

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

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



**Mary Taylor, CPA**  
Auditor of State



**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis For the Year Ended December 31, 2007 .....	11
Statement of Activities – Cash Basis For the Year Ended December 31, 2007 .....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – For the Year Ended December 31, 2007 .....	13
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2007 .....	14
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis General Fund .....	15
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis FEMA Fund .....	16
Statement of Fiduciary Net Assets – Cash Basis For the Year Ended December 31, 2007 .....	17
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis For the Year Ended December 31, 2006 .....	18
Statement of Activities – Cash Basis For the Year Ended December 31, 2006 .....	19
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – For the Year Ended December 31, 2006 .....	20
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2006 .....	21

VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY

TABLE OF CONTENTS  
(Continued)

TITLE	PAGE
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis General Fund .....	22
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis FEMA Fund .....	23
Statement of Fiduciary Net Assets – Cash Basis For the Year Ended December 31, 2006 .....	24
Notes to the Financial Statements .....	25
Schedule of Federal Awards Receipts and Expenditures.....	41
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	42
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	43
Independent Accountants' Report on Compliance with Requirements Applicable to its Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	45
Schedule of Findings.....	47



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn Heights, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn Heights, Cuyahoga County, Ohio, as of December 31, 2007 and December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General and FEMA funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

November 14, 2008

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007 and 2006  
Unaudited**

---

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, 2007 and December 31, 2006, 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 2007 and 2006 are as follows:

Net assets of governmental activities in 2007 decreased \$109,111, or 1.9 percent. Net assets of government activities in 2006 decreased \$1,328,357, or 18.8 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Capital Improvement Fund, which realized the greatest burden of increased costs in 2006; however, cost increases affected most funds.

The Village's general receipts are primarily municipal income and property taxes. For fiscal year 2007, these receipts represent 82.3 and 7.9 percent (81.8 and 8.3 percent for fiscal year 2006) respectively of the total cash received for governmental activities during the year. Property tax receipts for 2007 and 2006 changed very little. The municipal income tax for 2007 and 2006 has changed due to the timing of the collections.

The total governmental disbursements (not including Other Financing Sources) for fiscal year 2007 were \$1,514,196 less than the prior year. For fiscal year 2006, the total governmental disbursements were \$1,479,925 higher than the prior year. These changes reflect the major construction project which the Village began in May 2004 to replace a damaged culvert with an open-span bridge. Also contributing to the changes were higher payroll, utilities, and other operating expenses compared to the prior year.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007 and 2006  
Unaudited**

---

**Basis of Accounting**

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

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

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2007 and 2006, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Village's general receipts.

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

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

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

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



**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007 and 2006  
Unaudited**

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General, 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 Mayor's Court activity and deposits from various contractors, developers or individuals to insure compliance with various Village ordinances.

**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)

**Net Assets**

	Government Activities		
	2007	2006	2005
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,618,400	\$5,727,511	\$7,055,868
<i>Total Assets</i>	<u>\$5,618,400</u>	<u>\$5,727,511</u>	<u>\$7,055,868</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$2,217,753	\$2,648,189	\$3,974,200
Debt Service	378,193	378,985	365,549
Other Purposes	272,793	229,256	527,727
Unrestricted	<u>2,749,661</u>	<u>2,471,081</u>	<u>2,188,392</u>
<i>Total Net Assets</i>	<u>\$5,618,400</u>	<u>\$5,727,511</u>	<u>\$7,055,868</u>

As mentioned previously, net assets of governmental activities decreased \$ 109,111 or 1.9 percent during 2007. The primary reasons contributing to the decreases in cash balances are as follows:

- The municipal income tax collections decreased \$74,837 in fiscal year 2007 compared to the prior year. This decrease resulted from the timing of collections from businesses in the Village.
- The decrease in net assets of government activities were due to an increase in salaries of 2.9% based on current negotiated agreements.
- The decrease was offset by lower Capital Improvement Fund expenditures for 2007 compared to 2006 for the new bridge construction project.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007 and 2006  
Unaudited**

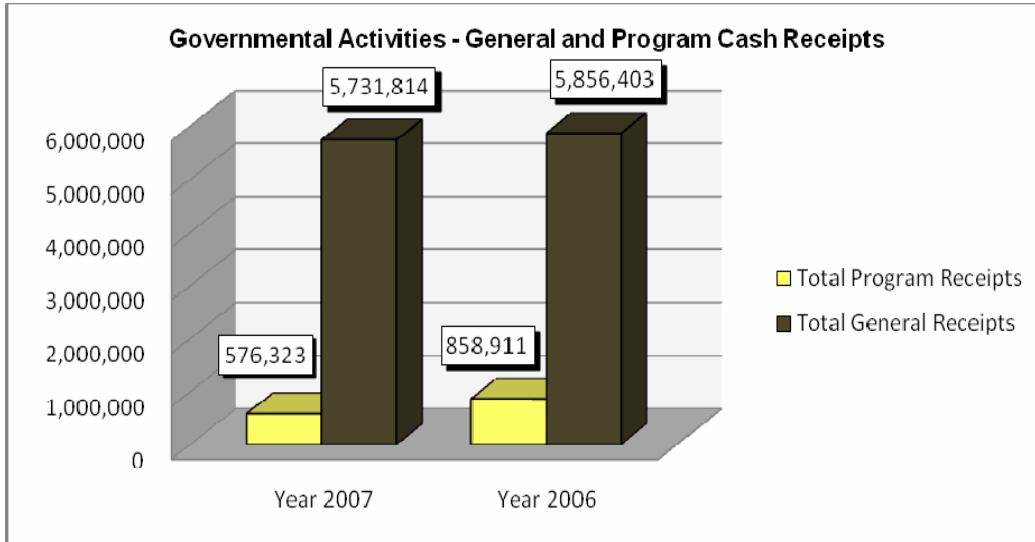
Table 2 provides a summary of the Village's changes in net assets for 2007 compared to 2006, and 2006 compared to 2005 on a cash basis:

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

	Governmental Activities 2007	Governmental Activities 2006	Governmental Activities 2005
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services and Sales	\$266,000	\$220,790	\$225,427
Operating Grants and Contributions	157,403	168,445	189,513
Capital Grants and Contributions	152,920	469,676	994,634
<b>Total Program Receipts</b>	<b>576,323</b>	<b>858,911</b>	<b>1,409,574</b>
<b>General Receipts:</b>			
Property and Other Local Taxes	451,207	488,259	482,192
Municipal Income Taxes	4,716,597	4,791,434	4,368,638
Other Taxes	84,495	83,956	0
Grants and Entitlements Not Restricted to Specific Programs	168,656	145,953	175,511
Loans Issued	4,300	0	0
Sale of Capital Assets	1,550	29,875	15,773
Interest	294,951	297,219	193,182
Miscellaneous	10,058	19,707	5,076
<b>Total General Receipts</b>	<b>5,731,814</b>	<b>5,856,403</b>	<b>5,240,372</b>
<b>Total Receipts</b>	<b>6,308,137</b>	<b>6,715,314</b>	<b>6,649,946</b>
<b>Disbursements:</b>			
General Government	1,172,971	1,251,969	1,270,696
Security of Persons and Property	2,864,557	2,832,302	2,671,288
Public Health Services	224,145	208,707	212,092
Leisure Time Activities	231,025	227,250	207,965
Economic Development	115,679	114,502	108,887
Basic Utilities	81,864	72,967	73,529
Transportation	743,536	656,941	664,852
Capital Outlay	632,479	2,218,189	896,276
Principal Retirement	64,988	59,988	54,988
Interest and Fiscal Charges	24,118	26,743	29,060
<b>Total Disbursements</b>	<b>6,155,362</b>	<b>7,669,558</b>	<b>6,189,633</b>
Excess (Deficiency) Before Other Items	152,775	(954,244)	460,331
Other Sources and Uses	(262,011)	(374,163)	(333,507)
Transfers	125	50	190
<b>Increase (Decrease) in Net Assets</b>	<b>(109,111)</b>	<b>(1,328,357)</b>	<b>127,014</b>
Net Assets, January 1	5,727,511	7,055,868	6,928,872
<b>Net Assets, December 31</b>	<b>\$5,618,400</b>	<b>\$5,727,511</b>	<b>\$7,055,886</b>

VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY

Management's Discussion and Analysis  
For the Year Ended December 31, 2007 and 2006  
Unaudited



Program receipts represent only 9.1 percent for fiscal year 2007 (12.8 percent for fiscal year 2006) 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 90.9 percent for fiscal year 2007 (87.2 percent for fiscal year 2006) of the Village's total receipts, and of this amount, over 91.6 percent for fiscal year 2007 (91.6 percent for fiscal year 2006) are local taxes. Interest earnings and State and federal grants and entitlements make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

**Governmental Activities**

If you look at the Statement of Activities on pages 12 and 19, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Security of Persons and Property, which account for 46.5 percent for fiscal year 2007 (36.9 percent for fiscal year 2006) of all governmental disbursements, respectively. General Government also represents a significant cost, 19.1 percent for fiscal year 2007 (16.3 percent for fiscal year 2006). The next three columns of the Statement, entitled Program Receipts, identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

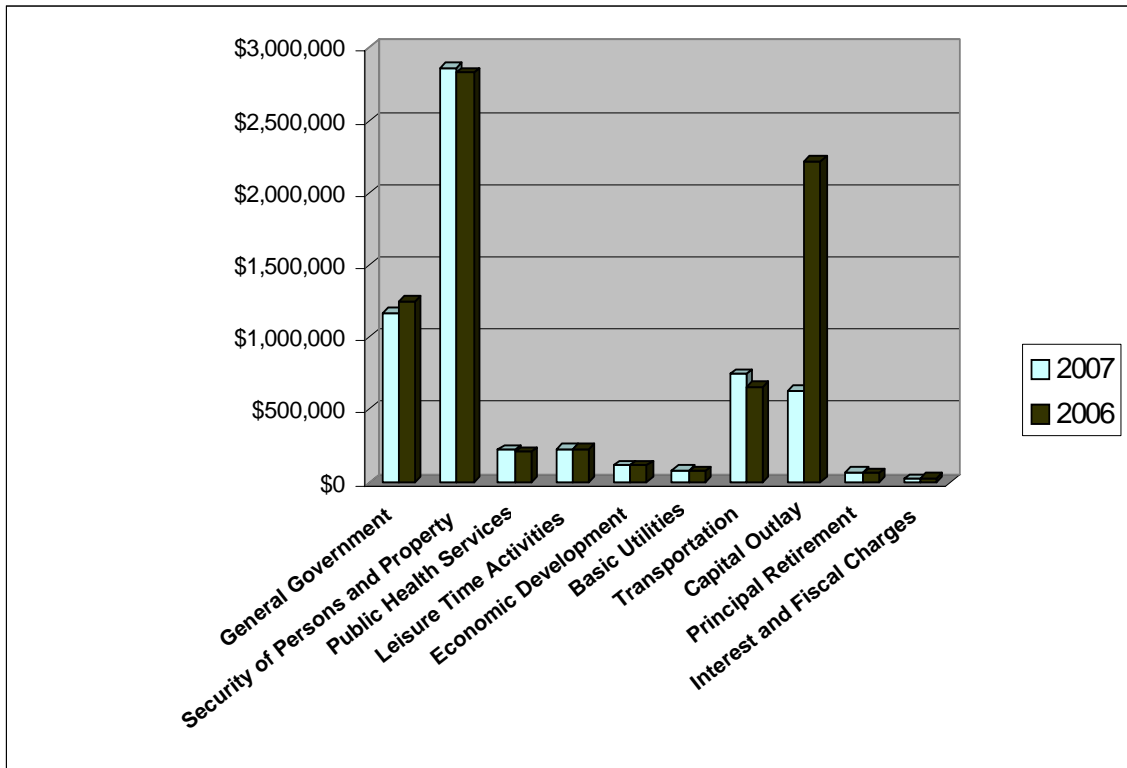
**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007 and 2006  
Unaudited**

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2007	Net Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2006
General Government	\$1,172,971	\$1,026,135	\$1,251,969	\$1,128,185
Security of Persons and Property	2,864,557	2,787,759	2,832,302	2,762,251
Public Health Services	224,145	220,765	208,707	204,800
Leisure Time Activities	231,025	227,235	227,250	223,090
Economic Development	115,679	65,228	114,502	75,126
Basic Utilities	81,864	69,803	72,967	63,212
Transportation	743,536	613,449	656,941	518,739
Capital Outlay	632,479	486,326	2,218,189	1,755,280
Principal Retirement	64,988	58,221	59,988	53,221
Interest and Fiscal Charges	24,118	24,118	26,743	26,743
<b>Total Expenses</b>	<b>\$6,155,362</b>	<b>\$5,579,039</b>	<b>\$7,669,558</b>	<b>\$6,810,647</b>



The dependence upon property and municipal income tax receipts is apparent as 84.0 percent of governmental activities are supported through these general receipts for fiscal year 2007 (68.8 percent for fiscal year 2006).

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007 and 2006  
Unaudited**

---

**The Government's Funds**

Total governmental funds had receipts of \$6,302,287 for fiscal year 2007 (\$6,685,439 for fiscal year 2006) and disbursements of \$6,155,362 for fiscal year 2007 (\$7,669,558 for fiscal year 2006). The greatest change within governmental funds occurred within the Capital Improvement Fund. The fund balance of the Capital Improvement Fund decreased \$387,119 in 2007 and \$1,229,863 in 2006 as the result of funding the open-bridge construction project.

General Fund receipts were \$565,395 higher in 2007 (\$717,016 in 2006) than disbursements indicating that the General Fund was in a positive spending position. It was the recommendation of the finance committee and the administration that the municipal income tax allocation be changed so that all these receipts are directed to the General Fund effective February 1, 2005. This change and an increase in income tax collections helped in maintaining this growth. In addition, the Village's administration continues to stress to all departments the need to make reductions in disbursements for all operating costs. These measures are preferable to requesting additional funds from the taxpayers.

**General Fund Budgeting Highlights**

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

During 2007 and 2006, the Village amended its General Fund budget to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$6,448,106 for fiscal year 2007 (\$6,524,218 for fiscal year 2006) while actual disbursements were \$5,605,793 for fiscal year 2007 (\$5,697,737 for fiscal year 2006). The decrease in actual disbursements compared to the budget reflects the effort of the administration and department heads to control spending levels.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt Administration**

The Village had the following long-term obligations at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Ohio Public Works Commission Loan	\$64,920	\$74,908
Special Assessment Bonds:		
West Resource Drive	<u>385,000</u>	<u>440,000</u>
Total	<u><u>\$449,920</u></u>	<u><u>\$514,908</u></u>

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

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007 and 2006  
Unaudited**

---

**Current Issues**

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

Municipal income tax collections appear to be increasing in 2008 as a result of new business development in the Village. The property tax revenues are expected to remain consistent. The salaries of all the Village's employees will continue to increase due to current negotiated agreements.

Our Village's financial position is anticipated to remain stable as we continue our conservative financial management.

**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 James J. Vavrek, Clerk/Treasurer, Village of Brooklyn Heights, 345 Tuxedo Avenue, Brooklyn Heights, Ohio 44131.

**Village of Brooklyn Heights, Cuyahoga County**

*Statement of Net Assets - Cash Basis*

*December 31, 2007*

---

---

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,618,400</u>
<i>Total Assets</i>	<u><u>\$5,618,400</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$2,217,753
Debt Service	378,193
Other Purposes	272,793
Unrestricted	<u>2,749,661</u>
<i>Total Net Assets</i>	<u><u>\$5,618,400</u></u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2007*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$1,172,971	\$139,893	\$6,943	\$0	(\$1,026,135)
Security of Persons and Property	2,864,557	56,425	20,373	0	(2,787,759)
Public Health Services	224,145	3,380	0	0	(220,765)
Leisure Time Activities	231,025	3,790	0	0	(227,235)
Economic Development	115,679	50,451	0	0	(65,228)
Basic Utility Services	81,864	12,061	0	0	(69,803)
Transportation	743,536	0	130,087	0	(613,449)
Capital Outlay	632,479	0	0	146,153	(486,326)
Debt Service:					
Principal Retirement	64,988	0	0	6,767	(58,221)
Interest and Fiscal Charges	24,118	0	0	0	(24,118)
<b>Total Governmental Activities</b>	<u>6,155,362</u>	<u>266,000</u>	<u>157,403</u>	<u>152,920</u>	<u>(5,579,039)</u>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
		General Purposes			364,721
		Debt Service			59,799
		Police			26,687
		Municipal Income Taxes			4,716,597
		Other Taxes			84,495
		Grants and Entitlements not Restricted to Specific Programs			168,656
		Sale of Capital Assets			1,550
		Interest			294,951
		Miscellaneous			10,058
		<b>Total General Receipts</b>			<u>5,727,514</u>
		Other Sources and Uses			(257,711)
		Transfers			125
		<b>Total General Receipts, Special Item, Transfers and Advances</b>			<u>5,469,928</u>
		Change in Net Assets			(109,111)
		<b>Net Assets Beginning of Year</b>			<u>5,727,511</u>
		<b>Net Assets End of Year</b>			<u>\$5,618,400</u>

See accompanying notes to the basic financial statements



**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2007

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$2,749,661	\$19,493	\$1,490,081	\$636,956	\$722,209	\$5,618,400
<i>Total Assets</i>	<u>\$2,749,661</u>	<u>\$19,493</u>	<u>\$1,490,081</u>	<u>\$636,956</u>	<u>\$722,209</u>	<u>\$5,618,400</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	\$7,549	\$0	\$187,545	\$0	\$0	\$195,094
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,742,112	0	0	0	0	2,742,112
Special Revenue Funds	0	19,493	0	0	253,300	272,793
Debt Service Fund	0	0	0	0	378,193	378,193
Capital Projects Funds	0	0	1,302,536	636,956	90,716	2,030,208
<i>Total Fund Balances</i>	<u>\$2,749,661</u>	<u>\$19,493</u>	<u>\$1,490,081</u>	<u>\$636,956</u>	<u>\$722,209</u>	<u>\$5,618,400</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2007

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$4,716,597	\$0	\$0	\$0	\$0	\$4,716,597
Property and Other Local Taxes	364,721	0	0	0	26,686	391,407
Special Assessments	0	0	0	0	59,799	59,799
Charges for Services	93,370	0	0	0	0	93,370
Fines, Licenses and Permits	166,716	0	0	0	14,322	181,038
Intergovernmental	264,456	82,650	0	0	207,961	555,067
Interest	243,096	0	0	30,136	21,719	294,951
Miscellaneous	9,718	0	0	0	340	10,058
<i>Total Receipts</i>	<u>5,858,674</u>	<u>82,650</u>	<u>0</u>	<u>30,136</u>	<u>330,827</u>	<u>6,302,287</u>
<b>Disbursements</b>						
Current:						
General Government	1,171,586	0	0	0	1,385	1,172,971
Security of Persons and Property	2,817,747	0	0	0	46,810	2,864,557
Public Health Services	224,145	0	0	0	0	224,145
Leisure Time Activities	231,025	0	0	0	0	231,025
Economic Development	115,679	0	0	0	0	115,679
Basic Utility Services	81,864	0	0	0	0	81,864
Transportation	651,233	971	0	0	91,332	743,536
Capital Outlay	0	75,000	240,349	8,325	308,805	632,479
Debt Service:						
Principal Retirement	0	0	0	0	64,988	64,988
Interest and Fiscal Charges	0	0	0	0	24,118	24,118
<i>Total Disbursements</i>	<u>5,293,279</u>	<u>75,971</u>	<u>240,349</u>	<u>8,325</u>	<u>537,438</u>	<u>6,155,362</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>565,395</u>	<u>6,679</u>	<u>(240,349)</u>	<u>21,811</u>	<u>(206,611)</u>	<u>146,925</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	1,550	0	0	0	0	1,550
Transfers In	125	480,000	0	0	775,000	1,255,125
Transfers Out	0	0	(1,255,000)	0	0	(1,255,000)
Advances In	0	0	1,075,000	0	0	1,075,000
Advances Out	0	(480,000)	0	0	(595,000)	(1,075,000)
Other Financing Sources	16,475	0	33,230	0	5,119	54,824
Other Financing Uses	(304,965)	0	0	0	(7,570)	(312,535)
<i>Total Other Financing Sources (Uses)</i>	<u>(286,815)</u>	<u>0</u>	<u>(146,770)</u>	<u>0</u>	<u>177,549</u>	<u>(256,036)</u>
<i>Net Change in Fund Balances</i>	278,580	6,679	(387,119)	21,811	(29,062)	(109,111)
<i>Fund Balances Beginning of Year</i>	<u>2,471,081</u>	<u>12,814</u>	<u>1,877,200</u>	<u>615,145</u>	<u>751,271</u>	<u>5,727,511</u>
<i>Fund Balances End of Year</i>	<u>\$2,749,661</u>	<u>\$19,493</u>	<u>\$1,490,081</u>	<u>\$636,956</u>	<u>\$722,209</u>	<u>\$5,618,400</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Municipal Income Taxes	\$4,800,000	\$4,716,597	\$4,716,597	\$0
Property and Other Local Taxes	383,197	364,721	364,721	0
Charges for Services	75,525	93,370	93,370	0
Fines, Licenses and Permits	138,805	166,716	166,716	0
Intergovernmental	212,012	264,456	264,456	0
Interest	150,000	243,096	243,096	0
Miscellaneous	8,500	9,718	9,718	0
<i>Total receipts</i>	<u>5,768,039</u>	<u>5,858,674</u>	<u>5,858,674</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
General Government	1,289,370	1,289,370	1,174,820	114,550
Security of Persons and Property	2,999,386	2,999,386	2,820,638	178,748
Public Health Services	247,150	247,150	224,384	22,766
Leisure Time Activities	294,470	294,470	231,963	62,507
Economic Development	133,250	133,250	115,926	17,324
Basic Utility Services	87,000	87,000	81,864	5,136
Transportation	753,580	753,580	651,233	102,347
<i>Total Disbursements</i>	<u>5,804,206</u>	<u>5,804,206</u>	<u>5,300,828</u>	<u>503,378</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(36,167)</u>	<u>54,468</u>	<u>557,846</u>	<u>503,378</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	5,000	1,550	1,550	0
Transfers In	0	125	125	0
Transfers Out	(5,000)	(5,000)	0	5,000
Other Financing Sources	3,500	16,475	16,475	0
Other Financing Uses	(638,900)	(638,900)	(304,965)	333,935
<i>Total Other Financing Sources (Uses)</i>	<u>(635,400)</u>	<u>(625,750)</u>	<u>(286,815)</u>	<u>338,935</u>
<i>Net Change in Fund Balance</i>	(671,567)	(571,282)	271,031	842,313
<i>Fund Balance Beginning of Year</i>	2,455,200	2,455,200	2,455,200	0
Prior Year Encumbrances Appropriated	15,881	15,881	15,881	0
<i>Fund Balance End of Year</i>	<u>\$1,799,514</u>	<u>\$1,899,799</u>	<u>\$2,742,112</u>	<u>\$842,313</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
 FEMA Fund  
 For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	572,108	82,650	82,650	0
<i>Total receipts</i>	<u>572,108</u>	<u>82,650</u>	<u>82,650</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Transportation	15,000	1,000	971	29
Capital Outlay	87,000	87,000	75,000	12,000
<i>Total Disbursements</i>	<u>102,000</u>	<u>88,000</u>	<u>75,971</u>	<u>12,029</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>470,108</u>	<u>(5,350)</u>	<u>6,679</u>	<u>12,029</u>
<b>Other Financing Sources (Uses)</b>				
Transfer In	4,350	480,000	480,000	0
Advances Out	(480,000)	(480,000)	(480,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(475,650)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(5,542)	(5,350)	6,679	12,029
<i>Fund Balance Beginning of Year</i>	<u>12,814</u>	<u>12,814</u>	<u>12,814</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$7,272</u>	<u>\$7,464</u>	<u>\$19,493</u>	<u>\$12,029</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2007*

---

---

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$89,365
<i>Total Assets</i>	<u>\$89,365</u>
<b>Liabilities</b>	
Held Trust for Various Deposits	\$81,709
Due to Other Governments	\$7,656
<i>Total Liabilities</i>	<u>\$89,365</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**

*Statement of Net Assets - Cash Basis*

*December 31, 2006*

---

---

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,727,511</u>
<i>Total Assets</i>	<u><u>\$5,727,511</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$2,648,189
Debt Service	378,985
Other Purposes	229,256
Unrestricted	<u>2,471,081</u>
<i>Total Net Assets</i>	<u><u>\$5,727,511</u></u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2006*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$1,251,969	\$112,302	\$11,482	\$0	(\$1,128,185)
Security of Persons and Property	2,832,302	51,290	18,761	0	(2,762,251)
Public Health Services	208,707	3,907	0	0	(204,800)
Leisure Time Activities	227,250	4,160	0	0	(223,090)
Economic Development	114,502	39,376	0	0	(75,126)
Basic Utility Services	72,967	9,755	0	0	(63,212)
Transportation	656,941	0	138,202	0	(518,739)
Capital Outlay	2,218,189	0	0	462,909	(1,755,280)
Debt Service:					
Principal Retirement	59,988	0	0	6,767	(53,221)
Interest and Fiscal Charges	26,743	0	0	0	(26,743)
<b>Total Governmental Activities</b>	<u>7,669,558</u>	<u>220,790</u>	<u>168,445</u>	<u>469,676</u>	<u>(6,810,647)</u>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
		General Purposes			381,788
		Debt Service			78,535
		Police			27,936
		Municipal Income Taxes			4,791,434
		Other Taxes			83,956
		Grants and Entitlements not Restricted to Specific Programs			145,953
		Sale of Capital Assets			29,875
		Interest			297,219
		Miscellaneous			19,707
		<b>Total General Receipts</b>			<u>5,856,403</u>
		Other Sources and Uses			(374,163)
		Transfers			50
		<b>Total General Receipts, Special Item, Transfers and Advances</b>			<u>5,482,290</u>
		Change in Net Assets			(1,328,357)
		<b>Net Assets Beginning of Year</b>			<u>7,055,868</u>
		<b>Net Assets End of Year</b>			<u>\$5,727,511</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2006

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$2,471,081	\$12,814	\$1,877,200	\$615,145	\$751,271	\$5,727,511
<i>Total Assets</i>	<u>\$2,471,081</u>	<u>\$12,814</u>	<u>\$1,877,200</u>	<u>\$615,145</u>	<u>\$751,271</u>	<u>\$5,727,511</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	\$15,881	\$0	\$0	\$7,419	\$73,435	\$96,735
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,455,200	0	0	0	0	2,455,200
Special Revenue Funds	0	12,814	0	0	216,442	229,256
Debt Service Fund	0	0	0	0	378,985	378,985
Capital Projects Funds	0	0	1,877,200	607,726	82,409	2,567,335
<i>Total Fund Balances</i>	<u>\$2,471,081</u>	<u>\$12,814</u>	<u>\$1,877,200</u>	<u>\$615,145</u>	<u>\$751,271</u>	<u>\$5,727,511</u>

See accompanying notes to the basic financial statements



**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2006

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$4,791,434	\$0	\$0	\$0	\$0	\$4,791,434
Property and Other Local Taxes	381,788	0	0	0	27,936	409,724
Special Assessments	0	0	5,515	0	73,020	78,535
Charges for Services	73,088	0	0	0	0	73,088
Fines, Licenses and Permits	145,162	0	0	0	10,410	155,572
Intergovernmental	248,565	168,709	47,260	0	395,627	860,161
Interest	241,744	0	0	35,249	20,225	297,218
Miscellaneous	12,578	0	7,129	0	0	19,707
<i>Total Receipts</i>	<u>5,894,359</u>	<u>168,709</u>	<u>59,904</u>	<u>35,249</u>	<u>527,218</u>	<u>6,685,439</u>
<b>Disbursements</b>						
Current:						
General Government	1,200,649	48,803	0	0	2,517	1,251,969
Security of Persons and Property	2,791,287	0	0	0	41,015	2,832,302
Public Health Services	208,707	0	0	0	0	208,707
Leisure Time Activities	227,250	0	0	0	0	227,250
Economic Development	114,502	0	0	0	0	114,502
Basic Utility Services	72,967	0	0	0	0	72,967
Transportation	561,981	1,701	0	0	93,259	656,941
Capital Outlay	0	937,329	373,698	196,036	711,126	2,218,189
Debt Service:						
Principal Retirement	0	0	0	0	59,988	59,988
Interest and Fiscal Charges	0	0	0	0	26,743	26,743
<i>Total Disbursements</i>	<u>5,177,343</u>	<u>987,833</u>	<u>373,698</u>	<u>196,036</u>	<u>934,648</u>	<u>7,669,558</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>717,016</u>	<u>(819,124)</u>	<u>(313,794)</u>	<u>(160,787)</u>	<u>(407,430)</u>	<u>(984,119)</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	7,875	0	22,000	0	0	29,875
Transfers In	50	0	0	0	443,084	443,134
Transfers Out	0	0	(184,000)	0	(259,084)	(443,084)
Advances In	0	480,000	0	0	350,000	830,000
Advances Out	0	0	(830,000)	0	0	(830,000)
Other Financing Sources	62,261	0	75,931	0	593	138,785
Other Financing Uses	(504,513)	0	0	0	(8,435)	(512,948)
<i>Total Other Financing Sources (Uses)</i>	<u>(434,327)</u>	<u>480,000</u>	<u>(916,069)</u>	<u>0</u>	<u>526,158</u>	<u>(344,238)</u>
<i>Net Change in Fund Balances</i>	282,689	(339,124)	(1,229,863)	(160,787)	118,728	(1,328,357)
<i>Fund Balances Beginning of Year</i>	<u>2,188,392</u>	<u>351,938</u>	<u>3,107,063</u>	<u>775,932</u>	<u>632,543</u>	<u>7,055,868</u>
<i>Fund Balances End of Year</i>	<u>\$2,471,081</u>	<u>\$12,814</u>	<u>\$1,877,200</u>	<u>\$615,145</u>	<u>\$751,271</u>	<u>\$5,727,511</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Municipal Income Taxes	\$4,400,000	\$4,791,434	\$4,791,434	\$0
Property and Other Local Taxes	375,534	381,788	381,788	0
Charges for Services	81,940	73,088	73,088	0
Fines, Licenses and Permits	141,205	145,162	145,162	0
Intergovernmental	166,350	248,565	248,565	0
Interest	100,000	241,744	241,744	0
Miscellaneous	4,500	12,578	12,578	0
<i>Total receipts</i>	<u>5,269,529</u>	<u>5,894,359</u>	<u>5,894,359</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
General Government	1,432,290	1,458,790	1,208,732	250,058
Security of Persons and Property	3,001,902	3,001,902	2,796,498	205,404
Public Health Services	252,900	252,900	209,368	43,532
Leisure Time Activities	281,861	281,861	227,250	54,611
Economic Development	132,125	132,125	114,502	17,623
Basic Utility Services	87,000	87,000	72,967	14,033
Transportation	742,240	742,240	563,907	178,333
<i>Total Disbursements</i>	<u>5,930,318</u>	<u>5,956,818</u>	<u>5,193,224</u>	<u>763,594</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(660,789)</u>	<u>(62,459)</u>	<u>701,135</u>	<u>763,594</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	5,000	7,875	7,875	0
Transfers In	0	50	50	0
Transfers Out	(5,000)	(5,000)	0	5,000
Other Financing Sources	20,500	62,261	62,261	0
Other Financing Uses	(588,900)	(562,400)	(504,513)	57,887
<i>Total Other Financing Sources (Uses)</i>	<u>(568,400)</u>	<u>(497,214)</u>	<u>(434,327)</u>	<u>62,887</u>
<i>Net Change in Fund Balance</i>	(1,229,189)	(559,673)	266,808	826,481
<i>Fund Balance Beginning of Year</i>	2,179,649	2,179,649	2,179,649	0
Prior Year Encumbrances Appropriated	8,743	8,743	8,743	0
<i>Fund Balance End of Year</i>	<u>\$959,203</u>	<u>\$1,628,719</u>	<u>\$2,455,200</u>	<u>\$826,481</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
**Statement of Receipts, Disbursements and Changes**  
**In Fund Balance - Budget and Actual - Budget Basis**  
**FEMA Fund**  
**For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	658,168	168,709	168,709	0
<i>Total receipts</i>	<u>658,168</u>	<u>168,709</u>	<u>168,709</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
General Government	100,890	48,803	48,803	0
Transportation	23,950	3,000	1,701	1,299
Capital Outlay	885,241	937,330	937,329	1
<i>Total Disbursements</i>	<u>1,010,081</u>	<u>989,133</u>	<u>987,833</u>	<u>1,300</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(351,913)</u>	<u>(820,424)</u>	<u>(819,124)</u>	<u>1,300</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	482,000	480,000	480,000	0
Advances Out	(482,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>480,000</u>	<u>480,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(351,913)	(340,424)	(339,124)	1,300
<i>Fund Balance Beginning of Year</i>	<u>351,938</u>	<u>351,938</u>	<u>351,938</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$25</u>	<u>\$11,514</u>	<u>\$12,814</u>	<u>\$1,300</u>

See accompanying notes to the basic financial statements

**Village of Brooklyn Heights, Cuyahoga County**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2006*

---

---

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$86,963
<i>Total Assets</i>	<u><u>\$86,963</u></u>
<b>Liabilities</b>	
Held Trust for Various Deposits	\$80,059
Due to Other Governments	\$6,904
<i>Total Liabilities</i>	<u><u>\$86,963</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006**

---

**NOTE 1 – REPORTING ENTITY**

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

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

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

A. Primary Government

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

The Brooklyn Heights Mayor’s Court has been included in the Village’s financial statements as an agency fund.

B. Component Units

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

The Village is associated with three jointly governed organizations, the Northeast Ohio Public Energy Council, the Southwest Council of Governments and the Parma Community General Hospital Association. These organizations are presented in Note 14 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, 2007 and 2006  
(Continued)**

---

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

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

---

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

**B. Fund Accounting**

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

**Governmental Funds**

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

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

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

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

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

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

**Fiduciary Funds**

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

**C. Basis of Accounting**

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

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

---

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

C. Basis of Accounting (Continued)

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

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.



**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

---

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

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

During 2007 and 2006, the Village invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 and 2006 were \$243,096 and \$241,744 respectively.

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

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

**J. Accumulated Leave**

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

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

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

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

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

---

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

M. Net Assets

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

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide statement of net assets reports \$2,868,739 in 2007 and \$3,256,430 in 2006 of restricted net assets, none of which are restricted by enabling legislation.

**NOTE 3 – COMPLIANCE**

Contrary to Ohio Revised Code Section 5705.41(D)(1), 24 percent (10 of 41) in 2007 and 34 percent (13 of 38) in 2006 of the non-payroll transactions tested were not certified by the fiscal officer at the time the commitment was incurred.

The Village will correct this problem with tighter controls and the use of "Then and Now" certificates.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and FEMA Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$7,549 in the General Fund for fiscal year 2007 and \$15,881 for fiscal year 2006. There were no outstanding encumbrances for the FEMA Fund in 2007 and 2006.

**NOTE 5 – 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.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

---

**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

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

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

---

**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2007 and December 31, 2006, the Village had a book balance of \$5,700,109 and \$5,807,570, respectively. At December 31, 2007, \$5,378,748 (\$5,540,625 at December 31, 2006) of the Village's bank balance of \$5,778,748 (\$5,940,625 at December 31, 2006) was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

As of December 31, 2007 and December 31, 2006, the Village had the following deposits:

	<u>2007</u> <u>Carrying Value</u>	<u>2006</u> <u>Carrying Value</u>
Demand Deposits	\$452,159	\$339,275
High Balance Savings	2,292,606	2,322,199
Certificates of Deposit	2,963,000	3,153,000
Total Portfolio	<u>\$5,707,765</u>	<u>\$5,814,474</u>

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

**NOTE 6 – INCOME TAXES**

The Village levies a municipal income tax of two percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Income taxes received in 2007 and 2006 were distributed 100% into the General Fund.

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

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

---

**NOTE 7 – PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 and 2006 represent the collection of 2006 and 2005 taxes respectively. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2007, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 and 2006 (other than public utility property) represent the collection of 2007 and 2006 taxes respectively. Tangible personal property taxes received in 2007 and 2006 were levied after October 1, 2006 and October 1, 2005 respectively, on the true value as of December 31, 2006 and December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$4.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Agricultural/Residential Real Estate	\$35,043,630
Other Real Estate	50,016,190
Public Utility Tangible	2,167,360
General Tangible Personal Property	5,589,758
Total Assessed Value	<u>\$92,816,938</u>

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

**NOTE 7 – PROPERTY TAXES (Continued)**

The full tax rate for all Village operations for the year ended December 31, 2006, was \$4.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Agricultural/Residential Real Estate	\$34,994,910
Other Real Estate	49,681,900
Public Utility Tangible	2,822,720
General Tangible Personal Property	16,160,261
Total Assessed Value	\$103,659,791

**NOTE 8 – RISK MANAGEMENT**

**Commercial Insurance**

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

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Selective Insurance Company	Commercial Property	\$9,391,720
	General Liability	2,000,000
	Commercial Umbrella	5,000,000
	Vehicle	1,000,000
	Employee Benefits	1,000,000
	Public Officials	1,000,000
	Law Enforcement	1,000,000

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

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

The Village's employee health care is provided by United Healthcare Inc. The Village pays a monthly premium for single and married coverage.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

---

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

For the year ended December 31, 2007, the Village's OPERS members contributed 2.375% (2006 – 2.25%) of their gross wages while the Village picked up the remaining employees' portion of 7.125% (2006 – 6.75%). The Village also contributed an amount equal to 13.85% (2006 – 13.7%) of participants' gross salaries. The Village has paid all contributions required through December 31, 2007. Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$120,422, \$121,216 and \$121,439 respectively. The full amount has been contributed for 2007, 2006 and 2005.

B. Ohio Police and Fire Pension Fund

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, members of OP&F contributed 2.5% of their wages to OP&F and the Village picked up the remaining employees' portion of 7.5%. The total employer contribution rate is 19.5 percent of covered payroll. The Village's required contributions for the years ended December 31, 2007, 2006 and 2005 were \$148,764, \$131,328 and \$132,389. The Village has paid all contributions required through December 31, 2007, 2006 and 2005.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

---

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers"*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care for the period January 1, 2007 through June 30, 2007 and 6.00 percent of covered payroll was the portion that was used to fund health care for the period July 1, 2007 through December 31, 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00 percent) plus and an additional factor ranging from .50 percent to 5.00 percent for the next eight years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4.00 percent.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. The Village's actual employer contributions for 2007 and 2006 which were used to fund postemployment benefits were \$68,035, \$59,290, and \$50,865 respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available), were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.



**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

**NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)**

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

The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers"*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent in 2006 and 6.75 percent in 2007 of covered payroll was applied to the postemployment health care program during 2007. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2007 and 2006 that were used to fund postemployment benefits were \$78,758, \$86,621, and \$87,320 respectively for police. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$120.374 million, which was net of member contributions of \$58.533 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 (the latest information available), was 14,120 for police and 10,563 for firefighters.

**NOTE 11 – DEBT**

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<b><u>Governmental Activities</u></b>						
1994 OPWC Loan	0%	\$74,908	\$0	\$9,988	\$64,920	\$9,988
1993 Special Assessment Bonds	3 – 12%	440,000	0	55,000	385,000	55,000
Total		<u>\$514,908</u>	<u>\$0</u>	<u>\$64,988</u>	<u>\$449,920</u>	<u>\$64,988</u>

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<b><u>Governmental Activities</u></b>						
1994 OPWC Loan	0%	\$84,896	\$0	\$9,988	\$74,908	\$9,988
1993 Special Assessment Bonds	3 – 12%	490,000	0	50,000	440,000	55,000
Total		<u>\$574,896</u>	<u>\$0</u>	<u>\$59,988</u>	<u>\$514,908</u>	<u>\$64,988</u>

The Ohio Public Works Commission Loan (OPWC) loan 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.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

**Note 11 – Debt (Continued)**

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

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

Year	OPWC Loan		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2008	\$9,988	\$0	\$55,000	\$21,175
2009	9,988	0	60,000	18,150
2010	9,988	0	60,000	14,850
2011	9,988	0	65,000	11,550
2012	9,988	0	70,000	7,975
2013–2114	14,980	0	75,000	4,125
Totals	<u>\$64,920</u>	<u>\$0</u>	<u>\$385,000</u>	<u>\$77,825</u>

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, 2007, were an overall debt margin of \$9,745,778 and an unvoted debt margin of \$5,104,932.

**NOTE 12 – INTERFUND TRANSFERS**

During 2007 and 2006 the following transfers were made:

	<u>2007</u>	<u>2006</u>
Transfers from the Valley Business Park Fund to:		
West Resource Drive Fund		\$258,198
Transfers from the Van Epps Storm Sewer Fund to:		
West Resource Drive Fund		\$886
Transfers from the Capital Improvement Fund to:		
Lancaster Bridge Construction Fund	\$775,000	\$184,000
FEMA Fund	\$480,000	

The Valley Business Park Fund and Van Epps Storm Sewer Fund were two Special Assessment Bond Debt Service Funds which had all their debt obligations retired. The balances in these funds were transferred into the West Resource Drive Fund, a Debt Service Fund, in accordance with Section 5705.14 of the Ohio Revised Code. The transfers from the Capital Improvement Fund to the Lancaster Bridge Construction Fund and FEMA Fund were for the Village's share of the Lancaster Bridge Construction Project.

A transfer from the Guarantee Deposit Fund (an Agency Fund) was made to the General Fund in 2007 and 2006 in the amount of \$125 and \$50, respectively, for forfeited deposits relating to the rental of the Village's Community Center.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

---

**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.

**NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Northeast Ohio Public Energy Council**

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village did not contribute to NOPEC during fiscal years 2007 or 2006. Financial information can be obtained by contacting, NOPEC, 1615 Clarke Avenue, Cleveland, Ohio 44109.

**B. Southwest Council of Governments**

The Southwest Council of Governments helps foster cooperation between municipalities in areas effecting health, safety, welfare, education, economic conditions and regional development. The board is comprised of one member from each of the sixteen participating entities. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the board. Each municipality degree of control is limited to its representation on the board. The Village has made no contributions to the Southwest Council of Governments during fiscal years 2007 or 2006.

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

**C. Parma Community General Hospital Associations**

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

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)**

---

**NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**C. Parma Community General Hospital Associations (Continued)**

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

The Village has made no contributions to the hospital during fiscal years 2007 or 2006.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Expenditures
Program Title			
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed Through Ohio Department of Public Safety</i>			
Public Assistance Grant	97.036	\$165,053	\$986,132
Total U.S. Department of Homeland Security		<u><b>165,053</b></u>	<u><b>986,132</b></u>
<b>Total</b>		<u><u><b>\$165,053</b></u></u>	<u><u><b>\$986,132</b></u></u>

*The accompanying notes are an integral part of this schedule.*

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS & EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE C – FEDERAL SINGLE AUDIT**

The Federal Single Audit only applies to fiscal year 2006.



# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn Heights, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Government's basic financial statements and have issued our report thereon dated November 14, 2008, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 14, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 14, 2008.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Village Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 14, 2008





# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Village Council:

### Compliance

We have audited the compliance of the Village of Brooklyn Heights, Cuyahoga County, Ohio (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Brooklyn Heights complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006.

### Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to administer a federal program such that there is more than a remote likelihood that the Village's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Village's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Village's management in a separate letter dated November 14, 2008.

We intend this report solely for the information and use of management, Village Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 14, 2008

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	2006: FEMA – Public Assistance Grant CFDA #97.036 2007: None
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2007-001**

**Proper Encumbering – Noncompliance and Significant Deficiency**

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007 AND 2006**

**FINDING NUMBER 2007-001 (Continued)**

**Proper Encumbering – Noncompliance and Significant Deficiency (Continued)**

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-four percent (10 of 41 transactions) in 2007 and 34 percent (13 of 38 transactions) in 2006 of the non-payroll transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The fiscal officer should deny payment requests when prior certification or "then and now" certification are not obtained.

VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007 AND 2006

FINDING NUMBER 2007-001 (Continued)

Proper Encumbering – Noncompliance and Significant Deficiency (Continued)

Officials' Response

The Village will correct this problem with tighter controls and the use of "Then and Now" certificates.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF BROOKLYN HEIGHTS**  
**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**FEBRUARY 3, 2009**