



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VILLAGE OF BROOKLYN HEIGHTS  
 CUYAHOGA COUNTY  
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 DECEMBER 31, 2019 AND 2018**

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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 Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn Heights, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2019 and 2018, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Emphasis of Matter**

As discussed in Note 14 to the financial statements, during 2019, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 10, 2020

**Village of Brooklyn Heights**  
**Cuyahoga County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2019*

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in pooled cash and cash equivalents | \$ 1,822,302                       |
| Total assets                               | <u>1,822,302</u>                   |
| <b>Net Position</b>                        |                                    |
| Restricted for:                            |                                    |
| Capital projects                           | 223,906                            |
| Guaranteed deposits                        | 160,195                            |
| Other purposes                             | 714,101                            |
| Unrestricted                               | <u>724,100</u>                     |
| Total net position                         | <u>\$ 1,822,302</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, 2019*

|  | Program Cash Receipts |                                      |   |  | Net (Disbursements)<br>Receipts and Changes<br>in Net Position |
|--|-----------------------|--------------------------------------|---|--|--|
|  | Cash<br>Disbursements | Charges<br>for Services<br>and Sales | Operating<br>Grants,<br>Contributions<br>and Interest | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                                     |
| <b>Governmental Activities</b>         |                       |                                      |   |  |  |
| Current:                               |                       |                                      |   |  |  |
| General government                     | \$ 1,424,390          | \$ 45,630                            | \$ 55,479   | \$ -                                   | \$ (1,323,281)   |
| Security of persons and property       | 3,674,942             | 145,260                              | 277,662   | -                                      | (3,252,020)  |
| Public health services                 | 7,314                 | -                                    | -   | -                                      | (7,314)  |
| Leisure time activities                | 110,007               | 5,225                                | -   | -                                      | (104,782)  |
| Community environment                  | 425,601               | 78,513                               | -   | -                                      | (347,088)  |
| Basic utility services                 | 111,017               | -                                    | -   | -                                      | (111,017)  |
| Transportation                         | 907,926               | -                                    | 183,359   | -                                      | (724,567)  |
| Capital outlay                         | 194,069               | -                                    | -   | 52,339                                 | (141,730)  |
| Debt service:                          |                       |                                      |   |  |  |
| Principal retirement                   | 56,872                | -                                    | -   | -                                      | (56,872)   |
| Interest and fiscal charges            | 14,775                | -                                    | -   | -                                      | (14,775)   |
| <b>Total governmental activities</b>   | <b>\$ 6,926,913</b>   | <b>\$ 274,628</b>                    | <b>\$ 516,500</b>                                     | <b>\$ 52,339</b>                       | <b>(6,083,446)</b>   |
| <b>General Receipts</b>                |                       |                                      |   |  |  |
| Municipal income taxes levied for:     |                       |                                      |   |  |  |
| General purposes                       |                       |                                      |   |  | 6,107,696  |
| Property taxes levied for:             |                       |                                      |   |  |  |
| General purposes                       |                       |                                      |   |  | 335,670  |
| Security of persons and property       |                       |                                      |   |  | 24,556   |
| Grants and entitlements not restricted |                       |                                      |   |  |  |
| to specific programs                   |                       |                                      |   |  | 49,104   |
| Cable franchise fees                   |                       |                                      |   |  | 6,171  |
| Sale of capital assets                 |                       |                                      |   |  | 4,840  |
| Miscellaneous                          |                       |                                      |   |  | 138,846  |
| <b>Total general receipts</b>          |                       |                                      |   |  | <b>6,666,883</b>   |
| Change in net position                 |                       |                                      |   |  | 583,437  |
| Net position beginning of year         |                       |                                      |   |  | 1,238,865  |
| Net position end of year               |                       |                                      |   |  | <b>\$ 1,822,302</b>  |

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, 2019*

|  | <u>General</u>    | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------|---|---|
| <b>Assets</b>                              |                   |   |   |
| Equity in pooled cash and cash equivalents | \$ 724,100        | \$ 1,098,202                            | \$ 1,822,302                            |
| Total assets                               | <u>724,100</u>    | <u>1,098,202</u>                        | <u>1,822,302</u>                        |
| <b>Fund Balances</b>                       |                   |   |   |
| Restricted                                 | -                 | 1,098,202                               | 1,098,202                               |
| Assigned                                   | 187,205           | -                                       | 187,205                                 |
| Unassigned                                 | <u>536,895</u>    | <u>-</u>                                | <u>536,895</u>                          |
| Total fund balances                        | <u>\$ 724,100</u> | <u>\$ 1,098,202</u>                     | <u>\$ 1,822,302</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, 2019*

|   | General      | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                               |              |                                |                                |
| Municipal income taxes                        | \$ 6,107,696 | \$ -                           | \$ 6,107,696                   |
| Property and other local taxes                | 335,670      | 24,556                         | 360,226                        |
| Charges for services                          | 92,216       | -                              | 92,216                         |
| Fines, licenses and permits                   | 167,763      | 6,299                          | 174,062                        |
| Intergovernmental                             | 49,104       | 513,360                        | 562,464                        |
| Miscellaneous                                 | 125,715      | 83,131                         | 208,846                        |
| Total receipts                                | 6,878,164    | 627,346                        | 7,505,510                      |
| <b>Disbursements</b>                          |              |                                |                                |
| Current:                                      |              |                                |                                |
| General government                            | 1,389,572    | 34,818                         | 1,424,390                      |
| Security of persons and property              | 3,459,301    | 215,641                        | 3,674,942                      |
| Public health services                        | 7,314        | -                              | 7,314                          |
| Leisure time activities                       | 110,007      | -                              | 110,007                        |
| Community environment                         | 424,691      | 910                            | 425,601                        |
| Basic utility services                        | 111,017      | -                              | 111,017                        |
| Transportation                                | 780,813      | 127,113                        | 907,926                        |
| Capital outlay                                | -            | 194,069                        | 194,069                        |
| Debt service:                                 |              |                                |                                |
| Principal retirement                          | -            | 56,872                         | 56,872                         |
| Interest and fiscal charges                   | -            | 14,775                         | 14,775                         |
| Total disbursements                           | 6,282,715    | 644,198                        | 6,926,913                      |
| Excess of receipts over (under) disbursements | 595,449      | (16,852)                       | 578,597                        |
| <b>Other financing sources (uses)</b>         |              |                                |                                |
| Sale of capital assets                        | 4,840        | -                              | 4,840                          |
| Transfers in                                  | -            | 393,102                        | 393,102                        |
| Transfers out                                 | (393,102)    | -                              | (393,102)                      |
| Total other financing sources (uses)          | (388,262)    | 393,102                        | 4,840                          |
| Net change in fund balance                    | 207,187      | 376,250                        | 583,437                        |
| Fund balances beginning of year               | 516,913      | 721,952                        | 1,238,865                      |
| Fund balances end of year                     | \$ 724,100   | \$ 1,098,202                   | \$ 1,822,302                   |

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, 2019*

|   | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|-------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>      |                   |   |
| <b>Receipts</b>                               |                         |                   |                   |   |
| Municipal income taxes                        | \$ 5,196,679            | \$ 5,801,431      | \$ 6,107,696      | \$ 306,265  |
| Property and other local taxes                | 611,044                 | 644,280           | 335,670           | (308,610)   |
| Charges for services                          | 78,461                  | 87,592            | 92,216            | 4,624   |
| Fines, licenses and permits                   | 142,740                 | 159,351           | 167,763           | 8,412   |
| Intergovernmental                             | 61,480                  | 66,342            | 49,104            | (17,238)  |
| Miscellaneous                                 | 106,963                 | 119,411           | 125,715           | 6,304   |
| Total receipts                                | 6,197,367               | 6,878,407         | 6,878,164         | (243)   |
| <b>Disbursements</b>                          |                         |                   |                   |   |
| Current:                                      |                         |                   |                   |   |
| General government                            | 1,370,886               | 1,497,144         | 1,447,342         | 49,802  |
| Security of persons and property              | 3,306,600               | 3,611,136         | 3,491,013         | 120,123   |
| Public health services                        | 6,928                   | 7,566             | 7,314             | 252   |
| Leisure time activities                       | 106,029                 | 115,794           | 111,942           | 3,852   |
| Community environment                         | 422,393                 | 461,295           | 445,950           | 15,345  |
| Basic utility services                        | 105,153                 | 114,837           | 111,017           | 3,820   |
| Transportation                                | 810,158                 | 884,774           | 855,342           | 29,432  |
| Total disbursements                           | 6,128,147               | 6,692,546         | 6,469,920         | 222,626   |
| Excess of receipts over (under) disbursements | 69,220                  | 185,861           | 408,244           | 222,383   |
| <b>Other financing sources (uses)</b>         |                         |                   |                   |   |
| Sale of capital assets                        | 4,118                   | 4,597             | 4,840             | 243   |
| Transfers out                                 | (372,336)               | (406,628)         | (393,102)         | 13,526  |
| Total other financing sources (uses)          | (368,218)               | (402,031)         | (388,262)         | 13,769  |
| Net change in fund balance                    | (298,998)               | (216,170)         | 19,982            | 236,152   |
| Fund balance at beginning of year             | 237,597                 | 237,597           | 237,597           | -   |
| Prior year encumbrances appropriated          | 279,316                 | 279,316           | 279,316           | -   |
| Fund balance at end of year                   | <u>\$ 217,915</u>       | <u>\$ 300,743</u> | <u>\$ 536,895</u> | <u>\$ 236,152</u>   |

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, 2019*

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**Note 1 – Reporting Entity**

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

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

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

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

***Primary Government***

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

***Jointly Governed Organizations***

The Village is associated with three jointly governed organizations, the Northeast Ohio Public Energy Council, the Southwest Council of Governments and the 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, 2019*

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**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 is the Village's major governmental fund:

***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.

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, 2019*

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**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, 2019*

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**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. Interest receipts credited to the General Fund during 2019 was \$0.

***Restricted Assets***

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

***Inventory and Prepaid Items***

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

***Capital Assets***

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

***Interfund Receivables/Payables***

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

***Accumulated Leave***

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

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**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.



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**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***

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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**  
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**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). Encumbrances for 2019 were \$187,205 in the General Fund.

**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;

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

At year end, \$500,000 of the bank balance of \$1,890,013 was covered by FDIC; and the remainder was not exposed to custodial credit risk.

**Note 5 – Taxes**

**Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

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**Note 5 –Taxes (continued)**

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2018, was \$4.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2019 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 2019, 100% of income tax receipts were allocated to the general fund.

***Tax Abatements***

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

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**Note 5 –Taxes (continued)**

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

The Village has tax abatement agreement with Graftech International Holdings, Inc. The amount of taxes abated during 2019 was \$81,324.

**Note 6 –Transfers**

During 2019, the following transfers were made:

| <b>Transfer to</b>                    | <b>Transfers From</b> |
|---------------------------------------|-----------------------|
|                                       | General               |
| Other Non-major<br>Governmental Funds | \$ 393,102            |

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:

| 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       |

**Village of Brooklyn Heights, Ohio**  
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**Note 7 – Risk Management (continued)**

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 2019.

**Note 8 – Defined Benefit Pension Plans**

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - Village employees, other than full-time police and most part-time firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a 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.

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 CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

**Village of Brooklyn Heights, Ohio**  
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**Note 8 – Defined Benefit Pension Plans (continued)**

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

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

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

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

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**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 purchase of a monthly defined benefit annuity from OPERS (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.

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

|  | State<br>and Local |
|--|--------------------|
| <b>2019 Statutory Maximum Contribution Rates</b> |                    |
| Employer   | 14.0 %             |
| Employee   | 10.0 %             |
| <br><b>2019 Actual Contribution Rates</b>        |                    |
| Employer:  |                    |
| Pension  | 14.0 %             |
| Post-employment Health Care Benefits             | 0.0                |
| Total Employer                                   | 14.0 %             |
| Employee   | 10.0 %             |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$219,632 for 2019.



**Village of Brooklyn Heights, Ohio**  
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**Note 8 – Defined Benefit Pension Plans (continued)**

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

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

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before 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 OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, 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, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

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**Note 8 – Defined Benefit Pension Plans (continued)**

|  | Police      | Firefighters |
|--|-------------|--------------|
| <b>2019 Statutory Maximum Contribution Rates</b> |             |              |
| Employer   | 19.50 %     | 24.00 %      |
| Employee:  | 12.25 %     | 12.25 %      |
| <br><b>2019 Actual Contribution Rates</b>        |             |              |
| Employer:  |             |              |
| Pension  | 19.00 %     | 23.50 %      |
| Post-employment Health Care Benefits             | 0.50        | 0.50         |
| <br>Total Employer                               | <br>19.50 % | <br>24.00 %  |
| <br>Employee:                                    | <br>12.25 % | <br>12.25 %  |

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OPF was \$241,784 for 2019.

**Note 9 - Postemployment Benefits**

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 post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. 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 refund, 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. 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’ CAFR 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.

**Village of Brooklyn Heights, Ohio**  
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**Note 9 - Postemployment Benefits (continued)**

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. 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 2019, 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 2019, 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 2019 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 2019.

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

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government 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](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, 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 and is limited by the provisions of Sections 115 and 401(h).

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.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The Village's contractually required contribution to OP&F was \$241,784 for 2019.

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

**Note 10 – Debt**

The Village’s long-term debt activity for the year ended December 31, 2019 was as follows:

| <u>Governmental Activities</u>     | <u>Interest Rate</u> | <u>Restated<br/>Balance<br/>December 31,<br/>2018</u> | <u>Additions</u>   | <u>Reductions</u>         | <u>Balance<br/>December 31,<br/>2019</u> | <u>Due Within<br/>One Year</u> |
|------------------------------------|----------------------|---|--------------------|---------------------------|--|--------------------------------|
| <i>OPWC Loans:</i>                 |                      |   |                    |                           |  |                                |
| 2009 OPWC Lancaster Bridge         | 0%                   | \$ 8,427  | \$ -               | \$ (803)                  | \$ 7,624                                 | \$ 803                         |
| 2009 OPWC Schaaf Rd Recon.         | 0%                   | 52,159  | -                  | (4,536)                   | 47,623                                   | 4,536                          |
| 2011 OPWC Lancaster Rd Recon.      | 0%                   | 109,802   | -                  | (4,672)                   | 105,130                                  | 4,672                          |
| 2017 OPWC Dorset Lancaster Rd      | 0%                   | 259,626   | -                  | (13,665)                  | 245,961                                  | 13,665                         |
| <i>Total OPWC Loans</i>            |                      | <u>\$ 430,014</u>                                     | <u>\$ -</u>        | <u>\$ (23,676)</u>        | <u>\$ 406,338</u>                        | <u>\$ 23,676</u>               |
| 2017 First Internet Bank/Honeywell | 3%                   | \$ 634,309  | \$ -               | \$ (33,196)               | \$ 601,113                               | \$ 33,980                      |
| <b>Total Loans</b>                 |                      | <b><u>\$ 1,064,322</u></b>                            | <b><u>\$ -</u></b> | <b><u>\$ (56,872)</u></b> | <b><u>\$ 1,007,451</u></b>               | <b><u>\$ 57,656</u></b>        |

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. This loan was understated by \$400 in the prior year.

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

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

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

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

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

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

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

| Year      | First Internet Bank/<br>Honeywell |                                   |
|-----------|-----------------------------------|-----------------------------------|
|           | OPWC<br>Principal                 | Principal      Interest           |
| 2020      | \$ 23,675                         | \$ 33,980      \$ 17,484          |
| 2021      | 23,675                            | 40,025      16,437                |
| 2022      | 23,675                            | 41,215      15,248                |
| 2023      | 23,675                            | 42,440      14,023                |
| 2024      | 23,675                            | 43,701      12,762                |
| 2025-2029 | 117,972                           | 238,775      43,540               |
| 2030-2034 | 93,952                            | 160,977      8,412                |
| 2035-2039 | 64,355                            | -      -                          |
| 2040-2044 | 11,684                            | -      -                          |
| Totals    | <u>\$ 406,338</u>                 | <u>\$ 601,113      \$ 127,906</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, 2019, were an overall debt margin of \$8,762,560 and an unvoted debt margin of \$4,589,912.

**Note 11 – Fund Balances**

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

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

**Note 11 – Fund Balances (Continued)**

| <u>2019 Fund Balances</u>         | <u>General Fund</u>             | <u>Other Governmental Funds</u>   | <u>Total</u>                      |
|-----------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| <b>Restricted for</b>             |                                 |                                   |                                   |
| Road Improvements                 | \$ -                            | \$ 169,207                        | \$ 169,207                        |
| Police Operations                 | -                               | 155,012                           | 155,012                           |
| Capital Improvement               | -                               | 223,906                           | 223,906                           |
| Court Technology                  | -                               | 169                               | 169                               |
| Debt Service                      | -                               | 159,519                           | 159,519                           |
| Economic Development              | -                               | 100,000                           | 100,000                           |
| Other                             | -                               | 290,389                           | 290,389                           |
|                                   | <hr/>                           | <hr/>                             | <hr/>                             |
| <i>Total Restricted</i>           | -                               | 1,098,202                         | 1,098,202                         |
| <b>Assigned to</b>                |                                 |                                   |                                   |
| Encumbrances                      | 187,205                         | -                                 | 187,205                           |
|                                   | <hr/>                           | <hr/>                             | <hr/>                             |
| <i>Total Assigned</i>             | 187,205                         | -                                 | 187,205                           |
| Unassigned (deficits):            | 536,895                         | -                                 | \$ 536,895                        |
|                                   | <hr/>                           | <hr/>                             | <hr/>                             |
| <b><i>Total Fund Balances</i></b> | <b><u><u>\$ 724,100</u></u></b> | <b><u><u>\$ 1,098,202</u></u></b> | <b><u><u>\$ 1,822,302</u></u></b> |

**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.

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**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 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 2019 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 2019.



**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 14 – Change in Accounting Principle/Restatement of Fund Balance**

The Village implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, for 2019. The implementation caused a restatement of the beginning fund balance of the Village by increasing the Special Revenue balance and decreasing the Agency/Custodial balance by \$126,816.

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**Village of Brooklyn Heights**  
**Cuyahoga County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2018*

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in pooled cash and cash equivalents | \$ 1,112,049                       |
| Total assets                               | <u>1,112,049</u>                   |
| <b>Net Position</b>                        |                                    |
| Restricted for:                            |                                    |
| Capital projects                           | 163,738                            |
| Other purposes                             | 431,398                            |
| Unrestricted                               | <u>516,913</u>                     |
| Total net position                         | <u>\$ 1,112,049</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, 2018*

|  | Program Cash Receipts |                                      |   |  | Net (Disbursements)<br>Receipts and Changes<br>in Net Position |
|--|-----------------------|--------------------------------------|---|--|--|
|  | Cash<br>Disbursements | Charges<br>for Services<br>and Sales | Operating<br>Grants,<br>Contributions<br>and Interest | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                                     |
| <b>Governmental Activities</b>         |                       |                                      |   |  |  |
| Current:                               |                       |                                      |   |  |  |
| General government                     | \$ 1,323,721          | \$ 29,546                            | \$ -  | \$ -                                   | \$ (1,294,175)   |
| Security of persons and property       | 3,545,161             | 132,304                              | 256,256   | -                                      | (3,156,601)  |
| Public health services                 | 6,357                 | -                                    | -   | -                                      | (6,357)  |
| Leisure time activities                | 67,387                | 5,120                                | -   | -                                      | (62,267)   |
| Community environment                  | 417,128               | 67,745                               | -   | -                                      | (349,383)  |
| Basic utility services                 | 96,828                | -                                    | -   | -                                      | (96,828)   |
| Transportation                         | 862,482               | -                                    | 172,825   | -                                      | (689,657)  |
| Capital outlay                         | 695,192               | -                                    | -   | 141,848                                | (553,344)  |
| Debt service:                          |                       |                                      |   |  |  |
| Principal retirement                   | 23,675                | -                                    | -   | -                                      | (23,675)   |
| <b>Total governmental activities</b>   | <u>\$ 7,037,931</u>   | <u>\$ 234,715</u>                    | <u>\$ 429,081</u>                                     | <u>\$ 141,848</u>                      | <u>(6,232,287)</u>   |
| <b>General Receipts</b>                |                       |                                      |   |  |  |
| Municipal income taxes levied for:     |                       |                                      |   |  |  |
|  |                       |                                      |   |  | 4,791,704  |
| Property taxes levied for:             |                       |                                      |   |  |  |
|  |                       |                                      |   |  | 301,663  |
|  |                       |                                      |   |  | 22,073   |
| Grants and entitlements not restricted |                       |                                      |   |  |  |
|  |                       |                                      |   |  | 54,849   |
| to specific programs                   |                       |                                      |   |  |  |
|  |                       |                                      |   |  | 6,482  |
|  |                       |                                      |   |  | 1,800  |
|  |                       |                                      |   |  | 92,317   |
|  |                       |                                      |   |  | <u>5,270,888</u>   |
|  |                       |                                      |   |  | (961,399)  |
|  |                       |                                      |   |  | <u>2,073,448</u>   |
|  |                       |                                      |   |  | <u>\$ 1,112,049</u>  |

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, 2018*

|  | General    | Special<br>Assessment | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------|-----------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |            |                       |                                |                                |
| Equity in pooled cash and cash equivalents | \$ 516,913 | \$ 159,519            | \$ 435,617                     | \$ 1,112,049                   |
| Total assets                               | 516,913    | 159,519               | 435,617                        | 1,112,049                      |
| <b>Fund Balances</b>                       |            |                       |                                |                                |
| Restricted                                 | -          | 159,519               | 435,617                        | 595,136                        |
| Assigned                                   | 279,316    | -                     | -                              | 279,316                        |
| Unassigned                                 | 237,597    | -                     | -                              | 237,597                        |
| Total fund balances                        | \$ 516,913 | \$ 159,519            | \$ 435,617                     | \$ 1,112,049                   |

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, 2018*

|   | General      | Special<br>Assessment | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------|-----------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                               |              |                       |                                |                                |
| Municipal income taxes                        | \$ 4,791,704 | \$ -                  | \$ -                           | \$ 4,791,704                   |
| Property and other local taxes                | 301,663      | -                     | 22,073                         | 323,736                        |
| Charges for services                          | 95,630       | -                     | 7,241                          | 102,871                        |
| Fines, licenses and permits                   | 123,346      | -                     | 5,815                          | 129,161                        |
| Intergovernmental                             | 54,849       | -                     | 548,508                        | 603,357                        |
| Earnings on Investment                        | -            | -                     | 3,201                          | 3,201                          |
| Miscellaneous                                 | 108,724      | -                     | 11,978                         | 120,702                        |
| Total receipts                                | 5,475,916    | -                     | 598,816                        | 6,074,732                      |
| <b>Disbursements</b>                          |              |                       |                                |                                |
| Current:                                      |              |                       |                                |                                |
| General government                            | 1,304,690    | -                     | 19,031                         | 1,323,721                      |
| Security of persons and property              | 3,263,317    | -                     | 281,844                        | 3,545,161                      |
| Public health services                        | 6,357        | -                     | -                              | 6,357                          |
| Leisure time activities                       | 67,387       | -                     | -                              | 67,387                         |
| Community environment                         | 416,681      | -                     | 447                            | 417,128                        |
| Basic utility services                        | 96,828       | -                     | -                              | 96,828                         |
| Transportation                                | 653,956      | -                     | 208,526                        | 862,482                        |
| Capital outlay                                | -            | -                     | 695,192                        | 695,192                        |
| Debt service:                                 |              |                       |                                |                                |
| Principal retirement                          | -            | -                     | 23,675                         | 23,675                         |
| Total disbursements                           | 5,809,216    | -                     | 1,228,715                      | 7,037,931                      |
| Excess of receipts over (under) disbursements | (333,300)    | -                     | (629,899)                      | (963,199)                      |
| <b>Other financing sources (uses)</b>         |              |                       |                                |                                |
| Sale of capital assets                        | 1,800        | -                     | -                              | 1,800                          |
| Transfers in                                  | -            | -                     | 132,997                        | 132,997                        |
| Transfers out                                 | -            | -                     | (132,997)                      | (132,997)                      |
| Total other financing sources (uses)          | 1,800        | -                     | -                              | 1,800                          |
| Net change in fund balance                    | (331,500)    | -                     | (629,899)                      | (961,399)                      |
| Fund balances beginning of year               | 848,413      | 159,519               | 1,065,516                      | 2,073,448                      |
| Fund balances end of year                     | \$ 516,913   | \$ 159,519            | \$ 435,617                     | \$ 1,112,049                   |

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, 2018*

|   | <u>Budgeted Amounts</u> |                     | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|---------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>        |                   |   |
| <b>Receipts</b>                               |                         |                     |                   |   |
| Municipal income taxes                        | \$ 4,401,440            | \$ 4,401,440        | \$ 4,791,704      | \$ 390,264  |
| Property and other local taxes                | 276,084                 | 276,084             | 301,663           | 25,579  |
| Charges for services                          | 87,841                  | 87,841              | 95,630            | 7,789   |
| Fines, licenses and permits                   | 113,300                 | 113,300             | 123,346           | 10,046  |
| Intergovernmental                             | 50,198                  | 50,198              | 54,849            | 4,651   |
| Miscellaneous                                 | 99,869                  | 99,869              | 108,724           | 8,855   |
| Total receipts                                | 5,028,732               | 5,028,732           | 5,475,916         | 447,184   |
| <b>Disbursements</b>                          |                         |                     |                   |   |
| Current:                                      |                         |                     |                   |   |
| General government                            | 1,373,220               | 1,433,114           | 1,440,800         | (7,686)   |
| Security of persons and property              | 3,204,394               | 3,344,156           | 3,362,091         | (17,935)  |
| Public health services                        | 6,059                   | 6,323               | 6,357             | (34)  |
| Leisure time activities                       | 70,095                  | 73,153              | 73,545            | (392)   |
| Community environment                         | 403,794                 | 421,406             | 423,666           | (2,260)   |
| Basic utility services                        | 93,716                  | 97,803              | 98,328            | (525)   |
| Transportation                                | 651,674                 | 680,098             | 683,745           | (3,647)   |
| Total disbursements                           | 5,802,952               | 6,056,053           | 6,088,532         | (32,479)  |
| Excess of receipts over (under) disbursements | (774,220)               | (1,027,321)         | (612,616)         | 414,705   |
| <b>Other financing sources (uses)</b>         |                         |                     |                   |   |
| Sale of capital assets                        | -                       | -                   | 1,800             | 1,800   |
| Total other financing sources (uses)          | -                       | -                   | 1,800             | 1,800   |
| Net change in fund balance                    | (774,220)               | (1,027,321)         | (610,816)         | 416,505   |
| Fund balance at beginning of year             | 803,606                 | 803,606             | 803,606           | -   |
| Prior year encumbrances appropriated          | 44,807                  | 44,807              | 44,807            | -   |
| Fund balance at end of year                   | <u>\$ 74,193</u>        | <u>\$ (178,908)</u> | <u>\$ 237,597</u> | <u>\$ 416,505</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, 2018*

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|  | <u>Agency</u>     |
|--|-------------------|
| <b>Assets</b>                              |                   |
| Equity in pooled cash and cash equivalents | <u>\$ 126,816</u> |
| Total assets                               | 126,816           |
| <b>Net Position</b>                        |                   |
| Restricted for:                            |                   |
| Deposits                                   | <u>126,816</u>    |
| Total net position                         | <u>\$ 126,816</u> |

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, 2018*

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**Note 1 – Reporting Entity**

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

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

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

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

***Primary Government***

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

***Jointly Governed Organizations***

The Village is associated with three jointly governed organizations, the Northeast Ohio Public Energy Council, the Southwest Council of Governments and the 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, 2018*

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

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

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

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

***Fund Accounting***

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

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

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

***Special Assessment West Resource Fund*** The special assessment west resource fund accounts for and reports resources restricted for the retirement of debt issued to finance public improvements deemed to benefit the properties against which special assessments are levied.

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, 2018*

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

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

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

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

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
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**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.

The Village did not invest in 2018, as all funds were required to be held in the checking account to minimize bank fees.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2018 was \$0.

***Restricted Assets***

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

***Inventory and Prepaid Items***

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

***Capital Assets***

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

***Interfund Receivables/Payables***

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

***Accumulated Leave***

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

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

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

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

***Long-Term Obligations***

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

***Net Position***

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

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

***Fund Balance***

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

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

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

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

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**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***

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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**  
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*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**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). Encumbrances for 2018 were \$279,316.

**Note 4 – Deposits and Investments**

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

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

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

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

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

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

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 4 – Deposits and Investments (continued)**

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

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

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

***Deposits***

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

At year end, \$500,000 of the bank balance of \$1,419,023 was covered by FDIC; and the remainder was not exposed to custodial credit risk.

**Note 5 – Taxes**

**Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

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

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



**Village of Brooklyn Heights, Ohio**  
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**Note 5 –Taxes (continued)**

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. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2017, was \$4.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 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% income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 2% 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 2018, 100% of income tax receipts were allocated to the general fund.

***Tax Abatements***

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

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

**Village of Brooklyn Heights, Ohio**  
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For the Year Ended December 31, 2018

**Note 5 –Taxes (continued)**

The Village has tax abatement agreement with Graftech International Holdings, Inc. The amount of taxes abated during 2018 was \$34,575.

**Note 6 –Transfers**

During 2018, the following transfers were made:

|                     | Transfer from<br>Waterline/Sewerline<br>Fund | Total      |
|---------------------|--|------------|
| Capital Improvement | \$ 132,997                                   | \$ 132,997 |

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

**Note 7 – Risk Management**

**Commercial Insurance**

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

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

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

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

The Village's employee health care is provided by Medical Mutual. The Village pays a monthly premium for single, married and family coverage, along with additional HRA charges. Employees contributed 13% of premium costs in 2018.

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
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**Note 8 – Defined Benefit Pension Plans**

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - Village employees, other than full-time police and most part-time firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a 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.

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 CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

**Village of Brooklyn Heights, Ohio**  
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For the Year Ended December 31, 2018

**Note 8 – Defined Benefit Pension Plans (continued)**

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

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

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

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

**Village of Brooklyn Heights, Ohio**  
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**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 purchase of a monthly defined benefit annuity from OPERS (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.

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

|  | State<br>and Local |
|--|--------------------|
| <b>2018 Statutory Maximum Contribution Rates</b> |                    |
| Employer   | 14.0 %             |
| Employee   | 10.0 %             |
| <br><b>2018 Actual Contribution Rates</b>        |                    |
| Employer:  |                    |
| Pension  | 14.0 %             |
| Post-employment Health Care Benefits             | 0.0                |
| Total Employer                                   | 14.0 %             |
| Employee   | 10.0 %             |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$213,812 for 2018.

**Village of Brooklyn Heights, Ohio**  
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**Note 8 – Defined Benefit Pension Plans (continued)**

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

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

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before 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 OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, 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, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

**Note 8 – Defined Benefit Pension Plans (continued)**

|  | Police      | Firefighters |
|--|-------------|--------------|
| <b>2018 Statutory Maximum Contribution Rates</b> |             |              |
| Employer   | 19.50 %     | 24.00 %      |
| Employee:  | 12.25 %     | 12.25 %      |
| <br><b>2018 Actual Contribution Rates</b>        |             |              |
| Employer:  |             |              |
| Pension  | 19.00 %     | 23.50 %      |
| Post-employment Health Care Benefits             | 0.50        | 0.50         |
| <br>Total Employer                               | <br>19.50 % | <br>24.00 %  |
| <br>Employee:                                    | <br>12.25 % | <br>12.25 %  |

Employer contribution rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OPF was \$220,218 for 2018.

**Note 9 - Postemployment Benefits**

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 post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. 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 refund, 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. 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’ CAFR 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.

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. 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 2018, 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 2018, 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 2018 was 4.0 percent.

Substantially all of the Village’s contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2018, 2017, and 2016 was \$0, \$15,014, and \$14,279, respectively. The full amount has been contributed for all three years.

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

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government 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](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.



**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

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.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, 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 and is limited by the provisions of Sections 115 and 401(h).

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.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The Village of Brooklyn Heights' contributions to OP&F for the years ending December 31, 2018, 2017 and 2016 were \$220,218, \$220,959, and \$209,586, respectively, of which \$5,796, \$5,745, and \$5,449, respectively, was allocated to the healthcare plan.

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

**Note 10 – Debt**

The Village’s long-term debt activity for the year ended December 31, 2018 was as follows:

| <u>Governmental Activities</u>     | <u>Interest Rate</u> | <u>Balance<br/>December 31,<br/>2017</u> | <u>Additions</u>   | <u>Reductions</u>         | <u>Balance<br/>December 31,<br/>2018</u> | <u>Due Within<br/>One Year</u> |
|------------------------------------|----------------------|--|--------------------|---------------------------|--|--------------------------------|
| <i>OPWC Loans:</i>                 |                      |  |                    |                           |  |                                |
| 2009 OPWC Lancaster Bridge         | 0%                   | \$ 9,229                                 | \$ -               | \$ (802)                  | \$ 8,427                                 | \$ 802                         |
| 2009 OPWC Schaaf Rd Recon.         | 0%                   | 56,695                                   | -                  | (4,536)                   | 52,159                                   | 4,536                          |
| 2011 OPWC Lancaster Rd Recon.      | 0%                   | 114,474                                  | -                  | (4,672)                   | 109,802                                  | 4,672                          |
| OPWC Dorset Lancaster Rd           | 0%                   | 273,291                                  | -                  | (13,665)                  | 259,626                                  | 13,665                         |
| <i>Total OPWC Loans</i>            |                      | <u>\$ 453,689</u>                        | <u>\$ -</u>        | <u>\$ (23,675)</u>        | <u>\$ 430,014</u>                        | <u>\$ 23,675</u>               |
| 2017 First Internet Bank/Honeywell | 3%                   | \$ 669,794                               | \$ -               | \$ (35,485)               | \$ 634,309                               | \$ 33,196                      |
| <b>Total Loans</b>                 |                      | <b><u>\$ 1,123,483</u></b>               | <b><u>\$ -</u></b> | <b><u>\$ (59,160)</u></b> | <b><u>\$ 1,064,323</u></b>               | <b><u>\$ 56,871</u></b>        |

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

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

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

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

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

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

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

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

| Year      | First Internet Bank/<br>Honeywell |                            |
|-----------|-----------------------------------|----------------------------|
|           | OPWC<br>Principal                 | Principal      Interest    |
| 2019      | \$ 23,675                         | \$ 33,196      \$ 18,469   |
| 2020      | 23,675                            | 33,980      17,484         |
| 2021      | 23,675                            | 40,026      16,437         |
| 2022      | 23,675                            | 41,215      15,248         |
| 2023      | 23,675                            | 42,440      14,023         |
| 2024-2028 | 118,375                           | 231,884      50,431        |
| 2029-2033 | 98,889                            | 211,568      14,282        |
| 2034-2038 | 78,020                            | -      -                   |
| 2039-2043 | 16,355                            | -      -                   |
| Totals    | \$ 430,014                        | \$ 634,309      \$ 146,374 |

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, 2018, were an overall debt margin of \$8,762,560 and an unvoted debt margin of \$4,589,912.

**Note 11 – Fund Balances**

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

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

**Note 11 – Fund Balances – (Continued)**

| <b>2018 Fund Balances</b>  | <b>General Fund</b> | <b>Special Assessment<br/>West Resource Fund</b> | <b>Other<br/>Governmental Funds</b> | <b>Total</b>        |
|----------------------------|---------------------|--|-------------------------------------|---------------------|
| <b>Restricted for</b>      |                     |  |                                     |                     |
| Road Improvements          | \$ -                | \$ -   | \$ 112,961                          | \$ 112,961          |
| Police Operations          | -                   | -  | 68,316                              | 68,316              |
| Capital Improvement        | -                   | -  | 250,121                             | 250,121             |
| Court Technology           | -                   | -  | 4,101                               | 4,101               |
| Debt Service               | -                   | 159,519  | -                                   | 159,519             |
| Other                      | -                   | -  | 118                                 | 118                 |
| <i>Total Restricted</i>    | -                   | 159,519  | 435,617                             | 595,136             |
| <b>Assigned to</b>         |                     |  |                                     |                     |
| Encumbrances               | 279,316             | -  | -                                   | 279,316             |
| <i>Total Assigned</i>      | 279,316             | -  | -                                   | 279,316             |
| Unassigned (deficits):     | \$ 237,597          | -  | -                                   | \$ 237,597          |
| <b>Total Fund Balances</b> | <b>\$ 516,913</b>   | <b>\$ 159,519</b>                                | <b>\$ 435,617</b>                   | <b>\$ 1,112,049</b> |

**Note 12 –Contingent Liabilities**

The Village is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village’s financial condition.

**Note 13 – Jointly Governed Organizations**

***Northeast Ohio Public Energy Council***

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

**Village of Brooklyn Heights, Ohio**  
Cuyahoga County  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**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 2018. 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 2018 to the Southwest Council of Governments.

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

***University Hospitals Parma Medical Center***

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

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

The Village made no contributions to the hospital during fiscal year 2018.

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# OHIO AUDITOR OF STATE KEITH FABER



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615 Superior Avenue, NW  
Cleveland, Ohio 44113-1801  
(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

## 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 and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 10, 2020, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles and adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* in 2019.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 10, 2020



# 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 12/24/2020**

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](http://www.ohioauditor.gov)