



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF BROOKLYN HEIGHTS
 CUYAHOGA COUNTY
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 DECEMBER 31, 2021 AND 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn Heights, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2021 and 2020, and the respective changes in cash-basis financial position and the budgetary comparisons for the General Fund thereof for the years then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

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

Emphasis of Matter

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

As discussed in Note 15 to the financial statements for the year ended December 31, 2020, the Village restated the beginning balance of the General and Other Governmental Funds as of January 1, 2020 due to the reclassification of fund balances from special revenue to general.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 31, 2023

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Village of Brooklyn Heights
Cuyahoga County
Statement of Net Position - Cash Basis
December 31, 2021

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in pooled cash and cash equivalents | \$ 4,678,160 |
| Total assets | <u>4,678,160</u> |
| Net Position | |
| Restricted for: | |
| Guaranteed deposits | 149,109 |
| Other purposes | 698,867 |
| Unrestricted | <u>3,830,184</u> |
| Total net position | <u>\$ 4,678,160</u> |

See accompanying notes to the financial statements.

Village of Brooklyn Heights
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2021

| | Program Cash Receipts | | | | Net (Disbursements) Receipts and Changes in Net Position |
|--|-----------------------|--------------------------------------|---|--|--|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Current: | | | | | |
| General government | \$ 1,543,773 | \$ 34,042 | \$ - | \$ - | \$ (1,509,731) |
| Security of persons and property | 3,808,349 | 170,789 | 168,661 | - | (3,468,899) |
| Public health services | 8,409 | - | - | - | (8,409) |
| Leisure time activities | 79,075 | 2,810 | - | - | (76,265) |
| Community environment | 440,704 | 85,280 | - | - | (355,424) |
| Basic utility services | 120,500 | - | - | - | (120,500) |
| Transportation | 1,009,439 | - | 213,760 | - | (795,679) |
| Capital outlay | 211,900 | - | - | 53,324 | (158,576) |
| Debt service: | | | | | |
| Principal retirement | 159,562 | - | - | - | (159,562) |
| Interest and fiscal charges | 28,403 | - | - | - | (28,403) |
| Total governmental activities | \$ 7,410,114 | \$ 292,921 | \$ 382,421 | \$ 53,324 | (6,681,448) |
| General Receipts | | | | | |
| Municipal income taxes levied for: | | | | | |
| General purposes | | | | | 7,372,701 |
| Property taxes levied for: | | | | | |
| General purposes | | | | | 368,431 |
| Security of persons and property | | | | | 26,906 |
| Grants and entitlements not restricted to specific programs | | | | | |
| | | | | | 137,294 |
| Cable franchise fees | | | | | 7,863 |
| Sale of capital assets | | | | | 13,335 |
| Miscellaneous | | | | | 160,329 |
| Total general receipts | | | | | 8,086,859 |
| Change in net position | | | | | 1,405,411 |
| Net position beginning of year | | | | | 3,272,749 |
| Net position end of year | | | | | \$ 4,678,160 |

See accompanying notes to the financial statements.

Village of Brooklyn Heights
Cuyahoga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2021

| | <u>General</u> | <u>Capital Improvement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--------------------------------|---|---|
| Assets | | | | |
| Equity in pooled cash and cash equivalents | \$ 2,574,625 | \$ 1,112,713 | \$ 990,822 | \$ 4,678,160 |
| Total assets | <u>2,574,625</u> | <u>\$ 1,112,713</u> | <u>990,822</u> | <u>4,678,160</u> |
| Fund Balances | | | | |
| Nonspendable | 5,364 | - | - | 5,364 |
| Restricted | - | - | 847,976 | 847,976 |
| Committed | 627,226 | - | 142,846 | 770,072 |
| Assigned | - | 1,112,713 | - | 1,112,713 |
| Unassigned | <u>1,942,035</u> | <u>-</u> | <u>-</u> | <u>1,942,035</u> |
| Total fund balances | <u>\$ 2,574,625</u> | <u>\$ 1,112,713</u> | <u>\$ 990,822</u> | <u>\$ 4,678,160</u> |

See accompanying notes to the financial statements.

Village of Brooklyn Heights
Cuyahoga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

| | General | Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Municipal income taxes | \$ 7,372,701 | \$ - | \$ - | \$ 7,372,701 |
| Property and other local taxes | 368,431 | - | 26,905 | 395,336 |
| Charges for services | 92,261 | - | - | 92,261 |
| Fines, licenses and permits | 188,107 | - | 9,678 | 197,785 |
| Intergovernmental | 58,888 | 17,879 | 460,827 | 537,594 |
| Cable franchise fees | 7,863 | - | - | 7,863 |
| Miscellaneous | 155,008 | 37,253 | 6,389 | 198,650 |
| Total receipts | 8,243,259 | 55,132 | 503,799 | 8,802,190 |
| Disbursements | | | | |
| Current: | | | | |
| General government | 1,540,698 | - | - | 1,540,698 |
| Security of persons and property | 3,645,411 | - | 162,938 | 3,808,349 |
| Public health services | 8,409 | - | - | 8,409 |
| Leisure time activities | 79,075 | - | - | 79,075 |
| Community environment | 439,854 | - | 850 | 440,704 |
| Basic utility services | 120,500 | - | - | 120,500 |
| Transportation | 877,745 | - | 131,694 | 1,009,439 |
| Capital outlay | - | 211,900 | - | 211,900 |
| Debt service: | | | | |
| Principal retirement | - | 149,552 | 10,010 | 159,562 |
| Interest and fiscal charges | - | 28,403 | - | 28,403 |
| Total disbursements | 6,711,692 | 389,855 | 305,492 | 7,407,039 |
| Excess of receipts over (under) disbursements | 1,531,567 | (334,723) | 198,307 | 1,395,151 |
| Other financing sources (uses) | | | | |
| Sale of capital assets | - | 13,335 | - | 13,335 |
| Transfers in | - | 927,231 | - | 927,231 |
| Transfers out | (927,231) | - | - | (927,231) |
| Other financing uses | - | - | (3,075) | (3,075) |
| Total other financing sources (uses) | (927,231) | 940,566 | (3,075) | 10,260 |
| Net change in fund balance | 604,336 | 605,843 | 195,232 | 1,405,411 |
| Fund balances beginning of year | 1,970,289 | 506,870 | 795,590 | 3,272,749 |
| Fund balances end of year | <u>\$ 2,574,625</u> | <u>\$ 1,112,713</u> | <u>\$ 990,822</u> | <u>\$ 4,678,160</u> |

See accompanying notes to the 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, 2021

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts | | | | |
| Municipal income taxes | \$ 6,424,326 | \$ 7,381,319 | \$ 7,372,701 | \$ (8,618) |
| Property and other local taxes | 321,038 | 368,862 | 368,431 | (431) |
| Charges for services | 80,393 | 92,369 | 92,261 | (108) |
| Fines, licenses and permits | 163,910 | 188,327 | 188,107 | (220) |
| Intergovernmental | 411,313 | 418,957 | 58,888 | (360,069) |
| Cable franchise fees | 6,852 | 7,872 | 7,863 | (9) |
| Miscellaneous | 135,069 | 155,189 | 155,008 | (181) |
| Total receipts | <u>7,542,901</u> | <u>8,612,895</u> | <u>8,243,259</u> | <u>(369,636)</u> |
| Disbursements | | | | |
| Current: | | | | |
| General government | 1,661,755 | 1,802,006 | 1,540,698 | 261,308 |
| Security of persons and property | 3,931,842 | 4,263,685 | 3,645,411 | 618,274 |
| Public health services | 9,070 | 9,835 | 8,409 | 1,426 |
| Leisure time activities | 85,288 | 92,486 | 79,075 | 13,411 |
| Community environment | 474,415 | 514,455 | 439,854 | 74,601 |
| Basic utility services | 129,968 | 140,937 | 120,500 | 20,437 |
| Transportation | 946,712 | 1,026,614 | 877,745 | 148,869 |
| Total disbursements | <u>7,239,050</u> | <u>7,850,018</u> | <u>6,711,692</u> | <u>1,138,326</u> |
| Excess of receipts over (under) disbursements | <u>303,851</u> | <u>762,877</u> | <u>1,531,567</u> | <u>768,690</u> |
| Other financing sources (uses) | | | | |
| Transfers out | <u>(927,231)</u> | <u>(927,231)</u> | <u>(927,231)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(927,231)</u> | <u>(927,231)</u> | <u>(927,231)</u> | <u>-</u> |
| Net change in fund balance | (623,380) | (164,354) | 604,336 | 768,690 |
| Fund balance at beginning of year | <u>1,970,289</u> | <u>1,970,289</u> | <u>1,970,289</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 1,346,909</u> | <u>\$ 1,805,935</u> | <u>\$ 2,574,625</u> | <u>\$ 768,690</u> |

See accompanying notes to the financial statements.

No assurance is provided on these financial statements.

Village of Brooklyn Heights
Cuyahoga County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2021

| | Custodial |
|--|------------------|
| | Mayor's Court |
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | |
| Investments | \$8,216 |
| <i>Total Assets</i> | \$8,216 |
| Net Position | |
| Restricted for Individuals, Organizations and Other Governments | 8,216 |
| <i>Total Net Position</i> | \$8,216 |

See accompanying notes to the financial statements.

Village of Brooklyn Heights
Cuyahoga County
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2021

| | Custodial |
|--|------------------|
| | Mayor's Court |
| Additions | |
| Fines, Licenses and Permits for Distribution | \$169,843 |
| <i>Total Additions</i> | 169,843 |
| Deductions | |
| Distributions to Other Governments | 165,018 |
| <i>Total Deductions</i> | 165,018 |
| <i>Change in Net Position</i> | 4,825 |
| <i>Net Position Beginning of Year</i> | 3,391 |
| <i>Net Position End of Year</i> | \$8,216 |

See accompanying notes to the financial statements.

Village of Brooklyn Heights
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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, with the exception of the Clerk/Treasurer, and executes all contracts, conveyances, and evidences of indebtedness of the Village.

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

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

Primary Government

The primary government of the Village consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government provides the following services to its citizens: a mayor's court, police and fire protection, emergency medical, recreation, senior, planning, zoning, street maintenance and repair, refuse collection, cycling and general administrative services.

Jointly Governed Organizations

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

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Village of Brooklyn Heights
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

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

Village of Brooklyn Heights
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Improvement Fund The capital improvements fund accounts for and reports that portion of municipal income tax committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village.

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

Village of Brooklyn Heights
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Investments

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

Investments 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.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. No interest receipts were credited to the General Fund during 2021.

Restricted Assets

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

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

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

Accumulated Leave

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

Village of Brooklyn Heights
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Employer Contributions to Cost-Sharing Pension Plans

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

Long-Term Obligations

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

Net Position

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

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

Fund Balance

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

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

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

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

Village of Brooklyn Heights
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

Internal Activity

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

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

Village of Brooklyn Heights
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). There were no encumbrances outstanding at year-end.

Note 4 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Village of Brooklyn Heights
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 4 – Deposits and Investments (continued)

5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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

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 year end, \$2,236,853 of the Village's bank balance of \$4,723,706 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The Village's financial institution was approved for a reduced collateral rate of 50% through the Ohio Pooled Collateral System.

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 the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Village of Brooklyn Heights
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 5 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2021 for real and public utility property taxes represents collections of 2020 taxes.

2021 real property taxes are levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes which became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2021, was \$4.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2021 property tax receipts were based are as follows:

| | |
|-------------------------|-----------------------|
| | <u>2021</u> |
| Real Property | \$ 97,112,180 |
| Public Utility Tangible | <u>4,794,410</u> |
| Total | <u>\$ 101,906,590</u> |

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

Income Taxes

The Village levies a 2.5% income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 2.5% must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village tax collection agency, the Regional Income Tax Agency, monthly, and file an annual declaration.

In 2021, 100% of income tax receipts were allocated to the general fund.

Village of Brooklyn Heights
 Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 5 –Taxes (continued)

Tax Abatements

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

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

The Village has a tax abatement agreement with VNA. The amount of taxes abated during 2021 was \$175,604.

Note 6 –Transfers

During 2021, the following transfers were made:

| <u>Transfer to</u> | <u>Transfers From</u> |
|---------------------|-----------------------|
| | <u>General</u> |
| Capital Improvement | <u>927,231</u> |
| Total | <u>\$ 927,231</u> |

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

Village of Brooklyn Heights
 Cuyahoga County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2021

Note 7 – Risk Management

Commercial Insurance

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

| Company | Type of Coverage | Amount of Coverage |
|-----------------------------|---------------------|--------------------|
| Selective Insurance Company | Commercial Property | \$ 14,162,258 |
| | General Liability | 2,000,000 |
| | Aggregate Umbrella | 10,000,000 |
| | Vehicle | 1,000,000 |
| | Employee Benefits | 1,000,000 |
| | Public Officials | 1,000,000 |
| | Law Enforcement | 1,000,000 |
| | Commercial Crime | 500,000 |
| | Cyber Liability | 1,000,000 |
| | Herb Pesticide | 300,000 |

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

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

The Village's employee health care is provided by Medical Mutual. The Village pays a monthly premium for single, married and family coverage, along with additional HRA charges. Employees contributed 13% of premium costs in 2021, as well as a portion of the HRA costs.

Note 8 – Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

Village of Brooklyn Heights
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans (continued)

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

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

| Group A | Group B | Group C |
|--|--|--|
| Eligible to retire prior to January 7, 2013, or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: | Age and Service Requirements: | Age and Service Requirements: |
| Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Traditional Plan Formula: | Traditional Plan Formula: | Traditional Plan Formula: |
| 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Combined Plan Formula: | Combined Plan Formula: | Combined Plan Formula: |
| 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 |

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

Village of Brooklyn Heights
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans (continued)

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Village of Brooklyn Heights
 Cuyahoga County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans (continued)

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

| | State and Local |
|--|--------------------|
| 2021 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee *** | 10.0 % |
| 2021 Actual Contribution Rates | |
| Employer: | |
| Pension | 14.0 % |
| Post-employment Health Care Benefits **** | 0.0 |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

*** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

**** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village’s contractually required contribution was \$202,165 for the year 2021.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - Village full-time police and firefighters participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

Village of Brooklyn Heights
 Cuyahoga County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans (continued)

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

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

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percentage increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3 percent of their base pension or disability benefit.

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

| | Police | Firefighters |
|--|--------|--------------|
| 2021 Statutory Maximum Contribution Rates | | |
| Employer | 19.50% | 24.00% |
| Employee: | 12.25% | 12.25% |
| 2021 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00% | 23.50% |
| Post-employment Health Care Benefits | 0.50% | 0.50% |
| Total Employer | 19.50% | 24.00% |
| Employee: | 12.25% | 12.25% |

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OP&F was \$243,965 for 2021.

Village of Brooklyn Heights
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS ACFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, State and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2021 was 4.0 percent.

Village of Brooklyn Heights
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 9 - Postemployment Benefits (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$0 for 2021.

Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Village of Brooklyn Heights
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 9 - Postemployment Benefits (continued)

The Village's contractually required contribution to OP&F was \$0 for 2021.

Note 10 – Debt

The Village's long-term debt activity for the year ended December 31, 2021 was as follows:

| Governmental Activities | Interest Rate | Balance December 31, 2020 | Additions | Reductions | Balance December 31, 2021 | Due Within One Year |
|------------------------------------|---------------|---------------------------------|------------------|---------------------|---------------------------------|------------------------|
| OPWC Loans: | | | | | | |
| 2009 OPWC Lancaster Bridge | 0.00% | \$ 7,223 | \$ - | \$ (802) | \$ 6,421 | \$ 802 |
| 2009 OPWC Schaff Rd. Recon. | 0.00% | 45,355 | - | (4,536) | 40,819 | 4,536 |
| 2011 OPWC Lancaster Rd. Recon. | 0.00% | 102,794 | - | (4,672) | 98,122 | 4,672 |
| 2017 OPWC Dorset Lancaster Rd. | 0.00% | 239,129 | - | (13,664) | 225,465 | 13,664 |
| <i>Total OPWC Loans</i> | | 394,501 | - | (23,674) | 370,827 | 23,674 |
| 2017 First Internet Bank/Honeywell | 2.95% | 567,133 | - | (40,026) | 527,107 | 56,463 |
| 2020 Police Dept. 2 Chevy Tahoes | 4.96% | 61,389 | - | (23,653) | 37,736 | 26,260 |
| 2021 Police 3 Tahoes and 1 F-250 | 3.49% | - | 235,728 | (56,178) | 179,550 | 83,323 |
| 2021 Ambulance | 2.50% | - | 243,606 | (16,031) | 227,575 | 38,151 |
| Total Loans | | \$ 1,023,023 | \$479,334 | \$ (159,562) | \$ 1,342,795 | \$ 227,871 |

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

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

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

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

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

Village of Brooklyn Heights
 Cuyahoga County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2021

Note 10 – Debt (Continued)

The 2020 Police Department Chevy Tahoe Lease relates to the purchase of two 2020 Chevrolet Tahoe vehicles and equipment to be used by the Village Police Department. The total amount financed was \$72,596 and it is scheduled to be repaid at an interest rate of 4.96% over 3 years in accordance with the Village’s amortization schedule on file.

The 2021 Police Department Chevy Tahoe and F-150 Lease relates to the purchase of 3 Chevrolet Tahoe vehicles, 1 Ford F-150, and equipment to be used by the Village Police Department. The total amount financed was \$235,728 and it is scheduled to be repaid at an interest rate of 3.49% over 3 years in accordance with the Village’s amortization schedule on file.

The 2021 Ambulance Lease relates to the purchase of a ambulance to be used by the Village. The total amount financed was \$243,606 and it is scheduled to be repaid at an interest rate of 2.5% over 7 years in accordance with the Village’s amortization schedule on file.

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

| Year | OPWC | | Honeywell | | 2020 Police (2 Chevy Tahoes) | | 2021 Police (3-Chevy Tahoes & 1-F-150) | | 2021 Ambulance | |
|-----------|------------------|-----------|------------------|-----------------|------------------------------|----------------|--|----------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ 23,675 | \$ 15,248 | \$ 41,215 | \$ 15,248 | \$24,847 | \$ 1,413 | \$ 78,068 | \$5,255 | \$ 32,665 | \$ 5,487 |
| 2023 | 23,675 | 14,023 | 42,440 | 14,023 | 12,889 | 240 | 80,830 | 2,493 | 33,486 | 4,664 |
| 2024 | 23,675 | 12,762 | 43,701 | 12,762 | - | - | 20,652 | 180 | 34,329 | 3,822 |
| 2025 | 23,675 | 11,463 | 45,000 | 11,463 | - | - | - | - | 35,192 | 2,959 |
| 2026 | 23,675 | 10,126 | 46,337 | 10,126 | - | - | - | - | 36,078 | 2,074 |
| 2027-2031 | 112,234 | 29,138 | 253,177 | 29,138 | - | - | - | - | 55,825 | 1,401 |
| 2032-2036 | 91,684 | 1,225 | 55,237 | 1,225 | - | - | - | - | - | - |
| 2037-2041 | 43,859 | - | - | - | - | - | - | - | - | - |
| 2042-2046 | 4,675 | - | - | - | - | - | - | - | - | - |
| | <u>\$370,827</u> | | <u>\$527,107</u> | <u>\$93,985</u> | <u>\$37,736</u> | <u>\$1,653</u> | <u>\$179,550</u> | <u>\$7,928</u> | <u>\$227,575</u> | <u>\$20,407</u> |

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2021, were an overall debt margin of \$10,700,192 and an unvoted debt margin of \$5,604,862.

Village of Brooklyn Heights
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 11 – Fund Balances

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

| <u>2021 Fund Balances</u> | <u>General Fund</u> | <u>Capital Improvement Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|-----------------------------------|---------------------|---|---|---------------------|
| Nonspendable | | | | |
| Unclaimed Funds | \$ 5,364 | \$ - | \$ - | \$ 5,364 |
| <i>Total Nonspendable</i> | 5,364 | - | - | 5,364 |
| Restricted for | | | | |
| Road Improvements | - | - | 317,172 | 317,172 |
| Police Operations | - | - | 136,681 | 136,681 |
| Court Technology | - | - | 6,884 | 6,884 |
| Debt Service | - | - | 159,519 | 159,519 |
| Other | - | - | 227,720 | 227,720 |
| <i>Total Restricted</i> | - | - | 847,976 | 847,976 |
| Committed to | | | | |
| Capital Improvement | - | - | 142,846 | 142,846 |
| Economic Development | 565,756 | - | - | 565,756 |
| Other Purposes | 61,470 | - | - | 61,470 |
| <i>Total Committed</i> | 627,226 | - | 142,846 | 770,072 |
| Assigned to | | | | |
| Capital Improvement | - | 1,112,713 | - | 1,112,713 |
| <i>Total Assigned</i> | - | 1,112,713 | - | 1,112,713 |
| Unassigned (deficits) | 1,942,035 | - | - | 1,942,035 |
| <i>Total Fund Balances</i> | \$ 2,574,625 | \$ 1,112,713 | \$ 990,822 | \$ 4,678,160 |

Note 12 –Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, they believe the resolution of any matter will not materially adversely affect the Village’s financial condition.

Village of Brooklyn Heights
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 13 – Jointly Governed Organizations

Northeast Ohio Public Energy Council

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village did not contribute to NOPEC during 2021. Financial information can be obtained by contacting, NOPEC, 1615 Clarke Avenue, Cleveland, Ohio 44109.

Southwest Council of Governments

The Southwest Council of Governments helps foster cooperation between municipalities in areas effecting health, safety, welfare, education, economic conditions and regional development. The board is comprised of one member from each of the sixteen participating entities. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the board. Each municipality degree of control is limited to its representation on the board. The Village contributed \$22,500 in 2021 to the Southwest Council of Governments.

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

University Hospitals Parma Medical Center

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

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

The Village contributed \$1,671 to the hospital during fiscal year 2021.

Village of Brooklyn Heights
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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Village of Brooklyn Heights
Cuyahoga County
Statement of Net Position - Cash Basis
December 31, 2020

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in pooled cash and cash equivalents | <u>\$ 3,272,749</u> |
| Total assets | <u>3,272,749</u> |
| Net Position | |
| Restricted for: | |
| Capital projects | 659,726 |
| Guaranteed deposits | 145,795 |
| Other purposes | 599,973 |
| Unrestricted | <u>1,867,255</u> |
| Total net position | <u><u>\$ 3,272,749</u></u> |

See accompanying notes to the financial statements.

Village of Brooklyn Heights
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2020

| | Program Cash Receipts | | | | Net (Disbursements) Receipts and Changes in Net Position |
|--|-----------------------|--------------------------------------|---|--|--|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Current: | | | | | |
| General government | \$ 1,620,601 | \$ 25,898 | \$ - | \$ - | \$ (1,594,703) |
| Security of persons and property | 3,638,832 | 128,154 | 400,652 | - | (3,110,026) |
| Public health services | 98,776 | - | 90,482 | - | (8,294) |
| Leisure time activities | 106,734 | 1,220 | - | - | (105,514) |
| Community environment | 416,651 | 88,420 | - | - | (328,231) |
| Basic utility services | 116,983 | - | - | - | (116,983) |
| Transportation | 922,816 | - | 205,226 | - | (717,590) |
| Capital outlay | 410,827 | - | - | 330,682 | (80,145) |
| Debt service: | | | | | |
| Principal retirement | 57,024 | - | - | - | (57,024) |
| Interest and fiscal charges | 19,407 | - | - | - | (19,407) |
| Total governmental activities | \$ 7,408,651 | \$ 243,692 | \$ 696,360 | \$ 330,682 | (6,137,917) |
| General Receipts | | | | | |
| Municipal income taxes levied for: | | | | | |
| General purposes | | | | | 6,550,818 |
| Property taxes levied for: | | | | | |
| General purposes | | | | | 331,692 |
| Security of persons and property | | | | | 24,268 |
| Grants and entitlements not restricted to specific programs | | | | | 47,145 |
| Cable franchise fees | | | | | 5,128 |
| Miscellaneous | | | | | 629,313 |
| Total general receipts | | | | | 7,588,364 |
| Change in net position | | | | | 1,450,447 |
| Net position beginning of year | | | | | 1,822,302 |
| Net position end of year | | | | | \$ 3,272,749 |

See accompanying notes to the financial statements.

Village of Brooklyn Heights
Cuyahoga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2020

| | <u>General</u> | <u>Capital Improvement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--------------------------------|---|---|
| Assets | | | | |
| Equity in pooled cash and cash equivalents | \$ 1,970,289 | \$ 506,870 | \$ 795,590 | \$ 3,272,749 |
| Total assets | <u>1,970,289</u> | <u>\$ 506,870</u> | <u>795,590</u> | <u>3,272,749</u> |
| Fund Balances | | | | |
| Restricted | 103,034 | 506,870 | 795,590 | 1,405,494 |
| Committed | 366,360 | - | - | 366,360 |
| Unassigned | <u>1,500,895</u> | <u>-</u> | <u>-</u> | <u>1,500,895</u> |
| Total fund balances | <u>\$ 1,970,289</u> | <u>\$ 506,870</u> | <u>\$ 795,590</u> | <u>\$ 3,272,749</u> |

See accompanying notes to the financial statements.

Village of Brooklyn Heights
Cuyahoga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

| | General | Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Municipal income taxes | \$ 6,550,818 | \$ - | \$ - | \$ 6,550,818 |
| Property and other local taxes | 331,692 | - | 24,268 | 355,960 |
| Charges for services | 80,572 | - | 1,113 | 81,685 |
| Fines, licenses and permits | 155,978 | - | 4,955 | 160,933 |
| Intergovernmental | 47,145 | 330,682 | 696,360 | 1,074,187 |
| Cable franchise fees | 5,128 | - | - | 5,128 |
| Miscellaneous | 625,492 | 1,724 | 3,171 | 630,387 |
| Total receipts | 7,796,825 | 332,406 | 729,867 | 8,859,098 |
| Disbursements | | | | |
| Current: | | | | |
| General government | 1,599,081 | - | 21,520 | 1,620,601 |
| Security of persons and property | 3,159,670 | - | 479,162 | 3,638,832 |
| Public health services | 8,409 | - | 90,367 | 98,776 |
| Leisure time activities | 106,734 | - | - | 106,734 |
| Community environment | 415,599 | - | 1,052 | 416,651 |
| Basic utility services | 116,983 | - | - | 116,983 |
| Transportation | 783,488 | - | 139,328 | 922,816 |
| Capital outlay | - | 410,827 | - | 410,827 |
| Debt service: | | | | |
| Principal retirement | - | 52,019 | 5,005 | 57,024 |
| Interest and fiscal charges | - | 19,407 | - | 19,407 |
| Total disbursements | 6,189,964 | 482,253 | 736,434 | 7,408,651 |
| Excess of receipts over (under) disbursements | 1,606,861 | (149,847) | (6,567) | 1,450,447 |
| Other financing sources (uses) | | | | |
| Transfers in | - | 590,672 | - | 590,672 |
| Transfers out | (590,672) | - | - | (590,672) |
| Total other financing sources (uses) | (590,672) | 590,672 | - | - |
| Net change in fund balance | 1,016,189 | 440,825 | (6,567) | 1,450,447 |
| Fund balances beginning of year, restated | 954,100 | 66,045 | 802,157 | 1,822,302 |
| Fund balances end of year | <u>\$ 1,970,289</u> | <u>\$ 506,870</u> | <u>\$ 795,590</u> | <u>\$ 3,272,749</u> |

See accompanying notes to the 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, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Municipal income taxes | \$ 5,696,978 | \$ 6,561,612 | \$ 6,550,818 | \$ (10,794) |
| Property and other local taxes | 288,459 | 332,239 | 331,692 | (547) |
| Charges for services | 70,070 | 80,705 | 80,572 | (133) |
| Fines, licenses and permits | 135,648 | 156,235 | 155,978 | (257) |
| Intergovernmental | 41,000 | 47,223 | 47,145 | (78) |
| Cable franchise fees | 4,460 | 5,136 | 5,128 | (8) |
| Miscellaneous | 543,965 | 626,523 | 625,492 | (1,031) |
| Total receipts | 6,780,580 | 7,809,673 | 7,796,825 | (12,848) |
| Disbursements | | | | |
| Current: | | | | |
| General government | 1,868,926 | 1,984,212 | 1,599,081 | 385,131 |
| Security of persons and property | 3,445,874 | 3,577,561 | 3,159,670 | 417,891 |
| Public health services | 9,171 | 9,521 | 8,409 | 1,112 |
| Leisure time activities | 116,402 | 120,850 | 106,734 | 14,116 |
| Community environment | 453,244 | 470,565 | 415,599 | 54,966 |
| Basic utility services | 127,579 | 132,455 | 116,983 | 15,472 |
| Transportation | 854,457 | 887,111 | 783,488 | 103,623 |
| Total disbursements | 6,875,653 | 7,182,275 | 6,189,964 | 992,311 |
| Excess of receipts over (under) disbursements | (95,073) | 627,398 | 1,606,861 | 979,463 |
| Other financing sources (uses) | | | | |
| Transfers out | (644,175) | (668,793) | (590,672) | 78,121 |
| Total other financing sources (uses) | (644,175) | (668,793) | (590,672) | 78,121 |
| Net change in fund balance | (739,248) | (41,395) | 1,016,189 | 1,057,584 |
| Fund balance at beginning of year, restated | 766,895 | 766,895 | 766,895 | - |
| Prior year encumbrances appropriated | 187,205 | 187,205 | 187,205 | - |
| Fund balance at end of year | <u>\$ 214,852</u> | <u>\$ 912,705</u> | <u>\$ 1,970,289</u> | <u>\$ 1,057,584</u> |

See accompanying notes to the financial statements.

Village of Brooklyn Heights
Cuyahoga County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2020

| | Custodial |
|--|------------------|
| | Mayor's Court |
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | |
| Investments | \$3,391 |
| <i>Total Assets</i> | \$3,391 |
| Net Position | |
| Restricted for Individuals, Organizations and Other Governments | 3,391 |
| <i>Total Net Position</i> | \$3,391 |

See accompanying notes to the financial statements.

Village of Brooklyn Heights
Cuyahoga County
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2020

| | Custodial |
|--|------------------|
| | Mayor's Court |
| Additions | |
| Fines, Licenses and Permits for Distribution | \$95,341 |
| <i>Total Additions</i> | 95,341 |
| Deductions | |
| Distributions to Other Governments | 94,566 |
| <i>Total Deductions</i> | 94,566 |
| <i>Change in Net Position</i> | 775 |
| <i>Net Position Beginning of Year</i> | 2,616 |
| <i>Net Position End of Year</i> | \$3,391 |

See accompanying notes to the financial statements.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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, with the exception of the Clerk/Treasurer, and executes all contracts, conveyances, and evidences of indebtedness of the Village.

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

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

Primary Government

The primary government of the Village consists of all funds, departments, boards and agencies that are not legally separate from the Village. The primary government provides the following services to its citizens: a mayor's court, police and fire protection, emergency medical, recreation, senior, planning, zoning, street maintenance and repair, refuse collection, cycling and general administrative services.

Jointly Governed Organizations

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

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

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

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

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

Fund Accounting

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

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

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

Capital Improvement Fund The capital improvements fund accounts for and reports that portion of municipal income tax committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the Village.

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

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Investments

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

Investments 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.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. No interest receipts were credited to the General Fund during 2020.

Restricted Assets

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

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

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

Accumulated Leave

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

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Employer Contributions to Cost-Sharing Pension Plans

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

Long-Term Obligations

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

Net Position

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

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

Fund Balance

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

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

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

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

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

Internal Activity

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

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

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). There were no encumbrances outstanding at year-end.

Note 4 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits and Investments (continued)

5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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

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 year end, \$2,822,958 of the Village's bank balance of \$3,322,958 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The Village's financial institution was approved for a reduced collateral rate of 50% through the Ohio Pooled Collateral System.

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 the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 5 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2020 for real and public utility property taxes represents collections of 2019 taxes.

2020 real property taxes are levied after October 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2020, was \$4.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2020 property tax receipts were based are as follows:

| | |
|-------------------------|----------------------|
| Real Property | \$ 80,014,674 |
| Public Utility Tangible | <u>3,438,276</u> |
| Total | \$ <u>83,452,950</u> |

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

Income Taxes

The Village levies a 2.5% income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 2.5% must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village tax collection agency, the Regional Income Tax Agency, monthly, and file an annual declaration.

In 2020, 100% of income tax receipts were allocated to the general fund.

Village of Brooklyn Heights, Ohio
 Cuyahoga County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2020

Note 5 – Taxes (continued)

Tax Abatements

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

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

The Village has a tax abatement agreement with VNA. The amount of taxes abated during 2020 was \$173,639.

Note 6 – Transfers

During 2020, the following transfers were made:

| Transfer to | Transfers From |
|--------------------|-----------------------|
| | General |
| Other Non-major | |
| Governmental Funds | \$ 670,672 |

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

Note 7 – Risk Management

Commercial Insurance

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

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 7 – Risk Management (continued)

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

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

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

The Village's employee health care is provided by Medical Mutual. The Village pays a monthly premium for single, married and family coverage, along with additional HRA charges. Employees contributed 13% of premium costs in 2020, as well as a portion of the HRA costs.

Note 8 – Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 8 – Defined Benefit Pension Plans (continued)

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

| Group A | Group B | Group C |
|--|--|--|
| Eligible to retire prior to January 7, 2013, or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: | Age and Service Requirements: | Age and Service Requirements: |
| Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Traditional Plan Formula: | Traditional Plan Formula: | Traditional Plan Formula: |
| 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Combined Plan Formula: | Combined Plan Formula: | Combined Plan Formula: |
| 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 |

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Village of Brooklyn Heights, Ohio
 Cuyahoga County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2020

Note 8 – Defined Benefit Pension Plans (continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

| | State and Local |
|--|--------------------|
| 2020 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee *** | 10.0 % |
| 2020 Actual Contribution Rates | |
| Employer: | |
| Pension | 14.0 % |
| Post-employment Health Care Benefits **** | 0.0 % |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

*** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

**** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 8 – Defined Benefit Pension Plans (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$244,428 for the year 2020.

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

Plan Description – Village full-time police and firefighters participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

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

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percentage increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3 percent of their base pension or disability benefit.

Village of Brooklyn Heights, Ohio
 Cuyahoga County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2020

Note 8 – Defined Benefit Pension Plans (continued)

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

| | Police | Firefighters |
|--|-------------|--------------|
| 2020 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee: | 12.25 % | 12.25 % |
| 2020 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 % | 0.50 % |
| Total Employer | 19.50 % | 24.00 % |
| Employee: | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OPF was \$237,745 for 2020.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS ACFR referenced below for additional information.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 9 - Postemployment Benefits (continued)

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, State and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$0 for 2020.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 9 - Postemployment Benefits (continued)

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contractually required contribution to OP&F was \$0 for 2020.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt

The Village’s long-term debt activity for the year ended December 31, 2020 was as follows:

| Governmental Activities | Interest Rate | Balance December 31, 2019 | Additions | Reductions | Balance December 31, 2020 | Due Within One Year |
|------------------------------------|---------------|---------------------------------|------------------|--------------------|---------------------------------|------------------------|
| <i>OPWC Loans:</i> | | | | | | |
| 2009 OPWC Lancaster Bridge | 0.00% | \$ 7,624 | \$ - | \$ (401) | \$ 7,223 | \$ 803 |
| 2009 OPWC Schaff Rd. Recon. | 0.00% | 47,623 | - | (2,268) | 45,355 | 4,536 |
| 2011 OPWC Lancaster Rd. Recon. | 0.00% | 105,130 | - | (2,336) | 102,794 | 4,672 |
| 2017 OPWC Dorset Lancaster Rd. | 0.00% | 245,961 | - | (6,832) | 239,129 | 13,665 |
| <i>Total OPWC Loans</i> | | 406,338 | - | (11,837) | 394,501 | 23,676 |
| 2017 First Internet Bank/Honeywell | 2.95% | 601,113 | - | (33,980) | 567,133 | 33,980 |
| 2020 Police Dep't 2 Chevy Tahoes | 4.96% | - | 72,596 | (11,207) | 61,389 | 5,733 |
| Total Loans | | \$ 1,007,451 | \$ 72,596 | \$ (57,024) | \$ 1,023,023 | \$ 63,389 |

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

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

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

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

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

The 2020 Police Department Chevy Tahoe Lease relates to the purchase of a 2020 Chevrolet Tahoe vehicle and equipment to be used by the Village Police Department. The total amount financed was \$72,596 and it is scheduled to be repaid at an interest rate of 4.96% over 3 years in accordance with the Village’s amortization schedule on file.

Note 10 – Debt (Continued)

Village of Brooklyn Heights, Ohio
 Cuyahoga County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2020

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

| Year | OPWC | First Internet Bank/Honeywell | | 2020 Police Department Chevy Tahoe | |
|-----------|-------------------|----------------------------------|-------------------|---------------------------------------|-----------------|
| | Principal | Principal | Interest | Principal | Interest |
| 2021 | \$23,675 | \$40,025 | \$16,437 | \$23,652 | \$2,608 |
| 2022 | 23,675 | 41,215 | 15,248 | 24,846 | 1,414 |
| 2023 | 23,675 | 42,440 | 14,023 | 12,891 | 240 |
| 2024 | 23,675 | 43,701 | 12,762 | - | - |
| 2025 | 23,675 | 45,000 | 11,463 | - | - |
| 2026-2030 | 117,572 | 245,870 | 36,444 | - | - |
| 2031-2035 | 91,684 | 108,882 | 4,044 | - | - |
| 2036-2040 | 57,523 | - | - | - | - |
| 2041-2045 | 9,347 | - | - | - | - |
| Totals | <u>\$ 394,501</u> | <u>\$ 567,133</u> | <u>\$ 110,421</u> | <u>\$ 61,389</u> | <u>\$ 4,262</u> |

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2020, were an overall debt margin of \$8,762,560 and an unvoted debt margin of \$4,589,912.

Village of Brooklyn Heights, Ohio
 Cuyahoga County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2020

Note 11 – Fund Balances

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

| 2020 Fund Balances | General Fund | Capital Improvement Fund | Other Governmental Funds | Total |
|------------------------------|---------------------|---|---|---------------------|
| Restricted for | | | | |
| Road Improvements | \$ - | \$ - | \$ 235,106 | \$ 235,106 |
| Police Operations | - | - | 101,908 | 101,908 |
| Capital Improvement | - | 506,870 | 152,856 | 659,726 |
| Court Technology | - | - | 125 | 125 |
| Debt Service | - | - | 159,519 | 159,519 |
| Other | - | - | 249,110 | 249,110 |
| <i>Total Restricted</i> | - | 506,870 | 898,624 | 1,405,494 |
| Committed to | | | | |
| Economic Development | 366,360 | - | - | 366,360 |
| <i>Total Committed</i> | 366,360 | - | - | 366,360 |
| Unassigned (deficits) | 1,500,895 | - | - | 1,500,895 |
| Total Fund Balances | \$ 1,867,255 | \$ 506,870 | \$ 898,624 | \$ 3,272,749 |

Note 12 –Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, they believe the resolution of any matter will not materially adversely affect the Village’s financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 13 – Jointly Governed Organizations

Northeast Ohio Public Energy Council

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

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 13 – Jointly Governed Organizations (continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The Village did not contribute to NOPEC during 2019. Financial information can be obtained by contacting, NOPEC, 1615 Clarke Avenue, Cleveland, Ohio 44109.

Southwest Council of Governments

The Southwest Council of Governments helps foster cooperation between municipalities in areas effecting health, safety, welfare, education, economic conditions and regional development. The board is comprised of one member from each of the sixteen participating entities. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the board. Each municipality degree of control is limited to its representation on the board. The Village contributed \$20,000 in 2020 to the Southwest Council of Governments.

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

University Hospitals Parma Medical Center

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

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

The Village contributed \$1,516 to the hospital during fiscal year 2020.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Village of Brooklyn Heights, Ohio
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 15 – Prior Period Restatement

The beginning balance of the General Fund increased and the Other Governmental Funds decreased by \$230,000 due to reclassification of the Economic Development and Retiree Accrued Benefits Funds from Special Revenue to General Fund.

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn Heights, Cuyahoga County, (the Village) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 31, 2023, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village. We also noted the Village restated its fund balance in the General and Other Governmental Funds at January 1, 2020.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2021-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2021-001 and 2021-002.

Village's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 31, 2023

VILLAGE OF BROOKLYN HEIGHTS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.15 states that in addition to the transfers authorized in section 5705.14 of the Revised Code, the taxing authority of any political subdivision may, in the manner provided in this section and section 5705.16 of the Revised Code, transfer from one fund to another any public funds under its supervision, except the proceeds or balances of loans, bond issues, special levies for the payment of loans or bond issues, the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose.

Ohio Rev. Code § 5705.16 states, in part, a resolution of the taxing authority of any political subdivision shall be passed by a majority of all the members thereof, declaring the necessity for the transfer of funds authorized by section 5705.15 of the Revised Code, and such taxing authority shall submit to the tax commissioner a petition that includes the name and amount of the fund, the fund to which it is desired to be transferred, a copy of such resolution with a full statement of the proceedings pertaining to its passage, and the reason or necessity for the transfer.

During 2020 the Village recorded a transfer in the amount of \$106,965 from the Special Revenue Retiree Fund to the General Fund that did not follow the above prescribed requirements. An adjustment was posted to the financial statements and the accounting system to reverse the impact of the unallowable transfer.

Failure to properly approve and report transfers could result in errors in the financial statements, restricted monies being spent for unallowable purposes, and inaccurate information being reported to Council and the Village residents.

We recommend the Village adopt policies and procedures for controls over approval and recording of transfers to ensure transfers are authorized as required by the Ohio Revised Code and the information in the accounting system accurately reflects the activity of the Village, thereby increasing the reliability of the financial data throughout the year.

Official's Response:

In 2018, Council decided to start our 203 Retiree Accrued Benefits Fund. The purpose of this fund was to have the ability to save money for anticipated retirement payouts in a separate "bucket" as we liked to refer to. Upon opening this Fund, Council also decided to transfer \$10k per month from the General Fund for about 1 year. By having this fund categorized as a special fund, it was easy for everyone to see the amount we were saving, separate from the general fund; knowing that this money was going to be spent at some point in the then near future. As expected, several people retired in the same year and had accumulated payouts. So as to not confuse the accounting or over complicate our system, we simply ran everything through our payroll system. At the end of the year, we then transferred one lump sum from the Fund back into the general fund, totaling the payouts. We created manual reports for each individual showing their respective payout, that reconciled with our payroll system, thus providing necessary records for auditing purposes. We also have the necessary records submitted to the Ohio Auditor substantiating the opening of this Fund. There is a small amount of money remaining in this fund, for a couple more expected retirements, and once this is exhausted the Fund will remain dormant for the foreseeable future.

**VILLAGE OF BROOKLYN HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

FINDING NUMBER 2021-002

Noncompliance and Significant Deficiency

Ohio Rev. Code § 2921.42(A)(1) prohibits a public official from authorizing or using the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associate has an interest.

Additionally, **Ohio Rev. Code § 2921.42(A)(4)** states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

Ohio Rev. Code § 2921.42(H) states any public contract in which a public official, a member of the public official's family, or any of the public official's associates has an interest in violation of this section is void and unenforceable. Such contracts are only permissible, per **Ohio Rev. Code § 2921.42(C)**, where all four of the following elements are met:

(1) The subject of the public contract is necessary supplies or services for the political subdivision or governmental agency or instrumentality involved;

(2) The supplies or services are unobtainable elsewhere for the same or lower cost, or are being furnished to the political subdivision or governmental agency or instrumentality as part of a continuing course of dealing established prior to the public official's becoming associated with the political subdivision or governmental agency or instrumentality involved;

(3) The treatment accorded the political subdivision or governmental agency or instrumentality is either preferential to or the same as that accorded other customers or clients in similar transactions;

(4) The entire transaction is conducted at arm's length, with full knowledge by the political subdivision or governmental agency or instrumentality involved, of the interest of the public official, member of the public official's family, or business associate, and the public official takes no part in the deliberations or decision of the political subdivision or governmental agency or instrumentality with respect to the public contract.

1980 Ohio Ethics Commission Op. No. 80-001, has defined a family member as including, but not limited to: (a) grandparents; (b) parents; (c) spouse; (d) children, whether dependent or not; (e) grandchildren; (f) brothers and sisters; and (g) any person related by blood or marriage and residing in the same household.

The following violation occurred during the audit period and will be referred to the Ohio Ethics Commission:

- Village Councilmember Mark Lasky voted on Village legislation approving payment to a vendor, Lasky Landscaping, owned by his brother Mike Lasky, in the amount of \$1,250 in 2017.

There was no evidence the contract noted above met the requirements in Ohio Rev. Code § 2921.42(C)(4) necessary to be permissible under the Ohio Revised Code.

**VILLAGE OF BROOKLYN HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

Additionally, the following actions that did not violate Ohio Ethics Law were identified. We believe best practice is recusal to avoid the appearance of impropriety:

- Village Councilmember Mark Lasky voted on Village legislation approving the 2020 and 2021 salaries of his brother, Mike Lasky, the Village's Assistant Fire Chief, who received payments totaling \$27,044 in 2020 and \$27,645 in 2021;
- Village Councilmember Jennifer Presot voted on Village legislation approving the 2020 and 2021 salaries of the following Village employees:
 - Joseph Presot, Ms. Presot's husband, who received payments totaling \$17,276 in 2020 and \$17,647 in 2021;
 - Donna Algeri, Ms. Presot's sister, who received payments totaling \$47,971 in 2020 and \$49,089 in 2021;
 - Robert Algeri, Ms. Presot's brother, who received payments totaling \$67,351 in 2020 and \$66,393 in 2021;
 - Daniel Algeri, Ms. Presot's brother, who received payments totaling \$55,469 in 2020.
- Village Councilmember Jennifer Presot voted on Village legislation approving payment to vendor Presot Masonry & Construction, owned by her brother-in-law Daniel Presot, who received payments totaling \$3,600 in 2021.

The Village should develop a formal policy regarding related party transactions to govern transactions in which members of the Board or the Village may have a personal interest. This policy may include Board members abstaining from voting on related party items. Additionally, Board members should refrain from voting on anything that is family related.

Official's Response:

We are small tight knit community with a history of family legacy. Moving forward we will have Public Officials provide the proper documentation noting fellow family members employed by the Village of Brooklyn Hts.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF BROOKLYN HEIGHTS

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/16/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov