

***VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY, OHIO***

**AUDIT REPORT**

**For the Years Ended December 31, 2013 and 2012**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Brooklyn Heights, Cuyahoga County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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

May 21, 2014

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**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

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VILLAGE OF BROOKLYN HEIGHTS  
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**INDEPENDENT AUDITORS' 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information the of the Village of Brooklyn Heights, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, 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 preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn Heights, Cuyahoga County, Ohio, as of December 31, 2013 and 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General and FEMA funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.**  
March 17, 2014



**Village of Brooklyn Heights**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013 and 2012*  
*Unaudited*

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The management's discussion and analysis of the Village of Brooklyn Heights' (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2013 and December 31, 2012, within the limitations of the Village's cash basis accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole. Readers should also review the cash basis financial statements and notes to the financial statements to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2013 and 2012 are as follows:

Net position of governmental activities in 2013 decreased \$261,290, or 6.6 percent, from the prior year. Net position of government activities in 2012 decreased \$196,069, or 4.7 percent. The funds most affected by the decrease in cash and cash equivalents were capital projects funds.

The Village's general receipts are primarily municipal income and property taxes. For 2013, these receipts represent 87.7 and 5.8 percent (85.0 and 6.6 percent for 2012) respectively of the total cash received for governmental activities during the year. Property tax receipts for 2012 changed very little, and decreased in 2013 as the result of lower property values, while municipal income tax increased \$169,866 in 2012 and an additional \$505,792 in 2013.

The total governmental disbursements 2013 were \$796,884 more than the prior year. For 2012, the total governmental disbursements were \$317,765 less than the prior year. Disbursements decreased in 2012 due to a decrease in capital expenditures, and increased in 2013 due to increased capital expenditures, litigation, and employee wage restoration efforts.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**Reporting the Village as a Whole**

The statement of net position and the statement of activities reflect how the Village did financially during 2013 and 2012, within the limitations of the cash basis accounting. The statement of net position presents the cash balances of the governmental activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Village's general receipts.

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

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

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

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

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

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

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**The Village as a Whole**

Table 1 provides a summary of the Village's net position for 2013 compared to 2012, and 2012 compared to 2011 on a cash basis:

(Table 1)

	Governmental Activities		
	2013	2012	2011
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,711,237	\$ 3,972,527	\$ 4,168,596
<i>Total Assets</i>	<b>\$ 3,711,237</b>	<b>\$ 3,972,527</b>	<b>\$ 4,168,596</b>
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$ 443,251	\$ 435,947	\$ 414,352
Debt Service	217,913	312,910	432,632
Other Purposes	75,004	78,879	79,452
Unrestricted	2,975,069	3,144,791	3,242,160
<i>Total Net Position</i>	<b>\$ 3,711,237</b>	<b>\$ 3,972,527</b>	<b>\$ 4,168,596</b>

As mentioned previously, net position of governmental activities decreased \$261,290 or 6.6 percent during 2013 and \$196,069 or 4.7 percent for 2012. The primary reasons contributing to the decreases in cash balances are as follows:

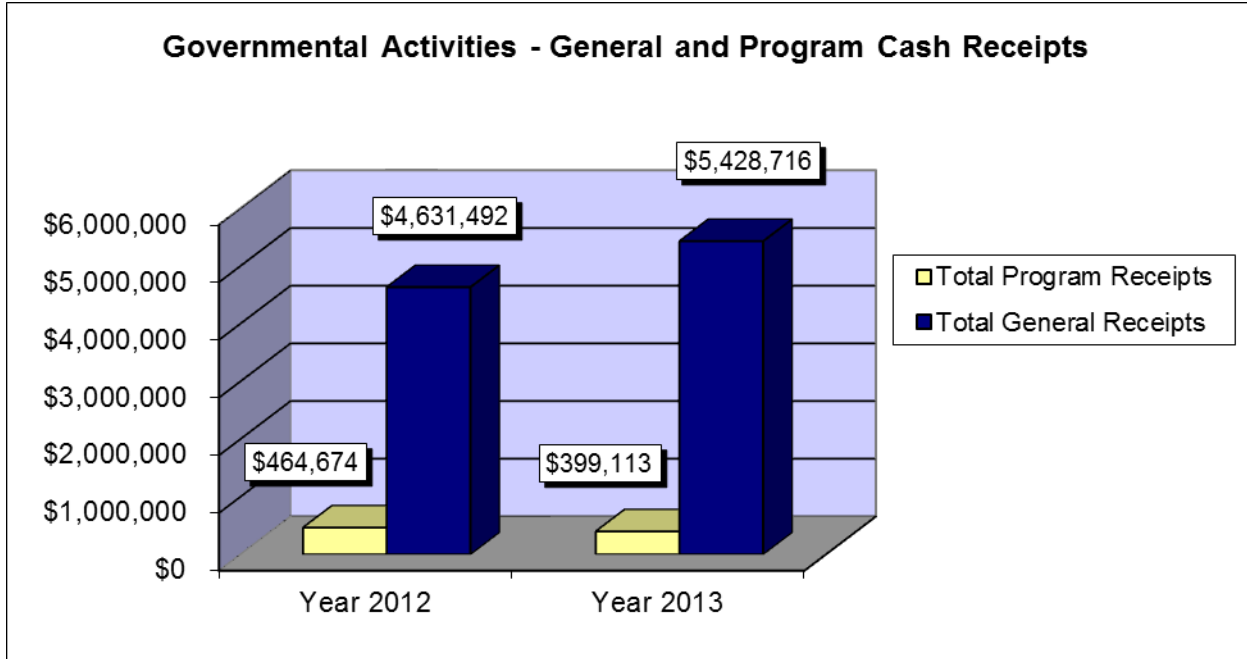
- The decreases in net position restricted for debt service were due to the repayment of debt: \$94,998 in 2013 and \$89,998 in 2012.
- The decreases in unrestricted net position in both 2013 and 2012 were due to increases in Capital Improvements Fund expenditures, reducing the Capital Improvement Fund balance by \$182,981 in 2013 and Debt service expenditures in 2012.

**Village of Brooklyn Heights**  
**Cuyahoga County**  
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Table 2 provides a summary of the Village's changes in net position for 2013 compared to 2012, and 2012 compared to 2011 on a cash basis:

(Table 2)			
Changes in Net Position			
	Governmental Activities		
	2013	2012	2011
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services and Sales	\$ 236,093	\$ 255,556	\$ 224,375
Operating Grants and Contributions	132,419	129,503	128,870
Capital Grants and Contributions	30,601	79,615	267,093
<b>Total Program Receipts</b>	<b>399,113</b>	<b>464,674</b>	<b>620,338</b>
<b>General Receipts:</b>			
Property Taxes	326,295	342,649	348,208
Other Local Taxes	38,457	48,225	79,941
Municipal Income Taxes	4,611,951	4,106,159	3,936,293
Grants and Entitlements Not Restricted to Other Programs	354,378	92,922	236,325
OPWC Loan Issued	-	-	140,170
Sales of Capital Assets	6,635	3,425	1,306
Cable Franchise Fees	6,116	5,084	4,214
Earnings on Investments	7,368	1,164	2,106
Miscellaneous	77,516	31,864	62,562
<b>Total General Receipts</b>	<b>5,428,716</b>	<b>4,631,492</b>	<b>4,811,125</b>
<b>Total Receipts</b>	<b>5,827,829</b>	<b>5,096,166</b>	<b>5,431,463</b>
<b>Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	2,875,911	2,724,530	2,685,493
Public Health Services	222,764	172,919	150,548
Leisure Time Activities	101,901	72,323	61,218
Community Environment	43,181	41,062	80,053
Basic Utility Services	85,126	77,345	88,275
Transportation	666,445	606,759	592,809
General Government	1,428,793	1,246,037	1,243,181
Other Expenses	-	-	92,799
Capital Outlay	565,875	253,287	523,748
<b>Debt Service:</b>			
Principal Retirement	94,998	89,998	80,326
Interest and Fiscal Charges	4,125	7,975	11,550
<b>Total Disbursements</b>	<b>6,089,119</b>	<b>5,292,235</b>	<b>5,610,000</b>
<b>Increase (Decrease) in Net Position</b>	<b>(261,290)</b>	<b>(196,069)</b>	<b>(178,537)</b>
Net Position, January 1	3,972,527	4,168,596	4,347,133
<b>Net Position, December 31</b>	<b>\$ 3,711,237</b>	<b>\$ 3,972,527</b>	<b>\$ 4,168,596</b>

**Village of Brooklyn Heights**  
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Program receipts represent only 6.8 percent for 2013 (9.1 percent for 2012) of total receipts and are primarily comprised of restricted intergovernmental receipts such as; motor vehicle license and gas tax money, building permits and inspection fees, and operating and capital grants.

General receipts represent 93.2 percent for 2013 (90.9 percent for 2012) of the Village's total receipts, and of this amount, 85.0 percent for 2013 (88.7 percent for 2012) are property and municipal income taxes. Interest earnings and State and federal grants and entitlements make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, mayor, clerk/treasurer, income tax administration, law director, and lands and buildings maintenance.

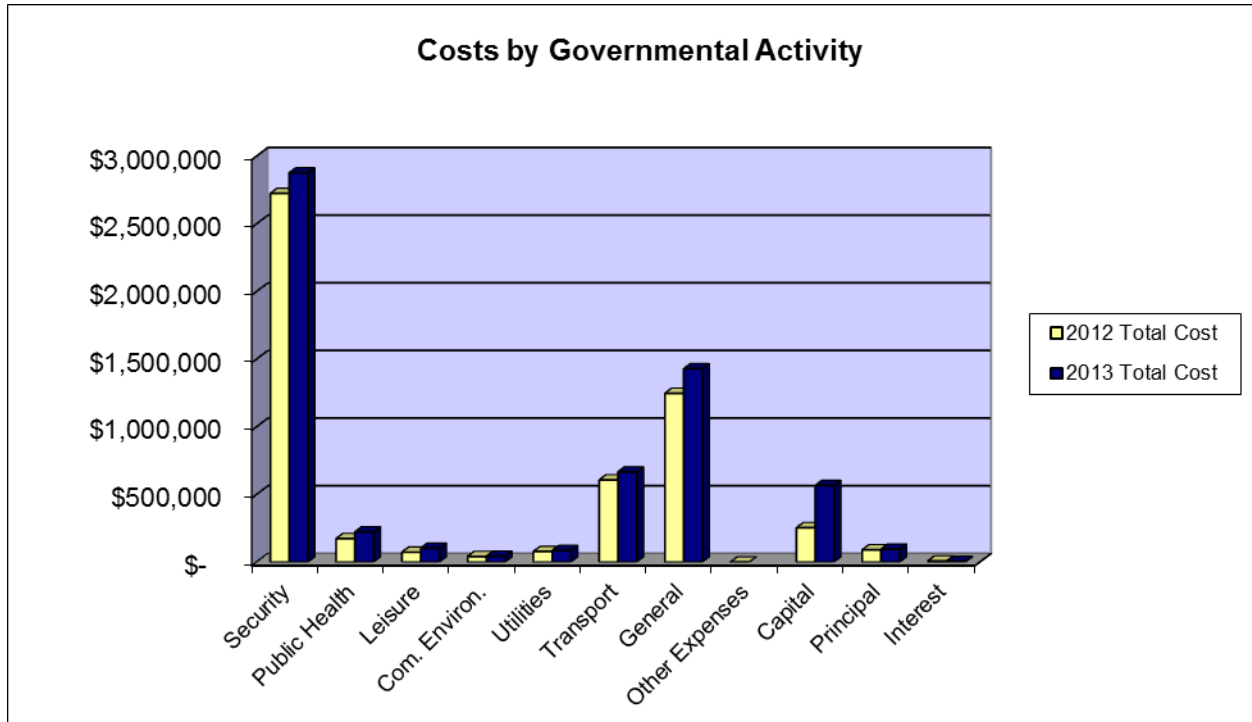
Security of Persons and Property are the costs of police and fire protection; Public Health Services are the costs of the health/community services department; Leisure Time Activities are the costs of maintaining the parks and playing fields; Community Environment promotes the Village to industry and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

**Governmental Activities**

If you look at the Statement of Activities on pages 12 and 19, you will see that the first column lists the major services provided by the Village. The next column (the first column of numbers) identifies the costs of providing these services. The major program disbursements for governmental activities are for Security of Persons and Property, which account for 47.2 percent for 2013 (51.5 percent for 2012) of all governmental disbursements, respectively. General Government also represents a significant cost, 23.5 percent for 2013 (23.5 percent for 2012). The next three columns of the Statement, entitled Program Receipts, identify amounts paid by those who are directly charged for the service and grants received by the Village that must be used to provide a specific service.

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The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services in 2013 and 2012 is presented in the following chart.



The dependence upon property and municipal income tax receipts is apparent as 81.1 percent of governmental activities are supported through these general receipts for 2013 (84.1 percent in 2012).

**The Village's Funds**

Total governmental funds had receipts of \$5,827,829 for 2013 (\$5,096,166 for 2012) and disbursements of \$6,089,119 for 2013 (\$5,292,235 for 2012). The greatest change within governmental funds occurred within the Capital Improvement Fund and Lancaster Road Reconstruction Fund. The fund balance of the Capital Improvement Fund increased \$171,814 in 2012 due to a transfer from the Lancaster Fund, and decreased \$182,981 in 2013 due to capital projects. The Lancaster Road Reconstruction Fund decreased \$324,920 in 2012 as a result of a transfer of excess funds to the Capital Fund. The West Resource Drive Debt Service Fund decreased \$77,297 in 2012 and \$78,566 in 2013 as the debt was repaid. The other remaining governmental funds remained fairly stable throughout 2012 and 2013, including the General Fund.

**Village of Brooklyn Heights**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013 and 2012*  
*Unaudited*

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**General Fund Budgeting Highlights**

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

During 2013 and 2012, the Village amended its General Fund budget to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$5,681,912 for 2013 (\$5,214,855 for 2012) while actual disbursements were \$5,310,845 for 2013 (\$4,788,998 for 2012). The increase in budget has been due to a variety of increases in capital expenditures, litigation costs and personnel costs.

**Capital Assets and Debt Administration**

Capital Assets

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

Debt Administration

The Village had the following long-term obligations at December 31, 2013 and 2012:

	2013	2012
<u>Governmental Activities</u>		
OPWC Schaff Road Water Line	\$ 4,993	\$ 14,981
OPWC Lancaster Bridge	12,038	12,840
OPWC Schaff Road Reconstruction	72,569	77,105
OPWC Lancaster Road Reconstruction	130,826	135,498
Special Assessment Bonds: West Source Drive	-	75,000
Total	\$ 220,426	\$ 315,424

For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited funding. State funding, local government revenue, and property tax revenues are expected to remain fairly constant. Municipal income tax collections should remain constant or increase slightly with economic growth, as some of the Village's most-marketable buildings and properties remain vacant, and council passed tax incentive legislation in late-2013 for the largest vacant property.

The administration has proven an ability to lead this Village through a period of declining revenue, with operating surpluses in the General Fund in 2011, 2012 and 2013. This trend is expected to continue. However, capital project needs far exceed the funds available beginning in mid-2015. The administration is beginning to consider solutions to the capital project funding gap, and optimistically expects a solution to funding its long-term capital plan by the end of 2014.

**Village of Brooklyn Heights**  
*Cuyahoga County*  
*Management's Discussion and Analysis*  
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*Unaudited*

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**Contacting the Village's Financial Management**

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



**Village of Brooklyn Heights, Ohio**  
*Cuyahoga County*  
*Statement of Net Position - Cash Basis*  
*December 31, 2013*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,711,237
<i>Total Assets</i>	<i>\$ 3,711,237</i>
 <b>Net Position</b>	
Restricted for:	
Capital Projects	\$ 443,251
Debt Service	217,913
Other Purposes	75,004
Unrestricted	2,975,069
<i>Total Net Position</i>	<i>\$ 3,711,237</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, 2013*

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Security of Persons and Property	\$ 2,875,911	\$ 61,204	\$ 1,585	\$ -	\$ (2,813,122)
Public Health Services	222,764	9,963	-	-	(212,801)
Leisure Time Activities	101,901	6,500	-	-	(95,401)
Community Environment	43,181	37,891	-	-	(5,290)
Basic Utility Services	85,126	7,095	-	-	(78,031)
Transportation	666,445	371	130,145	-	(535,929)
General Government	1,428,793	113,069	689	-	(1,315,035)
Capital Outlay	565,875	-	-	30,601	(535,274)
Debt Service:					
Principal Retirement	94,998	-	-	-	(94,998)
Interest and Fiscal Charges	4,125	-	-	-	(4,125)
<i>Total Governmental Activities</i>	<u>\$ 6,089,119</u>	<u>\$ 236,093</u>	<u>\$ 132,419</u>	<u>\$ 30,601</u>	<u>(5,690,006)</u>
General Receipts:					
Property Taxes Levied for:					
General Purposes					304,048
Police					22,247
Other Local Taxes					38,457
Municipal Income Taxes					4,611,951
Grants and Entitlements not Restricted to Specific Program					354,378
Sale of Capital Assets					6,635
Cable Franchise Fees					6,116
Earnings on Investments					7,368
Miscellaneous					77,516
<i>Total General Receipts</i>					<u>5,428,716</u>
Change in Net Position					(261,290)
<i>Net Position Beginning of Year</i>					<u>3,972,527</u>
<i>Net Position End of Year</i>					<u>\$ 3,711,237</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, 2013*

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 1,772,595	\$ 15,901	\$ 536,070	\$ 666,405	\$ 720,266	\$ 3,711,237
<i>Total Assets</i>	<u>\$ 1,772,595</u>	<u>\$ 15,901</u>	<u>\$ 536,070</u>	<u>\$ 666,405</u>	<u>\$ 720,266</u>	<u>\$ 3,711,237</u>
<b>Fund Balances</b>						
Restricted	-	15,901	-	-	720,266	736,167
Committed	-	-	536,070	666,405	-	1,202,475
Unassigned	1,772,595	-	-	-	-	1,772,595
<i>Total Fund Balances</i>	<u>\$ 1,772,595</u>	<u>\$ 15,901</u>	<u>\$ 536,070</u>	<u>\$ 666,405</u>	<u>\$ 720,266</u>	<u>\$ 3,711,237</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Ohio**  
**Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
**Governmental Funds**  
*For the Year Ended December 31, 2013*

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$ 4,611,951	\$ -	\$ -	\$ -	\$ -	\$ 4,611,951
Property Taxes	304,048	-	-	-	22,247	326,295
Other Local Taxes	37,115	-	-	-	1,342	38,457
Intergovernmental	53,423	-	319,850	-	138,497	511,770
Special Assessments	-	-	5,628	-	-	5,628
Charges for Services	98,199	-	-	-	-	98,199
Cable Franchise Fees	6,116	-	-	-	-	6,116
Fines, Licenses and Permits	130,638	-	-	-	7,255	137,893
Earnings on Investments	6,422	-	-	-	946	7,368
Miscellaneous	12,254	-	-	-	1,324	13,578
<i>Total Receipts</i>	<u>5,260,166</u>	<u>-</u>	<u>325,478</u>	<u>-</u>	<u>171,611</u>	<u>5,757,255</u>
<b>Disbursements</b>						
Current:						
Security of Persons and Property	2,842,851	-	-	-	33,060	2,875,911
Public Health Services	222,764	-	-	-	-	222,764
Leisure Time Activities	101,901	-	-	-	-	101,901
Community Environment	42,929	-	-	-	252	43,181
Basic Utility Services	85,126	-	-	-	-	85,126
Transportation	565,550	-	-	-	100,895	666,445
General Government	1,409,724	-	-	-	19,069	1,428,793
Capital Outlay	-	-	554,509	-	11,366	565,875
Debt Service:						
Principal Retirement	-	-	-	-	94,998	94,998
Interest and Fiscal Charges	-	-	-	-	4,125	4,125
<i>Total Disbursements</i>	<u>5,270,845</u>	<u>-</u>	<u>554,509</u>	<u>-</u>	<u>263,765</u>	<u>6,089,119</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(10,679)	-	(229,031)	-	(92,154)	(331,864)
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	-	-	6,050	-	585	6,635
Transfers In	-	-	40,000	-	-	40,000
Transfers Out	(40,000)	-	-	-	-	(40,000)
Other Financing Sources	63,939	-	-	-	-	63,939
<i>Total Other Financing Sources (Uses)</i>	<u>23,939</u>	<u>-</u>	<u>46,050</u>	<u>-</u>	<u>585</u>	<u>70,574</u>
<i>Net Change in Fund Balances</i>	13,260	-	(182,981)	-	(91,569)	(261,290)
<i>Fund Balances Beginning of Year</i>	<u>1,759,335</u>	<u>15,901</u>	<u>719,051</u>	<u>666,405</u>	<u>811,835</u>	<u>3,972,527</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,772,595</u>	<u>\$ 15,901</u>	<u>\$ 536,070</u>	<u>\$ 666,405</u>	<u>\$ 720,266</u>	<u>\$ 3,711,237</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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Municipal Income Taxes	\$ 4,190,000	\$ 4,612,000	\$ 4,611,951	\$ (49)
Property Taxes	322,294	322,294	304,048	(18,246)
Other Local Taxes	30,825	38,325	37,115	(1,210)
Intergovernmental	58,622	56,447	53,423	(3,024)
Charges for Services	112,265	97,565	98,199	634
Cable Franchise Fee	5,100	6,300	6,116	(184)
Fines, Licenses and Permits	134,880	165,080	130,638	(34,442)
Earnings on Investments	1,000	6,400	6,422	22
Miscellaneous	18,600	12,600	12,254	(346)
<i>Total Receipts</i>	<u>4,873,586</u>	<u>5,317,011</u>	<u>5,260,166</u>	<u>(56,845)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	2,921,047	3,026,695	2,842,851	183,844
Public Health Services	218,390	235,790	222,764	13,026
Leisure Time Activities	80,633	115,283	101,901	13,382
Community Environment	53,220	54,220	42,929	11,291
Basic Utility Services	91,000	91,000	85,126	5,874
Transportation	576,099	599,899	565,550	34,349
General Government	1,425,089	1,507,705	1,409,724	97,981
<i>Total Disbursements</i>	<u>5,365,478</u>	<u>5,630,592</u>	<u>5,270,845</u>	<u>359,747</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(491,892)</u>	<u>(313,581)</u>	<u>(10,679)</u>	<u>302,902</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(40,000)	(40,000)	(40,000)	-
Other Financing Sources	8,000	64,200	63,939	(261)
Other Financing Uses	(50,000)	(11,320)	-	11,320
<i>Total Other Financing Sources (Uses)</i>	<u>(82,000)</u>	<u>12,880</u>	<u>23,939</u>	<u>11,059</u>
<i>Net Change in Fund Balance</i>	(573,892)	(300,701)	13,260	313,961
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>1,759,335</u>	<u>1,759,335</u>	<u>1,759,335</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 1,185,443</u>	<u>\$ 1,458,634</u>	<u>\$ 1,772,595</u>	<u>\$ 313,961</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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts	\$ -	\$ -	\$ -	\$ -
<i>Total Receipts</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Disbursements</b>				
Current:				
Transportation	3,000	3,000	-	3,000
<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>15,901</u>	<u>15,901</u>	<u>15,901</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 12,901</u>	<u>\$ 12,901</u>	<u>\$ 15,901</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, 2013*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 97,725</u>
<i>Total Assets</i>	<u><u>\$ 97,725</u></u>
<b>Net Position</b>	
Held in Trust for Various Deposits	\$ 93,259
Restricted for Other Purposes	<u>4,466</u>
<i>Total Net Position</i>	<u><u>\$ 97,725</u></u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Ohio**  
*Cuyahoga County*  
*Statement of Net Position - Cash Basis*  
*December 31, 2012*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,972,527
<i>Total Assets</i>	<u>\$ 3,972,527</u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$ 435,947
Debt Service	312,910
Other Purposes	78,879
Unrestricted	<u>3,144,791</u>
<i>Total Net Position</i>	<u>\$ 3,972,527</u>

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, 2012*

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Security of Persons and Property	\$ 2,724,530	\$ 81,019	\$ 1,665	\$ -	\$ (2,641,846)
Public Health Services	172,919	10,425	-	-	(162,494)
Leisure Time Activities	72,323	39,767	-	-	(32,556)
Community Environment	41,062	36,869	-	-	(4,193)
Basic Utility Services	77,345	6,936	-	-	(70,409)
Transportation	606,759	892	127,369	-	(478,498)
General Government	1,246,037	79,648	469	-	(1,165,920)
Capital Outlay	253,287	-	-	79,615	(173,672)
Debt Service:					
Principal Retirement	89,998	-	-	-	(89,998)
Interest and Fiscal Charges	7,975	-	-	-	(7,975)
<i>Total Governmental Activities</i>	<u>\$ 5,292,235</u>	<u>\$ 255,556</u>	<u>\$ 129,503</u>	<u>\$ 79,615</u>	<u>(4,827,561)</u>
General Receipts:					
Property Taxes Levied for:					
General Purposes					319,291
Police					23,358
Other Local Taxes					48,225
Municipal Income Taxes					4,106,159
Grants and Entitlements not Restricted to Specific Program					92,922
Sale of Capital Assets					3,425
Cable Franchise Fees					5,084
Earnings on Investments					1,164
Miscellaneous					31,864
<i>Total General Receipts</i>					<u>4,631,492</u>
Change in Net Position					(196,069)
<i>Net Position Beginning of Year</i>					<u>4,168,596</u>
<i>Net Position End of Year</i>					<u>\$ 3,972,527</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, 2012

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 1,759,335	\$ 15,901	\$ 719,051	\$ 666,405	\$ 811,835	\$ 3,972,527
<i>Total Assets</i>	<u>\$ 1,759,335</u>	<u>\$ 15,901</u>	<u>\$ 719,051</u>	<u>\$ 666,405</u>	<u>\$ 811,835</u>	<u>\$ 3,972,527</u>
<b>Fund Balances</b>						
Restricted	-	15,901	-	-	811,835	827,736
Committed	-	-	719,051	666,405	-	1,385,456
Unassigned	1,759,335	-	-	-	-	1,759,335
<i>Total Fund Balances</i>	<u>\$ 1,759,335</u>	<u>\$ 15,901</u>	<u>\$ 719,051</u>	<u>\$ 666,405</u>	<u>\$ 811,835</u>	<u>\$ 3,972,527</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, 2012**

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$ 4,106,159	\$ -	\$ -	\$ -	\$ -	\$ 4,106,159
Property Taxes	319,291	-	-	-	23,358	342,649
Other Local Taxes	45,898	-	-	-	2,327	48,225
Intergovernmental	86,624	-	-	-	209,263	295,887
Special Assessments	-	-	5,628	-	525	6,153
Charges for Services	115,379	-	-	-	-	115,379
Cable Franchise Fees	5,084	-	-	-	-	5,084
Fines, Licenses and Permits	134,459	-	-	-	5,720	140,179
Earnings on Investments	657	-	-	339	168	1,164
Miscellaneous	15,802	-	-	-	2,312	18,114
<i>Total Receipts</i>	<u>4,829,353</u>	<u>-</u>	<u>5,628</u>	<u>339</u>	<u>243,673</u>	<u>5,078,993</u>
<b>Disbursements</b>						
Current:						
Security of Persons and Property	2,685,132	-	-	-	39,398	2,724,530
Public Health Services	172,919	-	-	-	-	172,919
Leisure Time Activities	72,323	-	-	-	-	72,323
Community Environment	40,690	-	-	-	372	41,062
Basic Utility Services	77,345	-	-	-	-	77,345
Transportation	492,638	-	-	-	114,121	606,759
General Government	1,235,675	-	-	-	10,362	1,246,037
Capital Outlay	-	-	243,177	-	10,110	253,287
Debt Service:						
Principal Retirement	-	-	-	-	89,998	89,998
Interest and Fiscal Charges	-	-	-	-	7,975	7,975
<i>Total Disbursements</i>	<u>4,776,722</u>	<u>-</u>	<u>243,177</u>	<u>-</u>	<u>272,336</u>	<u>5,292,235</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>52,631</u>	<u>-</u>	<u>(237,549)</u>	<u>339</u>	<u>(28,663)</u>	<u>(213,242)</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	-	-	-	-	3,425	3,425
Transfers In	-	-	405,985	-	-	405,985
Transfers Out	(12,276)	-	-	-	(393,709)	(405,985)
Other Financing Sources	10,370	-	3,378	-	-	13,748
<i>Total Other Financing Sources (Uses)</i>	<u>(1,906)</u>	<u>-</u>	<u>409,363</u>	<u>-</u>	<u>(390,284)</u>	<u>17,173</u>
<i>Net Change in Fund Balances</i>	50,725	-	171,814	339	(418,947)	(196,069)
<i>Fund Balances Beginning of Year</i>	<u>1,708,610</u>	<u>15,901</u>	<u>547,237</u>	<u>666,066</u>	<u>1,230,782</u>	<u>4,168,596</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,759,335</u>	<u>\$ 15,901</u>	<u>\$ 719,051</u>	<u>\$ 666,405</u>	<u>\$ 811,835</u>	<u>\$ 3,972,527</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, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Municipal Income Taxes	\$ 4,023,070	\$ 4,106,159	\$ 4,106,159	\$ -
Property Taxes	327,423	322,294	319,291	(3,003)
Local Taxes	58,540	46,365	45,898	(467)
Intergovernmental	70,577	87,560	86,624	(936)
Charges for Services	110,000	117,515	115,379	(2,136)
Cable Franchise Fee	4,250	5,100	5,084	(16)
Fines, Licenses and Permits	121,400	134,880	134,459	(421)
Earnings on Investments	1,000	1,000	657	(343)
Miscellaneous	31,500	18,600	15,802	(2,798)
<i>Total Receipts</i>	<u>4,747,760</u>	<u>4,839,473</u>	<u>4,829,353</u>	<u>(10,120)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	2,835,142	2,860,445	2,685,132	175,313
Public Health Services	183,175	187,345	172,919	14,426
Leisure Time Activities	79,501	79,501	72,323	7,178
Community Environment	42,021	47,109	40,690	6,419
Basic Utility Services	91,000	91,000	77,345	13,655
Transportation	539,417	549,417	492,638	56,779
General Government	1,395,099	1,386,034	1,235,675	150,359
<i>Total Disbursements</i>	<u>5,165,355</u>	<u>5,200,851</u>	<u>4,776,722</u>	<u>424,129</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(417,595)</u>	<u>(361,378)</u>	<u>52,631</u>	<u>414,009</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	2,000	4,000	-	(4,000)
Transfers Out	-	(12,276)	(12,276)	-
Other Financing Sources	18,000	9,715	10,370	655
Other Financing Uses	(49,500)	(1,728)	-	1,728
<i>Total Other Financing Sources (Uses)</i>	<u>(29,500)</u>	<u>(289)</u>	<u>(1,906)</u>	<u>(1,620)</u>
<i>Net Change in Fund Balance</i>	(447,095)	(361,667)	50,725	412,389
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>1,708,610</u>	<u>1,708,610</u>	<u>1,708,610</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 1,261,515</u>	<u>\$ 1,346,943</u>	<u>\$ 1,759,335</u>	<u>\$ 412,389</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, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts	\$ -	\$ -	\$ -	\$ -
<i>Total Receipts</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Disbursements</b>				
Current:				
Transportation	2,000	2,000	-	2,000
<i>Total Disbursements</i>	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
<i>Net Change in Fund Balance</i>	(2,000)	(2,000)	-	2,000
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>15,901</u>	<u>15,901</u>	<u>15,901</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 13,901</u>	<u>\$ 13,901</u>	<u>\$ 15,901</u>	<u>\$ 2,000</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, 2012

	Agency
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 96,759
<i>Total Assets</i>	\$ 96,759
<b>Net Position</b>	
Held in Trust for Various Deposits	\$ 88,409
Restricted for Other Purposes	8,350
<i>Total Net Position</i>	\$ 96,759

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 1 – Reporting Entity**

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

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

Legislative authority is vested in a seven member council with all seven members elected at large for a term of four years. Council enacts ordinances and resolutions relating to tax levies; appropriates and borrows money; and accepts bids for materials and services and other municipal purposes. A charter amendment was passed in November 2011 which reduces council size to five beginning January 1, 2014.

***Primary Government***

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

***Component Units***

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

The Village is associated with three jointly governed organizations, the Northeast Ohio Public Energy Council, the Southwest Council of Governments and the Parma Community General Hospital Association. These organizations are presented in Note 15 to the basic financial statements.

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

**Village of Brooklyn Heights**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**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.

***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 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 and enterprise 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.



**Village of Brooklyn Heights**  
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**Note 2 – Summary of Significant Accounting Policies** (Continued)

**Fund Accounting** (Continued)

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

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

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

**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.

**Village of Brooklyn Heights**  
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**Note 2 – Summary of Significant Accounting Policies** (Continued)

***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 department level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. 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.

***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.

During 2013 and 2012, the Village invested in nonnegotiable certificates of deposit in the form of a CDARS product. The nonnegotiable certificates of deposit are reported at aggregate cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2013 and 2012 were \$6,422 and \$657 respectively.

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. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted.

**Village of Brooklyn Heights**  
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**Note 2 – Summary of Significant Accounting Policies** (Continued)

***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 9 and 10, 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 are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for public safety.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

**Village of Brooklyn Heights**  
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**Note 2 – Summary of Significant Accounting Policies** (Continued)

***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) 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) 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 by State Statute.

***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.

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**Note 2 – Summary of Significant Accounting Policies** (Continued)

***Interfund Transactions***

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.

**Note 3 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and FEMA Fund prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is 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 2013 or 2012.

**Note 4 – Deposits and Investments**

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

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

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

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

**Village of Brooklyn Heights**  
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**Note 4 – Deposits and Investments** (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

***Deposits***

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2013 and December 31, 2012, the Village had a book balance of \$3,808,962 and \$4,069,286, respectively. None of the Village's bank balance was exposed to custodial credit risk for either year.

**Village of Brooklyn Heights**  
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**Note 4 – Deposits and Investments** (Continued)

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

As of December 31, 2013, the Village had the following deposits:

	2013	2012
	Carrying Value	Carrying Value
Demand Deposits	\$ 1,617,032	\$ 1,557,629
High Balance Savings	641,930	761,657
Certificates of Deposit	1,550,000	1,750,000
Total Portfolio	<u>\$ 3,808,962</u>	<u>\$ 4,069,286</u>

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

**Note 5 – Income Tax**

The Village levies a municipal income tax of two percent on substantially all earned income arising from employment or business activities within the Village as well as certain income of residents earned outside of the Village. Income taxes received in 2013 and 2012 were distributed 100% into the General Fund.

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

**Note 6 - Property Tax**

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2013 with real property taxes.

**Village of Brooklyn Heights**  
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**Note 6 - Property Tax (Continued)**

The full tax rate for all Village operations for the year ended December 31, 2013 and 2012 was \$4.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which the 2013 and 2012 property tax receipts were based are as follows:

	2013	2012
Real Property	\$79,893,330	\$83,888,440
Public Utility Personal Property	2,791,300	2,548,760
<b>Total</b>	<b>\$82,684,630</b>	<b>\$86,437,200</b>

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.

**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 Company	Commercial Property	\$ 11,420,300
	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.

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 contribute 10% of premium costs.



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**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits.

C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013 and 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

F. The 2013 and 2012 member contribution rates were 10.00% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 12.00% and 12.60% for 2013 and 11.50% and 12.10% for 2012, respectively. Effective January 1, 2014, the member contribution rates for public safety and law enforcement members increased to 12.00% and 13.00% respectively.

G. The 2013 and 2012 employer contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll.

H. The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012 and 2011 were \$178,734, \$171,914, and \$167,387 respectively. The full amount has been contributed for 2013, 2012 and 2011.

I. In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

**Village of Brooklyn Heights**  
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**Note 8 – Defined Benefit Pension Plans (Continued)**

***Ohio Police and Fire Pension Fund***

The Village of Brooklyn Hts. contributes to the Ohio Police & Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to 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](http://www.op-f.org).

From January 1, 2012 through July 1, 2013, plan members were required to contribute 10% of their annual covered salary. From July 2, 2013 through Dec. 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, employers were required to contribute 19.5% and 24% respectively for police officers and firefighters. The Village's contributions to OP&F for the years ending December 31, 2013, 2012, and 2011 were \$210,549, \$198,479, and \$212,338, respectively, or 100% of the required contributions for 2013, 2012 and 2011.

**Note 9 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description

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.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 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.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided 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/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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**Note 9 - Postemployment Benefits** (Continued)

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

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% and for the Combined Plan was 6.05% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2013, 2012 and 2011 were \$17,908, \$71,631 and \$47,823, respectively. The full amount has been contributed for those years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**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.

**Village of Brooklyn Heights**  
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**Note 9 - Postemployment Benefits** (Continued)

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

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 is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://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 6.75% of covered payroll for 2012. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. 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's contributions to OP&F for the years ending December 31, 2013, 2012, and 2011 were \$210,549, \$198,479 and \$212,338, respectively, of which \$39,075, \$55,773 and \$59,667 respectively, was allocated to the healthcare plan.

**Village of Brooklyn Heights**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

**Note 10 – Long-Term Debt**

The Village's long-term debt activity for the years ended December 31, 2013 and 2012 was as follows:

		Balance			Balance	
	Interest	December 31,			December 31,	Due Within
	Rate	2012	Additions	Reductions	2013	One Year
<b>Governmental Activities</b>						
1994 OPWC Schaaf Rd Water	0%	\$ 14,981	\$ -	\$ (9,988)	\$ 4,993	\$ 4,993
2009 OPWC Lancaster Bridge	0%	12,840	-	(802)	12,038	802
2009 OPWC Schaaf Rd Recon.	0%	77,105	-	(4,536)	72,569	4,536
2011 OPWC Lancaster Rd Recon.	0%	135,498	-	(4,672)	130,826	4,672
1993 Special Assessment Bonds	3 - 12%	75,000	-	(75,000)	-	-
Total		<u>\$ 315,424</u>	<u>\$ -</u>	<u>\$ (94,998)</u>	<u>\$ 220,426</u>	<u>\$ 15,003</u>
		Balance			Balance	
	Interest	December 31,			December 31,	Due Within
	Rate	2011	Additions	Reductions	2012	One Year
<b>Governmental Activities</b>						
1994 OPWC Schaaf Rd Water	0%	\$ 24,969	\$ -	\$ (9,988)	\$ 14,981	\$ 9,988
2009 OPWC Lancaster Bridge	0%	13,642	-	(802)	12,840	802
2009 OPWC Schaaf Rd Recon.	0%	81,641	-	(4,536)	77,105	4,536
2011 OPWC Lancaster Rd Recon.	0%	140,170	-	(4,672)	135,498	4,672
1993 Special Assessment Bonds	3 - 12%	145,000	-	(70,000)	75,000	75,000
Total		<u>\$ 405,422</u>	<u>\$ -</u>	<u>\$ (89,998)</u>	<u>\$ 315,424</u>	<u>\$ 94,998</u>

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

The 2009 Ohio Public Works Commission Loan (OPWC) relates to a project to replace the Lancaster Road culvert with a bridge. The OPWC approved \$16,049 in interest-free loans, which will be repaid in bi-annual installments of \$401 over twenty years through the Village's Lancaster Bridge Construction Fund.

The 2009 Ohio Public Works Commission Loan (OPWC) 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 Loan (OPWC) 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 Special Assessment Bonds were issued for street improvements and will be repaid from the Village's West Resource Drive Debt Service Fund. The bonds were originally issued for \$900,000 and were paid off in 2013.

**Village of Brooklyn Heights**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

**Note 10 – Long-Term Debt** (Continued)

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

Year	OPWC Schaaf Rd Water		OPWC Lancaster Rd		OPWC Schaaf Rd. Reconstruction	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 4,993	\$ -	\$ 802	\$ -	\$ 4,536	\$ -
2015	-	-	802	-	4,536	-
2016	-	-	802	-	4,536	-
2017	-	-	802	-	4,536	-
2018	-	-	802	-	4,536	-
2019-2023	-	-	4,014	-	22,678	-
2024-2028	-	-	4,014	-	22,678	-
2024-2028	-	-	-	-	4,533	-
<b>Totals</b>	<b>\$ 4,993</b>	<b>\$ -</b>	<b>\$ 12,038</b>	<b>\$ -</b>	<b>\$ 72,569</b>	<b>\$ -</b>
OPWC						
Lancaster Rd. Reconstruction						
Year	Principal	Interest				
2014	\$ 4,672	\$ -				
2015	4,672	-				
2016	4,672	-				
2017	4,672	-				
2018	4,672	-				
2019-2023	23,362	-				
2024-2028	23,362	-				
2029-2033	23,362	-				
2034-2038	23,362	-				
2039-2042	14,018	-				
	<b>\$ 130,826</b>	<b>\$ -</b>				

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, 2013, were an overall debt margin of \$8,681,886 and an unvoted debt margin of \$4,547,655.

**Village of Brooklyn Heights**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2013 and 2012

**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:

2013								
Fund Balances	General Fund	FEMA Fund	Cap. Improv. Fund	Water/Sewer Line Fund	Other Governmental Funds	Total		
<b>Restricted for</b>								
Road Improvements	-	-	-	-	\$ 443,250	\$	443,250	
Police Operations	-	-	-	-	45,042		45,042	
Fire & EMS Operations	-	\$ 15,901	-	-	-		15,901	
Court Technology	-	-	-	-	13,954		13,954	
Debt Service	-	-	-	-	217,913		217,913	
Other	-	-	-	-	107		107	
<i>Total Restricted</i>	-	15,901	-	-	720,266		736,167	
<b>Committed to</b>								
Road Improvements	-	-	\$ 536,070	\$ 666,405	-		1,202,475	
<i>Total Committed</i>	-	-	536,070	666,405	-		1,202,475	
Unassigned (deficits):	\$ 1,772,595	-	-	-	-		1,772,595	
<i>Total Fund Balances</i>	\$ 1,772,595	\$ 15,901	\$ 536,070	\$ 666,405	\$ 720,266		\$ 3,711,237	

2012								
Fund Balances	General Fund	FEMA Fund	Cap. Improv. Fund	Water/Sewer Line Fund	Other Governmental Funds	Total		
<b>Restricted for</b>								
Road Improvements	-	-	-	-	\$ 435,949	\$	435,949	
Police Operations	-	-	-	-	41,595		41,595	
Fire & EMS Operations	-	\$ 15,901	-	-	-		15,901	
Court Technology	-	-	-	-	21,327		21,327	
Debt Service	-	-	-	-	312,910		312,910	
Other	-	-	-	-	54		54	
<i>Total Restricted</i>	-	15,901	-	-	811,835		827,736	
<b>Committed to</b>								
Road Improvements	-	-	\$ 719,051	\$ 666,405	-		1,385,456	
<i>Total Committed</i>	-	-	719,051	666,405	-		1,385,456	
<b>Assigned to</b>								
Encumbrances	-	-	-	-	-		-	
<i>Total Assigned</i>	-	-	-	-	-		-	
Unassigned (deficits):	\$ 1,759,335	-	-	-	-		1,759,335	
<i>Total Fund Balances</i>	\$ 1,759,335	\$ 15,901	\$ 719,051	\$ 666,405	\$ 811,835		\$ 3,972,527	

**Village of Brooklyn Heights**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

**Note 12 – Interfund Transfers & Advances**

During 2013 and 2012 the following transfers and advances were made:

	2013	2012
Transfers from General Fund to:		
Capital Improvements Fund	\$ 40,000	\$ -
Transfer from General Fund to:		
Capital Improvements Fund	\$ -	\$ 12,276
Transfer from Lancaster Road Recon. Fund to:		
Capital Improvements Fund (Excess Bal)	\$ -	\$ 393,709

The 2013 transfer from the General Fund to the Capital Improvements Fund was intended to help buoy the fund balance in the midst of several purchases and projects. The 2012 transfer from the General Fund to the Capital Improvements Fund represented an estate tax deposit which was originally deposited in the General Fund; council desired the amount to then be transferred into the Capital Improvements Fund. The transfer from the Lancaster Road Reconstruction Fund to the Capital Fund represented the excess balance held in the Lancaster Fund from the project coming in below engineer estimates.

**Note 13 –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.

In 2011, the Village was determined to possess a \$425,000 net profit tax credit for a taxpayer that had left the Village in 2010. The credit was not repaid to the company; the company returned to the Village in 2012, and a formal agreement was reached that the new taxes due to the Village would be used to offset the net profit tax credit.

**Note 14 – Jointly Governed Organization**

***Northeast Ohio Public Energy Council***

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



**Village of Brooklyn Heights**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 14 – Jointly Governed Organization** (Continued)

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village did not contribute to NOPEC during 2013 or 2012. 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 \$15,000 in both 2013 and 2012 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.

***Parma Community General Hospital Associations***

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

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

Effective January 1, 2014, the hospital was acquired by University Hospitals and renamed University Hospitals Parma Medical Center.

The Village made no contributions to the hospital during fiscal years 2013 or 2012.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn Heights, Cuyahoga County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 17, 2014, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

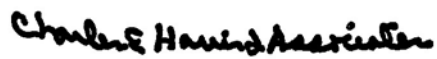
***Compliance and Other Matters***

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

We noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 17, 2014.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *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 and Associates, Inc.***  
March 17, 2014

VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Financial statements prepared by client contained errors and mis-classifications requiring adjustments and reclassifications to be made.	Yes	Finding No Longer Valid



# 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  
JUNE 3, 2014**