

**Auditor of State  
Betty Montgomery**



**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

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## Auditor of State Betty Montgomery

### 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, 2005 and December 31, 2004, 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 modified 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 modified 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, 2005 and December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General and FEMA funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2006, 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.

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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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 21, 2006

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited**

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The management's discussion and analysis of the Village of Brooklyn Heights' (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2005 and December 31, 2004, within the limitations of the Village's modified 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 modified cash basis financial statements and notes to the financial statements to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2005 and 2004 are as follows:

Net assets of governmental activities in 2005 increased \$126,996, or 1.8 percent. Net assets of government activities in 2004 decreased \$996,070, or 12.6 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2004; however, cost increases affected most funds.

The Village's general receipts are primarily municipal income and property taxes. For fiscal year 2005, these receipts represent 65.5 and 6.1 percent (74.3 and 7.6 percent for fiscal year 2004) respectively of the total cash received for governmental activities during the year. Property tax receipts for 2005 and 2004 changed very little. The municipal income tax for 2005 and 2004 has increased as a result of new development occurring from the upturn in the business environment.

The total governmental disbursements for fiscal year 2005 were slightly less than the prior year. For fiscal year 2004, the total governmental disbursements were \$980,469 higher than the prior year. This increase reflects higher payroll, utilities, and other operating expenses compared to the prior year.

The Village began a major construction project in May 2004 to replace a damaged culvert with an open-span bridge. This project will impact the disbursements of the Village for the years 2006, 2005, and 2004.

**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 modified 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, 2005 and 2004  
Unaudited**

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**Basis of Accounting**

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

As a result of using the modified 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 modified 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 2005 and 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments 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 modified 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. Most of 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.

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



**VILLAGE OF BROOKLYN HEIGHTS  
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**Management's Discussion and Analysis  
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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 Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)

**Net Assets**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$7,055,868	\$6,928,872
Total Assets	\$7,055,868	\$6,928,872
<b>Net Assets</b>		
Restricted for:		
Debt Service	\$365,549	\$355,616
Capital Outlay	3,974,200	4,240,035
Other Purposes	527,727	185,871
Unrestricted	2,188,392	2,147,350
Total Net Assets	\$7,055,868	\$6,928,872

As mentioned previously, net assets of governmental activities increased \$ 126,996 or 1.8 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- The municipal income tax collections increased \$260,556 in fiscal year 2005 compared to the prior year. This increase resulted from new businesses moving into the Village and an increase in employees working in existing companies located in the Village.
- The increase in net assets of government activities was offset by increases in salaries of 3.5% based on current negotiated agreements.
- The Village's Capital Improvement Fund expenditures for 2005 were \$127,743 less than the prior year due to the timing of the cash disbursements.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited**

Table 2 reflects the changes in net assets in 2005 and 2004:

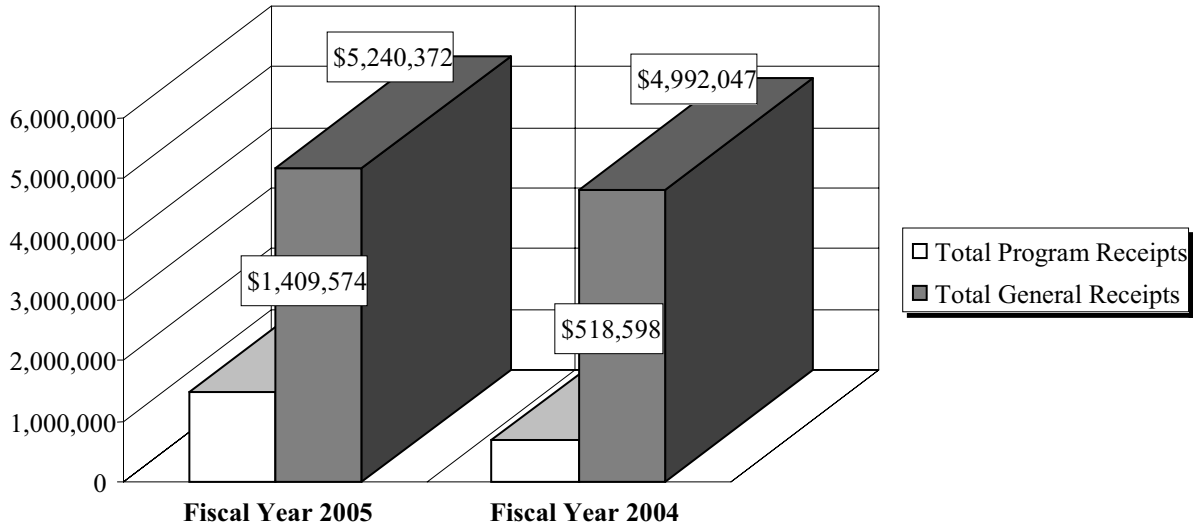
(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004
	<u>2005</u>	<u>2004</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$225,427	\$189,711
Operating Grants and Contributions	189,513	161,477
Capital Grants and Contributions	994,634	167,410
Total Program Receipts	<u>1,409,574</u>	<u>518,598</u>
General Receipts:		
Property and Other Local Taxes	482,192	599,547
Municipal Income Taxes	4,368,638	4,108,082
Grants and Entitlements Not Restricted to Specific Programs	175,511	195,044
Interest	193,182	84,657
Miscellaneous	20,849	4,717
Total General Receipts	<u>5,240,372</u>	<u>4,992,047</u>
Total Receipts	<u>6,649,946</u>	<u>5,510,645</u>
Disbursements:		
General Government	1,270,696	1,222,896
Security of Persons and Property	2,671,288	2,664,005
Public Health Services	212,092	209,098
Leisure Time Activities	207,965	244,585
Economic Development	108,887	100,909
Basic Utilities	73,529	67,323
Transportation	664,852	626,918
Capital Outlay	896,276	848,210
Principal Retirement	54,988	144,987
Interest and Fiscal Charges	29,060	40,219
Total Disbursements	<u>6,189,633</u>	<u>6,169,150</u>
Excess (Deficiency) Before Other Items	460,313	(658,505)
Other Sources and Uses	(333,507)	(337,715)
Transfers	190	150
Increase (Decrease) in Net Assets	<u>126,996</u>	<u>(996,070)</u>
Net Assets, January 1	<u>6,928,872</u>	<u>7,924,942</u>
Net Assets, December 31	<u>\$7,055,868</u>	<u>\$6,928,872</u>

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
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**Governmental Activities - General and Program Cash Receipts**



Program receipts represent only 21.2 percent for fiscal year 2005 (9.4 percent for fiscal year 2004) 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 78.8 percent for fiscal year 2005 (90.6 percent for fiscal year 2004) of the Village's total receipts, and of this amount, over 92.5 percent for fiscal year 2005 (94.3 percent for fiscal year 2004) 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 14 and 22, 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 Transportation and Security of Persons and Property, which account for 53.9 percent for fiscal year 2005 (53.3 percent for fiscal year 2004) of all governmental disbursements, respectively. General Government also represents a significant cost, 20.5 percent for fiscal year 2005 (19.8 percent for fiscal year 2004). 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

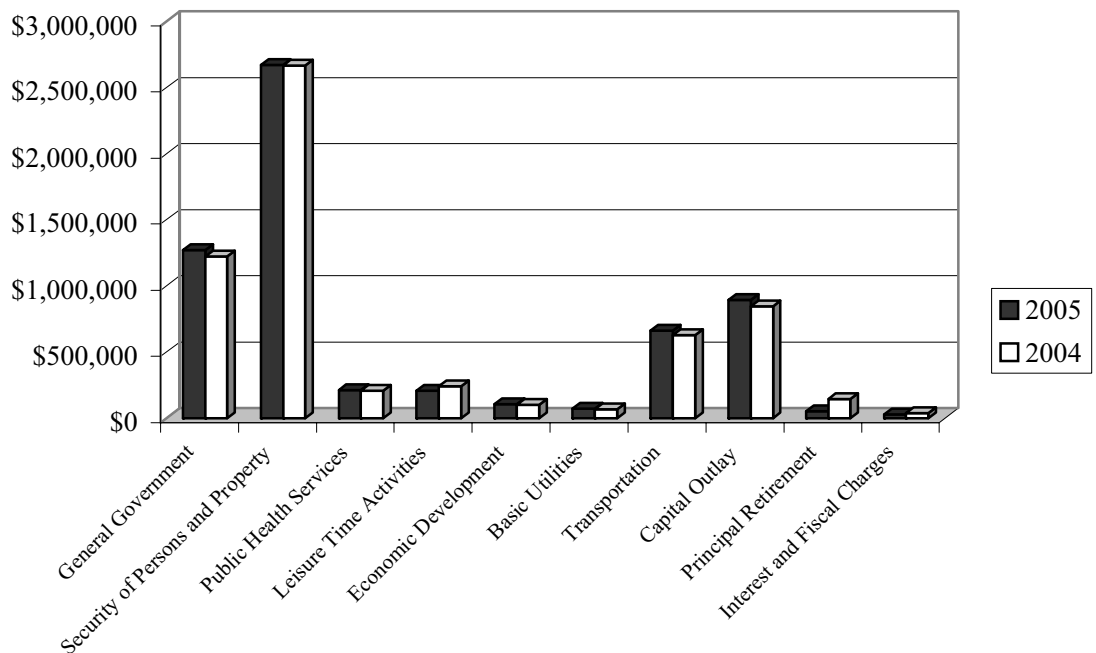
**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited**

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.

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2005	2005	2004	2004
General Government	\$1,270,696	\$1,154,755	\$1,222,896	\$1,106,702
Security of Persons and Property	2,671,288	2,596,692	2,664,005	2,610,217
Public Health Services	212,092	204,574	209,098	200,890
Leisure Time Activities	207,965	203,920	244,585	240,330
Economic Development	108,887	71,835	100,909	66,814
Basic Utilities	73,529	64,056	67,323	63,813
Transportation	664,852	498,537	626,918	492,320
Capital Outlay	896,276	(80,394)	848,210	695,093
Principal Retirement	54,988	48,221	144,987	138,220
Interest and Fiscal Charges	29,060	17,863	40,219	36,153
<b>Total Expenses</b>	<b>\$6,189,633</b>	<b>\$4,780,059</b>	<b>\$6,169,150</b>	<b>\$5,650,552</b>



The dependence upon property and municipal income tax receipts is apparent as 74.4 percent of governmental activities are supported through these general receipts for fiscal year 2005 (72.3 percent for fiscal year 2004).

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited**

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**The Government's Funds**

Total governmental funds had receipts of \$6,753,429 for fiscal year 2005 (\$5,528,782 for fiscal year 2004) and disbursements of \$6,626,433 for fiscal year 2005 (\$6,524,852 for fiscal year 2004). The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$41,042 in 2005 but decreased \$893,785 in 2004 as the result of increased costs for salaries and benefits and not achieving anticipated growth in municipal income and property tax receipts.

General Fund receipts were less than disbursements by \$893,785 in 2004 indicating that the General Fund was in a deficit spending situation. 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 2005 income tax collections of \$260,556 compared to the prior year helped to rectify the situation. 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 were 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 2005 and 2004, 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 \$6,105,753 for fiscal year 2005 (\$5,737,750 for fiscal year 2004) while actual disbursements were \$5,296,299 for fiscal year 2005 (\$5,293,047 for fiscal year 2004). 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, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Ohio Public Works Commission Loan	\$84,896	\$94,884
Special Assessment Bonds:		
West Resource Drive	<u>490,000</u>	<u>535,000</u>
Total	<u>\$574,896</u>	<u>\$629,884</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, 2005 and 2004  
Unaudited**

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**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Assistance may be cut by 10% in the next biennial State budget.

Municipal income tax collections appear to be increasing in 2006 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 - Modified Cash Basis*  
*December 31, 2005*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$7,055,868</u>
<i>Total Assets</i>	<u><u>\$7,055,868</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$3,974,200
Debt Service	365,549
Other Purposes	527,727
Unrestricted	<u>2,188,392</u>
<i>Total Net Assets</i>	<u><u>\$7,055,868</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**  
*Statement of Activities - Modified Cash Basis*  
**For the Year Ended December 31, 2005**

	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	\$1,270,696	\$108,717	\$7,224	\$0	(\$1,154,755)
Security of Persons and Property	2,671,288	60,758	13,838	0	(2,596,692)
Public Health Services	212,092	5,382	2,136	0	(204,574)
Leisure Time Activities	207,965	4,045	0	0	(203,920)
Economic Development	108,887	37,052	0	0	(71,835)
Basic Utility Services	73,529	9,473	0	0	(64,056)
Transportation	664,852	0	166,315	0	(498,537)
Capital Outlay	896,276	0	0	976,670	80,394
Debt Service:					
Principal	54,988	0	0	6,767	(48,221)
Interest and Fiscal Charges	29,060	0	0	11,197	(17,863)
<b>Total Governmental Activities</b>	<b>\$6,189,633</b>	<b>\$225,427</b>	<b>\$189,513</b>	<b>\$994,634</b>	<b>(\$4,780,059)</b>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
		General Purposes			376,343
		Debt Service			78,312
		Police			27,537
		Municipal Income Taxes			4,368,638
		Grants and Entitlements not Restricted to Specific Programs			175,511
		Sale of Capital Assets			15,773
		Interest			193,182
		Miscellaneous			5,076
		<b>Total General Receipts</b>			<b>5,240,372</b>
		Other Sources and Uses			(333,507)
		Transfers			190
		<b>Total General Receipts, Other Sources and Uses and Transfers</b>			<b>4,907,055</b>
		Change in Net Assets			126,996
		<i>Net Assets Beginning of Year</i>			6,928,872
		<i>Net Assets End of Year</i>			<b>\$7,055,868</b>

See accompanying notes to the basic financial statements.



**VILLAGE OF BROOKLYN HEIGHTS**  
**CUYAHOGA COUNTY**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	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	\$2,188,392	\$351,938	\$3,107,063	\$775,932	\$632,543	\$7,055,868
<i>Total Assets</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>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	\$8,743	\$0	\$0	\$0	\$0	\$8,743
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,179,649	0	0	0	0	2,179,649
Special Revenue Funds	0	351,938	0	0	175,789	527,727
Debt Service Fund	0	0	0	0	365,549	365,549
Capital Projects Funds	0	0	3,107,063	775,932	91,205	3,974,200
<i>Total Fund Balances</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>

See accompanying notes to the basic financial statements.

**VILLAGE OF BROOKLYN HEIGHTS**  
**CUYAHOGA COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	FEMA Fund	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$4,303,723	\$0	\$64,915	\$0	\$0	\$4,368,638
Property and Other Local Taxes	376,343	0	0	0	27,537	403,880
Special Assessments	0	0	5,515	0	72,797	78,312
Charges for Services	81,884	0	0	0	0	81,884
Fines, Licenses and Permits	144,192	0	0	0	6,600	150,792
Intergovernmental	223,697	720,095	20,925	0	387,692	1,352,409
Interest	157,530	0	0	22,486	13,166	193,182
Miscellaneous	4,856	0	0	0	220	5,076
<i>Total Receipts</i>	<u>5,292,225</u>	<u>720,095</u>	<u>91,355</u>	<u>22,486</u>	<u>508,012</u>	<u>6,634,173</u>
<b>Disbursements</b>						
Current:						
General Government	1,213,532	55,568	0	0	1,596	1,270,696
Security of Persons and Property	2,626,542	0	0	0	44,746	2,671,288
Public Health Services	210,115	1,977	0	0	0	212,092
Leisure Time Activities	207,965	0	0	0	0	207,965
Economic Development	108,887	0	0	0	0	108,887
Basic Utility Services	73,529	0	0	0	0	73,529
Transportation	544,151	237	0	0	120,464	664,852
Capital Outlay	0	277,049	321,195	0	298,032	896,276
Debt Service:						
Principal Retirement	0	0	0	0	54,988	54,988
Interest and Fiscal Charges	0	0	0	0	29,060	29,060
<i>Total Disbursements</i>	<u>4,984,721</u>	<u>334,831</u>	<u>321,195</u>	<u>0</u>	<u>548,886</u>	<u>6,189,633</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>307,504</u>	<u>385,264</u>	<u>(229,840)</u>	<u>22,486</u>	<u>(40,874)</u>	<u>444,540</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	15,773	0	0	0	0	15,773
Transfers In	190	3,292	0	0	79,067	82,549
Transfers Out	(3,292)	0	(79,067)	0	0	(82,359)
Advances In	0	0	347,000	0	245,000	592,000
Advances Out	0	(50,000)	(245,000)	0	(297,000)	(592,000)
Other Financing Sources	20,410	0	0	0	524	20,934
Other Financing Uses	(299,543)	0	(47,462)	0	(7,436)	(354,441)
<i>Total Other Financing Sources (Uses)</i>	<u>(266,462)</u>	<u>(46,708)</u>	<u>(24,529)</u>	<u>0</u>	<u>20,155</u>	<u>(317,544)</u>
<i>Net Change in Fund Balances</i>	41,042	338,556	(254,369)	22,486	(20,719)	126,996
<i>Fund Balances Beginning of Year</i>	<u>2,147,350</u>	<u>13,382</u>	<u>3,361,432</u>	<u>753,446</u>	<u>653,262</u>	<u>6,928,872</u>
<i>Fund Balances End 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>

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, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Municipal Income Taxes	\$4,081,000	\$4,303,723	\$4,303,723	\$0
Property and Other Local Taxes	389,360	376,343	376,343	0
Charges for Services	61,940	81,884	81,884	0
Fines, Licenses and Permits	137,700	144,192	144,192	0
Intergovernmental	167,740	223,697	223,697	0
Interest	80,000	157,530	157,530	0
Miscellaneous	20,300	4,856	4,856	0
<i>Total receipts</i>	<u>4,938,040</u>	<u>5,292,225</u>	<u>5,292,225</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
General Government	1,430,126	1,396,426	1,213,532	182,894
Security of Persons and Property	2,914,369	2,914,369	2,627,296	287,073
Public Health Services	242,250	242,250	210,115	32,135
Leisure Time Activities	275,444	275,444	207,965	67,479
Economic Development	131,114	131,114	109,187	21,927
Basic Utility Services	77,500	77,500	73,529	3,971
Transportation	690,050	690,050	551,840	138,210
<i>Total Disbursements</i>	<u>5,760,853</u>	<u>5,727,153</u>	<u>4,993,464</u>	<u>733,689</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(822,813)</u>	<u>(434,928)</u>	<u>298,761</u>	<u>733,689</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	15,773	15,773	0
Transfers In	0	190	190	0
Transfers Out	0	(4,000)	(3,292)	708
Other Financing Sources	10,500	20,410	20,410	0
Other Financing Uses	(344,900)	(374,600)	(299,543)	75,057
<i>Total Other Financing Sources (Uses)</i>	<u>(334,400)</u>	<u>(342,227)</u>	<u>(266,462)</u>	<u>75,765</u>
<i>Net Change in Fund Balance</i>	<u>(1,157,213)</u>	<u>(777,155)</u>	<u>32,299</u>	<u>809,454</u>
<i>Fund Balance Beginning of Year</i>	<u>2,145,547</u>	<u>2,145,547</u>	<u>2,145,547</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>1,803</u>	<u>1,803</u>	<u>1,803</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$990,137</u></u>	<u><u>\$1,370,195</u></u>	<u><u>\$2,179,649</u></u>	<u><u>\$809,454</u></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, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$25,150	\$720,095	\$720,095	\$0
<i>Total receipts</i>	<u>25,150</u>	<u>720,095</u>	<u>720,095</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
General Government	25,000	56,000	55,568	432
Public Health Services	0	2,000	1,977	23
Transportation	0	250	237	13
Capital Outlay	0	277,700	277,049	651
<i>Total Disbursements</i>	<u>25,000</u>	<u>335,950</u>	<u>334,831</u>	<u>1,119</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>150</u>	<u>384,145</u>	<u>385,264</u>	<u>1,119</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	3,292	3,292	0
Advances Out	0	(50,000)	(50,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(46,708)</u>	<u>(46,708)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	150	337,437	338,556	1,119
<i>Fund Balance Beginning of Year</i>	<u>13,382</u>	<u>13,382</u>	<u>13,382</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$13,532</u>	<u>\$350,819</u>	<u>\$351,938</u>	<u>\$1,119</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF BROOKLYN HEIGHTS**  
**CUYAHOGA COUNTY**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*December 31, 2005*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$80,309
<i>Total Assets</i>	<u>\$80,309</u>
<b>Net Assets</b>	
Held in Trust for Various Deposits	<u>\$80,309</u>

See accompanying notes to the basic financial statements.

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**VILLAGE OF BROOKLYN HEIGHTS**  
**CUYAHOGA COUNTY**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2004*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,928,872</u>
<i>Total Assets</i>	<u><u>\$6,928,872</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	4,240,035
Debt Service	355,616
Other Purposes	185,871
Unrestricted	<u>2,147,350</u>
<i>Total Net Assets</i>	<u><u>\$6,928,872</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**  
*Statement of Activities - Modified Cash Basis*  
For the Year Ended December 31, 2004

	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	\$1,222,896	\$113,194	\$3,000	\$0	(\$1,106,702)
Security of Persons and Property	2,664,005	32,970	17,358	3,460	(2,610,217)
Public Health Services	209,098	5,197	3,011	0	(200,890)
Leisure Time Activities	244,585	4,255	0	0	(240,330)
Economic Development	100,909	34,095	0	0	(66,814)
Basic Utility Services	67,323	0	3,510	0	(63,813)
Transportation	626,918	0	134,598	0	(492,320)
Capital Outlay	848,210	0	0	153,117	(695,093)
Debt Service:					
Principal	144,987	0	0	6,767	(138,220)
Interest and Fiscal Charges	40,219	0	0	4,066	(36,153)
<b>Total Governmental Activities</b>	<b>\$6,169,150</b>	<b>\$189,711</b>	<b>\$161,477</b>	<b>\$167,410</b>	<b>(\$5,650,552)</b>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
		General Purposes			389,536
		Debt Service			181,508
		Police			28,503
		Municipal Income Taxes			4,108,082
		Grants and Entitlements not Restricted to Specific Programs			195,044
		Interest			84,657
		Miscellaneous			4,717
		<b>Total General Receipts</b>			<b>4,992,047</b>
		Other Sources and Uses			(337,715)
		Transfers			150
		<b>Total General Receipts, Other Sources and Uses and Transfers</b>			<b>4,654,482</b>
		Change in Net Assets			(996,070)
		<i>Net Assets Beginning of Year</i>			<u>7,924,942</u>
		<i>Net Assets End of Year</i>			<u><u>\$6,928,872</u></u>

See accompanying notes to the basic financial statements.



**VILLAGE OF BROOKLYN HEIGHTS**  
**CUYAHOGA COUNTY**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2004*

	General	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,147,350	\$3,361,432	\$753,446	\$666,644	\$6,928,872
<i>Total Assets</i>	<u>\$2,147,350</u>	<u>\$3,361,432</u>	<u>\$753,446</u>	<u>\$666,644</u>	<u>\$6,928,872</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$1,803	\$139,680	\$0	\$25,855	\$167,338
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	2,145,547	0	0	0	2,145,547
Special Revenue Funds	0	0	0	185,871	185,871
Debt Service Fund	0	0	0	355,616	355,616
Capital Projects Funds	0	3,221,752	753,446	99,302	4,074,500
<i>Total Fund Balances</i>	<u>\$2,147,350</u>	<u>\$3,361,432</u>	<u>\$753,446</u>	<u>\$666,644</u>	<u>\$6,928,872</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2004*

	General	Capital Improvement Fund	Waterline/ Sewerline Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Municipal Income Taxes	\$3,510,149	\$597,933	\$0	\$0	\$4,108,082
Property and Other Local Taxes	389,536	0	0	28,503	418,039
Special Assessments	0	5,559	0	175,949	181,508
Charges for Services	55,192	0	0	0	55,192
Fines, Licenses and Permits	137,287	0	0	4,460	141,747
Intergovernmental	205,728	50,242	0	260,733	516,703
Interest	71,343	0	8,520	4,794	84,657
Miscellaneous	4,513	0	0	204	4,717
<i>Total Receipts</i>	<u>4,373,748</u>	<u>653,734</u>	<u>8,520</u>	<u>474,643</u>	<u>5,510,645</u>
<b>Disbursements</b>					
Current:					
General Government	1,185,493	0	0	37,403	1,222,896
Security of Persons and Property	2,626,086	0	0	37,919	2,664,005
Public Health Services	206,210	0	0	2,888	209,098
Leisure Time Activities	244,585	0	0	0	244,585
Economic Development	100,909	0	0	0	100,909
Basic Utility Services	62,823	0	0	4,500	67,323
Transportation	557,236	0	0	69,682	626,918
Capital Outlay	0	424,668	29,666	393,876	848,210
Debt Service:					
Principal Retirement	0	0	0	144,987	144,987
Interest and Fiscal Charges	0	0	0	40,219	40,219
<i>Total Disbursements</i>	<u>4,983,342</u>	<u>424,668</u>	<u>29,666</u>	<u>731,474</u>	<u>6,169,150</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(609,594)</u>	<u>229,066</u>	<u>(21,146)</u>	<u>(256,831)</u>	<u>(658,505)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	150	0	0	2,189	2,339
Transfers Out	(2,189)	0	0	0	(2,189)
Advances In	8,055	0	0	355,055	363,110
Advances Out	(8,055)	(347,000)	0	(8,055)	(363,110)
Other Financing Sources	15,506	0	0	292	15,798
Other Financing Uses	(297,658)	(48,799)	0	(7,056)	(353,513)
<i>Total Other Financing Sources (Uses)</i>	<u>(284,191)</u>	<u>(395,799)</u>	<u>0</u>	<u>342,425</u>	<u>(337,565)</u>
<i>Net Change in Fund Balances</i>	<u>(893,785)</u>	<u>(166,733)</u>	<u>(21,146)</u>	<u>85,594</u>	<u>(996,070)</u>
<i>Fund Balances Beginning of Year</i>	<u>3,041,135</u>	<u>3,528,165</u>	<u>774,592</u>	<u>581,050</u>	<u>7,924,942</u>
<i>Fund Balances End of Year</i>	<u>\$2,147,350</u>	<u>\$3,361,432</u>	<u>\$753,446</u>	<u>\$666,644</u>	<u>\$6,928,872</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, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Municipal Income Taxes	\$3,290,000	\$3,510,149	\$3,510,149	\$0
Property and Other Local Taxes	379,495	389,536	389,536	0
Special Assessments	0	0	0	0
Charges for Services	26,000	55,192	55,192	0
Fines, Licenses and Permits	128,000	137,287	137,287	0
Intergovernmental	170,736	205,728	205,728	0
Interest	100,000	71,343	71,343	0
Miscellaneous	1,800	4,513	4,513	0
<i>Total receipts</i>	<u>4,096,031</u>	<u>4,373,748</u>	<u>4,373,748</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
General Government	1,367,920	1,276,905	1,185,690	91,215
Security of Persons and Property	2,783,085	2,783,085	2,627,647	155,438
Public Health Services	200,755	204,740	206,210	(1,470)
Leisure Time Activities	242,100	276,200	244,585	31,615
Economic Development	128,055	128,055	100,909	27,146
Basic Utility Services	71,000	71,000	62,823	8,177
Transportation	636,835	636,835	557,281	79,554
<i>Total Disbursements</i>	<u>5,429,750</u>	<u>5,376,820</u>	<u>4,985,145</u>	<u>391,675</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,333,719)</u>	<u>(1,003,072)</u>	<u>(611,397)</u>	<u>391,675</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	150	150	0
Transfers Out	0	(5,400)	(2,189)	3,211
Advances In	0	8,055	8,055	0
Advances Out	0	(49,800)	(8,055)	41,745
Other Financing Sources	4,000	15,506	15,506	0
Other Financing Uses	(308,000)	(305,730)	(297,658)	8,072
<i>Total Other Financing Sources (Uses)</i>	<u>(304,000)</u>	<u>(337,219)</u>	<u>(284,191)</u>	<u>53,028</u>
<i>Net Change in Fund Balance</i>	<u>(1,637,719)</u>	<u>(1,340,291)</u>	<u>(895,588)</u>	<u>444,703</u>
<i>Fund Balance Beginning of Year</i>	2,999,740	2,999,740	2,999,740	0
Prior Year Encumbrances Appropriated	41,395	41,395	41,395	0
<i>Fund Balance End of Year</i>	<u>\$1,403,416</u>	<u>\$1,700,844</u>	<u>\$2,145,547</u>	<u>\$444,703</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF BROOKLYN HEIGHTS**  
**CUYAHOGA COUNTY**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*December 31, 2004*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$81,159
<i>Total Assets</i>	<u>\$81,159</u>
<b>Net Assets</b>	
Held in Trust for Various Deposits	<u>\$81,159</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, 2005 and 2004**

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**NOTE 1 – REPORTING ENTITY**

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

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

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

**A. Primary Government**

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

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 15 to the basic financial statements.

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

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004  
(Continued)**

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

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified 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 modified 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 modified 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, 2005 and 2004  
(Continued)**

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

**B. Fund Accounting**

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

**Governmental Funds**

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

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

**FEMA Fund** - The Federal Emergency Management Agency provides public assistance funds to the Village to assist in providing emergency and permanent work projects (major fund for fiscal year 2005 only).

**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 deposits from various contractors, developers or individuals to insure compliance with various Village ordinances.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004  
(Continued)**

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

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified 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.



**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004  
(Continued)**

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

**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".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents."

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.

During 2005 and 2004, 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 2005 and 2004 were \$157,530 and \$71,343 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.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004  
(Continued)**

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

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 modified 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 modified 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.

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.

**NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004  
(Continued)**

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**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 modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified 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 (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$8,743 in the General Fund for fiscal year 2005 (\$1,803 for fiscal year 2004) and \$0 for the FEMA Fund.

**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.

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;

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004  
(Continued)**

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

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.

**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, 2005 and December 31, 2004, the Village had a book balance of \$7,136,177 and \$7,010,031, respectively. At December 31, 2005, \$6,988,729 (\$6,903,582 at December 31, 2004) of the Village's bank balance of \$7,288,729 (\$7,203,582 at December 31, 2004) 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.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004  
(Continued)**

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

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

As of December 31, 2005 and December 31, 2004, the Village had the following deposits:

	2005 Carrying Value	2004 Carrying Value
Demand Deposits	\$ 703,810	\$ 328,852
High Balance Savings	2,212,367	2,146,179
Certificates of Deposit	4,220,000	4,535,000
Total Portfolio	<u>\$ 7,136,177</u>	<u>\$ 7,010,031</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 2004 were distributed at 85% to the General Fund and 15% to the Capital Improvement Fund. Effective February 1, 2005, the Village distributes 100% of the income tax proceeds into the General Fund.

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

**NOTE 7 – PROPERTY TAXES**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004  
(Continued)**

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

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**NOTE 8 – RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Employee Health Insurance**

The Village provides health, dental and vision insurance to full-time employees through a private carrier.

**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, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004  
(Continued)**

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

For the year ended December 31, 2005 and 2004, the Village's OPERS members contributed 2.125% of their gross wages while the Village picked up the remaining employees' portion of 6.375%. The Village also contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005. 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, 2005, 2004 and 2003 were \$253,371, \$276,725 and \$237,623 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, 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, 2005, 2004 and 2003 were \$304,655, \$299,030 and \$284,354. The Village has paid all contributions required through December 31, 2005, 2004 and 2003.

**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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

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, 2004, include a rate of return on investments of 8.00 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 4.00 percent annually.

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004  
(Continued)**

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

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.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$14,047. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

In December 2001, the board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2004, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**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.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. 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.



**VILLAGE OF BROOKLYN HEIGHTS  
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**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004  
(Continued)**

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

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004. 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 2005 that were used to fund postemployment benefits were \$73,410 for police. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

**NOTE 11 – DEBT**

The Village's long-term debt outstanding (principal) for the years ended December 31, 2005 and December 31, 2004, was as follows:

	2005	2004	Interest Rate
Ohio Public Works Commission Loan	\$84,896	\$94,884	0.00%
Special Assessment Bonds:			
West Resource Drive	490,000	535,000	3-12%
Total	\$574,896	\$629,884	

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.

The Special Assessment Bonds were issued for street and resource drive improvements and will be repaid from the Village's West Resource Drive Debt Service Fund. During fiscal year 2004, the Village made a \$90,000 principal payment to retire the Valley Business Park Special Assessment Bonds.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC Loan	Special Assessment Bonds
2006	\$9,988	\$76,742
2007	9,988	79,118
2008	9,988	76,175
2009	9,988	78,150
2010	9,988	74,850
2011-2014	34,956	233,650
Total	\$84,896	\$618,685

**VILLAGE OF BROOKLYN HEIGHTS  
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**Notes to the Basic Financial Statements  
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(Continued)**

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**NOTE 12 – INTERFUND TRANSFERS**

During 2005 and 2004 the following transfers were made:

	<u>2005</u>	<u>2004</u>
Transfers from the General Fund to:		
FEMA Fund	\$3,292	\$2,189
Transfers from the Capital Improvement Fund to:		
Tuxedo Ave. Reconstruction Fund	\$79,067	

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the Capital Improvement Fund was for the Village's share of the Tuxedo Avenue reconstruction project.

A transfer from the Guarantee Deposit Fund (an Agency Fund) was made to the General Fund in 2005 and 2004 in the amount of \$190 and \$150, respectively, for forfeited deposits relating to the rental of the Village's Community Center.

**NOTE 13 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

Floodwaters from the severe storms of May 2004 caused West Creek to overflow its banks causing extensive damage to the Lancaster Drive Culvert. The Village decided to replace the damaged culvert with an open-span bridge because it will help restore the creek to a more natural state. The bridge will also assist in long-term mitigation to reduce potential damages from future flooding events. FEMA will provide \$1,156,565 in federal funds and OEMA will provide matching funds of \$192,761. In addition, the Ohio Public Works Commission has approved grants of \$409,323 and loans of \$48,503. The current estimated construction cost to build the Lancaster Bridge is \$2.7 Million.

**NOTE 14 – 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 15 – 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 over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

**VILLAGE OF BROOKLYN HEIGHTS  
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**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004  
(Continued)**

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**NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village did not contribute to NOPEC during fiscal years 2005 or 2004. 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 2005 or 2004.

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

**C. Parma Community General Hospital Associations**

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

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

The Village has made no contributions to the hospital during fiscal years 2005 or 2004.

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**Auditor of State  
Betty Montgomery**

**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, 2005 and December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 21, 2006 wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated July 21, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated July 21, 2006, we reported an other matter related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 21, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF BROOKLYN HEIGHTS  
CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 5, 2006**