 31, 2008.....	22
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis FEMA Fund – For the Year Ended December 31, 2008 .....	23
Statement of Fiduciary Assets and Liabilities – Cash Basis For the Year Ended December 31, 2008.....	24
Notes to the Basic Financial Statements .....	25
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	41
Schedule of Prior Audit Findings.....	43



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Brooklyn Heights  
Cuyahoga County  
345 Tuxedo Avenue  
Brooklyn Heights, Ohio 44131

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn Heights, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn Heights, Cuyahoga County, Ohio, as of December 31, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General and FEMA funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2010, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

August 2, 2010

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and 2008  
Unaudited**

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The management's discussion and analysis of the Village of Brooklyn Heights' (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2009 and 2008, within the limitations of the Village's cash basis accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole. Readers should also review the cash basis financial statements and notes to the financial statements to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2009 and 2008 are as follows:

Net assets of governmental activities in 2009 decreased \$636,156, or 11.5 percent, a significant change from the prior year. Net assets of government activities in 2008 decreased \$86,003, or 1.5 percent. The funds most affected by the decrease in cash and cash equivalents were the General Fund and Capital Improvement Fund, which realized the greatest burden of increased costs in 2009; however, cost increases affected most funds.

The Village's general receipts are primarily municipal income and property taxes. For fiscal year 2009, these receipts represent 78.1 and 6.8 percent (70.9 and 6.7 percent for fiscal year 2008) respectively of the total cash received for governmental activities during the year. Both municipal income tax and property tax receipts for 2009 and 2008 changed very little.

The total governmental disbursements (not including Other Financing Sources) for fiscal year 2009 were \$55,201 less than 2008. For fiscal year 2008, the total governmental disbursements were \$537,165 more than 2007. Disbursements increased in 2008 due to the switch in our fire department from a two-man to a three-man shift, in addition to increases in general operating expenses and wages. Disbursements decreased slightly in 2009 due to Village leadership's proactive attempt to reduce disbursements.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and 2008  
Unaudited**

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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2009 and 2008, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

The statement of net assets and the statement of activities report on governmental activities. The Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds, not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and fiduciary.



**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and 2008  
Unaudited**

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General, Federal Emergency Management Agency (FEMA), Capital Improvement, and Waterline/Sewerline Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's agency fund accounts for deposits from various contractors, developers or individuals to insure compliance with various Village ordinances.

**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2009 compared to 2008, and 2008 compared to 2007 on a cash basis:

(Table 1)

**Net Assets**

	Government Activities		
	2009	2008	2007
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,896,241	\$5,532,397	\$5,618,400
<i>Total Assets</i>	<u>\$4,896,241</u>	<u>\$5,532,397</u>	<u>\$5,618,400</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$2,052,288	\$2,378,698	\$2,217,753
Debt Service	388,456	384,369	378,193
Other Purposes	312,553	286,256	272,793
Unrestricted	2,142,944	2,483,074	2,749,661
<i>Total Net Assets</i>	<u>\$4,896,241</u>	<u>\$5,532,397</u>	<u>\$5,618,400</u>

As mentioned previously, net assets of governmental activities decreased \$636,156 or 11.5 percent during 2009 and \$86,003 or 1.5 percent for 2008. The primary reasons contributing to the decreases in cash balances are as follows:

- The decrease in net assets of government activities were due to an increase in salaries of 3.0% based on current negotiated agreements.
- The decrease in net assets restricted for capital projects was due to the Schaaf Road reconstruction project.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and 2008  
Unaudited**

- The decreases were partially-offset by increased municipal income tax collections in 2008 compared to the previous year, which remained stable at the 2008 level in 2009.

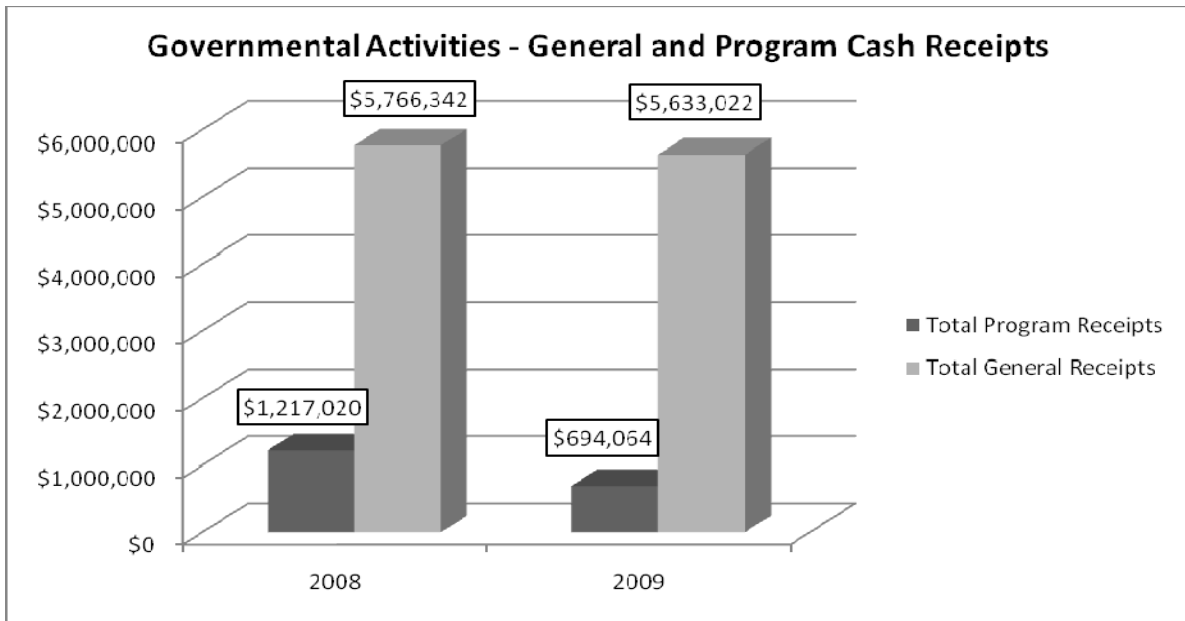
Table 2 provides a summary of the Village's changes in net assets for 2009 compared to 2008, and 2008 compared to 2007 on a cash basis:

(Table 2)  
**Changes in Net Assets  
Governmental Activities**

	2009	2008	2007
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services and Sales	\$195,713	\$214,428	\$266,000
Operating Grants and Contributions	147,876	160,228	157,403
Capital Grants and Contributions	350,475	842,364	152,920
<b>Total Program Receipts</b>	<b>694,064</b>	<b>1,217,020</b>	<b>576,323</b>
<b>General Receipts:</b>			
Property Taxes	351,843	381,919	451,207
Municipal Income Taxes	4,939,251	4,950,229	4,716,597
Other Taxes	0	0	84,495
Grants and Entitlements Not Restricted to Specific Programs	298,846	260,354	168,656
Sale of Capital Assets	0	12,271	1,550
Interest	33,054	150,322	294,951
Miscellaneous	10,028	11,248	10,058
<b>Total General Receipts</b>	<b>5,633,022</b>	<b>5,766,343</b>	<b>5,727,514</b>
<b>Total Receipts</b>	<b>6,327,086</b>	<b>6,983,362</b>	<b>6,303,837</b>
<b>Disbursements:</b>			
General Government	1,183,562	1,266,081	1,172,971
Security of Persons and Property	3,097,492	3,066,342	2,864,557
Public Health Services	273,485	270,001	224,145
Leisure Time Activities	229,468	264,861	231,025
Economic Development	118,395	122,545	115,679
Basic Utilities	83,431	89,387	81,864
Transportation	882,407	880,539	743,536
Capital Outlay	680,145	646,609	632,479
Principal Retirement	70,791	64,987	64,988
Interest and Fiscal Charges	18,150	21,175	24,118
<b>Total Disbursements</b>	<b>6,637,326</b>	<b>6,692,527</b>	<b>6,155,362</b>
Excess (Deficiency) Before Other Items	(310,240)	290,835	148,475
Other Sources and Uses	(325,916)	(376,838)	(257,711)
Transfers	0	0	125
<b>Increase (Decrease) in Net Assets</b>	<b>(636,156)</b>	<b>(86,003)</b>	<b>(109,111)</b>
Net Assets, January 1	5,532,397	5,618,400	5,727,511
<b>Net Assets, December 31</b>	<b>\$4,896,241</b>	<b>\$5,532,397</b>	<b>\$5,618,400</b>

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and 2008  
Unaudited**



Program receipts represent only 10.9 percent for fiscal year 2009 (17.4 percent for fiscal year 2008) of total receipts and are primarily comprised of restricted intergovernmental receipts such as; motor vehicle license and gas tax money, building permits and inspection fees, and operating and capital grants.

General receipts represent 89.1 percent for fiscal year 2009 (82.6 percent for fiscal year 2008) of the Village's total receipts, and of this amount, 83.6 percent for fiscal year 2009 (76.4 percent for fiscal year 2008) are local taxes. Interest earnings and State and federal grants and entitlements make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, Mayor, Clerk/Treasurer, Income Tax Administration, Law Director, and lands and buildings maintenance.

Security of Persons and Property are the costs of police and fire protection; Public Health Services are the costs of the health/community services department; Leisure Time Activities are the costs of maintaining the parks and playing fields; Economic Development promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities on pages 12 and 19, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Security of Persons and Property, which account for 46.7 percent for fiscal year 2009 (45.8 percent for fiscal year 2008) of all governmental disbursements, respectively. General Government also represents a significant cost, 17.8 percent for fiscal year 2009 (18.9 percent for fiscal year 2008). The next three columns of the Statement, entitled Program Receipts, identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

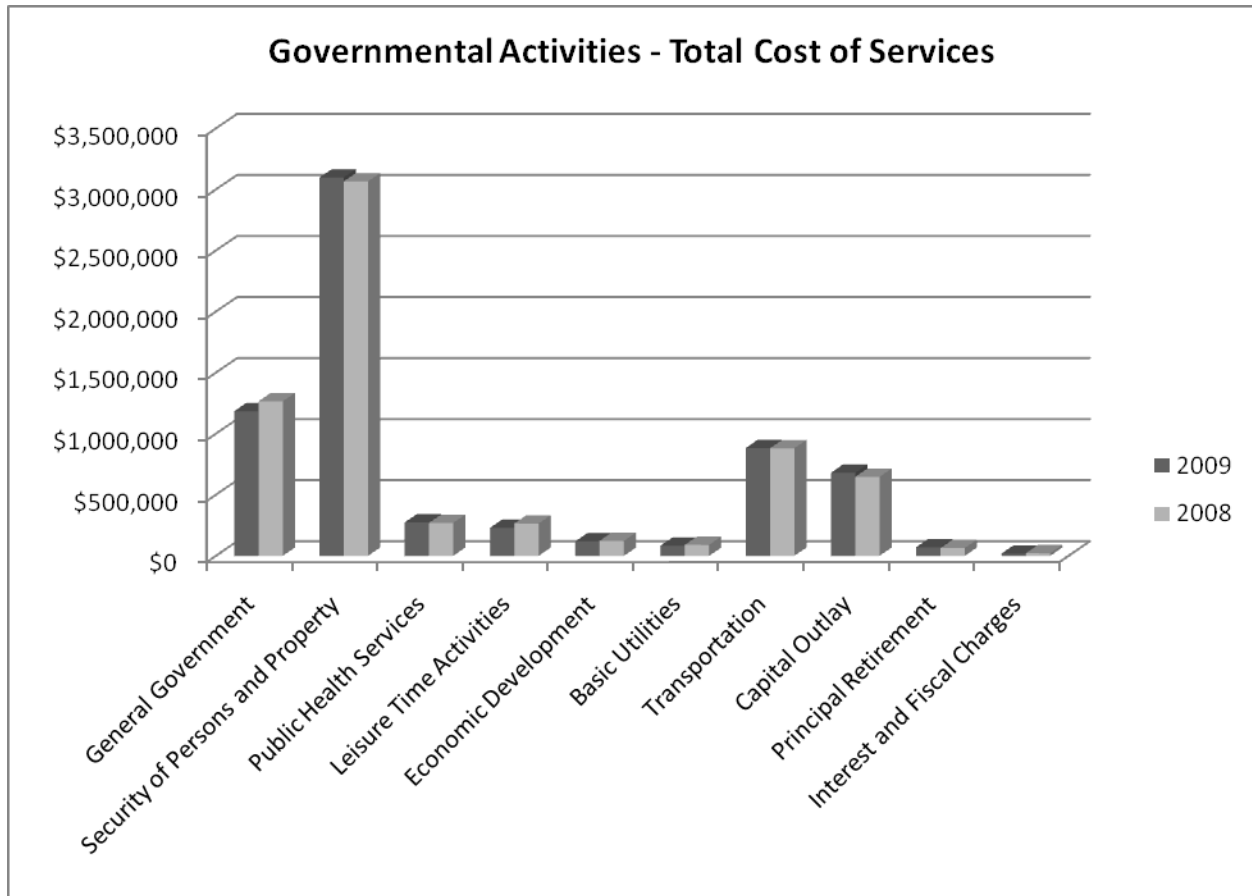
**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and 2008  
Unaudited**

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2009	Net Cost of Services 2009	Total Cost Of Services 2008	Net Cost of Services 2008
General Government	\$1,183,562	\$1,086,717	\$1,266,081	\$1,158,048
Security of Persons and Property	3,097,492	3,023,658	3,066,342	2,996,916
Public Health Services	273,485	270,298	270,001	266,882
Leisure Time Activities	229,468	224,903	264,861	260,081
Economic Development	118,395	88,695	122,545	81,683
Basic Utilities	83,431	76,262	89,387	80,241
Transportation	882,407	754,118	880,539	741,249
Capital Outlay	680,145	412,083	646,609	(116,158)
Principal Retirement	70,791	4,024	64,987	3,220
Interest and Fiscal Charges	18,150	2,504	21,175	3,345
<b>Total Expenses</b>	<b>\$6,637,326</b>	<b>\$5,943,262</b>	<b>\$6,692,527</b>	<b>\$5,475,507</b>



The dependence upon property and municipal income tax receipts is apparent as 74.4 percent of governmental activities are supported through these general receipts for fiscal year 2009 (74.0 percent for fiscal year 2008).

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and 2008  
Unaudited**

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**The Government's Funds**

Total governmental funds had receipts of \$6,327,086 for fiscal year 2009 (\$6,971,091 for fiscal year 2008) and disbursements of \$6,637,326 for fiscal year 2009 (\$6,692,527 for fiscal year 2008). The greatest change within governmental funds occurred within the General Fund and Capital Improvement Fund. The fund balance of the General Fund decreased \$340,130 in 2009 and \$236,034 in 2008 as the result of significant Other Financing Uses, which is comprised almost entirely by the revenue sharing payments to the Cuyahoga Heights School. The Capital Improvement Fund noticed a significant decrease of \$402,918 in 2009, primarily as the result of the transfer to the Schaaf Road Reconstruction Fund.

Given the decreasing balance in the General Fund, the administration made efforts to reduce expenditures in the report years. In April 2010, all non-bargaining unit Village employees were given a 4% reduction in pay, along with the elimination of longevity payments and pension pick-up. The bargaining unit did not make comparable concessions; however Council deemed their concessions to be acceptable in meeting the Village's financial challenges. In addition, the Village's administration continues to stress to all departments the need to make reductions in disbursements for all operating costs. The Village is also actively pursuing grant funding for projects, particularly for increased energy efficiency. These measures have been deemed to be preferable to requesting additional funds from the taxpayers.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2009 and 2008, the Village amended its General Fund budget to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$6,348,685 for fiscal year 2009 (\$6,224,513 for fiscal year 2008) while actual disbursements were \$5,749,726 for fiscal year 2009 (\$5,797,745 for fiscal year 2008). The decrease in actual disbursements compared to the budget reflects the effort of the administration and department heads to control spending levels.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village maintains a listing of its capital assets and infrastructure. These records are not required to be presented in the financial statements.

**Debt Administration**

The Village had the following long-term obligations at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Ohio Public Works Commission Loan: Schaaf Rd. W/L	\$44,945	\$54,933
Ohio Public Works Commission Loan: Lancaster Rd. Bridge	15,247	0
Special Assessment Bonds:		
West Resource Drive	270,000	330,000
Total	<u>\$330,192</u>	<u>\$384,933</u>

For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2009 and 2008  
Unaudited**

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**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited funding. State funding is remaining about the same level as last year. In addition, it appears Local Government Revenue will remain constant.

The property tax revenues are expected to remain consistent. Municipal income tax collections will decrease in 2010 and 2011 as the result of the loss of a major Village employer, Safeguard Properties. In early 2009, Safeguard outgrew their building and moved to Valley View. They had paid close to one million dollars in withholding and net profit tax in 2009. In 2010, the Village still received approximately \$400,000 in net profit tax from Safeguard, which is expected to be the last payment the Village receives from Safeguard.

The administration has been dedicated to making changes necessary to weather the loss of such a major employer. As noted on page 9, the administration decided to enforce salary reductions on its employees as a major step towards reducing Village expenditures. The administration also has increased some fees for services, actively debates further revenue sources, and continues to operate on a lean budget. Grant funding is actively pursued for capital projects, including grants through NOPEC expected to make our buildings more energy-efficient, which will result in long-term utility savings.

Faced with a struggling economy and the loss of a major employer, the Village's financial condition is in one of its most challenging times. The administration has acknowledged the need for sustainability, and is taking necessary steps towards compensating for the decreased municipal income tax receipts. To truly attain long-term sustainability, it is probable that further changes will need to be made; either on the receipt or expenditure side. Such changes will be discussed and debated by Village leaders in the middle to late 2010.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Timothy D. Clymer, Clerk/Treasurer, Village of Brooklyn Heights, 345 Tuxedo Avenue, Brooklyn Heights, Ohio 44131.

**Village of Brooklyn Heights, Cuyahoga County**

*Statement of Net Assets - Cash Basis*

*December 31, 2009*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,896,241</u>
<i>Total Assets</i>	<u><u>\$4,896,241</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$2,052,288
Debt Service	388,456
Other Purposes	312,553
Unrestricted	<u>2,142,944</u>
<i>Total Net Assets</i>	<u><u>\$4,896,241</u></u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2009*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$1,183,562	\$95,819	\$1,026	\$0	(\$1,086,717)
Security of Persons and Property	3,097,492	55,273	18,561	0	(3,023,658)
Public Health Services	273,485	3,187	0	0	(270,298)
Leisure Time Activities	229,468	4,565	0	0	(224,903)
Economic Development	118,395	29,700	0	0	(88,695)
Basic Utility Services	83,431	7,169	0	0	(76,262)
Transportation	882,407	0	128,289	0	(754,118)
Capital Outlay	680,145	0	0	268,062	(412,083)
Debt Service:					
Principal Retirement	70,791	0	0	66,767	(4,024)
Interest and Fiscal Charges	18,150	0	0	15,646	(2,504)
<b>Total Governmental Activities</b>	<u>\$6,637,326</u>	<u>\$195,713</u>	<u>\$147,876</u>	<u>\$350,475</u>	<u>(5,943,262)</u>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
		General Purposes			327,854
		Police			23,989
		Municipal Income Taxes			4,939,251
		Grants and Entitlements not Restricted to Specific Programs			298,846
		Interest			33,054
		Miscellaneous			10,028
		<b>Total General Receipts</b>			<u>5,633,022</u>
		Other Sources and Uses			<u>(325,916)</u>
		<b>Total General Receipts and Other Sources and Uses</b>			<u>5,307,106</u>
		Change in Net Assets			(636,156)
		<i>Net Assets, Beginning of Year</i>			<u>5,532,397</u>
		<i>Net Assets, End of Year</i>			<u>\$4,896,241</u>

See accompanying notes to the basic financial statements



**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2009

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$2,142,944	\$17,305	\$1,251,550	\$664,236	\$820,206	\$4,896,241
<i>Total Assets</i>	<u>\$2,142,944</u>	<u>\$17,305</u>	<u>\$1,251,550</u>	<u>\$664,236</u>	<u>\$820,206</u>	<u>\$4,896,241</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	\$19,303	\$0	\$22,912	\$0	\$12,789	\$55,004
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,123,641	0	0	0	0	2,123,641
Special Revenue Funds	0	17,305	0	0	295,248	312,553
Debt Service Fund	0	0	0	0	388,456	388,456
Capital Projects Funds	0	0	1,228,638	664,236	123,713	2,016,587
<i>Total Fund Balances</i>	<u>\$2,142,944</u>	<u>\$17,305</u>	<u>\$1,251,550</u>	<u>\$664,236</u>	<u>\$820,206</u>	<u>\$4,896,241</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2009

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$4,939,251	\$0	\$0	\$0	\$0	\$4,939,251
Property and Other Local Taxes	327,854	0	0	0	23,989	351,843
Special Assessments	0	0	5,628	0	75,645	81,273
Charges for Services	77,390	0	0	0	0	77,390
Fines, Licenses and Permits	114,368	0	0	0	6,217	120,585
Intergovernmental	308,691	0	5,000	0	399,971	713,662
Interest	15,067	0	0	11,085	6,902	33,054
Miscellaneous	10,028	0	0	0	0	10,028
<i>Total Receipts</i>	<u>5,792,649</u>	<u>0</u>	<u>10,628</u>	<u>11,085</u>	<u>512,724</u>	<u>6,327,086</u>
<b>Disbursements</b>						
Current:						
General Government	1,181,660	0	0	0	1,902	1,183,562
Security of Persons and Property	3,057,429	0	0	0	40,063	3,097,492
Public Health Services	273,485	0	0	0	0	273,485
Leisure Time Activities	229,468	0	0	0	0	229,468
Economic Development	118,395	0	0	0	0	118,395
Basic Utility Services	83,431	0	0	0	0	83,431
Transportation	786,555	1,516	0	0	94,336	882,407
Capital Outlay	0	0	111,076	0	569,069	680,145
Debt Service:						
Principal Retirement	0	0	0	0	70,791	70,791
Interest and Fiscal Charges	0	0	0	0	18,150	18,150
<i>Total Disbursements</i>	<u>5,730,423</u>	<u>1,516</u>	<u>111,076</u>	<u>0</u>	<u>794,311</u>	<u>6,637,326</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>62,226</u>	<u>(1,516)</u>	<u>(100,448)</u>	<u>11,085</u>	<u>(281,587)</u>	<u>(310,240)</u>
<b>Other Financing Sources (Uses)</b>						
OPWC Loans Issued	0	0	0	0	78,291	78,291
Transfers In	150	0	82,530	0	390,000	472,680
Transfers Out	0	0	(390,000)	0	(82,530)	(472,530)
Other Financing Sources	31,145	0	5,000	0	435	36,580
Other Financing Uses	(433,651)	0	0	0	(7,286)	(440,937)
<i>Total Other Financing Sources (Uses)</i>	<u>(402,356)</u>	<u>0</u>	<u>(302,470)</u>	<u>0</u>	<u>378,910</u>	<u>(325,916)</u>
<i>Net Change in Fund Balances</i>	<u>(340,130)</u>	<u>(1,516)</u>	<u>(402,918)</u>	<u>11,085</u>	<u>97,323</u>	<u>(636,156)</u>
<i>Fund Balances, Beginning of Year</i>	<u>2,483,074</u>	<u>18,821</u>	<u>1,654,468</u>	<u>653,151</u>	<u>722,883</u>	<u>5,532,397</u>
<i>Fund Balances, End of Year</i>	<u>\$2,142,944</u>	<u>\$17,305</u>	<u>\$1,251,550</u>	<u>\$664,236</u>	<u>\$820,206</u>	<u>\$4,896,241</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$4,900,000	\$4,939,251	\$4,939,251	\$0
Property and Other Local Taxes	340,500	327,854	327,854	0
Charges for Services	75,600	77,390	77,390	0
Fines, Licenses and Permits	121,500	114,368	114,368	0
Intergovernmental	226,615	308,691	308,691	0
Interest	125,000	15,067	15,067	0
Miscellaneous	8,500	10,028	10,028	0
<i>Total receipts</i>	<u>5,797,715</u>	<u>5,792,649</u>	<u>5,792,649</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
General Government	1,344,300	1,377,300	1,194,336	182,964
Security of Persons and Property	3,207,515	3,222,015	3,058,656	163,359
Public Health Services	297,630	297,630	273,485	24,145
Leisure Time Activities	302,550	302,550	229,468	73,082
Economic Development	141,940	141,940	118,395	23,545
Basic Utility Services	97,000	97,000	83,431	13,569
Transportation	910,250	910,250	791,955	118,295
<i>Total Disbursements</i>	<u>6,301,185</u>	<u>6,348,685</u>	<u>5,749,726</u>	<u>598,959</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(503,470)</u>	<u>(556,036)</u>	<u>42,923</u>	<u>598,959</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	5,000	0	0	0
Transfers In	0	150	150	0
Other Financing Sources	10,500	31,145	31,145	0
Other Financing Uses	(488,500)	(441,000)	(433,651)	7,349
<i>Total Other Financing Sources (Uses)</i>	<u>(473,000)</u>	<u>(409,705)</u>	<u>(402,356)</u>	<u>7,349</u>
<i>Net Change in Fund Balance</i>	<u>(976,470)</u>	<u>(965,741)</u>	<u>(359,433)</u>	<u>606,308</u>
<i>Fund Balance, Beginning of Year</i>	2,478,572	2,478,572	2,478,572	0
Prior Year Encumbrances Appropriated	4,502	4,502	4,502	0
<i>Fund Balance, End of Year</i>	<u>\$1,506,604</u>	<u>\$1,517,333</u>	<u>\$2,123,641</u>	<u>\$606,308</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
 FEMA Fund  
 For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>	\$0	\$0	\$0	\$0
<b>Disbursements</b>				
Current:				
Transportation	<u>5,000</u>	<u>2,000</u>	<u>1,516</u>	<u>484</u>
<i>Excess of Revenues Over (Under) Disbursements</i>	(5,000)	(2,000)	(1,516)	484
<i>Fund Balance, Beginning of Year</i>	<u>18,821</u>	<u>18,821</u>	<u>18,821</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$13,821</u></u>	<u><u>\$16,821</u></u>	<u><u>\$17,305</u></u>	<u><u>\$484</u></u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Fiduciary Assets and Liabilities - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2009*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$82,987
<i>Total Assets</i>	<u><u>\$82,987</u></u>
<b>Liabilities</b>	
Held Trust for Various Deposits	\$78,809
Unrestricted	4,178
<i>Total Liabilities</i>	<u><u>\$82,987</u></u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**

*Statement of Net Assets - Cash Basis*

*December 31, 2008*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,532,397</u>
<i>Total Assets</i>	<u><u>\$5,532,397</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$2,378,698
Debt Service	384,369
Other Purposes	286,256
Unrestricted	<u>2,483,074</u>
<i>Total Net Assets</i>	<u><u>\$5,532,397</u></u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2008*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$1,266,081	\$102,454	\$5,579	\$0	(\$1,158,048)
Security of Persons and Property	3,066,342	54,067	15,359	0	(2,996,916)
Public Health Services	270,001	3,119	0	0	(266,882)
Leisure Time Activities	264,861	4,780	0	0	(260,081)
Economic Development	122,545	40,862	0	0	(81,683)
Basic Utility Services	89,387	9,146	0	0	(80,241)
Transportation	880,539	0	139,290	0	(741,249)
Capital Outlay	646,609	0	0	762,767	116,158
Debt Service:					
Principal Retirement	64,987	0	0	61,767	(3,220)
Interest and Fiscal Charges	21,175	0	0	17,830	(3,345)
<b>Total Governmental Activities</b>	<u>\$6,692,527</u>	<u>\$214,428</u>	<u>\$160,228</u>	<u>\$842,364</u>	<u>(5,475,507)</u>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
		General Purposes			355,879
		Police			26,040
		Municipal Income Taxes			4,950,228
		Grants and Entitlements not Restricted to Specific Programs			260,354
		Sale of Capital Assets			12,271
		Interest			150,322
		Miscellaneous			11,248
		<b>Total General Receipts</b>			<u>5,766,342</u>
		Other Sources and Uses			<u>(376,838)</u>
		<b>Total General Receipts, Special Item, Transfers and Advances</b>			<u>5,389,504</u>
		Change in Net Assets			(86,003)
		<i>Net Assets, Beginning of Year</i>			<u>5,618,400</u>
		<i>Net Assets, End of Year</i>			<u><u>\$5,532,397</u></u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2008

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$2,483,074	\$18,821	\$1,654,468	\$653,151	\$722,883	\$5,532,397
<i>Total Assets</i>	<u>\$2,483,074</u>	<u>\$18,821</u>	<u>\$1,654,468</u>	<u>\$653,151</u>	<u>\$722,883</u>	<u>\$5,532,397</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	\$4,502	\$0	\$3,367	\$0	\$0	\$7,869
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,478,572	0	0	0	0	2,478,572
Special Revenue Funds	0	18,821	0	0	267,435	286,256
Debt Service Fund	0	0	0	0	384,369	384,369
Capital Projects Funds	0	0	1,651,101	653,151	71,079	2,375,331
<i>Total Fund Balances</i>	<u>\$2,483,074</u>	<u>\$18,821</u>	<u>\$1,654,468</u>	<u>\$653,151</u>	<u>\$722,883</u>	<u>\$5,532,397</u>

See accompanying notes to the basic financial statements



**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2008

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$4,950,228	\$0	\$0	\$0	\$0	\$4,950,228
Property and Other Local Taxes	355,879	0	0	0	26,040	381,919
Special Assessments	0	0	9,965	0	72,830	82,795
Charges for Services	79,159	0	0	0	0	79,159
Fines, Licenses and Permits	126,323	0	0	0	8,946	135,269
Intergovernmental	271,198	443,699	316,194	0	149,060	1,180,151
Interest	123,147	0	0	16,195	10,980	150,322
Miscellaneous	10,854	0	0	0	394	11,248
<i>Total Receipts</i>	<u>5,916,788</u>	<u>443,699</u>	<u>326,159</u>	<u>16,195</u>	<u>268,250</u>	<u>6,971,091</u>
<b>Disbursements</b>						
Current:						
General Government	1,263,476	1,220	0	0	1,385	1,266,081
Security of Persons and Property	3,025,066	0	0	0	41,276	3,066,342
Public Health Services	270,001	0	0	0	0	270,001
Leisure Time Activities	264,861	0	0	0	0	264,861
Economic Development	122,545	0	0	0	0	122,545
Basic Utility Services	89,387	0	0	0	0	89,387
Transportation	757,907	244	0	0	122,388	880,539
Capital Outlay	0	92,698	553,911	0	0	646,609
Debt Service:						
Principal Retirement	0	0	0	0	64,987	64,987
Interest and Fiscal Charges	0	0	0	0	21,175	21,175
<i>Total Disbursements</i>	<u>5,793,243</u>	<u>94,162</u>	<u>553,911</u>	<u>0</u>	<u>251,211</u>	<u>6,692,527</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>123,545</u>	<u>349,537</u>	<u>(227,752)</u>	<u>16,195</u>	<u>17,039</u>	<u>278,564</u>
<b>Other Financing Sources (Uses)</b>						
OPWC Loans Issued	0	0	0	0	11,750	11,750
Sale of Capital Assets	12,271	0	0	0	0	12,271
Transfers In	150	5,015	361,139	0	0	366,304
Transfers Out	(5,015)	(339,739)	0	0	(21,400)	(366,154)
Other Financing Sources	39,008	0	31,000	0	713	70,721
Other Financing Uses	(436,546)	(15,485)	0	0	(7,428)	(459,459)
<i>Total Other Financing Sources (Uses)</i>	<u>(390,132)</u>	<u>(350,209)</u>	<u>392,139</u>	<u>0</u>	<u>(16,365)</u>	<u>(364,567)</u>
<i>Net Change in Fund Balances</i>	<u>(266,587)</u>	<u>(672)</u>	<u>164,387</u>	<u>16,195</u>	<u>674</u>	<u>(86,003)</u>
<i>Fund Balances, Beginning of Year</i>	<u>2,749,661</u>	<u>19,493</u>	<u>1,490,081</u>	<u>636,956</u>	<u>722,209</u>	<u>5,618,400</u>
<i>Fund Balances, End of Year</i>	<u>\$2,483,074</u>	<u>\$18,821</u>	<u>\$1,654,468</u>	<u>\$653,151</u>	<u>\$722,883</u>	<u>\$5,532,397</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Municipal Income Taxes	\$4,900,000	\$4,950,228	\$4,950,228	\$0
Property and Other Local Taxes	387,000	355,879	355,879	0
Charges for Services	74,525	79,159	79,159	0
Fines, Licenses and Permits	154,805	126,323	126,323	0
Intergovernmental	212,765	271,198	271,198	0
Interest	175,000	123,147	123,147	0
Miscellaneous	8,500	10,854	10,854	0
<i>Total receipts</i>	<u>5,912,595</u>	<u>5,916,788</u>	<u>5,916,788</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
General Government	1,361,860	1,394,360	1,266,285	128,075
Security of Persons and Property	3,115,703	3,128,703	3,025,471	103,232
Public Health Services	274,520	295,520	270,001	25,519
Leisure Time Activities	307,680	307,680	265,076	42,604
Economic Development	140,750	140,750	122,545	18,205
Basic Utility Services	95,000	95,000	89,387	5,613
Transportation	862,500	862,500	758,980	103,520
<i>Total Disbursements</i>	<u>6,158,013</u>	<u>6,224,513</u>	<u>5,797,745</u>	<u>426,768</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(245,418)</u>	<u>(307,725)</u>	<u>119,043</u>	<u>426,768</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	5,000	12,271	12,271	0
Transfers In	0	150	150	0
Transfers Out	(5,000)	(6,000)	(5,015)	985
Other Financing Sources	3,500	39,008	39,008	0
Other Financing Uses	(488,400)	(441,900)	(436,546)	5,354
<i>Total Other Financing Sources (Uses)</i>	<u>(484,900)</u>	<u>(396,471)</u>	<u>(390,132)</u>	<u>6,339</u>
<i>Net Change in Fund Balance</i>	(730,318)	(704,196)	(271,089)	433,107
<i>Fund Balance, Beginning of Year</i>	2,742,112	2,742,112	2,742,112	0
Prior Year Encumbrances Appropriated	7,549	7,549	7,549	0
<i>Fund Balance, End of Year</i>	<u>\$2,019,343</u>	<u>\$2,045,465</u>	<u>\$2,478,572</u>	<u>\$433,107</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
 FEMA Fund  
 For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$438,979	\$443,699	\$443,699	\$0
<i>Total receipts</i>	438,979	443,699	443,699	0
<b>Disbursements</b>				
Current:				
General Government	0	1,300	1,220	80
Transportation	10,000	300	244	56
Capital Outlay	89,000	92,700	92,698	2
<i>Total Disbursements</i>	99,000	94,300	94,162	138
<i>Excess of Receipts Over (Under) Disbursements</i>	339,979	349,399	349,537	138
<b>Other Financing Sources (Uses)</b>				
Transfers In	4,850	5,015	5,015	0
Transfers Out	(339,740)	(339,740)	(339,739)	1
Other Financing Uses	(16,000)	(16,000)	(15,485)	515
<i>Total Other Financing Sources (Uses)</i>	(350,890)	(350,725)	(350,209)	516
<i>Net Change in Fund Balance</i>	(10,911)	(1,326)	(672)	654
<i>Fund Balance, Beginning of Year</i>	19,493	19,493	19,493	0
<i>Fund Balance, End of Year</i>	\$8,582	\$18,167	\$18,821	\$654

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Fiduciary Assets and Liabilities - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2008*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$83,149
<i>Total Assets</i>	<u>\$83,149</u>
<b>Liabilities</b>	
Held Trust for Various Deposits	\$78,859
Due to Other Governments	4,290
<i>Total Liabilities</i>	<u>\$83,149</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008**

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**NOTE 1 – REPORTING ENTITY**

The Village of Brooklyn Heights, Cuyahoga County, Ohio (the “Village”), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio and the Village Charter dated November 1994.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes, performs the judicial functions of the Village and presides at Council meetings. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also appoints all department heads and executes all contracts, conveyances, and evidences of indebtedness of the Village.

Legislative authority is vested in a seven member council with all seven members elected at large for a term of four years. Council enacts ordinances and resolutions relating to tax levies; appropriates and borrows money; and accepts bids for materials and services and other municipal purposes.

A. Primary Government

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government provides the following services to its citizens: a mayor’s court, police and fire protection, emergency medical, recreation, planning, zoning, street maintenance and repair, refuse collection, recycling and general administrative services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization’s governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization’s resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. There are no component units included as part of this report.

The Village is associated with three jointly governed organizations, the Northeast Ohio Public Energy Council, the Southwest Council of Governments and the Parma Community General Hospital Association. These organizations are presented in Note 13 to the basic financial statements.

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

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the cash balance of the governmental activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and fiduciary.

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds.

**General Fund** - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**FEMA Fund** - The Federal Emergency Management Agency provides public assistance funds to the Village to assist in providing emergency and permanent work projects.

**Capital Improvement Fund** - This fund receives special assessments, intergovernmental money, and a portion of income tax money per ordinance for capital improvements such as major street construction and repair projects, capital equipment, and vehicle purchases.

**Waterline/Sewerline Fund** - This fund receives interest earnings. The fund was established in 1985 by depositing \$125,000 annually for a period of six consecutive years. This fund is used for major maintenance and repairs of the waterline/sewerline systems located in the Village.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**Fiduciary Funds**

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for Mayor's Court activity and deposits from various contractors, developers or individuals to insure compliance with various Village ordinances.

**C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Basis of Accounting (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the department level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk/Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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 negative receipts (contra revenue), respectively.



**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Investments (Continued)**

During 2009 and 2008, the Village invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2009 and 2008 were \$15,067 and \$123,147 respectively.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets.

**G. Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for capital projects.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide statement of net assets reports \$2,753,297 in 2009 and \$3,049,323 in 2008 of restricted net assets, none of which are restricted by enabling legislation.

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and FEMA Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$19,303 in the General Fund for fiscal year 2009 and \$4,502 for fiscal year 2008. There were no outstanding encumbrances for the FEMA Fund in 2009 and 2008.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2009 and 2008, the Village had a book balance of \$4,896,241 and \$5,532,397, respectively. At December 31, 2009, \$4,008,443 (\$5,202,398 at December 31, 2008) of the Village's bank balance of \$5,008,443 (\$5,602,398 at December 31, 2008) was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

As of December 31, 2009 and 2008, the Village had the following deposits:

	2009	2008
	<u>Carrying Value</u>	<u>Carrying Value</u>
Demand Deposits	\$477,047	\$353,859
High Balance Savings	3,081,194	3,840,538
Certificates of Deposit	1,338,000	1,338,000
Total Portfolio	<u>\$4,896,241</u>	<u>\$5,532,397</u>

The high balance savings account maintains a variable interest rate which is determined daily at the banks discretion.

**NOTE 5 – INCOME TAXES**

The Village levies a municipal income tax of two percent on substantially all earned income arising from employment or business activities within the Village as well as certain income of residents earned outside of the Village. Income taxes received in 2009 and 2008 were distributed 100% into the General Fund.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village's tax collection agent, the Regional Income Tax Agency, monthly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 6 – PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2009 (2008) for real and public utility property taxes represents collections of the 2008 (2007) taxes. Property tax payments received during 2009 (2008) for tangible personal property (other than public utility property) is for 2009 (2008) taxes.

2009 (2008) real property taxes are levied after October 1, 2009 (2008) on the assessed values as of January 1, 2009 (2008), the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2009 (2008) real property taxes are collected in and intended to finance 2010 (2009).

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 (2007) public utility property taxes which became a lien on December 31, 2008 (2007), are levied after October 1, 2009 (2008), and are collected in 2010 (2009) with real property taxes.

Tangible personal property assessments have been phased out. They were reduced to 6.25 percent for 2008, and zero for 2009. Tangible personal property tax is assessed by the property owners for 2008 and only against local and inter-exchange telephone companies for 2009, who must file a list of such property to the County by each April 30.

The effective tax rate for all Village operations for the year ended December 31, 2009, was \$66.77 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2009 property tax receipts were based are as follows:

Agricultural/Residential Real Estate	\$35,112,098
Other Real Estate	47,430,734
Public Utility Tangible	2,264,900
General Tangible Personal Property	357,150
Total Assessed Value	<u>\$85,164,882</u>

The full tax rate for all Village operations for the year ended December 31, 2008, was \$4.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Agricultural/Residential Real Estate	\$35,075,555
Other Real Estate	48,803,014
Public Utility Tangible	2,151,030
General Tangible Personal Property	6,374,989
Total Assessed Value	<u><u>\$92,404,588</u></u>

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 7 – RISK MANAGEMENT**

**Commercial Insurance**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has obtained commercial insurance for the following risks:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Selective Insurance Company	Commercial Property	\$10,011,568
	General Liability	2,000,000
	Aggregate Umbrella	5,000,000
	Vehicle	1,000,000
	Employee Benefits	1,000,000
	Public Officials	1,000,000
	Law Enforcement	1,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Village's employee health care is provided by Medical Mutual. The Village pays a monthly premium for single, married and family coverage, along with additional Healthcare Reimbursement Account charges.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

**A. Ohio Public Employees Retirement System (Continued)**

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 2.5% (2008 – 2.5%) of covered payroll, public safety members contributed 2.5% (2008 – 2.5%), and law enforcement members contributed 2.5% (2008 – 2.5%). The Village picked up the remaining employees' portion of 7.5% (2008 – 7.5%).

The Village's contribution rate for 2009 was 14.00% (2008 – 14.00%), except for those plan members in law enforcement or public safety, for whom the Village's contribution rate was 17.63% (2008 - 17.40%) of covered payroll. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$123,716, \$105,647, and \$120,422 respectively. The full amount has been contributed for 2009, 2008 and 2007.

**B. Ohio Police and Fire Pension Fund**

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. Contribution rates are established by State statute. For 2009, a portion of the Village's contribution equal to 6.75% of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to OP&F for the years ended December 31, 2009, 2008, and 2007 were \$159,176, \$155,545, and \$148,764. The full amount has been contributed for 2009, 2008 and 2007.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

**A. Ohio Public Employees Retirement System (Continued)**

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009 and 2008, local government employers contributed 14 percent of covered payroll (17.63 percent in 2009 and 17.40 percent in 2008 for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. For 2009, the employer contribution allocated to the health care plan was 7.0 percent from January 1, through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009 and 7.0 percent of covered payroll, respectively. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$89,457, \$105,647 and \$68,035 respectively. The full amount has been contributed for 2009, 2008 and 2007.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

**B. Ohio Police and Fire Pension Fund**

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post -employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.



**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

**B. Ohio Police and Fire Pension Fund (Continued)**

OP&F provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2009 and 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The Village's contributions to OP&F which were allocated to fund postemployment healthcare benefits for police were \$84,270 for the year ended December 31, 2009, \$82,347 for the year ended December 31, 2008, and \$78,758 for the year ended December 31, 2007. The full amount has been contributed for 2009, 2008, and 2007.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

**NOTE 10 – DEBT**

The Village's long-term debt activity for the years ended December 31, 2009 and 2008, was as follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
<b><u>Governmental Activities</u></b>						
1994 OPWC Loan	0%	\$54,933	\$0	\$9,988	\$44,945	\$9,988
2009 OPWC Loan	0%	0	16,049	802	15,247	802
1993 Special Assessment Bonds	3 – 12%	330,000	0	60,000	270,000	60,000
Total		<u>\$384,933</u>	<u>\$16,049</u>	<u>\$70,790</u>	<u>\$330,192</u>	<u>\$70,790</u>

	Interest Rate	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Due Within One Year
<b><u>Governmental Activities</u></b>						
1994 OPWC Loan	0%	\$64,921	\$0	\$9,988	\$54,933	\$9,988
1993 Special Assessment Bonds	3 – 12%	385,000	0	55,000	330,000	60,000
Total		<u>\$449,921</u>	<u>\$0</u>	<u>\$64,988</u>	<u>\$384,933</u>	<u>\$70,790</u>

The 1994 Ohio Public Works Commission Loan (OPWC) relates to a joint venture street project with the City of Independence. The OPWC has approved \$335,098 in total loans, of which \$199,755 is the Village's portion. The Village OPWC loans will be repaid in bi-annual installments of \$4,994 over twenty years through the Village's Schaaf Road W/L Replacement Loan Fund.

The 2009 Ohio Public Works Commission Loan (OPWC) relates to a project to replace the Lancaster Road culvert with a bridge. The OPWC approved \$16,049 in interest-free loans, which will be repaid in bi-annual installments of \$401.23 over twenty years through the Village's Lancaster Bridge Construction Fund.

The Special Assessment Bonds were issued for street improvements and will be repaid from the Village's West Resource Drive Debt Service Fund. The bonds were originally issued for \$900,000 and will be repaid in bi-annual installments over twenty years.

The following is a summary of the Village's future annual debt service requirements:

Year	2009 OPWC Loan		1994 OPWC Loan		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$802	\$0	\$9,988	\$0	\$60,000	14,850
2011	802	0	9,988	0	65,000	11,550
2012	802	0	9,988	0	70,000	7,975
2013	802	0	9,988	0	75,000	4,125
2014	802	0	4,993	0	0	0
2015-2019	4,010	0	0	0	0	0
2020-2024	4,010	0	0	0	0	0
2025-2028	3,217	0	0	0	0	0
Totals	<u>\$15,247</u>	<u>\$0</u>	<u>\$44,945</u>	<u>\$0</u>	<u>\$270,000</u>	<u>\$38,500</u>

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 10 – DEBT (Continued)**

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2009, were an overall debt margin of \$8,942,313 and an unvoted debt margin of \$4,684,069.

**NOTE 11 – INTERFUND TRANSFERS**

During 2009 and 2008 the following transfers were made:

	<u>2009</u>	<u>2008</u>
Transfer from the FEMA Fund to: the Capital Improvement Fund		\$339,739
Transfers from the Lancaster Bridge Fund to: The Capital Improvement Fund	\$82,530	21,400
Transfer from the General Fund to: the FEMA Fund		5,015
Transfer from the Capital Improvement Fund to: the Schaaf Rd. Reconstruction Fund	390,000	

The transfer from the Capital Improvement Fund to the Schaff Rd. Reconstruction Fund was for the Village's share of the Schaaf Rd. Reconstruction project. The transfers from the Lancaster Bridge Fund to the Capital Improvement Fund represented excess funds no longer needed for the Lancaster Bridge project. The transfer from the FEMA Fund to the Capital Improvement Fund was the return of the excess from a 2007 transfer to the Capital Improvement Fund.

A transfer from the Guarantee Deposit Fund (an Agency Fund) was made to the General Fund in 2009 and 2008 in the amount of \$150 and \$150, respectively, for forfeited deposits relating to the rental of the Village's Community Center.

**NOTE 12 – CONTINGENT LIABILITIES**

The Village is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

**NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Northeast Ohio Public Energy Council**

The Village is a member of the Northeast Ohio Public Energy Council ("NOPEC"), a jointly governed organization. NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(Continued)**

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**NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**A. Northeast Ohio Public Energy Council (Continued)**

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village did not contribute to NOPEC during fiscal years 2009 or 2008. Financial information can be obtained by contacting, NOPEC, 31320 Solon Road, Suite 20, Solon, OH 44139.

**B. Southwest Council of Governments**

The Southwest Council of Governments helps foster cooperation between municipalities in areas effecting health, safety, welfare, education, economic conditions and regional development. The board is comprised of one member from each of the sixteen participating entities. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the board. Each municipality degree of control is limited to its representation on the board. The Village contributed \$10,000 and \$7,500 in 2009 and 2008, respectively, to the Southwest Council of Governments.

The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZ MAT") which provides hazardous material protection and assistance and the Southwest Enforcement Bureau which provides extra assistance to municipalities in the form of a Special Weapons and Tactics Team ("SWAT Team"). The Council's financial statements may be obtained by contacting the Southwest Council of Governments, Parma Heights, Ohio.

**C. Parma Community General Hospital Associations**

The Parma Community General Hospital Association is a not for profit adult care hospital controlled by a Board of Trustees which is composed of Mayoral appointees from the Municipalities of Brooklyn, North Royalton, Parma, Parma Heights, Seven Hills, and Brooklyn Heights. Each municipality has two representatives on the Board other than Parma, which has six. The operations, maintenance and management of the hospital is the exclusive charge of the Parma Community General Hospital Association. The Village's degree of control is limited to its appointment to the Board of Trustees.

Additions to the hospital have been financed by the issuance of hospital revenue bonds. The bonds are backed solely by the revenues of the hospital. The Municipalities have no responsibility for the payment of bonds, nor is there any ongoing financial interest or responsibility by the Village to the hospital.

The Village has made no contributions to the hospital during fiscal years 2009 or 2008.



# Mary Taylor, CPA

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 Brooklyn Heights  
Cuyahoga County  
345 Tuxedo Avenue  
Brooklyn Heights, Ohio 44131

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn Heights, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 2, 2010, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. 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 opinions 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 August 2, 2010.

We intend this report solely for the information and use of management, the 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

August 2, 2010

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Ohio Revised Code § 5705.41(D)(1), Proper Encumbering	No	Partially corrected and moved to the management letter

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**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF BROOKLYN HEIGHTS**

**CUYAHOGA 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  
SEPTEMBER 21, 2010**