

VILLAGE OF BROOKLN HEIGHTS

CUYAHOGA COUNTY

Audit Report

For the Years Ended December 31, 2017 and 2016





Dave Yost • Auditor of State

Village Council
Village of Brooklyn Heights
345 Tuxedo Avenue
Brooklyn Heights, Ohio 44131

We have reviewed the *Independent Auditor's Report* of the Village of Brooklyn Heights, Cuyahoga County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 18, 2018

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**VILLAGE OF BROOKLYN HEIGHTS
CUYAHOGA COUNTY**

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Charles E. Harris & Associates, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash basis 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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis 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, 2017 and 2016, and the respective changes in cash basis financial position and respective budgetary comparisons for the General Fund and FEMA Fund thereof for the years then ended in accordance with the cash basis of accounting described in Note 2.

Basic of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2018, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and does not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
May 4, 2018

Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Net Position - Cash Basis
December 31, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,073,448
<i>Total Position</i>	<i>\$ 2,073,448</i>
 Net Position	
Restricted for:	
Capital Projects	\$ 824,443
Debt Service	177,882
Other Purposes	89,713
Unrestricted	981,410
<i>Total Net Position</i>	<i>\$ 2,073,448</i>

See accompanying notes to the basic financial statements

Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Security of Persons and Property	\$ 3,292,642	\$ 60,574	\$ 752	\$ -	\$ (3,231,316)
Public Health Services	290,165	8,721	-	-	(281,444)
Leisure Time Activities	76,030	4,321	-	-	(71,709)
Community Environment	118,926	58,917	-	-	(60,009)
Basic Utility Services	91,951	8,103	-	-	(83,848)
Transportation	856,595	1,595	152,478	-	(702,522)
General Government	1,180,348	101,513	374	-	(1,078,461)
Other	45,346	-	-	-	(45,346)
Capital Outlay	750,804	-	-	170,164	(580,640)
Debt Service:					
Principal Retirement	10,010	-	-	-	(10,010)
Total Governmental Activities	\$ 6,712,817	\$ 243,744	\$ 153,604	\$ 170,164	(6,145,305)

General Receipts:	
Property Taxes Levied for:	
General Purposes	309,501
Police	22,646
Other Local Taxes	4,910
Municipal Income Taxes	4,692,879
Grants and Entitlements not Restricted to Specific Program	267,763
OPWC Loan Issued	756,015
Sale of Capital Assets	290
Cable Franchise Fees	7,502
Earnings on Investments	391
Miscellaneous	91,983
Total General Receipts	6,153,880
Change in Net Position	8,575
<i>Net Position Beginning of Year</i>	<u>2,064,873</u>
<i>Net Position End of Year</i>	<u>\$ 2,073,448</u>

See accompanying notes to the basic financial statements

Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
 December 31, 2017

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 848,413	\$ 15,540	\$ 502,597	\$ 132,997	\$ 573,901	\$ 2,073,448
<i>Total Assets</i>	<u>\$ 848,413</u>	<u>\$ 15,540</u>	<u>\$ 502,597</u>	<u>\$ 132,997</u>	<u>\$ 573,901</u>	<u>\$ 2,073,448</u>
Fund Balances						
Restricted	-	15,540	502,597	-	573,901	1,092,038
Committed	-	-	-	132,997	-	132,997
Unassigned	848,413	-	-	-	-	848,413
<i>Total Fund Balances</i>	<u>\$ 848,413</u>	<u>\$ 15,540</u>	<u>\$ 502,597</u>	<u>\$ 132,997</u>	<u>\$ 573,901</u>	<u>\$ 2,073,448</u>

See accompanying notes to the basic financial statements

Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2017

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Municipal Income Taxes	\$ 4,692,879	\$ -	\$ -	\$ -	\$ -	\$ 4,692,879
Property Taxes	309,501	-	-	-	22,646	332,147
Other Local Taxes	4,910	-	-	-	-	4,910
Intergovernmental	72,685	-	170,164	-	348,682	591,531
Charges for Services	94,078	-	-	-	-	94,078
Cable Franchise Fees	7,502	-	-	-	-	7,502
Fines, Licenses and Permits	142,681	-	-	-	6,985	149,666
Earnings on Investments	-	-	391	-	-	391
Miscellaneous	8,197	-	-	-	1,673	9,870
<i>Total Receipts</i>	<u>5,332,433</u>	<u>-</u>	<u>170,555</u>	<u>-</u>	<u>379,986</u>	<u>5,882,974</u>
Disbursements						
Current:						
Security of Persons and Property	3,040,681	-	-	-	251,961	3,292,642
Public Health Services	290,165	-	-	-	-	290,165
Leisure Time Activities	76,030	-	-	-	-	76,030
Community Environment	118,461	-	-	-	465	118,926
Basic Utility Services	91,951	-	-	-	-	91,951
Transportation	746,589	-	-	-	110,006	856,595
General Government	1,177,422	-	-	-	2,926	1,180,348
Capital Outlay	-	-	681,609	-	69,195	750,804
Debt Service:						
Principal Retirement	-	-	-	-	10,010	10,010
<i>Total Disbursements</i>	<u>5,541,299</u>	<u>-</u>	<u>681,609</u>	<u>-</u>	<u>444,563</u>	<u>6,667,471</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(208,866)</u>	<u>-</u>	<u>(511,054)</u>	<u>-</u>	<u>(64,577)</u>	<u>(784,497)</u>
Other Financing Sources (Uses)						
Sale of Capital Assets	290	-	-	-	-	290
Debt Proceeds	-	-	756,015	-	-	756,015
Transfers In	-	-	135,000	-	-	135,000
Transfers Out	-	-	-	(135,000)	-	(135,000)
Other Financing Sources	74,939	-	7,174	-	-	82,113
Other Financing Uses	(45,346)	-	-	-	-	(45,346)
<i>Total Other Financing Sources (Uses)</i>	<u>29,883</u>	<u>-</u>	<u>898,189</u>	<u>(135,000)</u>	<u>-</u>	<u>793,072</u>
<i>Net Change in Fund Balances</i>	<u>(178,983)</u>	<u>-</u>	<u>387,135</u>	<u>(135,000)</u>	<u>(64,577)</u>	<u>8,575</u>
<i>Fund Balances Beginning of Year</i>	<u>1,027,396</u>	<u>15,540</u>	<u>115,462</u>	<u>267,997</u>	<u>638,478</u>	<u>2,064,873</u>
<i>Fund Balances End of Year</i>	<u>\$ 848,413</u>	<u>\$ 15,540</u>	<u>\$ 502,597</u>	<u>\$ 132,997</u>	<u>\$ 573,901</u>	<u>\$ 2,073,448</u>

See accompanying notes to the basic financial statements

Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal Income Taxes	\$ 4,600,000	\$ 4,692,204	\$ 4,692,879	\$ 675
Property Taxes	310,000	310,000	309,501	(499)
Local Taxes	13,500	13,500	4,910	(8,590)
Intergovernmental	75,000	84,000	72,685	(11,315)
Charges for Services	92,400	92,400	94,078	1,678
Cable Franchise Fee	5,000	5,000	7,502	2,502
Fines, Licenses and Permits	157,300	157,300	142,681	(14,619)
Miscellaneous	12,500	12,500	8,197	(4,303)
<i>Total Receipts</i>	<u>5,265,700</u>	<u>5,366,904</u>	<u>5,332,433</u>	<u>(34,471)</u>
Disbursements				
Current:				
Security of Persons and Property	3,014,264	3,195,177	3,040,681	154,496
Public Health Services	249,162	301,916	290,165	11,751
Leisure Time Activities	100,118	99,471	76,030	23,441
Community Environment	102,222	125,115	118,461	6,654
Basic Utility Services	93,000	98,000	91,951	6,049
Transportation	653,169	767,059	746,589	20,470
General Government	1,395,349	1,330,353	1,177,422	152,931
<i>Total Disbursements</i>	<u>5,607,284</u>	<u>5,917,092</u>	<u>5,541,299</u>	<u>375,793</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(341,584)</u>	<u>(550,188)</u>	<u>(208,866)</u>	<u>341,322</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	2,000	2,000	290	(1,710)
Other Financing Sources	12,000	72,000	74,939	2,939
Other Financing Uses	(96,000)	(50,000)	(45,346)	4,654
<i>Total Other Financing Sources (Uses)</i>	<u>(82,000)</u>	<u>24,000</u>	<u>29,883</u>	<u>5,883</u>
<i>Net Change in Fund Balance</i>	(423,584)	(526,188)	(178,983)	347,205
<i>Unencumbered Fund Balance Beginning of Year</i>	1,027,396	1,027,396	1,027,396	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 603,812</u>	<u>\$ 501,209</u>	<u>\$ 848,413</u>	<u>\$ 347,205</u>

See accompanying notes to the basic financial statements

Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
FEMA Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
<i>Total Receipts</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements				
Current:				
General Government	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
<i>Total Disbursements</i>	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
<i>Net Change in Fund Balance</i>	(3,000)	(3,000)	-	(3,000)
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>15,540</u>	<u>15,540</u>	<u>15,540</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 12,540</u>	<u>\$ 12,540</u>	<u>\$ 15,540</u>	<u>\$ (3,000)</u>

See accompanying notes to the basic financial statements

Village of Brooklyn Heights, Ohio
 Cuyahoga County
 Statement of Fiduciary Net Position - Cash Basis
 Fiduciary Funds
 December 31, 2017

	Agency
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 116,643
<i>Total Assets</i>	\$ 116,643
Net Position	
Held for Contractor Deposits	\$ 110,967
Held for Mayor's Court	5,676
<i>Total Net Position</i>	\$ 116,643

See accompanying notes to the basic financial statements

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Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 five-member council with all five 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.

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.

Primary Government

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, senior, planning, zoning, street maintenance and repair, refuse collection, recycling and general administrative services.

Jointly Governed Organizations

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.

Note 2 – Summary of Significant Accounting Policies

As discussed further in the “Basis of Accounting” section of this note, 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. Following are the more significant of the Village’s accounting policies.

Basis of Presentation

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

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements The statement of net position 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 statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Village has no business-type activities.

The statement of net position presents the cash balance, and debt of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support 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 program is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order 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.

Fund Accounting

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

Governmental Funds Governmental funds are those through which all governmental functions of the Village are financed. The following are the Village's major governmental funds:

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

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 intergovernmental money, transfers and loans 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 and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village's agency funds account for Mayor's Court activity and deposits from various contractors, developers, or individuals to insure compliance with various Village ordinances.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Village are described in the appropriate section in this note.

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.

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 Village Council may appropriate.

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department and object level for the General and Capital Project Funds; at fund and department level for all other 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. 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 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 Village Council during the year.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

The Village did not invest in 2017, as all funds were required to be held in the checking account to minimize bank fees.

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 2017 was \$0.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Inventory and Prepaid Items

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

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.

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.

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.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for 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.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when 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 is reported at inception. Lease payments are reported when paid.

Net Position

Net Position is 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 position restricted for other purposes include resources restricted for roads and 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 resource are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance or resolution or by State Statute. State Statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Village Council may also assign fund balances as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 and FEMA funds is 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 are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

There were no outstanding encumbrances for the General or FEMA Fund in 2017.

Note 4 – Deposits and Investments

State statutes classify monies held by the Village into three categories.

Active deposits 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.

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments (Continued)

7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Village's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

At year end, \$500,000 of the bank balance of \$2,516,281 was covered by FDIC and the remainder was not exposed to custodial credit risk.

Note 5 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2017, was \$4.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 5 –Taxes (Continued)

Real Property	\$	77,806,510
Public Utility Tangible		<u>3,343,390</u>
 Total	 \$	 <u>81,249,900</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Income Taxes

The Village levies a 2 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 2 percent must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village tax collection agency, the Regional Income Tax Agency, monthly, and file an annual declaration.

In 2017, 100% of income tax receipts were allocated to the general fund.

Tax Abatements

For purposes of GASB Statement No 77, the definition of a tax abatement is: A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. (GASB 77, paragraph 4) See paragraphs 7 and 8 of GASB 77 for specific information related to disclosures of tax abatements.

The Village has a tax abatement incentive grant program to encourage job creation and retention of employment opportunities within Brooklyn Heights. The tax being abated is the municipal income tax on new payroll under the Village Ordinance No. 87-2013 and Article XVIII, Section 3 of Ohio Constitution. In order to be eligible, a company locating or expanding in the Village must create within a three-year period, a minimum payroll of \$2 million. The mechanism for tax abatement requires the submission of an annual job creation report. Upon meeting the grant requirements, the Village will issue a check for the amount of the grant. Each grant agreement will include binding claw back provision requiring repayment of grant monies if the company leaves the Village during the term of the agreement. The company must achieve 75% of the payroll projections for the previous year to receive any benefit.

The Village has tax abatement agreement with Graftech International Holdings, Inc. The amount of taxes abated during 2017 was \$34,575.

Note 6 –Transfers

During 2017, the following transfers were made:

	Transfer from Waterline/Sewerline Fund	Total
Transfer to Capital Improvement	\$ 135,000	\$ 135,000

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 6 –Transfers – (Continued)

Nonroutine transfer from Waterline/Sewerline to the Capital Improvement was done as a result of the City of Cleveland taking over waterline maintenance in the Village which means the funds are no longer required for that purpose. The transfer was made in compliance with the Ohio Revised Code.

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:

Company	Type of Coverage	Coverage
Selective Insurance Copmany	Commercial Property	\$ 12,818,024
	General Liability	2,000,000
	Aggregate Umbrella	10,000,000
	Vehicle	1,000,000
	Employee Benefits	1,000,000
	Public Officials	1,000,000
	Law Enforcement	1,000,000
	Commercial Crime	500,000

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.

Workers' Compensation coverage is provided by the State of Ohio. 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 HRA charges. Employees contributed 13% of premium costs in 2017.

Note 8 – Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Village employees, other than full-time police and most part-time firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 – Defined Benefit Pension Plans - (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	Formula:	Formula:
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula:	Formula:	Formula:
2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 – Defined Benefit Pension Plans (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$210,282 for 2017.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Village of Brooklyn Heights, Ohio
 Cuyahoga County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2017

Note 8 – Defined Benefit Pension Plans (Continued)

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:	12.25 %	12.25 %
 2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee:	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$220,959 for 2017.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

PLAN DESCRIPTION

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Village of Brooklyn Heights, Ohio
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 9 - Postemployment Benefits (Continued)

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

FUNDING POLICY

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$15,014, \$14,279 and \$26,569, respectively. The full amount has been contributed for all three years.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 9 - Postemployment Benefits (Continued)

Ohio Police and Fire Pension Fund

Plan Description

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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 health care coverage to eligible participants and to establish and amend benefits 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). 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% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5% of covered payroll from January 1, 2017 through December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care 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.

The Village of Brooklyn Heights' contributions to OP&F for the years ending December 31, 2017, 2016 and 2015 were \$220,959, \$209,586 and \$213,859, respectively, of which \$5,745, \$5,449 and \$5,560, respectively, was allocated to the healthcare plan.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 10 – Long-Term Debt

The Village's long-term debt activity for the year ended December 31, 2017 was as follows:

Governmental Activities	Interest Rate	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Due Within One Year
OPWC Loans:						
2009 OPWC Lancaster Bridge	0%	\$ 10,031	\$ -	\$ (802)	\$ 9,229	\$ 802
2009 OPWC Schaaf Rd Recon.	0%	61,231	-	(4,536)	56,695	4,536
2011 OPWC Lancaster Rd Recon.	0%	119,146	-	(4,672)	114,474	4,672
OPWC Dorset Lancaster Rd	0%	187,070	86,221	-	273,291	13,665
<i>Total OPWC Loans</i>		<u>\$ 377,478</u>	<u>\$ 86,221</u>	<u>\$ (10,010)</u>	<u>\$ 453,689</u>	<u>\$ 23,675</u>
2017 First Internet Bank/Honeywell	3%	\$ -	\$ 669,794	\$ -	\$ 669,794	\$ 58,360
Total Loans		<u>\$ 377,478</u>	<u>\$ 756,015</u>	<u>\$ (10,010)</u>	<u>\$ 1,123,483</u>	<u>\$ 82,035</u>

The 2009 Ohio Public Works Commission (OPWC) loan 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 over twenty years through the Village's Lancaster Bridge Construction Fund.

The 2009 Ohio Public Works Commission (OPWC) loan relates to a project to reconstruct Schaaf Road. The OPWC approved \$90,712 in interest-free loans, which will be repaid in bi-annual installments of \$2,268 over twenty years through the Village's Schaaf Road Reconstruction Fund.

The 2011 Ohio Public Works Commission (OPWC) loan relates to a project to resurface Lancaster Road. The OPWC approved \$140,170 in interest-free loans, which will be repaid in bi-annual installments of \$2,336 over thirty years through the Village's Lancaster Road Reconstruction Fund.

The 2017 Ohio Public Works Commission (OPWC) loan relates to a project to resurface Lancaster, Dorset and Mural Roads. The OPWC approved \$273,291 in interest-free loans, which will be repaid in bi-annual installments of \$6,832 over twenty years through the Village's Capital Improvements Fund. At December 31, 2017, OPWC disbursed the balance of \$86,221 to the Village. Payment on the loan will commence in 2018.

The 2017 First Internet Bank/Honeywell Loan relates to a building infrastructure project in which Honeywell was hired to upgrade and rehabilitate various aging facility infrastructure such as roofs, HVAC systems and components, lighting, etc. Part of the cost is expected to be covered by energy savings. The total amount financed was \$669,794, and it is scheduled to be repaid at an interest rate of 2.95% over fifteen years in accordance with the Village's amortization schedule on file.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 10 – Long-Term Debt (Continued)

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

Year	OPWC Lancaster Rd		OPWC Lancaster Rd Reconstruction		OPWC Schaaf Rd Reconstruction	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 802	\$ -	\$ 4,672	\$ -	\$ 4,536	\$ -
2019	802	-	4,672	-	4,536	-
2020	802	-	4,672	-	4,536	-
2021	802	-	4,672	-	4,536	-
2022	802	-	4,672	-	4,536	-
2023-2027	4,012	-	23,360	-	22,678	-
2028-2032	1,207	-	23,362	-	11,337	-
2033-2037	-	-	23,362	-	-	-
2038-2042	-	-	21,030	-	-	-
Totals	\$ 9,229	\$ -	\$ 114,474	\$ -	\$ 56,695	\$ -

Year	OPWC Dorset/Lancaster Rd		First Internet Bank Honeywell Loan	
	Principal	Interest	Principal	Interest
2018	\$ 13,665	\$ -	\$ 35,486	\$ 22,875
2019	13,665	-	33,195	18,469
2020	13,665	-	33,980	17,484
2021	13,665	-	40,025	16,437
2022	13,665	-	41,215	15,248
2023-2027	68,323	-	225,191	57,123
2028-2032	68,323	-	260,702	21,614
2033-2037	68,324	-	-	-
Totals	\$ 273,291	\$ -	\$ 669,794	\$ 169,250

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, 2017, were an overall debt margin of \$8,531,240 and an unvoted debt margin of \$4,468,745.

Note 11 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 11 – Fund Balances – (Continued)

2017 Fund Balances	General Fund	FEMA Fund	Cap. Improv. Fund	Water/Sewer Line Fund	Other Governmental Funds	Total
Restricted for						
Road Improvements	\$ -	\$ -	\$ 502,597	\$ -	\$ 321,847	\$ 824,444
Police Operations	-	-	-	-	53,575	53,575
Fire & EMS Operations	-	\$ 15,540	-	-	-	15,540
Court Technology	-	-	-	-	19,031	19,031
Debt Service	-	-	-	-	177,882	177,882
Other	-	-	-	-	1,566	1,566
<i>Total Restricted</i>	-	15,540	502,597	-	573,901	1,092,038
Committed to						
Water/Sewer Lines	-	-	-	132,997	-	132,997
<i>Total Committed</i>	-	-	-	132,997	-	132,997
Unassigned (deficits):	\$ 848,413	-	\$ -	\$ -	\$ -	\$ 848,413
Total Fund Balances	\$ 848,413	\$ 15,540	\$ 502,597	\$ 132,997	\$ 573,901	\$ 2,073,448

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

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.

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 2017. Financial information can be obtained by contacting, NOPEC, 1615 Clarke Avenue, Cleveland, Ohio 44109.

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 \$18,000 in 2017 to the Southwest Council of Governments.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 13– Jointly Governed Organizations (Continued)

The Council has established two subsidiary organizations, the Hazardous Material Response Team (“HAZMAT”) 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.

University Hospitals Parma Medical Center

The University Hospitals Parma Medical Center 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 University Hospitals Parma Medical Center. 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 made no contributions to the hospital during fiscal year 2017.

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Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Net Position - Cash Basis
December 31, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,064,873
<i>Total Assets</i>	\$ 2,064,873
 Net Position	
Restricted for:	
Capital Projects	\$ 477,177
Debt Service	187,893
Other Purposes	104,410
Unrestricted	1,295,393
<i>Total Net Position</i>	\$ 2,064,873

See accompanying notes to the basic financial statements

Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Security of Persons and Property	\$ 2,964,940	\$ 57,640	\$ 1,251	\$ -	\$ (2,906,049)
Public Health Services	245,131	11,437	-	-	(233,694)
Leisure Time Activities	79,598	7,050	-	-	(72,548)
Community Environment	107,562	71,246	-	-	(36,316)
Basic Utility Services	90,949	6,409	-	-	(84,540)
Transportation	779,982	495	146,332	-	(633,155)
General Government	1,304,696	107,910	427	-	(1,196,359)
Other	94,899	-	-	-	(94,899)
Capital Outlay	1,252,073	-	-	415,403	(836,670)
Debt Service:					
Principal Retirement	10,010	-	-	-	(10,010)
<i>Total Governmental Activities</i>	<u>\$ 6,929,840</u>	<u>\$ 262,187</u>	<u>\$ 148,010</u>	<u>\$ 415,403</u>	<u>(6,104,240)</u>

General Receipts:

Property Taxes Levied for:

General Purposes	303,281
Police	22,190
Other Local Taxes	13,535
Municipal Income Taxes	5,022,740
Grants and Entitlements not Restricted to Specific Program	353,069
OPWC Loan Issued	187,070
Sale of Capital Assets	15,629
Cable Franchise Fees	4,700
Miscellaneous	43,033

Total General Receipts

5,965,247

Change in Net Position

(138,993)

Net Position Beginning of Year

2,203,866

Net Position End of Year

\$ 2,064,873

See accompanying notes to the basic financial statements

Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2016

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 1,027,396	\$ 15,540	\$ 115,462	\$ 267,997	\$ 638,478	\$ 2,064,873
<i>Total Assets</i>	<u>\$ 1,027,396</u>	<u>\$ 15,540</u>	<u>\$ 115,462</u>	<u>\$ 267,997</u>	<u>\$ 638,478</u>	<u>\$ 2,064,873</u>
Fund Balances						
Restricted	-	15,540	115,462	-	638,478	769,480
Committed	-	-	-	267,997	-	267,997
Unassigned	1,027,396	-	-	-	-	1,027,396
<i>Total Fund Balances</i>	<u>\$ 1,027,396</u>	<u>\$ 15,540</u>	<u>\$ 115,462</u>	<u>\$ 267,997</u>	<u>\$ 638,478</u>	<u>\$ 2,064,873</u>

See accompanying notes to the basic financial statements

Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2016

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Municipal Income Taxes	\$ 5,022,740	\$ -	\$ -	\$ -	\$ -	\$ 5,022,740
Property Taxes	303,281	-	-	-	22,190	325,471
Other Local Taxes	13,535	-	-	-	-	13,535
Intergovernmental	92,260	-	415,403	-	408,819	916,482
Charges for Services	96,476	-	-	-	-	96,476
Cable Franchise Fees	4,700	-	-	-	-	4,700
Fines, Licenses and Permits	159,095	-	-	-	6,617	165,712
Miscellaneous	15,172	-	-	-	1,039	16,211
<i>Total Receipts</i>	<u>5,707,259</u>	<u>-</u>	<u>415,403</u>	<u>-</u>	<u>438,665</u>	<u>6,561,327</u>
Disbursements						
Current:						
Security of Persons and Property	2,905,277	-	-	-	59,663	2,964,940
Public Health Services	245,131	-	-	-	-	245,131
Leisure Time Activities	79,598	-	-	-	-	79,598
Community Environment	106,832	-	-	-	730	107,562
Basic Utility Services	90,949	-	-	-	-	90,949
Transportation	582,843	-	-	-	197,139	779,982
General Government	1,300,889	-	-	-	3,807	1,304,696
Capital Outlay	-	-	989,498	-	262,575	1,252,073
Debt Service:						
Principal Retirement	-	-	-	-	10,010	10,010
<i>Total Disbursements</i>	<u>5,311,519</u>	<u>-</u>	<u>989,498</u>	<u>-</u>	<u>533,924</u>	<u>6,834,941</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>395,740</u>	<u>-</u>	<u>(574,095)</u>	<u>-</u>	<u>(95,259)</u>	<u>(273,614)</u>
Other Financing Sources (Uses)						
Sale of Capital Assets	1,292	-	14,337	-	-	15,629
OPWC Loan Issued	-	-	187,070	-	-	187,070
Transfers In	-	-	343,408	-	-	343,408
Transfers Out	(125,000)	-	-	(218,408)	-	(343,408)
Other Financing Sources	26,821	-	-	-	-	26,821
Other Financing Uses	(94,899)	-	-	-	-	(94,899)
<i>Total Other Financing Sources (Uses)</i>	<u>(191,786)</u>	<u>-</u>	<u>544,815</u>	<u>(218,408)</u>	<u>-</u>	<u>134,621</u>
<i>Net Change in Fund Balances</i>	203,954	-	(29,280)	(218,408)	(95,259)	(138,993)
<i>Fund Balances Beginning of Year</i>	<u>823,442</u>	<u>15,540</u>	<u>144,742</u>	<u>486,405</u>	<u>733,737</u>	<u>2,203,866</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,027,396</u>	<u>\$ 15,540</u>	<u>\$ 115,462</u>	<u>\$ 267,997</u>	<u>\$ 638,478</u>	<u>\$ 2,064,873</u>

See accompanying notes to the basic financial statements

Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal Income Taxes	\$ 4,527,960	\$ 4,978,652	\$ 5,022,740	\$ 44,088
Property Taxes	313,000	313,000	303,281	(9,719)
Local Taxes	37,000	15,000	13,535	(1,465)
Intergovernmental	56,800	68,800	92,260	23,460
Charges for Services	114,500	119,500	96,476	(23,024)
Cable Franchise Fee	7,000	8,500	4,700	(3,800)
Fines, Licenses and Permits	129,000	130,000	159,095	29,095
Miscellaneous	12,500	10,500	15,172	4,672
<i>Total Receipts</i>	<u>5,197,760</u>	<u>5,643,952</u>	<u>5,707,259</u>	<u>63,307</u>
Disbursements				
Current:				
Security of Persons and Property	2,922,414	3,014,264	2,905,277	108,987
Public Health Services	244,162	249,162	245,131	4,031
Leisure Time Activities	51,518	100,118	79,598	20,520
Community Environment	99,622	112,122	106,832	5,290
Basic Utility Services	93,000	93,000	90,949	2,051
Transportation	636,169	653,169	582,843	70,326
General Government	1,315,869	1,396,869	1,300,889	95,980
<i>Total Disbursements</i>	<u>5,362,754</u>	<u>5,618,704</u>	<u>5,311,519</u>	<u>307,185</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(164,994)</u>	<u>25,248</u>	<u>395,740</u>	<u>370,492</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	2,000	2,000	1,292	(708)
Transfers Out	-	(125,000)	(125,000)	-
Other Financing Sources	25,727	33,227	26,821	(6,406)
Other Financing Uses	(38,000)	(96,000)	(94,899)	1,101
<i>Total Other Financing Sources (Uses)</i>	<u>(10,273)</u>	<u>(185,773)</u>	<u>(191,786)</u>	<u>(6,013)</u>
<i>Net Change in Fund Balance</i>	(175,267)	(160,525)	203,954	364,479
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>823,442</u>	<u>823,442</u>	<u>823,442</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 648,175</u>	<u>\$ 662,917</u>	<u>\$ 1,027,396</u>	<u>\$ 364,479</u>

See accompanying notes to the basic financial statements

Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
FEMA Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
<i>Total Receipts</i>	-	-	-	-
Disbursements				
Current:				
General Government	3,000	3,000	-	3,000
<i>Total Disbursements</i>	3,000	3,000	-	3,000
<i>Net Change in Fund Balance</i>	(3,000)	(3,000)	-	(3,000)
<i>Unencumbered Fund Balance Beginning of Year</i>	15,540	15,540	15,540	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 12,540</u>	<u>\$ 12,540</u>	<u>\$ 15,540</u>	<u>\$ (3,000)</u>

See accompanying notes to the basic financial statements

Village of Brooklyn Heights, Ohio
Cuyahoga County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2016

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 103,494</u>
<i>Total Assets</i>	<u><u>\$ 103,494</u></u>
Net Position	
Held for Contractor Deposits	\$ 97,984
Held for Mayor's Court	<u>5,510</u>
<i>Total Net Position</i>	<u><u>\$ 103,494</u></u>

See accompanying notes to the basic financial statements

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Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 five-member council with all five 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.

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.

Primary Government

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, senior, planning, zoning, street maintenance and repair, refuse collection, recycling and general administrative services.

Jointly Governed Organizations

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.

Note 2 – Summary of Significant Accounting Policies

As discussed further in the “Basis of Accounting” section of this note, 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. Following are the more significant of the Village’s accounting policies.

Basis of Presentation

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

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements The statement of net position 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 statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Village has no business-type activities.

The statement of net position presents the cash balance, and debt of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support 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 program is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order 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.

Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

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

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 intergovernmental money, transfers and loans 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 and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village's agency funds account for Mayor's Court activity and deposits from various contractors, developers, or individuals to insure compliance with various Village ordinances.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Village are described in the appropriate section in this note.

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.

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 Village Council may appropriate.

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department and object level for the General and Capital Project Funds; at fund and department level for all other 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. 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 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 Village Council during the year.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

The Village did not invest in 2016, as all funds were required to be held in the checking account to minimize bank fees.

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 2016 was \$0.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Inventory and Prepaid Items

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

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.

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.

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.

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for 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.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when 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 is reported at inception. Lease payments are reported when paid.

Net Position

Net Position is 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 position restricted for other purposes include resources restricted for roads and 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 resource are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance or resolution or by State Statute. State Statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Village Council may also assign fund balances as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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 and FEMA funds is 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 are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

There were no outstanding encumbrances for the General or FEMA Fund in 2016.

Note 4 – Deposits and Investments

State statutes classify monies held by the Village into three categories.

Active deposits 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.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments (Continued)

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.

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments (Continued)

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Village’s deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Village’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

At year end, \$250,000 of the Village’s bank balance of \$2,308,294 was covered by FDIC and the remainder was not exposed to custodial credit risk.

Note 5 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2016, was \$4.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	\$ 78,114,220
Public Utility Tangible	<u>3,246,040</u>
Total	\$ <u>81,360,260</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Village of Brooklyn Heights, Ohio
 Cuyahoga County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

Note 5 –Taxes (Continued)

Income Taxes

The Village levies a 2 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 2 percent must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village tax collection agency, the Regional Income Tax Agency, monthly, and file an annual declaration.

In 2016, 100% of income tax receipts were allocated to the general fund.

Tax Abatements

For purposes of GASB Statement No 77, the definition of a tax abatement is: A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. (GASB 77, paragraph 4) See paragraphs 7 and 8 of GASB 77 for specific information related to disclosures of tax abatements.

The Village has a tax abatement incentive grant program to encourage job creation and retention of employment opportunities within Brooklyn Heights. The tax being abated is the municipal income tax on new payroll under the Village Ordinance No. 87-2013 and Article XVIII, Section 3 of Ohio Constitution. In order to be eligible, a company locating or expanding in the Village must create within a three-year period, a minimum payroll of \$2 million. The mechanism for tax abatement requires the submission of an annual job creation report. Upon meeting the grant requirements, the Village will issue a check for the amount of the grant. Each grant agreement will include binding claw back provision requiring repayment of grant monies if the company leaves the Village during the term of the agreement. The company must achieve 75% of the payroll projections for the previous year to receive any benefit.

The Village has tax abatement agreement with Graftech International Holdings, Inc. The amount of taxes abated during 2016 was \$37,362.

Note 6 –Transfers

During 2016, the following transfers were made:

Transfer to Major Fund	Transfer from Major Funds		Total
	General	Waterline/ Sewerline	
Capital Improvement	\$ 125,000	\$ 218,408	\$ 343,408

The above-mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 –Transfers (Continued)

The Village transferred \$125,000 from the General Fund to the Capital Improvement Fund to finance several ongoing capital improvements. The Village transferred \$218,408 from Capital Project–Waterline/Sewerline to Capital Improvement Project Fund. This transfer was done as a result of the City of Cleveland taking over waterline maintenance in the Village which means the funds are no longer required for that purpose. All transfers were made in compliance with the Ohio Revised Code.

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:

Company	Type of Coverage	Coverage
Selective Insurance Copmany	Commercial Property	\$ 12,818,024
	General Liability	2,000,000
	Aggregate Umbrella	10,000,000
	Vehicle	1,000,000
	Employee Benefits	1,000,000
	Public Officials	1,000,000
	Law Enforcement	1,000,000
	Commercial Crime	500,000

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.

Workers' Compensation coverage is provided by the State of Ohio. 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 HRA charges. Employees contributed 13% of premium costs in 2016.

Note 8 – Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Village employees, other than full-time police and most part-time firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 – Defined Benefit Pension Plans (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

Village of Brooklyn Heights, Ohio
 Cuyahoga County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

Note 9 – Defined Benefit Pension Plans (Continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$99,984 for 2016.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 8 – Defined Benefit Pension Plans (Continued)

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$209,586 for 2016.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

PLAN DESCRIPTION

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 9 - Postemployment Benefits (Continued)

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

FUNDING POLICY

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2016 was 4.0%.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$14,279, \$26,569, and \$26,579, respectively. The full amount has been contributed for all three years.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Ohio Police and Fire Pension Fund

Plan Description

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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 health care coverage to eligible participants and to establish and amend benefits 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). 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% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5% of covered payroll from January 1, 2016 through December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care 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.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 9 - Postemployment Benefits (Continued)

The Village of Brooklyn Heights' contributions to OP&F for the years ending December 31, 2016, 2015 and 2014 were \$209,586, \$213,859 and \$200,715, respectively, of which \$5,449, \$5,560 and \$5,219, respectively, was allocated to the healthcare plan.

Note 10 – Long-Term Debt

The Village's long-term debt activity for the year ended December 31, 2016 was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2016</u>	<u>Due Within One Year</u>
2009 OPWC Lancaster Bridge	0%	\$ 10,833	\$ -	\$ (802)	\$ 10,031	\$ 802
2009 OPWC Schaaf Rd Recon.	0%	65,767	-	(4,536)	61,231	4,536
2011 OPWC Lancaster Rd Recon.	0%	123,818	-	(4,672)	119,146	4,672
OPWC Dorset Lancaster Rd	0%	-	187,070	-	187,070	-
Total		\$ 200,418	\$ 187,070	\$ (10,010)	\$ 377,478	\$ 10,010

The 2009 Ohio Public Works Commission (OPWC) loan 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 over twenty years through the Village's Lancaster Bridge Construction Fund.

The 2009 Ohio Public Works Commission (OPWC) loan relates to a project to reconstruct Schaaf Road. The OPWC approved \$90,712 in interest-free loans, which will be repaid in bi-annual installments of \$2,268 over twenty years through the Village's Schaaf Road Reconstruction Fund.

The 2011 Ohio Public Works Commission (OPWC) loan relates to a project to resurface Lancaster Road. The OPWC approved \$140,170 in interest-free loans, which will be repaid in bi-annual installments of \$2,336 over thirty years through the Village's Lancaster Road Reconstruction Fund.

In 2016, the Village started another Ohio Public Works Commission (OPWC) loan project to resurface Lancaster, Dorset and Mural Roads. The OPWC approved \$273,290 in interest-free loans, which will be repaid in bi-annual installments of \$6,832 over twenty years through the Village's Capital Improvements Fund. At December 31, 2016, \$187,070 was disbursed to the Village with the balance expected to be disbursed in 2017.

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

Year	OPWC Lancaster Rd		OPWC Lancaster Rd Reconstruction		OPWC Schaaf Rd Reconstruction	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 802	\$ -	\$ 4,672	\$ -	\$ 4,536	\$ -
2018	802	-	4,672	-	4,536	-
2019	802	-	4,672	-	4,536	-
2020	802	-	4,672	-	4,536	-
2021	802	-	4,672	-	4,536	-
2022	802	-	4,672	-	4,536	-
2023-2027	4,012	-	23,360	-	22,678	-
2028-2032	1,207	-	23,362	-	11,337	-
2033-2037	-	-	23,362	-	-	-
2038-2042	-	-	21,030	-	-	-
Totals	\$ 10,031	\$ -	\$ 119,146	\$ -	\$ 61,231	\$ -

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 10 – Long-Term Debt – (Continued)

The Dorset Lancaster Road amortization schedule is not available as of December 31, 2016.

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, 2016, were an overall debt margin of \$8,542,827 and an unvoted debt margin of \$4,474,814.

Note 11 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

2016 Fund Balances	General Fund	FEMA Fund	Cap. Improv. Fund	Water/Sewer Line Fund	Other Governmental Funds	Total
Restricted for						
Road Improvements	\$ -	\$ -	\$ 115,462	\$ -	\$ 361,715	\$ 477,177
Police Operations	-	-	-	-	70,133	70,133
Fire & EMS Operations	-	15,540	-	-	-	15,540
Court Technology	-	-	-	-	17,168	17,168
Debt Service	-	-	-	-	187,893	187,893
Other	-	-	-	-	1,569	1,569
<i>Total Restricted</i>	-	15,540	115,462	-	638,478	769,480
Committed to						
Water/Sewer Lines	-	-	-	267,997	-	267,997
<i>Total Committed</i>	-	-	-	267,997	-	267,997
Unassigned (deficits):	1,027,396	-	-	-	-	1,027,396
Total Fund Balances	\$ 1,027,396	\$ 15,540	\$ 115,462	\$ 267,997	\$ 638,478	\$ 2,064,873

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

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, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 13 – Jointly Governed Organizations – (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 2016. Financial information can be obtained by contacting, NOPEC, 1615 Clarke Avenue, Cleveland, Ohio 44109.

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 \$16,000 in 2016 to the Southwest Council of Governments.

The Council has established two subsidiary organizations, the Hazardous Material Response Team (“HAZMAT”) 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.

University Hospitals Parma Medical Center

The University Hospitals Parma Medical Center 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 University Hospitals Parma Medical Center. 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 made no contributions to the hospital during fiscal year 2016.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis 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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated May 4, 2018, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

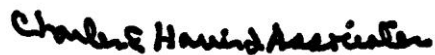
Compliance and Other Matters

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

However, we noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 4, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
May 4, 2018



Dave Yost • 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
OCTOBER 2, 2018