



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

May 25, 2012

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Brooklyn, Iowa.

The City's receipts totaled \$6,056,905 for the year ended June 30, 2011. The receipts included \$405,608 in property tax, \$407,299 from tax increment financing, \$2,830,200 from charges for service, \$450,510 from operating grants, contributions and restricted interest, \$1,075,889 from capital grants, contributions and restricted interest, \$124,788 from local option sales tax, \$21,631 from unrestricted interest on investments, \$608,892 from note proceeds and \$132,088 from other general receipts.

Disbursements for the year totaled \$6,009,054, and included \$1,720,879 for capital projects, \$512,805 for public safety and \$288,942 for debt service. Also, disbursements for business type activities totaled \$2,910,715.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1121-0743-B00F.pdf>.

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**CITY OF BROOKLYN**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011**

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**City of Brooklyn**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Solem	Mayor	Jan 2012
Darrel Heetland	Council Member	Jan 2012
Chris Keller	Council Member	Jan 2012
Ronald Stonebraker	Council Member	Jan 2012
Nathan Hopwood	Council Member	Jan 2014
Nathan Taylor	Council Member	Jan 2014
Lorraine Willett	City Clerk	(Resigned)
Sheila Diehm	City Clerk	(Resigned)
Louise VanErsvelde	City Clerk/Treasurer	Indefinite
Tammy Kriegel	Deputy City Clerk	Indefinite
Fred Stiefel	Attorney	Indefinite

**City of Brooklyn**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

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 City of Brooklyn, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Brooklyn's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2010, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Brooklyn as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2012 on our consideration of the City of Brooklyn's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 City of Brooklyn's basic financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2010, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 27, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Brooklyn provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

### **2011 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental activities increased approximately \$299,000 during the fiscal year, primarily due to collecting more local option sales tax and tax increment financing than was spent during the year.
- The cash basis net assets of the City's business type activities decreased approximately \$251,000 during the fiscal year, primarily due to disbursements exceeding receipts in the Water and Electric Funds.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, the electric system and the gas system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

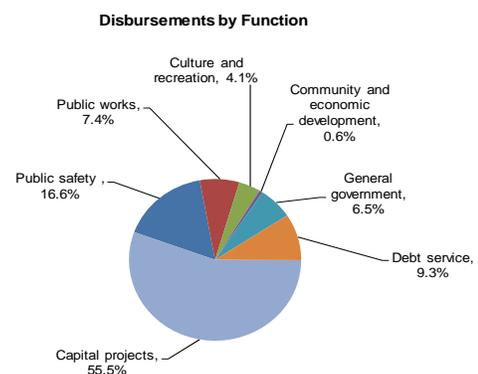
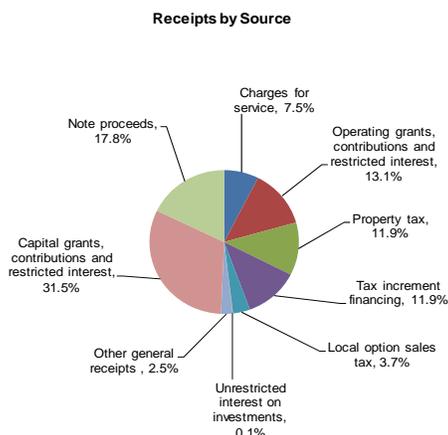
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Sewer, Electric and Gas Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,216,306 to \$1,515,578. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service	\$ 256,100
Operating grants, contributions and restricted interest	450,510
Capital grants, contributions and restricted interest	1,075,889
General receipts:	
Property tax	405,608
Tax increment financing	407,299
Local option sales tax	124,788
Unrestricted interest on investments	1,201
Note proceeds	608,892
Other general receipts	85,937
Total receipts	<u>3,416,224</u>
Disbursements:	
Public safety	512,805
Public works	227,999
Culture and recreation	127,975
Community and economic development	18,846
General government	200,893
Debt service	288,942
Capital projects	1,720,879
Total disbursements	<u>3,098,339</u>
Change in cash basis net assets before transfers	317,885
Transfers, net	<u>(18,613)</u>
Change in cash basis net assets	299,272
Cash basis net assets beginning of year	<u>1,216,306</u>
Cash basis net assets end of year	<u>\$ 1,515,578</u>



Total business type activities cash basis net assets decreased approximately \$251,000 from a year ago, from \$1,970,910 to \$1,719,489.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2011</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 355,323
Sewer	197,066
Electric	1,368,988
Gas	652,723
General receipts:	
Unrestricted interest on investments	20,430
Miscellaneous	46,151
Total receipts	<u>2,640,681</u>
Disbursements:	
Water	394,769
Sewer	202,315
Electric	1,700,893
Gas	612,738
Total disbursements	<u>2,910,715</u>
Change in cash basis net assets before transfers	(270,034)
Transfers, net	<u>18,613</u>
Change in cash basis net assets	(251,421)
Cash basis net assets beginning of year	<u>1,970,910</u>
Cash basis net assets end of year	<u>\$ 1,719,489</u>

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Brooklyn completed the year, its governmental funds reported a combined fund balance of \$1,515,578, an increase of \$299,272 above last year's total of \$1,216,306. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$25,473 from the prior year to \$24,489. The decrease is due to disbursements exceeding receipts for the fiscal year.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$65,910 to \$284,999. The increase was due to collecting more local option sales tax than was spent during the year.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$340,739 at the end of the fiscal year, an increase of \$216,524 over the previous year. The increase was the result of incremental property tax generated from the increased taxable valuation in the district.
- The Capital Projects Fund cash balance increased \$25,677 over the prior year to \$525,978 at the end of the fiscal year. This increase was due to receipts exceeding disbursements during the year, primarily from the sale of the fire station.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$35,111 to a year-end balance of \$123,190, primarily due to water system improvements during the year.
- The Enterprise, Sewer Fund cash balance decreased \$2,947 to a year-end balance of \$305,951, primarily due to disbursements exceeding receipts.
- The Enterprise, Electric Fund cash balance decreased \$263,288 to a year-end balance of \$777,341, primarily due to disbursements for a generator
- The Enterprise, Gas Fund cash balance increased \$49,925 to a year-end balance of \$513,007, primarily due to lower usage and lower overall costs.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City did not amend its budget.

The City’s receipts were \$1,693,835 less than budgeted. This was primarily due to the City planning to receive grants for the public safety building, the north side sewer project and the Mills Street bridge project during the fiscal year when these receipts were actually received over the course of a three year period.

Total disbursements were \$2,311,492 less than the budget. Actual disbursements for the capital projects, public works and debt service functions were \$2,354,121, \$122,206 and \$110,948, respectively, less than the budget. This was primarily due to the City not completing capital projects as originally planned since the City did not receive grant receipts as anticipated. The City budgeted to purchase a new road grader for public works but was able to purchase a used grader at a lower price. The City budgeted for loan repayments in the debt service function which were not due in the current fiscal year.

The City exceeded the amounts budgeted in the public safety, general government and business type activities functions for the year ended June 30, 2011 due to higher costs which were not budgeted.

**DEBT ADMINISTRATION**

At June 30, 2011, the City had \$4,880,864 in notes and other long-term debt outstanding, as follows:

Outstanding Debt at Year-End		
	June 30,	
	2011	2010
General obligation capital loan notes	\$3,279,000	2,837,000
Revenue bonds/notes	722,000	792,000
Lease purchase	354,000	404,000
Loan agreement	525,864	535,821
Total	<u>\$4,880,864</u>	<u>4,568,821</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt is \$2,729,000, adjusted for the annually appropriated debt payments on the \$620,000 notes issued in March 2011, which is below its constitutional debt limit of approximately \$3,154,153.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Brooklyn's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities.

The fiscal year 2012 budget contains total receipts of \$7,409,713 and disbursements of \$8,175,907, which is an increase over the fiscal year 2011 budget which contained total receipts of \$6,863,289 and disbursements of \$8,116,242.

The fiscal year 2012 property tax levy is \$14.98700 per \$1,000 of taxable valuation, a decrease from \$15.38729 per \$1,000 of taxable valuation for fiscal year 2011. The debt service levy decreased from \$1.84554 per \$1,000 of taxable valuation for fiscal year 2011 to \$1.58261 per \$1,000 of taxable valuation for fiscal year 2012. The City's tax levy rates decreased as a result of the City not adopting its formal budget by March 15, which limited the City's tax levied to the amount of taxes levied during fiscal year 2011.

These parameters were taken into account when adopting the budget for fiscal year 2012.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Louise VanErsvelde, City Clerk/Treasurer, 138 Jackson, Brooklyn, Iowa 52211.

## **Basic Financial Statements**

City of Brooklyn

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 512,805	139,553	256,459	-
Public works	227,999	73,416	143,312	-
Culture and recreation	127,975	41,211	33,369	-
Community and economic development	18,846	-	1,601	-
General government	200,893	1,920	10,148	-
Debt service	288,942	-	120	-
Capital projects	1,720,879	-	5,501	1,075,889
Total governmental activities	3,098,339	256,100	450,510	1,075,889
Business type activities:				
Water	394,769	355,323	-	-
Sewer	202,315	197,066	-	-
Electric	1,700,893	1,368,988	-	-
Gas	612,738	652,723	-	-
Total business type activities	2,910,715	2,574,100	-	-
Total	\$ 6,009,054	2,830,200	450,510	1,075,889
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds, net of discount of \$11,108				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Local option sales tax				
Urban renewal purposes				
Capital projects				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(116,793)	-	(116,793)
(11,271)	-	(11,271)
(53,395)	-	(53,395)
(17,245)	-	(17,245)
(188,825)	-	(188,825)
(288,822)	-	(288,822)
(639,489)	-	(639,489)
<u>(1,315,840)</u>	<u>-</u>	<u>(1,315,840)</u>
-	(39,446)	(39,446)
-	(5,249)	(5,249)
-	(331,905)	(331,905)
-	39,985	39,985
-	<u>(336,615)</u>	<u>(336,615)</u>
<u>(1,315,840)</u>	<u>(336,615)</u>	<u>(1,652,455)</u>
336,531	-	336,531
69,077	-	69,077
407,299	-	407,299
124,788	-	124,788
1,201	20,430	21,631
608,892	-	608,892
2,067	46,151	48,218
83,870	-	83,870
(18,613)	18,613	-
<u>1,615,112</u>	<u>85,194</u>	<u>1,700,306</u>
299,272	(251,421)	47,851
<u>1,216,306</u>	<u>1,970,910</u>	<u>3,187,216</u>
<u>\$ 1,515,578</u>	<u>1,719,489</u>	<u>3,235,067</u>
284,999	-	284,999
340,739	-	340,739
525,978	-	525,978
18,216	83,565	101,781
347,613	-	347,613
(1,967)	1,635,924	1,633,957
<u>\$ 1,515,578</u>	<u>1,719,489</u>	<u>3,235,067</u>

City of Brooklyn

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2011

	Special Revenue		
	General	Local Option Sales Tax	Urban Renewal Tax Increment
<b>Receipts:</b>			
Property tax	\$ 240,893	-	-
Tax increment financing	-	-	407,299
Other city tax	6,646	124,788	-
Licenses and permits	1,930	-	-
Use of money and property	18,416	860	741
Intergovernmental	45,199	-	-
Charges for service	113,927	-	-
Miscellaneous	112,019	-	-
Total receipts	<u>539,030</u>	<u>125,648</u>	<u>408,040</u>
<b>Disbursements:</b>			
Operating:			
Public safety	208,207	-	-
Public works	79,291	-	-
Culture and recreation	123,559	-	-
Community and economic development	-	-	-
General government	172,067	-	-
Debt service	-	-	-
Capital projects	-	-	20,846
Total disbursements	<u>583,124</u>	<u>-</u>	<u>20,846</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(44,094)</u>	<u>125,648</u>	<u>387,194</u>
<b>Other financing sources (uses):</b>			
General obligation capital loan proceeds, net of discount of \$11,108	-	-	-
Sale of capital assets	-	-	-
Operating transfers in	18,621	-	-
Operating transfers out	-	(59,738)	(170,670)
Total other financing sources (uses)	<u>18,621</u>	<u>(59,738)</u>	<u>(170,670)</u>
Net change in cash balances	(25,473)	65,910	216,524
Cash balances beginning of year	49,962	219,089	124,215
Cash balances end of year	<u>\$ 24,489</u>	<u>284,999</u>	<u>340,739</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Local option sales tax purposes	\$ -	284,999	-
Urban renewal purposes	-	-	340,739
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	24,489	-	-
Total cash basis fund balances	<u>\$ 24,489</u>	<u>284,999</u>	<u>340,739</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	157,685	398,578
-	-	407,299
-	384	131,818
-	-	1,930
5,733	2,247	27,997
1,083,154	129,845	1,258,198
-	139,218	253,145
2,959	129,519	244,497
<u>1,091,846</u>	<u>558,898</u>	<u>2,723,462</u>
-	304,598	512,805
39,515	109,193	227,999
-	4,416	127,975
-	18,846	18,846
-	28,826	200,893
-	288,942	288,942
1,700,033	-	1,720,879
<u>1,739,548</u>	<u>754,821</u>	<u>3,098,339</u>
<u>(647,702)</u>	<u>(195,923)</u>	<u>(374,877)</u>
608,892	-	608,892
83,870	-	83,870
10,387	220,408	249,416
(29,770)	(7,851)	(268,029)
<u>673,379</u>	<u>212,557</u>	<u>674,149</u>
25,677	16,634	299,272
500,301	322,739	1,216,306
<u>525,978</u>	<u>339,373</u>	<u>1,515,578</u>
-	-	284,999
-	-	340,739
525,978	-	525,978
-	18,216	18,216
-	347,613	347,613
-	(26,456)	(1,967)
<u>525,978</u>	<u>339,373</u>	<u>1,515,578</u>

**City of Brooklyn**

## City of Brooklyn

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2011

	Enterprise				Total
	Water	Sewer	Electric	Gas	
Operating receipts:					
Charges for service	\$ 355,323	197,066	1,368,988	652,723	2,574,100
Operating disbursements:					
Business type activities	255,269	164,128	1,101,816	608,523	2,129,736
Excess of operating receipts over operating disbursements	100,054	32,938	267,172	44,200	444,364
Non-operating receipts (disbursements):					
Interest on investments	1,012	1,613	14,094	3,711	20,430
Miscellaneous	3,323	689	35,910	6,229	46,151
Debt service	(55,778)	(31,702)	(57,128)	-	(144,608)
Capital projects	(83,722)	(6,485)	(541,949)	(4,215)	(636,371)
Total non-operating receipts (disbursements)	(135,165)	(35,885)	(549,073)	5,725	(714,398)
Excess (deficiency) of receipts over (under) disbursements	(35,111)	(2,947)	(281,901)	49,925	(270,034)
Other financing sources (uses):					
Operating transfers in	-	-	25,000	-	25,000
Operating transfers out	-	-	(6,387)	-	(6,387)
Total other financing sources (uses)	-	-	18,613	-	18,613
Net change in cash balances	(35,111)	(2,947)	(263,288)	49,925	(251,421)
Cash balances beginning of year	158,301	308,898	1,040,629	463,082	1,970,910
Cash balances end of year	\$ 123,190	305,951	777,341	513,007	1,719,489
<b>Cash Basis Fund Balances</b>					
Restricted for debt service	\$ -	12,036	71,529	-	83,565
Unrestricted	123,190	293,915	705,812	513,007	1,635,924
Total cash basis fund balances	\$ 123,190	305,951	777,341	513,007	1,719,489

See notes to financial statements.

City of Brooklyn

Notes to Financial Statements

June 30, 2011

**(1) Summary of Significant Accounting Policies**

The City of Brooklyn is a political subdivision of the State of Iowa located in Poweshiek County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, electric and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Brooklyn has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Brooklyn (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Units

The Brooklyn Municipal Utilities is an entity which is legally separate from the City, but is so intertwined with the City it is, in substance, part of the City. The Utilities are reported as part of the City and blended as an Enterprise Fund. Its mission is to provide electric and gas service to the citizens of the City. The Utilities are governed by a three-member board appointed by the City Council and the Utilities' operating budget is subject to approval of the City Council and is combined with the City's budget.

The Brooklyn, East Poweshiek County Volunteer Ambulance Service, Inc. was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Brooklyn, East Poweshiek County Volunteer Ambulance Service, Inc. is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Brooklyn Library Building Fund, Inc. was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Brooklyn Library Building Fund, Inc. is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Poweshiek County Assessor's Conference Board, Poweshiek County Emergency Management Commission and Poweshiek County Joint E911 Service Board.

#### B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for local option sales taxes received and its uses.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's Municipal Utilities electric system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's Municipal Utilities gas system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety, general government and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$265,529 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation capital loan notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Bonds/ Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 250,000	123,644	71,000	28,348	321,000	151,992
2013	262,000	113,490	77,000	25,337	339,000	138,827
2014	269,000	106,001	78,000	22,015	347,000	128,016
2015	281,000	97,527	79,000	18,640	360,000	116,167
2016	293,000	88,164	86,000	15,190	379,000	103,354
2017 - 2021	1,429,000	272,919	257,000	32,900	1,686,000	305,819
2022 - 2026	495,000	39,590	74,000	6,810	569,000	46,400
Total	\$ 3,279,000	841,335	722,000	149,240	4,001,000	990,575

Revenue Bonds/Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$425,000 of sewer revenue bonds issued in May 2001. Proceeds from the bonds provided financing for the construction of sewer main extensions. The bonds are payable solely from sewer customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 96% of net receipts. The total principal and interest remaining to be paid on the bonds is \$292,740. For the current year, principal and interest paid and total customer net receipts were \$31,567 and \$32,938, respectively.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$575,000 of electric revenue notes issued in June 2002. Proceeds from the notes provided financing for the construction of electric system improvements. The notes are payable solely from electric customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 22% of net receipts. The total principal and interest remaining to be paid on the notes is \$335,910. For the current year, principal and interest paid and total customer net receipts were \$57,128 and \$267,172, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$245,000 of water revenue bonds issued in April 2006 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 17% of net receipts. The total principal and interest remaining to be paid on the bonds is \$242,590. For the current year, principal and interest paid and total customer net receipts were \$16,090 and \$100,054, respectively.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the fund.

- (b) Water and sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the annual installments of principal and interest on the bonds falling due in the same year.

Electric user rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the annual installments of principal and interest on the notes falling due in the same year.

- (c) Sufficient monthly transfers shall be made to a separate electric revenue note sinking account within the Enterprise, Electric Fund for the purpose of making the note principal and interest payments when due.
- (d) The specific minimum balances required for the electric reserve and electric improvement accounts have been accumulated. The electric reserve account is restricted for the purpose of paying, at maturity, principal or interest on the notes when insufficient money shall be available in the sinking account. The electric improvement account is restricted for the cost of capital improvements to the Utility.

The City's sewer user rates are insufficient to maintain net revenues at the required levels.

Poweshiek Water Association Agreement

On October 5, 1998, the City entered into a loan agreement with the Poweshiek Water Association for \$617,992, with interest at 5.50% per annum, to purchase and provide water. The agreement is payable through 2035 and requires monthly payments of \$3,917, which includes \$652 for reserve and replacement to the Poweshiek Water Association.

During the year ended June 30, 2011, the City paid \$47,004 under the agreement.

**(4) Lease Purchase Agreement**

The Brooklyn Municipal Utilities entered into a lease purchase agreement with the South Iowa Municipal Electric Cooperative Association for an electric project. The lease term is for fifteen years, with the interest at rates ranging from 2.70% to 5.30% per annum. The present value of net minimum lease payments under the agreement in effect at June 30, 2011 is as follows:

Year Ending June 30,	Amount
2012	\$ 70,182
2013	70,634
2014	70,884
2015	69,926
2016	69,805
2017	69,498
Total minimum lease payments	420,929
Less amount representing interest	(66,929)
Present value of net minimum lease payments	<u>\$ 354,000</u>

Payments under the capital lease purchase agreement totaled \$70,557 during the year ended June 30, 2011.

**(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2011 was \$24,401, equal to the required contribution for the year.

**(6) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their families. There are 4 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City, Brooklyn Municipal Utilities and plan members are \$596 and \$528 for single coverage and \$1,490 and \$1320 for family coverage, respectively. For the year ended June 30, 2011, the City and Brooklyn Municipal Utilities contributed \$40,930 and \$53,518, respectively, and plan members eligible for benefits contributed \$3,576 to the plan.

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time termination payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 6,000
Sick leave	18,000
Compensatory time	<u>3,000</u>
Total	<u>\$ 27,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2011.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 10,000
	Employee Benefits	3,851
	Capital Projects	4,770
		<u>18,621</u>
Capital Projects	Special Revenue:	
	Road Use Tax	4,000
	Enterprise:	
	Electric	6,387
		<u>10,387</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	49,738
	Urban Renewal Tax Increment	170,670
		<u>220,408</u>
Enterprise:		
Electric	Capital Projects	25,000
Total		<u>\$ 274,416</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Development Agreements**

The City entered into two development agreements to assist in urban renewal projects.

The City agreed to rebate 100% of the incremental property tax paid by the developer in exchange for construction of a commercial office building by the developer. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years. The total amount rebated is not to exceed \$125,000. During the year ended June 30, 2011, the City paid the developer \$11,598. The outstanding balance of the agreement at June 30, 2011 is \$78,475.

The City agreed to rebate 100% of the incremental property tax paid by the developer in exchange for purchasing a commercial building by the developer. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years. The total amount rebated is not to exceed \$250,000. During the year ended June 30, 2011, the City paid the developer \$8,888. The outstanding balance of the agreement at June 30, 2011 is \$232,879.

**(11) Deficit Balance**

The Special Revenue, Road Use Tax Fund had a deficit balance of \$26,456 at June 30, 2011. The City continues to work to reduce the deficit balance of the Special Revenue, Road Use Tax Fund.

**(12) Construction Contract**

The City entered into a contract totaling \$1,659,739 for Phase II of the North Side Sanitary Sewer Project. The City made payments totaling \$453,255 during the year. The balance remaining on the contract at June 30, 2011 totaled \$1,206,484.

**Required Supplementary Information**

City of Brooklyn  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 398,578	-	-
Tax increment financing	407,299	-	-
Other city tax	131,818	-	-
Licenses and permits	1,930	-	-
Use of money and property	27,997	20,430	2,050
Intergovernmental	1,258,198	-	-
Charges for service	253,145	2,574,100	139,218
Miscellaneous	244,497	46,151	53,421
Total receipts	2,723,462	2,640,681	194,689
<b>Disbursements:</b>			
Public safety	512,805	-	204,066
Public works	227,999	-	-
Culture and recreation	127,975	-	238
Community and economic development	18,846	-	-
General government	200,893	-	-
Debt service	288,942	-	-
Capital projects	1,720,879	-	-
Business type activities	-	2,910,715	-
Total disbursements	3,098,339	2,910,715	204,304
Excess (deficiency) of receipts over (under) disbursements	(374,877)	(270,034)	(9,615)
Other financing sources, net	674,149	18,613	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	299,272	(251,421)	(9,615)
Balances beginning of year	1,216,306	1,970,910	228,164
Balances end of year	\$ 1,515,578	1,719,489	218,549

See accompanying independent auditor's report.

Total	Budgeted Amounts Original/ Final	Final to Total Variance
398,578	397,622	956
407,299	382,514	24,785
131,818	126,294	5,524
1,930	235	1,695
46,377	7,805	38,572
1,258,198	3,068,851	(1,810,653)
2,688,027	2,869,618	(181,591)
237,227	10,350	226,877
5,169,454	6,863,289	(1,693,835)
308,739	221,016	(87,723)
227,999	350,205	122,206
127,737	136,471	8,734
18,846	49,700	30,854
200,893	128,590	(72,303)
288,942	399,890	110,948
1,720,879	4,075,000	2,354,121
2,910,715	2,755,370	(155,345)
5,804,750	8,116,242	2,311,492
(635,296)	(1,252,953)	617,657
692,762	-	692,762
57,466	(1,252,953)	1,310,419
2,959,052	1,402,227	1,556,825
3,016,518	149,274	2,867,244

City of Brooklyn

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except for certain blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The budget was not amended during the year ended June 30, 2011.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety, general government and business type activities functions.

**Other Supplementary Information**

City of Brooklyn

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

	Special		
	Road Use Tax	Employee Benefits	Redevel- opment Incentive
<b>Receipts:</b>			
Property tax	\$ -	88,737	-
Other city tax	-	255	-
Use of money and property	-	-	-
Intergovernmental	127,094	-	-
Charges for service	-	-	-
Miscellaneous	-	3,591	-
Total receipts	<u>127,094</u>	<u>92,583</u>	<u>-</u>
<b>Disbursements:</b>			
<b>Operating:</b>			
Public safety	-	24,484	-
Public works	98,679	10,514	-
Culture and recreation	-	3,335	-
Community and economic development	-	-	18,846
General government	-	28,826	-
Debt service	-	-	-
Total disbursements	<u>98,679</u>	<u>67,159</u>	<u>18,846</u>
Excess (deficiency) of receipts over (under) disbursements	28,415	25,424	(18,846)
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	(4,000)	(3,851)	-
Total other financing sources (uses)	<u>(4,000)</u>	<u>(3,851)</u>	<u>-</u>
Net change in cash balances	24,415	21,573	(18,846)
Cash balances beginning of year	(50,871)	15,334	20,000
Cash balances end of year	<u>\$ (26,456)</u>	<u>36,907</u>	<u>1,154</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	\$ -	-	-
Other purposes	-	36,907	1,154
Unassigned	(26,456)	-	-
Total cash basis fund balances	<u>\$ (26,456)</u>	<u>36,907</u>	<u>1,154</u>

See accompanying independent auditor's report.

Revenue						
Brooklyn Volunteer Fire Department	Brooklyn, East Poweshiek County Volunteer Ambulance Service	Brooklyn Library Building Fund, Inc.	Friends of the Brooklyn Library	Debt Service	Total	
-	-	-	-	68,948	157,685	
-	-	-	-	129	384	
70	2,028	22	7	120	2,247	
2,751	-	-	-	-	129,845	
-	139,218	-	-	-	139,218	
71,463	52,421	1,000	1,044	-	129,519	
74,284	193,667	1,022	1,051	69,197	558,898	
76,048	204,066	-	-	-	304,598	
-	-	-	-	-	109,193	
-	-	238	843	-	4,416	
-	-	-	-	-	18,846	
-	-	-	-	-	28,826	
-	-	-	-	288,942	288,942	
76,048	204,066	238	843	288,942	754,821	
(1,764)	(10,399)	784	208	(219,745)	(195,923)	
-	-	-	-	220,408	220,408	
-	-	-	-	-	(7,851)	
-	-	-	-	220,408	212,557	
(1,764)	(10,399)	784	208	663	16,634	
87,648	170,015	58,149	4,911	17,553	322,739	
85,884	159,616	58,933	5,119	18,216	339,373	
-	-	-	-	18,216	18,216	
85,884	159,616	58,933	5,119	-	347,613	
-	-	-	-	-	(26,456)	
85,884	159,616	58,933	5,119	18,216	339,373	

City of Brooklyn  
Schedule of Indebtedness  
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Series 2001	May 16, 2001	4.30%	\$ 900,000
Series 2008	May 1, 2008	2.70-4.30	1,800,000
Series 2010A	Jan 15, 2010	2.00-4.25	550,000
Series 2011A	Mar 15, 2011	1.25-3.75	620,000
Total			\$ 3,870,000
Revenue bonds/notes:			
Sewer bonds	May 16, 2001	3.00-4.30%	\$ 425,000
Electric notes	Jun 1, 2002	3.25-5.60	575,000
Water bonds	Apr 28, 2006	3.00 *	245,000
Total			1,245,000
Lease purchase agreement:			
Electric generation units	Mar 1, 2002	2.70-5.30%	\$ 737,220
Loan agreement:			
Water	Oct 5, 1998	5.50%	\$ 617,992

\* - The City is required to annually pay a .25% service fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
587,000	-	43,000	544,000	25,241
1,700,000	-	105,000	1,595,000	65,220
550,000	-	30,000	520,000	19,013
-	620,000	-	620,000	-
<b>\$ 2,837,000</b>	<b>620,000</b>	<b>178,000</b>	<b>3,279,000</b>	<b>109,474</b>
269,000	-	20,000	249,000	11,567
320,000	-	40,000	280,000	17,128
203,000	-	10,000	193,000	6,090
<b>\$ 792,000</b>	<b>-</b>	<b>70,000</b>	<b>722,000</b>	<b>34,785</b>
404,000	-	50,000	354,000	20,557
535,821	-	9,957	525,864	29,223

City of Brooklyn  
Bond and Note Maturities  
June 30, 2011

General Obligation Capital Loan Notes									
Year Ending June 30,	Series 2001 Issued May 16, 2001		Series 2008 Issued May 1, 2008		2010A Issued Jan 15, 2010		Series 2011A Issued Mar 15, 2011		Total
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2012	4.30%	\$ 45,000	3.15%	\$ 105,000	2.00%	\$ 30,000	1.25%	\$ 70,000	\$ 250,000
2013	4.30	47,000	3.30	110,000	2.00	30,000	1.65	75,000	262,000
2014	4.30	49,000	3.45	115,000	3.00	30,000	2.00	75,000	269,000
2015	4.30	51,000	3.60	120,000	3.00	35,000	2.40	75,000	281,000
2016	4.30	53,000	3.75	125,000	3.00	35,000	2.85	80,000	293,000
2017	4.30	55,000	3.90	130,000	3.50	35,000	3.25	80,000	300,000
2018	4.30	57,000	4.00	135,000	3.50	35,000	3.50	80,000	307,000
2019	4.30	60,000	4.10	140,000	3.50	35,000	3.75	85,000	320,000
2020	4.30	62,000	4.15	145,000	4.00	40,000		-	247,000
2021	4.30	65,000	4.20	150,000	4.00	40,000		-	255,000
2022		-	4.25	155,000	4.00	40,000		-	195,000
2023		-	4.30	165,000	4.25	45,000		-	210,000
2024		-		-	4.25	45,000		-	45,000
2025		-		-	4.25	45,000		-	45,000
2026		-		-		-		-	-
Total		<u>\$ 544,000</u>		<u>\$1,595,000</u>		<u>\$ 520,000</u>		<u>\$ 620,000</u>	<u>\$3,279,000</u>

See accompanying independent auditor's report.

Revenue Bonds/Notes							
Sewer Series 2001		Electric Series 2002		Water Series 2006			
Issued May 16, 2001		Issued June 1, 2002		Issued April 28, 2006			
Interest		Interest		Interest		Total	
Rates	Amount	Rates	Amount	Rates	Amount		
3.00%	\$ 21,000	5.20%	\$ 40,000	3.00%	\$ 10,000	\$	71,000
3.00	21,000	5.25	45,000	3.00	11,000		77,000
3.00	22,000	5.30	45,000	3.00	11,000		78,000
3.00	23,000	5.40	45,000	3.00	11,000		79,000
3.00	24,000	5.50	50,000	3.00	12,000		86,000
3.00	25,000	5.60	55,000	3.00	12,000		92,000
3.00	26,000		-	3.00	12,000		38,000
3.00	28,000		-	3.00	13,000		41,000
3.00	29,000		-	3.00	13,000		42,000
3.00	30,000		-	3.00	14,000		44,000
	-		-	3.00	14,000		14,000
	-		-	3.00	14,000		14,000
	-		-	3.00	15,000		15,000
	-		-	3.00	15,000		15,000
	-		-	3.00	16,000		16,000
	<u>\$ 249,000</u>		<u>\$ 280,000</u>		<u>\$ 193,000</u>		<u>\$ 722,000</u>

City of Brooklyn  
 Schedule of Federal Financial Assistance  
 Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-246	<u>\$ 536,825</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Brooklyn and is presented in conformity with an other comprehensive basis of accounting. 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.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE  
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David A. Vaudt, CPA  
Auditor of State

Independent Auditor's 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

To the Honorable Mayor and  
Members of the City Council:

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 City of Brooklyn, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated April 27, 2012. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards 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

Management of the City of Brooklyn is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Brooklyn's internal control over financial reporting 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 our opinion on the effectiveness of the City of Brooklyn's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Brooklyn's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Brooklyn's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-11 through II-F-11 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brooklyn's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Brooklyn's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Brooklyn's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Brooklyn and other parties to whom the City of Brooklyn may report, including 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Brooklyn during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 27, 2012

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**City of Brooklyn**



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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the City of Brooklyn, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Brooklyn's major federal program for the year ended June 30, 2011. The City of Brooklyn's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Brooklyn's management. Our responsibility is to express an opinion on the City of Brooklyn's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 City of Brooklyn's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Brooklyn's compliance with those requirements.

In our opinion, the City of Brooklyn complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City of Brooklyn is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Brooklyn's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Brooklyn's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Brooklyn and other parties to whom the City of Brooklyn may report, including 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.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 27, 2012

City of Brooklyn

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part I: Summary of the Independent Auditor's Results:**

- (a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Brooklyn did not qualify as a low-risk auditee.

City of Brooklyn

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas for the City:

- (1) Petty cash – Depositing, reconciling and recording of receipts is done by the custodian of the change funds.
- (2) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.
- (3) Investments - The person responsible for the detailed record keeping of investments is also the custodian of the investments. Investments are not periodically inspected or reconciled to investment records by an independent person and an independent verification of interest earnings is not performed.
- (4) Receipts – opening mail, collecting, recording, depositing, reconciling and posting. An initial listing of mail receipts is not prepared, even on a test basis.
- (5) Payroll – employees prepare timesheets, but timesheets are not approved by supervisors.
- (6) Journal entries – preparing and journalizing with no independent review.

For the Brooklyn Municipal Utilities, opening mail, collecting, recording, depositing, reconciling, posting and maintaining accounts receivable records are done by the same person. Also, the initial listing of mail receipts is not compared to receipt records by an independent person.

For the Brooklyn Volunteer Fire Department, the Brooklyn, East Poweshiek County Volunteer Ambulance Service, the Brooklyn Library Building Fund and the Friends of the Brooklyn Library, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements - preparing, recording and reconciling.
- (3) Also, bank reconciliations are not reviewed by an independent person for propriety.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, Brooklyn Volunteer Fire Department, Brooklyn, East Poweshiek County Volunteer Ambulance Service, Brooklyn Library Building Fund and the Friends of the Brooklyn Library should review their control

City of Brooklyn

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

procedures, including utilizing elected officials and Board members, to obtain the maximum internal control possible under the circumstances.

Responses –

City – We will review our internal controls to obtain the maximum internal control possible under the circumstances.

Brooklyn Municipal Utilities – One person does handle these duties. However, a listing of receipts is handwritten when received with names and amounts.

Brooklyn Volunteer Fire Department – We will implement a new policy where the Chief and Secretary sign off on the monthly financial reports given by the Treasurer to verify against the monthly bank statement.

Brooklyn, East Poweshiek County Volunteer Ambulance Service – I have already talked to the President, she will sign off on her copies of the bank reconciliations.

Brooklyn Library Building Fund and the Friends of the Brooklyn Library – The Brooklyn Library Building Fund and the Friends of the Brooklyn Library will implement new policies, and have the President of the Board and the President of the Friends check and sign off on the monthly bank reconciliations which are given by the treasurer of each group.

Conclusions –

City – Response accepted.

Brooklyn Municipal Utilities – Response acknowledged. The initial listing should be compared to receipt records by an independent person.

Brooklyn Volunteer Fire Department and Brooklyn, East Poweshiek County Volunteer Ambulance Service – Responses acknowledged. Independent review should include review of monthly bank statements, redeemed checks and monthly deposits.

Brooklyn Library Building Fund and the Friends of the Brooklyn Library – Responses acknowledged. Independent review should include review of monthly bank statements, redeemed checks and monthly deposits.

- II-B-11 Financial Reporting – During the audit, we identified a material amount of transfers misposted as receipts and disbursements. We also identified a material debt payment from the water sinking account which should have been paid from the Sewer Sinking Fund.

The City did not properly record transfers from the Special Revenue, Urban Renewal Tax Increment and the Special Revenue, Local Option Sales Tax Funds to the Debt Service Fund during the year to make required debt payments. The required payments were properly made from the Debt Service Fund. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

City of Brooklyn

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Recommendation – The City should implement procedures to ensure transfers and payments are properly recorded in the City’s financial statements.

Response – The City will implement procedures to ensure transfers and payments are properly recorded in the City’s financial statements.

Conclusion – Response accepted.

II-C-11 Computer System – The City does not have a written disaster recovery plan for its computer system. Also, the City does not have a written policy on use of the internet.

Recommendation – The City should develop a written disaster recovery plan and a written policy on use of the internet.

Response – The City will develop a written disaster recovery plan and an internet policy.

Conclusion – Response accepted.

II-D-11 CMS Software – The CMS software package used by the City has limited capabilities beyond the current year because the software developer will not support the software beyond the current year. This may cause the City to lose the ability to maintain historical data.

Recommendation – The City should consider alternatives to its current software since the software package is no longer being supported by the vendor.

Response – The City will research other options for new software and will receive training on the current software and any possible updates.

Conclusion – Response accepted.

II-E-11 Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Response – The City will check with the Iowa League of Cities for an example of this manual and will try to prepare a manual for the City as time allows.

Conclusion – Response accepted.

City of Brooklyn

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-F-11 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Although utility billings, collections and delinquent accounts were reconciled throughout the year, the reconciliations did not contain evidence of independent review.

Recommendation – The City Council or a City Council designated independent person should review the reconciliations and should evidence this review with initials or signature of the reviewer and the date of review.

Response – The Deputy Clerk will review the reconciliations and will evidence the review by initialing and dating the reconciliations.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Brooklyn

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

City of Brooklyn

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public safety, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will monitor monthly disbursements and percentage of budget balances in order to not exceed the budgeted amounts.

Conclusion – Response accepted.

IV-B-11 Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
BGM After Prom	Donation	\$ 50
BGM Yearbook	Yearbook sponsor	120

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Brooklyn Municipal Utilities Board should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the Board should establish written policies and procedures, including the requirements for proper documentation.

Response – The Brooklyn Municipal Board feels support of our local youth and community projects is an important aspect of our utility. The recommendation will be discussed at the next Board meeting with policy changes as needed.

Conclusion – Response accepted.

IV-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-11 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

City of Brooklyn

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- IV-F-11 Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish total disbursements from each fund or a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.

The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should publish minutes, disbursements and annual individual salaries as required.

Response – The City will publish minutes, disbursements and annual individual salaries as required.

Conclusion – Response accepted.

- IV-G-11 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

A resolution naming official depositories has been approved by the City. However, maximum deposit amounts for each bank were not included in the depository resolution.

Recommendation – The City should adopt a new depository resolution which establishes maximum deposit amounts for each bank as required by Chapter 12C.2 of the Code of Iowa.

Response – The City is adopting an updated depository resolution as required by Chapter 12C.2 of the Code of Iowa.

Conclusion – Response accepted.

- IV-H-11 Revenue Bonds – The City's sewer revenue bond resolution requires the City to establish, impose, adjust and provide for the collection of rates to be charged to utility customers that produce net operating receipts equal to at least 110% of the principal and interest coming due in each fiscal year. The City's fiscal year 2011 net sewer receipts of \$32,938 were less than 110% of the \$31,567 of sewer revenue bond principal and interest due during the year.

Recommendation – The City should periodically review the net revenues in the Enterprise, Sewer Fund to ensure compliance with the bond provisions.

Response – The City will periodically review the net revenues in the Enterprise, Sewer Fund to ensure we are in compliance with the bond provisions.

Conclusion – Response accepted.

City of Brooklyn

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- IV-I-11 Employee Benefits –The City employee benefits levy pays benefits for employees of the Brooklyn, East Poweshiek County Volunteer Ambulance Service, a nonprofit corporation established under Chapter 504 of the Code of Iowa. Since Ambulance Service employees are not employees of the City, the City should not use the employee benefits levy for Ambulance Service employees.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will consult legal counsel on this issue.

Conclusion – Response accepted.

- IV-J-11 General Obligation Debt – The City issued \$550,000 of general obligation capital loan notes in a prior year. The note resolution states the purpose of these notes is for “constructing street, sidewalk, storm and sanitary sewer, water main and street lighting improvements”. During the year, the City transferred the note proceeds from the Capital Projects Fund, Central Business District Improvements account to the Capital Projects Fund, Public Safety Building account. The note proceeds were used to construct the Public Safety Building, which was not the intended purpose of the note issuance.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will consult legal counsel for this issue.

Conclusion – Response accepted.

- IV-K-11 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from the fund as provided in Iowa Code Section 403.19. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

Although the TIF certification included the dates the City Council initially approved expenditures that were eventually included on the TIF certification, the minutes and resolutions corresponding to those dates often did not include a specific reference the debt was intended to be TIF debt.

Recommendation – The City should decertify the amounts not yet qualified for reimbursement from the Special Revenue, Urban Renewal Tax Increment Fund. The City Council minutes and resolutions authorizing expenditures which qualify for reimbursement from the Special Revenue, Urban Renewal Tax Increment Fund should clearly state such eligibility. If the initial approval of an expenditure

City of Brooklyn

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

does not do so, the City Council should take official action before the certification is filed, making a finding of eligibility for reimbursement before such items are listed on a certification.

Response – The City has decertified annual appropriation indebtedness for future payments for which appropriation has not yet been made. A full review of expenditures certified for TIF reimbursement has been completed. The City Council will pass a resolution containing a finding regarding those expenditures which qualify for reimbursement. Any certified expenditures for which such finding may not be made shall be decertified. The City has obtained forms of resolution from bond counsel which will be used in the future to make the necessary findings relating to TIF certification.

Conclusion – Response accepted.

- IV-L-11 Notice of Public Hearing for Public Improvements – The City did not publish a notice of public hearing on proposed plans, specifications, form of contract and estimated costs of the improvement for the North Side Sanitary Sewer Project as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation – In the future, the City should publish notice of public hearings and give notice at least four but not more than twenty days prior to the hearing.

Response – The City will publish notice of public hearings as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Conclusion – Response accepted.

- IV-M-11 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows cancelled checks to be retained in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. An image of the back of each cancelled check was not obtained.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City will inform the bank the City will need an image of both the front and back of each canceled check as required by Chapter 554D.114 of the Code of Iowa.

Conclusion – Response accepted.

- IV-N-11 Separately Maintained Records – The City maintains separate bank accounts for the Brooklyn Volunteer Fire Department and the Friends of the Brooklyn Library. The financial transactions and the resulting balances were not included in the City's accounting records. Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose."

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and annual budget and should be reported to the City Council on a monthly basis.

City of Brooklyn

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – The Brooklyn Volunteer Fire Department and the Friends of the Brooklyn Library are reviewing to become incorporated.

Conclusion – Response accepted.

IV-O-11 Annual Financial Report – The City’s Annual Financial Report for the year ended June 30, 2011 contained material errors.

Recommendation – The City should amend the Annual Financial Report to correct errors and resubmit a corrected report to the State.

Response – The City will amend the Annual Financial Report for the year ended June 30, 2011 and republish.

Conclusion – Response accepted.

IV-P-11 Financial Condition – The Special Revenue, Road Use Tax Fund had a deficit balance of \$26,456 at June 30, 2011.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response – The City is reviewing the deficit account to see what caused the deficit and will correct this account.

Conclusion – Response accepted.

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City of Brooklyn

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Selina V. Johnson, CPA, Senior Auditor II  
Cory A. Lee, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State