

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF BROOKLYN	County JACKSON
Fiscal Year End 6/30/2007	Opinion Date 12/13/2007	Date Audit Report Submitted to State 12/13/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	SINGLE AUDIT
Certified Public Accountant (Firm Name) DOVE & HICKEY, P.L.C.	Telephone Number (517)796-8880	
Street Address 209 E WASHINGTON AVE., SUITE 255	City JACKSON	State MI
		Zip 49201
Authorizing CPA Signature <i>Paul T. Hickey CPA</i>	Printed Name PAUL T. HICKEY	License Number 1101008615

VILLAGE OF BROOKLYN
JACKSON COUNTY - MICHIGAN
FINANCIAL STATEMENTS
Year Ended June 30, 2007

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Dove & Hickey, P.L.C.
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MEMBERS:

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CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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PAUL T. HICKEY, C.P.A.
NANNETTE M. SPONSLER, C.P.A.
ALLISON I. COLE, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Brooklyn
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Brooklyn, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn, Michigan as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2007, on our consideration of the Village of Brooklyn, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Brooklyn, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Village of Brooklyn, Michigan. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dove & Hickey, P.L.C.

December 13, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF BROOKLYN
MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Village of Brooklyn's financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Village's financial statements which follow.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2007:

- Tax revenues, the Village of Brooklyn's largest single revenue source, totaled \$478,006 in all funds this year, representing an increase of 13.4 percent from last fiscal year. This increase is the result of an increase in total property valuation. The tax base of the community has increased from \$33.6 million to \$36.9 million (9.8%) as the Village continued to realize considerable residential, and commercial development. In the last 10 years the Village has experienced an average annual increase of 8 percent in taxable value.
- State-shared revenue continues its downward trend of the past several years. The Village received \$205,198 in this fiscal year, a reduction of \$3,411, or 1.66 percent, from last year. Further reductions are expected in this income source in the coming year. The Village's proactive response to the decline in state-shared revenue is to closely monitor and continually evaluate revenue trends as well as expenditure trends, especially in the areas of personnel benefit costs, staffing levels and discretionary programming and capital projects, in order to achieve economies of scale, operational efficiencies, cost reductions, and justification for capital expenditures.
- Total long-term debt is \$3,408,730. The Village virtually completed a \$1.874 million project for water system improvements mandated by the State, financed by revenue bonds. The Village has reviewed its water and sewer rate structures to ensure that use rates maintain acceptable levels of working capital while providing the funding necessary to complete projected capital improvement programs.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village of Brooklyn as a Whole

The following table shows a condensed format of the net assets as of June 30, 2007 and compared to the prior year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets						
Current and Other Assets	\$ 437,630	\$ 529,717	\$1,258,209	\$2,208,678	\$1,695,839	\$2,738,395
Non-current - Capital Assets	<u>1,008,916</u>	<u>667,186</u>	<u>3,482,354</u>	<u>1,965,100</u>	<u>4,491,270</u>	<u>2,632,286</u>
Total assets	<u>1,446,546</u>	<u>1,196,903</u>	<u>4,740,563</u>	<u>4,173,778</u>	<u>6,187,109</u>	<u>5,370,681</u>
Liabilities						
Other liabilities	18,537	19,500	459,746	264,992	478,283	284,492
Long-term liabilities	<u>2,678</u>	<u>5,760</u>	<u>3,213,730</u>	<u>3,095,000</u>	<u>3,216,408</u>	<u>3,100,760</u>
Total liabilities	<u>21,215</u>	<u>25,260</u>	<u>3,673,476</u>	<u>3,359,992</u>	<u>3,694,691</u>	<u>3,385,252</u>
Net Assets						
Invested in capital assets - net of related debt	1,008,916	667,186	508,987	564,514	1,517,903	1,231,700
Unrestricted	416,415	504,457	409,234	110,187	825,649	614,644
Restricted	<u>-0-</u>	<u>-0-</u>	<u>148,866</u>	<u>139,085</u>	<u>148,866</u>	<u>139,085</u>
Total Net Assets	<u>\$1,425,331</u>	<u>\$1,171,643</u>	<u>\$1,067,087</u>	<u>\$ 813,786</u>	<u>\$2,492,418</u>	<u>\$1,985,429</u>

The Village's combined net assets for both governmental and business-type activities increased 25.5 percent from a year ago - increasing from \$1,985,429 to \$2,492,418. Net assets are further segregated between restricted and unrestricted net assets. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by approximately \$88,000 for governmental activities and an increase of approximately \$299,000 for business-type activities. The current level of unrestricted net assets for our governmental activities stands at \$416,415.

The Village of Brooklyn as a Whole (Continued)

The following table shows the change in net assets for the years ended June 30, 2007 and 2006.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue						
Program revenue:						
Charges for services	\$ 35,871	\$ 44,475	\$ 532,246	\$ 458,795	\$ 568,117	\$ 503,270
Operating grants and contributions	581	220	-0-	-0-	581	220
Capital grants and contributions	281,312	-0-	-0-	-0-	281,312	-0-
General revenue:						
Property taxes	340,645	303,917	137,361	117,767	478,006	421,684
State-shared revenues	205,198	208,609	-0-	-0-	205,198	208,609
Cable franchise fees	8,085	7,349	-0-	-0-	8,085	7,349
Interest	14,877	9,156	18,858	6,957	33,735	16,113
Impairment loss - lagoon closure	-0-	-0-	-0-	(60,542)	-0-	(60,542)
Miscellaneous	<u>5,004</u>	<u>1,811</u>	<u>-0-</u>	<u>-0-</u>	<u>5,004</u>	<u>1,811</u>
Total revenue	<u>891,573</u>	<u>575,537</u>	<u>688,465</u>	<u>522,977</u>	<u>1,580,038</u>	<u>1,098,514</u>
Expenses						
General government	262,522	224,228	-0-	-0-	262,522	224,228
Public Safety	44,837	49,992	-0-	-0-	44,837	49,992
Public Works	223,695	210,702	-0-	-0-	223,695	210,702
Community and economic development	3,779	11,225	-0-	-0-	3,779	11,225
Culture and recreation	39,052	36,935	-0-	-0-	39,052	36,935
Water and Sewer	<u>-0-</u>	<u>-0-</u>	<u>499,164</u>	<u>487,396</u>	<u>499,164</u>	<u>487,396</u>
Total expenses	<u>573,885</u>	<u>533,082</u>	<u>499,164</u>	<u>487,396</u>	<u>1,073,049</u>	<u>1,020,478</u>
Transfers	<u>(64,000)</u>	<u>-0-</u>	<u>64,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Change in Net Assets	\$ <u>253,688</u>	\$ <u>42,455</u>	\$ <u>253,301</u>	\$ <u>35,581</u>	\$ <u>506,989</u>	\$ <u>78,036</u>

Governmental Activities

Governmental activities are those activities (such as public safety and street improvement and maintenance) provided to the constituents of the Village and supported by financing from property taxes and state-shared revenues.

The Village's total governmental revenues increased by approximately \$316,000. Property tax revenues continue to steadily increase; with a 12 percent increase as compared to the prior year. The Village also recognized a capital grant of \$281,312, to fund 80 percent of the cost of streetscaping on a local street in the Village.

The total cost of governmental activities increased by approximately \$40,800 compared to the prior year. Increases in health care premiums wages, and inflation were attributed to the 7.6 percent increase as compared to the prior year.

Business-type Activities

Business-type activities are those that are financed primarily by charges for services or user fees. The Village's business-type activities consist of the Water and Sewer Funds; these types of operations are most similar to private businesses.

Water usage fees increased, while sewer usage fees decreased slightly. The increased water usage was attributed to the 2.4 percent increase in business-type costs of approximately \$11,800.

The Village's Funds

These funds have been established to manage funds for specific purposes: General Fund which pays for most of the Village's governmental services, Street Funds (including Local Streets, Major Streets, and Street Tax Receiving Funds), Water Fund, and Sewer Fund. The General Fund and Street Funds are supported by local property taxes and state-shared revenue. The Water and Sewer Funds are supported by user fees and occasional appropriations from the General Fund. Debt service in the Sewer Fund is supported by a tax levy.

Budgetary Highlights

Over the course of the year, the Village administration and Village Council monitor the budget, and if necessary, amend the budget to take into account anticipated events that occur during the year. Fund balances related to the Village's governmental funds decreased approximately \$180,000. The following provides specific details regarding the amendments:

- While projected General Fund expenditures were increased \$9,400 by amendments, actual total expenditures were less than anticipated.
- Local Street Fund expenditures were increased \$319,000 and transfers in were increased \$80,000 by amendments.

Capital Asset and Debt Administration

At the end of fiscal year 2007, the Village had \$4,491,270 invested in capital assets, net of accumulated depreciation (land, buildings, equipment, vehicles, and water and sewer lines). These assets are necessary to carry out the day-to-day operations of the Village.

Starting in 2006 and continuing in 2007, the Village constructed a major water system project, financed through the State of Michigan in the amount of approximately \$1.14 million.

Economic Factors and Next Year's Budgets and Rates

Uncertainty about the national and state economy in the light of increased energy costs, natural disasters, and continuing loss of jobs in our state inspires caution as the Village manages its financial affairs. State revenues continue to be at their lowest since 1970. During fiscal year 2006 and into 2007, the Village anticipates a significant reduction in state-shared revenues and grants. To date, these revenue reductions have been masked by our growth and increased property values. To ensure sustainability of our operations, the Village is closely monitoring reserve balances, revenues, and expenditures.

Economic Factors and Next Year's Budgets and Rates (Continued)

The Village has two major projects that began in 2006: the North Main Streetscape and Water System Improvements. The streetscape project is 80% funded by a federal grant and will require approximately \$67,000 in matching local funds. These funds are available in street fund reserves. The water project will be funded by revenue bonds requiring water rate increases for debt service.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the revenue it receives. If you have any questions about this report or need additional information, we invite you to contact the Brooklyn Village Manager.

VILLAGE OF BROOKLYN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
Year Ended June 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 290,403	\$ 475,265	\$ 765,668
Restricted cash	-0-	403,003	403,003
Receivables	1,980	52,207	54,187
Due from other governmental units	133,471	244,003	377,474
Prepaid expenses	12,128	3,016	15,144
Internal balances	(352)	352	-0-
Capital assets - net	1,008,916	3,482,354	4,491,270
Unamortized bond expense	<u>-0-</u>	<u>80,363</u>	<u>80,363</u>
Total assets	<u>1,446,546</u>	<u>4,740,563</u>	<u>6,187,109</u>
<u>LIABILITIES</u>			
Accounts payable	9,838	235,838	245,676
Accrued liabilities	8,699	1,384	10,083
Accrued interest	-0-	27,524	27,524
Compensated absences:			
Due in more than one year	2,678	-0-	2,678
Long-term debt:			
Due within one year	-0-	195,000	195,000
Due in more than one year	<u>-0-</u>	<u>3,213,730</u>	<u>3,213,730</u>
Total liabilities	<u>21,215</u>	<u>3,673,476</u>	<u>3,694,691</u>
<u>NET ASSETS</u>			
Invested in capital assets net of related debt	1,008,916	508,987	1,517,903
Unrestricted	416,415	409,234	825,649
Restricted	<u>-0-</u>	<u>148,866</u>	<u>148,866</u>
Total net assets	<u>\$1,425,331</u>	<u>\$1,067,087</u>	<u>\$2,492,418</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Operating		Capital		Governmental Activities	Business-Type Activities	Total
	Charges for Expenses	Services	Grants and Contributions	Grants and Contributions			
GOVERNMENTAL ACTIVITIES:							
General government	\$ 262,522	\$ 29,378	\$ 60	\$ -0-	(\$ 233,084)	\$ -0-	(\$ 233,084)
Public Safety	44,837	5,408	-0-	-0-	(39,429)	-0-	(39,429)
Public works	223,695	-0-	361	281,312	57,978	-0-	57,978
Community and economic development	3,779	1,085	-0-	-0-	(2,694)	-0-	(2,694)
Culture and recreation	39,052	-0-	160	-0-	(38,892)	-0-	(38,892)
Total governmental activities	<u>573,885</u>	<u>35,871</u>	<u>581</u>	<u>281,312</u>	<u>(256,121)</u>	<u>-0-</u>	<u>(256,121)</u>
BUSINESS-TYPE ACTIVITIES:							
Water	166,139	268,184	-0-	-0-	-0-	102,045	102,045
Sewer	333,025	264,062	-0-	-0-	-0-	(68,963)	(68,963)
Total business-type activities	<u>499,164</u>	<u>532,246</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>33,082</u>	<u>33,082</u>
Total government	<u>\$1,073,049</u>	<u>\$ 568,117</u>	<u>\$ 581</u>	<u>\$ 281,312</u>	(256,121)	33,082	(223,039)
GENERAL REVENUES:							
Property taxes					340,645	137,361	478,006
State-shared revenues					205,198	-0-	205,198
Cable franchise fees					8,085	-0-	8,085
Investment earnings					14,877	18,858	33,735
Miscellaneous					5,004	-0-	5,004
Total general revenues					<u>573,809</u>	<u>156,219</u>	<u>730,028</u>
CHANGES IN NET ASSETS BEFORE TRANSFERS					317,688	189,301	506,989
Transfers					<u>(64,000)</u>	<u>64,000</u>	<u>-0-</u>
CHANGES IN NET ASSETS					253,688	253,301	506,989
NET ASSETS - BEGINNING OF YEAR					<u>1,171,643</u>	<u>813,786</u>	<u>1,985,429</u>
NET ASSETS - END OF YEAR					<u>\$1,425,331</u>	<u>\$1,067,087</u>	<u>\$2,492,418</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2007

	Major Governmental Funds				Non-Major Governmental Fund	Total Governmental Funds
	General Fund	Major Streets Fund	Local Streets Fund	Street Tax Receiving Fund	Building Fund	
<u>ASSETS</u>						
Cash and investments	\$ 210,395	\$ 28,960	\$ 4,890	\$ 41,142	\$ 5,016	\$ 290,403
Receivables	1,980	-0-	-0-	-0-	-0-	1,980
Due from other governments	37,323	10,925	3,809	1,619	-0-	53,676
Prepaid expenses	5,752	3,314	3,062	-0-	-0-	12,128
Due from other funds	<u>94,799</u>	<u>-0-</u>	<u>2,079</u>	<u>-0-</u>	<u>-0-</u>	<u>96,878</u>
Total assets	<u>\$ 350,249</u>	<u>\$ 43,199</u>	<u>\$ 13,840</u>	<u>\$ 42,761</u>	<u>\$ 5,016</u>	<u>\$ 455,065</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 9,474	\$ -0-	\$ -0-	\$ 229	\$ 135	\$ 9,838
Accrued liabilities	6,315	1,212	1,174	-0-	-0-	8,701
Due to other funds	<u>2,431</u>	<u>1,967</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,398</u>
Total liabilities	<u>18,220</u>	<u>3,179</u>	<u>1,174</u>	<u>229</u>	<u>135</u>	<u>22,937</u>
Fund balances:						
Unreserved, reported in:						
General fund	332,029	-0-	-0-	-0-	-0-	332,029
Special Revenue funds	<u>-0-</u>	<u>40,020</u>	<u>12,666</u>	<u>42,532</u>	<u>4,881</u>	<u>100,099</u>
Total fund balances	<u>332,029</u>	<u>40,020</u>	<u>12,666</u>	<u>42,532</u>	<u>4,881</u>	<u>432,128</u>
Total liabilities and fund balances	<u>\$ 350,249</u>	<u>\$ 43,199</u>	<u>\$ 13,840</u>	<u>\$ 42,761</u>	<u>\$ 5,016</u>	<u>\$ 455,065</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
June 30, 2007

Fund balances - total Governmental funds	\$ 432,128
Amounts reported for governmental activities in the statement of net assets are different because:	
Receivable not collected within 60 days of the end of the current fiscal period as required for recognition in governmental funds	79,795
Capital assets used in governmental activities are not financial resources and are not reported in the funds	916,086
Compensated absences are not due and payable in the current period and are not reported in the funds	<u>(2,678)</u>
Net assets of governmental activities	<u>\$1,425,331</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Major Governmental Funds				Non-Major Governmental Fund	Total Governmental Funds
	General Fund	Major Streets Fund	Local Streets Fund	Street Tax Receiving Fund	Building Fund	
REVENUES:						
Property taxes	\$ 195,643	\$ -0-	\$ -0-	\$ 145,002	\$ -0-	\$ 340,645
State sources	115,458	66,542	23,198	-0-	-0-	205,198
Federal sources	-0-	-0-	201,517	-0-	-0-	201,517
Licenses and permits	9,580	-0-	-0-	-0-	3,982	13,562
Fines and forfeitures	1,016	-0-	-0-	-0-	-0-	1,016
Interest, penalties and rents	39,413	2,398	1,181	1,198	65	44,255
Contributions	581	-0-	-0-	-0-	-0-	581
Miscellaneous	<u>4,861</u>	<u>70</u>	<u>73</u>	<u>-0-</u>	<u>-0-</u>	<u>5,004</u>
Total revenues	<u>366,552</u>	<u>69,010</u>	<u>225,969</u>	<u>146,200</u>	<u>4,047</u>	<u>811,778</u>
EXPENDITURES:						
Current:						
General government	258,059	-0-	-0-	-0-	-0-	258,059
Public safety	39,027	-0-	-0-	-0-	5,810	44,837
Public Works	28,995	84,513	86,972	-0-	-0-	200,480
Community and economic development	3,779	-0-	-0-	-0-	-0-	3,779
Recreation and culture	34,829	-0-	-0-	-0-	-0-	34,829
Capital outlay	<u>-0-</u>	<u>-0-</u>	<u>386,118</u>	<u>-0-</u>	<u>-0-</u>	<u>386,118</u>
Total expenditures	<u>364,689</u>	<u>84,513</u>	<u>473,090</u>	<u>-0-</u>	<u>5,810</u>	<u>928,102</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,863</u>	<u>(15,503)</u>	<u>(247,121)</u>	<u>146,200</u>	<u>(1,763)</u>	<u>(116,324)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-0-	12,837	225,811	-0-	-0-	238,648
Transfers (out)	<u>(64,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>(238,648)</u>	<u>-0-</u>	<u>(302,648)</u>
Total other financing sources (uses)	<u>(64,000)</u>	<u>12,837</u>	<u>225,811</u>	<u>(238,648)</u>	<u>-0-</u>	<u>(64,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(62,137)	(2,666)	(21,310)	(92,448)	(1,763)	(180,324)
FUND BALANCES - BEGINNING OF YEAR	<u>394,166</u>	<u>42,686</u>	<u>33,976</u>	<u>134,980</u>	<u>6,644</u>	<u>612,452</u>
FUND BALANCES - END OF YEAR	<u>\$ 332,029</u>	<u>\$ 40,020</u>	<u>\$ 12,666</u>	<u>\$ 42,532</u>	<u>\$ 4,881</u>	<u>\$ 432,128</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2007

Net change in fund balance - total Governmental funds	(\$ 180,324)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenue not currently available and not reported in the funds	79,795
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	386,118
Depreciation on capital assets reported as part of governmental activities	(34,983)
Accrued compensated absences are recorded when earned in the statement of activities but are recognized when paid in governmental activities	<u>3,082</u>
Changes in net assets of governmental activities	<u>\$ 253,688</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2007

	Business-Type Activities			Governmental Activities Internal Service Fund
	Enterprise Funds			
	Water Supply System	Sanitary Sewer System	Total	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 367,772	\$ 107,493	\$ 475,265	\$ -0-
Restricted cash	355,000	48,003	403,003	-0-
Receivables	29,606	22,601	52,207	-0-
Due from other governments	141,899	102,104	244,003	-0-
Prepaid expenses	2,165	851	3,016	-0-
Due from other funds	<u>33</u>	<u>319</u>	<u>352</u>	<u>-0-</u>
Total current assets	<u>896,475</u>	<u>281,371</u>	<u>1,177,846</u>	<u>-0-</u>
Capital assets - net	2,432,114	1,050,240	3,482,354	92,832
Unamortized bond expense	<u>50,072</u>	<u>30,291</u>	<u>80,363</u>	<u>-0-</u>
Total noncurrent assets	<u>2,482,186</u>	<u>1,080,531</u>	<u>3,562,717</u>	<u>92,832</u>
Total assets	<u>\$3,378,661</u>	<u>\$1,361,902</u>	<u>\$4,740,563</u>	<u>\$ 92,832</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Current Liabilities:				
Accounts payable	\$ 220,895	\$ 14,943	\$ 235,838	\$ -0-
Accrued expenses	14,543	14,365	28,908	-0-
Current maturities on bonds and notes	110,000	10,000	120,000	-0-
Current maturities on advances from County	-0-	75,000	75,000	-0-
Due to other funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>92,832</u>
Total current liabilities	<u>345,438</u>	<u>114,308</u>	<u>459,746</u>	<u>92,832</u>
Noncurrent liabilities:				
Bond notes and advances payable	<u>2,163,730</u>	<u>1,050,000</u>	<u>3,213,730</u>	<u>-0-</u>
Total noncurrent liabilities	<u>2,163,730</u>	<u>1,050,000</u>	<u>3,213,730</u>	<u>-0-</u>
Total liabilities	<u>2,509,168</u>	<u>1,164,308</u>	<u>3,673,476</u>	<u>92,832</u>
Net assets:				
Investment in capital assets net of related debt	563,456	(54,469)	508,987	-0-
Unrestricted	306,037	103,197	409,234	-0-
Restricted	<u>-0-</u>	<u>148,866</u>	<u>148,866</u>	<u>-0-</u>
Total net assets	<u>869,493</u>	<u>197,594</u>	<u>1,067,087</u>	<u>-0-</u>
Total liabilities and net assets	<u>\$3,378,661</u>	<u>\$1,361,902</u>	<u>\$4,740,563</u>	<u>\$ 92,832</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS -
PROPRIETARY FUND
Year Ended June 30, 2007

	Business-Type Activities			Governmental Activities Internal Service Fund
	<u>Enterprise Funds</u>			
	<u>Water Supply System</u>	<u>Sanitary Sewer System</u>	<u>Total</u>	
OPERATING REVENUES:				
Charges for services and penalties	\$ 268,184	\$ 264,062	\$ 532,246	\$ 44,165
Total operating revenues	<u>268,184</u>	<u>264,062</u>	<u>532,246</u>	<u>44,165</u>
OPERATING EXPENSES:				
Treatment fees	-0-	167,408	167,408	-0-
Operation and maintenance	86,656	48,700	135,356	28,762
General and administrative	11,515	11,689	23,204	-0-
Depreciation and amortization	<u>33,621</u>	<u>48,437</u>	<u>82,058</u>	<u>15,403</u>
Total operating expenses	<u>131,792</u>	<u>276,234</u>	<u>408,026</u>	<u>44,165</u>
OPERATING INCOME (LOSS)	<u>136,392</u>	<u>(12,172)</u>	<u>124,220</u>	<u>-0-</u>
NON-OPERATING REVENUES (EXPENSES):				
Property taxes	-0-	137,361	137,361	-0-
Interest income	11,464	7,394	18,858	-0-
Interest expense	<u>(34,347)</u>	<u>(56,791)</u>	<u>(91,138)</u>	<u>-0-</u>
Total non-operating revenues (expenses) - net	<u>(22,883)</u>	<u>87,964</u>	<u>65,081</u>	<u>-0-</u>
CHANGES IN NET ASSETS BEFORE TRANSFER	113,509	75,792	189,301	-0-
Transfers in	<u>64,000</u>	<u>-0-</u>	<u>64,000</u>	<u>-0-</u>
CHANGES IN NET ASSETS	177,509	75,792	253,301	-0-
NET ASSETS, BEGINNING OF YEAR	<u>691,984</u>	<u>121,802</u>	<u>813,786</u>	<u>-0-</u>
NET ASSETS, END OF YEAR	<u>\$ 869,493</u>	<u>\$ 197,594</u>	<u>\$1,067,087</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 262,187	\$ 263,366	\$ 525,553
Payments to employees	(40,625)	(25,191)	(65,816)
Payments to suppliers	(62,163)	(202,216)	(264,379)
Internal activity - Payments to other funds	<u>(5,582)</u>	<u>(7,896)</u>	<u>(13,478)</u>
Net cash provided (used) by operating activities	<u>153,817</u>	<u>28,063</u>	<u>181,880</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Property taxes levied	-0-	136,121	136,121
Transfers in	<u>64,000</u>	<u>-0-</u>	<u>64,000</u>
Net cash provided (used) by non-capital financing activities	<u>64,000</u>	<u>136,121</u>	<u>200,121</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital debt	1,671,831	-0-	1,671,831
Construction/acquisition of capital assets	(1,541,456)	-0-	(1,541,456)
Bond issuance cost	(12,996)	-0-	(12,996)
Principal paid on long-term debt	(34,000)	(90,000)	(124,000)
Interest paid on long-term debt	<u>(33,723)</u>	<u>(57,790)</u>	<u>(91,513)</u>
Net cash provided (used) by capital and related financing activities	<u>49,656</u>	<u>(147,790)</u>	<u>(98,134)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	<u>11,464</u>	<u>2,789</u>	<u>14,253</u>
Net cash provided (used) by investing activities	<u>11,464</u>	<u>2,789</u>	<u>14,253</u>
INCREASE IN CASH AND CASH EQUIVALENTS	278,937	19,183	298,120
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>443,835</u>	<u>136,313</u>	<u>580,148</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 722,772</u>	<u>\$ 155,496</u>	<u>\$ 878,268</u>
STATEMENT OF NET ASSETS CLASSIFICATION OF CASH AND CASH EQUIVALENTS:			
Cash and cash equivalents	\$ 367,772	\$ 107,493	\$ 475,265
Restricted cash	<u>355,000</u>	<u>48,003</u>	<u>403,003</u>
Total	<u>\$ 722,772</u>	<u>\$ 155,496</u>	<u>\$ 878,268</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF CASH FLOWS (Concluded)
PROPRIETARY FUNDS
Year Ended June 30, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 136,392	(\$ 12,172)	\$ 124,220
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	29,914	44,337	74,251
Amortization	3,707	4,100	7,807
Changes in assets and liabilities:			
Usage fees receivable	(5,997)	(696)	(6,693)
Due from other funds	44,411	35,060	79,471
Prepaid expenses	(3,851)	717	(3,134)
Accounts payable and other accrued liabilities	(766)	(327)	(1,093)
Due to other funds	<u>(49,993)</u>	<u>(42,956)</u>	<u>(92,949)</u>
Net cash provided (used) by operating activities	<u>\$ 153,817</u>	<u>\$ 28,063</u>	<u>\$ 181,880</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Brooklyn (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Brooklyn.

Reporting Entity

The Village of Brooklyn is governed by a nine member Village Council of which seven are elected and two are appointed. The Council appoints a Village Manager to carry out the policies that it establishes. The accompanying financial statements present the Village's entities for which the Village is considered to be financially accountable. The Village has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. All revenue items are considered to be available only when cash is received by the Village.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Major Street Fund - The Major Street Fund is used to account for state-shared revenues received for the purpose of construction and maintenance of the Village's major roads.

Local Street Fund - The Local Street Fund is used to account for state-shared revenues received for the purpose of construction and maintenance of the Village's local streets.

Street Tax Receiving Fund - The Street Tax Receiving Fund is used to account for property taxes received under a specially assessed millage.

The Village reports the following major proprietary funds:

Water Fund - The Water Fund is used to account for the results of operations for providing water service to the citizens and businesses of the Village. The fund's primary revenues are generated through user charges from those requesting water service.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Sewer Fund - The Sewer Fund is used to account for the results of operations for providing sewer service to the citizens and businesses of the Village. The primary revenues are generated through user charges from those requesting sewer service and taxes received under a specially assessed millage.

Additionally, the Village reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Internal Service Fund - The Internal Service Fund accounts for fleet and equipment management to other departments of the government on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Village's 2006 tax is levied and collectible on December 1, 2006, and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Village totaled \$36,897,689 on which ad valorem taxes levied consisted of 5.000 mills for operating purposes, 3.6969 mills for streets and 3.550 mills for sanitary sewer debt. This resulted in \$184,049 for operating, \$136,079 for streets, and \$128,887 for sanitary sewers fund. These amounts are recognized in the General Fund and Raised Streets Sewer Fund financial statements as tax revenue (net of reductions for delinquent amounts and prior year tax tribunal changes).

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB No. 34 requires the Village to report and depreciate new infrastructure assets effective beginning July 1, 2003. Infrastructure assets include roads, bridges, traffic signals, etc. The Village has elected not to report major general infrastructure assets retroactively.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Water and sewer transportation lines	40 years
Streets	40 years
Sidewalks and land improvements	20 to 25 years
Meters	20 years
Furnishings, vehicles and equipment	3 to 10 years

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” All trade and property tax receivables are considered to be fully collectible.

Compensated Absences - It is the policy to permit eligible employees to accumulate earned but unused sick pay benefits. Sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end. Before June 1, the proposed budget is submitted to the Village Council for review. Public hearings are held, and a final budget is adopted no later than June 30. The Village Council must approve any budget amendments.

The appropriated budget is prepared by fund, activity, and line items. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2007, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Clerk	\$ 34,000	\$ 34,483	(\$ 483)
Manager	22,900	36,645	(13,745)
Building and grounds	50,000	55,883	(5,883)
Public Safety	27,750	38,377	(10,627)
Urban forestry	500	1,100	(600)
Transfers out	15,000	64,000	(49,000)
Local Street Fund:			
Capital outlay	320,000	386,118	(66,118)

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the local governmental units to make deposits and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations which have offices in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the board of trustees in accordance with Public Act 20 of 1943, as amended, has authorized investment in the investments in the preceding paragraph. The Village's deposit and investment policy is in accordance with statutory authority.

Restricted cash at June 30, 2007, totals \$403,003. The cash is restricted for the purposes of servicing debt in the amount of \$48,003 and to purchase water meters in the amount of \$355,000.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

3. DEPOSITS AND INVESTMENTS (Continued)

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The bank balance of the government's deposits is \$1,197,351, of which \$199,000 is covered by Federal depository insurance. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes, in market interest rates, will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the Village manages its exposure to interest rate risk is by participating in one bank investment pool and one money market which hold diverse investments that local units of government are authorized by law for direct investment.

As of June 30, 2007, the Village had the following investments:

Investments:	
Bank investment pools	\$ 86,560
Money market	<u>9,195</u>
Total government	<u>\$ 95,755</u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The bank investment pooled funds and money market do not have a rating provided by a nationally recognized statistical rating organization.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

4. RESTRICTED NET ASSETS

Net assets have been restricted in the amount of \$48,003 to finance sewer bond payments and \$100,863 due from Jackson County which represents unspent bond proceeds, for a total of \$148,866.

5. CAPITAL ASSETS

Capital asset activity of the Village's governmental activities and business-type activities was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>28,900</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>28,900</u>
Capital assets being depreciated:				
Buildings and improvements	115,175	-0-	-0-	115,175
Improvements other than buildings	543,127	386,118	-0-	929,245
Furnishings, vehicles, and equipment	<u>420,710</u>	<u>860</u>	<u>-0-</u>	<u>421,570</u>
Total capital assets being depreciated	<u>1,079,012</u>	<u>386,978</u>	<u>-0-</u>	<u>1,465,990</u>
Less: accumulated depreciation:				
Buildings and improvements	64,311	1,792	-0-	66,103
Improvements other than buildings	71,129	26,692	-0-	97,821
Furnishings, vehicles, and equipment	<u>305,286</u>	<u>21,903</u>	<u>5,139</u>	<u>322,050</u>
Total accumulated depreciation	<u>440,726</u>	<u>50,387</u>	<u>5,139</u>	<u>485,974</u>
Total capital assets being depreciated - net	<u>638,286</u>	<u>336,591</u>	<u>5,139</u>	<u>980,016</u>
Total capital assets - net	\$ <u>667,186</u>	\$ <u>336,591</u>	\$ <u>5,139</u>	\$ <u>1,008,916</u>

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

5. CAPITAL ASSETS (Continued)

	Balance <u>July 1, 2006</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2007</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 36,000	\$ -0-	\$ -0-	\$ 36,000
Construction in progress	<u>184,186</u>	<u>1,256,850</u>	<u>-0-</u>	<u>1,441,036</u>
Total capital assets not being depreciated	<u>220,186</u>	<u>1,256,850</u>	<u>-0-</u>	<u>1,477,036</u>
Capital assets being depreciated:				
Buildings and improvements	500,136	-0-	-0-	500,136
Water and sewer transportation lines	2,301,177	-0-	3,356	2,297,821
Meters and equipment	<u>24,729</u>	<u>409,829</u>	<u>-0-</u>	<u>434,558</u>
Total capital assets being depreciated	<u>2,826,042</u>	<u>409,829</u>	<u>3,356</u>	<u>3,232,515</u>
Less: accumulated depreciation:				
Buildings and improvements	229,029	14,261	-0-	243,290
Water and sewer transportation lines	903,712	54,133	3,356	954,489
Meters and equipment	<u>23,561</u>	<u>5,857</u>	<u>-0-</u>	<u>29,418</u>
Total accumulated depreciation	<u>1,156,302</u>	<u>74,251</u>	<u>3,356</u>	<u>1,227,197</u>
Total capital assets being depreciated - net	<u>1,669,740</u>	<u>335,578</u>	<u>-0-</u>	<u>2,005,318</u>
Total capital assets - net	<u>\$1,889,926</u>	<u>\$1,592,428</u>	<u>\$ -0-</u>	<u>\$3,482,354</u>

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

5. CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:		
General government	\$	7,546
Public works		23,214
Culture and recreation		4,223
Capital assets held by government's internal service fund are charged to the various functions based on their usage of the assets		<u>15,404</u>
Total governmental activities	\$	<u>50,387</u>
Business-type activities:		
Water Fund	\$	29,914
Sewer Fund		<u>44,337</u>
Total business-type activities	\$	<u>74,251</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Street Fund	\$ 1,967
	Internal Service Fund	<u>92,832</u>
	Total General Fund	94,799
Local Street Fund	General Fund	2,079
Water Fund	General Fund	33
Sewer Fund	General Fund	<u>319</u>
	Total	<u>\$ 97,230</u>

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions recorded in the accounting system, and payments between funds are made.

Interfund transfers:

Fund transferred from:	Fund transferee to:	
General Fund	Water Fund	\$ 64,000
Street Tax Receiving Fund	Major Street Fund	12,837
Street Tax Receiving Fund	Local Streets Fund	225,811

The transfer from the General Fund to the Water Fund represents the General Fund's contribution to improve the water distribution system. The transfers from the Street Tax Receiving Fund to the Major and Local Streets Funds represent property taxes received in the Street Tax Receiving Fund and transferred to the benefiting funds as needed.

7. LONG-TERM DEBT

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. They will be repaid from user fees and if not sufficient from proceeds of an annual levy of ad valorem taxes on an all taxable property within the Village subject to applicable constitutional and statutory tax rate limitations.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

7. LONG-TERM DEBT (Continued)

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type activities:						
County contractual obligation:						
1996 Village sewer line extension - amount of issue						
1,550,000	4.25% - 7.25%	\$ 25,000 - 150,000	\$1,200,000	(\$ 75,000)	\$1,125,000	\$ 75,000
Revenue bonds:						
1986 sewer extension bond - amount of issue						
\$235,000	4.736%	\$ 10,200 - 15,000	25,000	(15,000)	10,000	10,000
1988 water extension bond - amount of issue						
\$235,000	5.503%	\$ 10,000 - 20,000	120,000	(15,000)	105,000	15,000
Limited tax general obligation bonds -						
2006 water supply project - amount of issue						
\$1,500,000	2.125%	\$ 60,000 - 90,000	1,500,000	-0-	1,500,000	60,000
Limited tax general obligation bonds -						
2006 B water supply project						
	2.125%	\$ 15,000 - 25,000	-0-	313,730	313,730	15,000
Installment purchase contract - water meters purchase - amount of issue						
\$374,000	4.2%	\$ 19,000 - 30,000	<u>374,000</u>	<u>(19,000)</u>	<u>355,000</u>	<u>20,000</u>
Total business-type activities			<u>\$3,219,000</u>	<u>\$ 189,730</u>	<u>\$3,408,730</u>	<u>\$ 195,000</u>

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

7. LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 195,000	\$ 109,460	\$ 304,460
2009	185,000	103,924	288,924
2010	220,000	96,181	316,181
2011	225,000	87,474	312,474
2012	225,000	78,591	303,591
2013 - 2017	1,260,000	249,580	1,509,580
2018 - 2022	605,000	88,914	693,914
2023 - 2027	<u>493,730</u>	<u>25,292</u>	<u>519,022</u>
Total	<u>\$3,408,730</u>	<u>\$ 839,416</u>	<u>\$4,248,146</u>

8. RISK MANAGEMENT

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 as well as medical benefits provided to employees. The Village has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Workers' Compensation for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority for general liability claims.

The Michigan Municipal Risk Management Authority (the "Authority") operates as a claims-servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority to pay claims up to the retention limits, the ultimate liability for those claims remains with the Village.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

9. DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM)

Plan Description

The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The Village is required to contribute at an actuarially determined rate; the current rate is 17.30% of annual covered payroll. Village employees are required to contribute 3 percent of the first \$4,200 of annual compensation and 5 percent of portions over \$4,200. The contribution requirements of the Village are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Village, depending on the MERS contribution program adopted by the Village.

Annual Pension Costs

For year ended 2007, the Village's annual pension cost of \$22,347 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumptions used include (i) 8 percent investment rate of return; (ii) projected salary increases of 4.5 percent per year based upon an age related scale to reflect merit longevity, and promotional salary increases. The actuarial value of assets is determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income and actual investment income earned on a market value basis. The unfunded actuarial liability is being amortized as a level percent of payroll on an open basis. The remaining amortization period is 30 years.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

9. DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM) (Continued)

Trend Information for The Village of Brooklyn

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 13,657	100%	\$ -0-
6/30/06	12,274	100%	-0-
6/30/07	22,347	100%	-0-

Schedule of Funding Progress for the Village of Brooklyn

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as of % of Covered Payroll ((b-a)/c)</u>
12/31/04	761,236	926,605	165,369	82.2	162,546	101.7%
12/31/05	778,860	1,007,925	229,065	77.3	116,683	196.3%
12/31/06	787,870	1,054,585	266,715	74.7	157,029	169.8%

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF BROOKLYN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2007

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
REVENUES:				
Property taxes	\$ 188,900	\$ 188,900	\$ 195,643	\$ 6,743
State sources	114,000	114,000	115,458	1,458
Licenses and permits	9,000	9,000	9,580	580
Fines and forfeitures	500	500	1,016	516
Interest, penalties and rents	34,300	34,300	39,413	5,113
Refunds	1,000	1,000	144	(856)
Contributions	6,100	6,100	581	(5,519)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>4,717</u>	<u>3,717</u>
Total revenues	<u>354,800</u>	<u>354,800</u>	<u>366,552</u>	<u>11,752</u>
EXPENDITURES:				
Current:				
General government:				
Village Council	33,000	33,000	23,459	9,541
Elections	200	200	-0-	200
Attorney	3,000	3,000	683	2,317
Clerk	47,500	34,000	34,483	(483)
Manager	-0-	22,900	36,645	(13,745)
Treasurer	35,000	35,000	30,288	4,712
Building and grounds	<u>50,000</u>	<u>50,000</u>	<u>55,883</u>	<u>(5,883)</u>
Total general government	<u>168,700</u>	<u>178,100</u>	<u>181,441</u>	<u>(3,341)</u>
Public Safety:				
Public Safety	27,750	27,750	38,377	(10,627)
Code enforcement	<u>15,400</u>	<u>15,400</u>	<u>650</u>	<u>14,750</u>
Total public safety	<u>43,150</u>	<u>43,150</u>	<u>39,027</u>	<u>4,123</u>
Public Works:				
Side walks	1,200	1,200	-0-	1,200
Street lighting	29,500	29,500	20,260	9,240
Urban forestry	500	500	1,100	(600)
Sanitation	2,500	2,500	1,635	865
Water	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-0-</u>
Total public works	<u>39,700</u>	<u>39,700</u>	<u>28,995</u>	<u>10,705</u>
Community and economic development				
	<u>6,000</u>	<u>6,000</u>	<u>3,779</u>	<u>2,221</u>
Recreation and culture:				
Parks	37,595	37,595	34,829	2,766
Local access	<u>5,000</u>	<u>5,000</u>	<u>-0-</u>	<u>5,000</u>
Total recreation and culture	<u>42,595</u>	<u>42,595</u>	<u>34,829</u>	<u>7,766</u>
Other				
	<u>126,729</u>	<u>126,729</u>	<u>76,618</u>	<u>50,111</u>
Capital outlay				
	<u>38,000</u>	<u>38,000</u>	<u>-0-</u>	<u>38,000</u>
Total expenditures	<u>464,874</u>	<u>474,274</u>	<u>364,689</u>	<u>109,585</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(110,074)</u>	<u>(119,474)</u>	<u>1,863</u>	<u>121,337</u>
OTHER FINANCING SOURCES (USES):				
Transfers (out)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(64,000)</u>	<u>(49,000)</u>
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(64,000)</u>	<u>(49,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
	(125,074)	(134,474)	(62,137)	72,337
FUND BALANCE - BEGINNING OF YEAR				
	<u>394,166</u>	<u>394,166</u>	<u>394,166</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR				
	<u>\$ 269,092</u>	<u>\$ 259,692</u>	<u>\$ 332,029</u>	<u>\$ 72,337</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
 Year Ended June 30, 2007

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
State sources	\$ 62,000	\$ 62,000	\$ 66,542	\$ 4,542
Interest	500	500	2,398	1,898
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>70</u>	<u>70</u>
Total revenues	<u>62,500</u>	<u>62,500</u>	<u>69,010</u>	<u>6,510</u>
EXPENDITURES:				
Current:				
Public Works	<u>127,650</u>	<u>127,650</u>	<u>84,513</u>	<u>43,137</u>
Total expenditures	<u>127,650</u>	<u>127,650</u>	<u>84,513</u>	<u>43,137</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(65,150)</u>	<u>(65,150)</u>	<u>(15,503)</u>	<u>49,647</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>80,000</u>	<u>80,000</u>	<u>12,837</u>	<u>(67,163)</u>
Total other financing sources (uses)	<u>80,000</u>	<u>80,000</u>	<u>12,837</u>	<u>(67,163)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	14,850	14,850	(2,666)	(17,516)
FUND BALANCE - BEGINNING OF YEAR	<u>42,686</u>	<u>42,686</u>	<u>42,686</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	<u>\$ 57,536</u>	<u>\$ 57,536</u>	<u>\$ 40,020</u>	<u>(\$ 17,516)</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
Year Ended June 30, 2007

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
State sources	\$ 22,000	\$ 22,000	\$ 23,198	\$ 1,198
Federal grant	-0-	312,747	201,517	(111,230)
Interest	200	200	1,181	981
Miscellaneous	<u>400</u>	<u>400</u>	<u>73</u>	<u>(327)</u>
Total revenues	<u>22,600</u>	<u>335,347</u>	<u>225,969</u>	<u>(109,378)</u>
EXPENDITURES:				
Current:				
Public Works	101,500	101,500	86,972	14,528
Capital outlay	<u>1,000</u>	<u>320,000</u>	<u>386,118</u>	<u>(66,118)</u>
Total expenditures	<u>102,500</u>	<u>421,500</u>	<u>473,090</u>	<u>(51,590)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(79,900)</u>	<u>(86,153)</u>	<u>(247,121)</u>	<u>(160,968)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>80,000</u>	<u>160,000</u>	<u>225,811</u>	<u>65,811</u>
Total other financing sources (uses)	<u>80,000</u>	<u>160,000</u>	<u>225,811</u>	<u>65,811</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	100	73,847	(21,310)	(95,157)
FUND BALANCE - BEGINNING OF YEAR	<u>33,976</u>	<u>33,976</u>	<u>33,976</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u>34,076</u>	\$ <u>107,823</u>	\$ <u>12,666</u>	(\$ <u>95,157</u>)

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE - STREET TAX RECEIVING FUND
 Year Ended June 30, 2007

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
Property taxes	\$ 134,000	\$ 134,000	\$ 145,002	\$ 11,002
Interest	<u>500</u>	<u>500</u>	<u>1,198</u>	<u>698</u>
Total revenues	<u>134,500</u>	<u>134,500</u>	<u>146,200</u>	<u>11,700</u>
EXPENDITURES:				
Current:				
Public Works	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>134,500</u>	<u>134,500</u>	<u>146,200</u>	<u>11,700</u>
OTHER FINANCING SOURCES (USES):				
Transfers (out)	<u>(200,000)</u>	<u>(280,000)</u>	<u>(238,648)</u>	<u>41,352</u>
Total other financing sources (uses)	<u>(200,000)</u>	<u>(280,000)</u>	<u>(238,648)</u>	<u>41,352</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(65,500)	(145,500)	(92,448)	53,052
FUND BALANCE - BEGINNING OF YEAR	<u>134,980</u>	<u>134,980</u>	<u>134,980</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u>69,480</u>	(\$ <u>10,520</u>)	\$ <u>42,532</u>	\$ <u>53,052</u>

See accompanying notes to financial statements.

FEDERAL AWARDS SUPPLEMENTAL INFORMATION

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CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.
PAUL T. HICKEY, C.P.A.
NANNETTE M. SPONSER, C.P.A.
ALLISON I. COLE, C.P.A.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Village Council
Village of Brooklyn
Jackson County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Brooklyn, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Brooklyn, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Brooklyn, Michigan's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Brooklyn, Michigan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe the significant deficiencies described in the schedule of findings and questioned costs constitutes a material weakness as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Brooklyn, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village of Brooklyn, Michigan, in a separate letter dated December 13, 2007.

This report is intended solely for the information and use of management, the audit committee, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dove & Hickey, P.L.C.

December 13, 2007

Dove & Hickey, P.L.C.

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ALLISON I. COLE, C.P.A.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Village Council
Village of Brooklyn
Jackson County, Michigan

Compliance

We have audited the compliance of the Village of Brooklyn, Michigan, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Village of Brooklyn, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Brooklyn, Michigan's management. Our responsibility is to express an opinion on the Village of Brooklyn, Michigan's compliance based on our audit.

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

In our opinion, the Village of Brooklyn, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Village Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dove & Hickey, P.L.C.

December 13, 2007

VILLAGE OF BROOKLYN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2007

<u>Federal Agency/Pass-through Agency Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality: Capitalization Grants for Drinking Water State Revolving Funds:	66.468		
Project Number 7183-01		\$ 589,350	
Project Number 7183-02		143,408	\$ 624,819
U.S. Department of Transportation - Passed through Michigan Department of Transportation: Transportation Enhancement Projects:	20.205		
Project Number 38171-58177		312,000	<u>281,311</u>
			<u>\$ 906,130</u>

The notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

VILLAGE OF BROOKLYN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village of Brooklyn, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

VILLAGE OF BROOKLYN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified: X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified: Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's reported issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major program(s):

CFDA Number _____ Name of Federal Program or Cluster _____

66.468 Capitalization Grants for Drinking Water

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

VILLAGE OF BROOKLYN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS

As defined on page 37 of this report, a material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the combination of the following significant deficiencies constitute material weakness.

Reference
Number

Findings

2007-1

Criteria: Segregation of duties is an essential component of a sound system of internal controls. When job responsibilities are properly segregated, a system of "checks and balances" is created, thereby reducing the risk of intentional or unintentional errors and/or omissions in the accounting records.

Condition: Incompatible duties are being performed by the same employee. The financial secretary sets up customers, prepares utility bills, mails bills, posts payments and can make adjustments to accounts. The office manager collects payments and prepares bank deposit slips.

Cause: Due to the limited staff in the Village office, the cost/benefit of hiring more staff is prohibitive.

Recommendation: We recommend that the Village Manager more closely monitor day to day activities, review utility billings, and review and approve reconciliations on a regular basis.

2007-2

Criteria: Safeguarding and maintaining current back-ups of computerized accounting records is another essential component of a sound system of internal controls

Condition: The Village lacked a regular schedule to back-up computer systems that contained the accounting records of general ledgers, payroll, and utility billings. Staff printing limited reports, since they depended on the computer system for maintaining activity.

Cause: A lack of an appropriate written policy for staff to follow contributed to the failure to back-up systems on a regular basis.

Recommendation: We recommend that management adopt a policy that clearly states a regular schedule of backing-up the computer system and retention policy for those back-ups.

VILLAGE OF BROOKLYN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

<u>Reference Number</u>	<u>Findings</u>
2007-03	<p>Criteria: Management is responsible for designing and implementing of the financial reporting system to record, process, and report significant transactions.</p> <p>Condition: Journal entries were required during audit to ensure financial statement presentation was in conformity with generally accepted accounting principles. These entries included accruals and reclassifications of long-term debt payments.</p> <p>Cause: Village staff does not possess the expertise to make accrual adjustments.</p> <p>Recommendation: More care should be taken when recording debt payments in proprietary funds so that they are posted properly. We recommend management and staff carefully review audit entries, become alerted to the classification issues, as not to repeat them in the subsequent year. It has been past practice for the auditors to make these accrual adjustments and we bring this to management's attention since it meets the above definition of a matter to be communicated.</p>
2007-04	<p>Criteria: Management is responsible for making certain year-end adjustments required to prepare financial statements in accordance with generally accepted accounting principles, including the requirements of GASB Statement 34.</p> <p>Condition: Assistance was provided to assist in identifying and calculating certain year-end adjustments required to prepare financial statements.</p> <p>Cause: Village staff does not possess the expertise to make accrual adjustments.</p> <p>Recommendation: It is generally more cost efficient for the auditors to make these adjustments since we have expertise in these matters. We bring this to your attention since it meets the above definition of a matter to be communicated.</p>

SECTION III - FEDERAL PROGRAM AUDIT FINDINGS

None

Dove & Hickey, P.L.C.

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ALLISON I. COLE, C.P.A.

December 13, 2007

Village Council
Village of Brooklyn
PO Box 90
Brooklyn, Michigan 49230-0096

Council Members:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Brooklyn's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

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

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

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following combination of significant deficiencies constitute material weaknesses:

Segregation of Duties:

Segregation of duties is an essential component of a sound system of internal controls. When job responsibilities are properly segregated, a system of "checks and balances" is created, thereby reducing the risk of intentional or unintentional errors and/or omissions in the accounting records. We noted that incompatible duties are being performed by the same employee. The financial secretary sets up customers, prepares utility bills, mails bills, posts payments and can make adjustments to accounts. The office manager collects payments and prepares bank deposit slips. Due to the limited staff in the Village office, the cost/benefit of hiring more staff is prohibitive.

We recommend that the Village Manager more closely monitor day to day activities, review utility billings, and review and approve reconciliations on a regular basis.

Computer Back-ups:

Safeguarding and maintaining current back-ups of computerized accounting records is another essential component of a sound system of internal controls

The Village lacked a regular schedule to back-up computer systems that contained the accounting records of general ledgers, payroll, and utility billings. Staff printing limited reports, since they depended on the computer system for maintaining activity. A lack of an appropriate written policy for staff to follow contributed to the failure to back-up systems on a regular basis.

We recommend that management adopt a policy that clearly states a regular schedule of backing-up the computer system and retention policy for those back-ups.

Journal Entries:

Management is responsible for designing and implementing of the financial reporting system to record, process, and report significant transactions. Journal entries were required during audit to ensure financial statement presentation was in conformity with generally accepted accounting principles. These entries included accruals and reclassifications of long-term debt payments. Village staff does not possess the expertise to make accrual adjustments.

More care should be taken when recording debt payments in proprietary funds so that they are posted properly. We recommend management and staff carefully review audit entries, become alerted to the classification issues, as not to repeat them in the current year. It has been past practice for the auditors to make these accrual adjustments and we bring this to management's attention since it meets the above definition of a matter to be communicated.

Financial Statement Report Adjustments:

During the audit we generally provide assistance in identifying and calculating certain year-end adjustments required to prepare financial statements in accordance with generally accepted accounting principles, including the requirements of GASB 34. We also assist in gathering information required for financial statements reclassifications and footnote disclosures. We are pleased to assist in this process, as we have expertise in these adjustments and reporting issues, and can generally assist in a very cost-efficient manner. We bring this to your attention since it meets the above definition of a matter to be communicated.

Other Matters Noted:

Budgets:

P.A. 621 of 1978, as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. The Village incurred expenditures in excess of the amount appropriated in three activities. The Village should amend its budget before this occurs.

The following item was commented on last year and we again feel it is necessary to report it again.

Refunds:

During the audit we noted again that several old property refunds have not been paid. The original refunds were made years ago, but several of the checks were never cashed. These old checks were properly voided, but new checks should be reissued or the money escheated to the State of Michigan.

This communication is intended solely for the information and use of management, the Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve you.

Respectively yours,

Dove & Hickey, P.C.C.