



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ December 14, 2012

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$1,610,341 for the year ended June 30, 2012. The receipts included \$86,134 in property tax, \$58,653 from local option sales tax, \$559,304 from charges for service, \$171,246 from operating grants, contributions and restricted interest, \$205,000 from capital grants, contributions and restricted interest, \$519,006 from note proceeds, \$4,655 from unrestricted interest on investments and \$6,343 from other general receipts.

Disbursements for the year totaled \$1,555,413, and included \$142,182 for public works, \$83,739 for public safety and \$60,077 for general government. Also, disbursements for business type activities totaled \$1,250,991.

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/1222-0883-B00F.pdf>.

# # #



**CITY OF BRIGHTON**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A      14-15
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B      16
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C      17
Notes to Financial Statements	18-23
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	26-27
Notes to Other Information – Budgetary Reporting	28
Supplementary Information:	<u>Schedule</u>
Schedule of Indebtedness	1      30-31
Bond Maturities	2      32
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 <u>Government Auditing Standards</u>	33-34
Schedule of Findings	35-41
Staff	42

**City of Brighton**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2012)</b>		
Robert B. Farley	Mayor	Jan 2014
James Miller	Council Member	Jan 2012
Rob Pettit	Council Member	Jan 2012
Melvin Rich	Council Member	Jan 2012
Paul Shelangoski	Council Member	Jan 2014
Charles Emry	Council Member	Jan 2014
Linda Burger	City Clerk	Indefinite
Jeff Powell	Attorney	Indefinite
<b>(After January 2012)</b>		
Robert B. Farley	Mayor	Jan 2014
Charles Emry	Council Member	Jan 2014
Paul Shelangoski	Council Member	Jan 2014
Bill Farmer	Council Member	Jan 2016
Scott Hughes	Council Member	Jan 2016
Ronald Rich	Council Member	Jan 2016
Linda Burger	City Clerk	(Retired June 28, 2012)
Chris Davies (Appointed May 2012)	City Clerk	Indefinite
Katie Mitchell	Attorney	Indefinite

**City of Brighton**



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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 Brighton, Iowa, as of and for the year ended June 30, 2012, 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 Brighton'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.

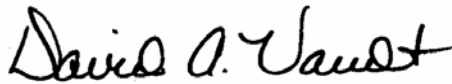
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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, 2011.

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, 2011, 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 Brighton as of June 30, 2012, 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.

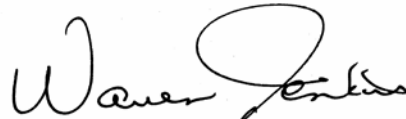
In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2012 on our consideration of the City of Brighton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brighton's basic financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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, 2011, as discussed in the third paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brighton's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 26 through 28 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 6, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Brighton 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, 2012. 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.

### 2012 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased 3.5%, or approximately \$9,100, during the year.
- The cash basis net assets of the City's business type activities increased 19.7%, or approximately \$64,000, during the year, due primarily to an increase in gas usage.

### 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.

Other Information further explains and supports the financial statements with a comparison to the City's budget for the year.

Supplementary Information provides detailed information about the City's indebtedness.

### 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 that 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, culture and recreation, community and economic development and general government. Property tax and state grants finance most of these activities.
- Business Type Activities include the water, sanitary sewer and gas systems. 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 Local Option Sales Tax, and 3) the Permanent 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 Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Gas Funds, considered to be major funds of the City.

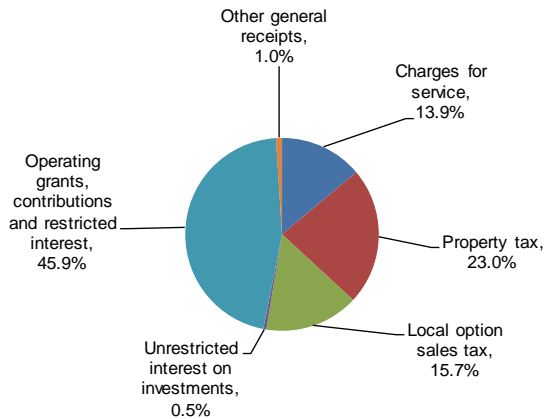
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

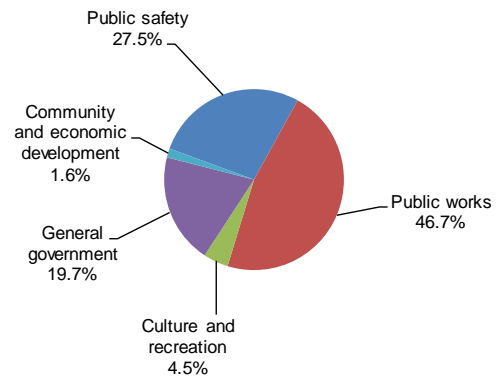
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$258,174 to \$249,039. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		Year ended June 30, 2012
Receipts:		
Program receipts:		
Charges for service	\$	52,048
Operating grants, contributions and restricted interest		171,246
General receipts:		
Property tax		86,134
Local option sales tax		58,653
Unrestricted interest on investments		1,903
Other general receipts		3,922
Total receipts		<u>373,906</u>
Disbursements:		
Public safety		83,739
Public works		142,182
Culture and recreation		13,570
Community and economic development		4,854
General government		60,077
Total disbursements		<u>304,422</u>
Change in cash basis net assets before transfers		69,484
Transfers, net		<u>(78,619)</u>
Change in cash basis net assets		(9,135)
Cash basis net assets beginning of year		<u>258,174</u>
Cash basis net assets end of year	\$	<u><u>249,039</u></u>

**Receipts by Source**



**Disbursements by Function**



Total business type activities cash basis net assets increased approximately \$64,000 from a year ago, from \$325,124 to \$389,187. This is primarily due to an increase in gas usage during the sewer construction project.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 113,095
Sewer	97,195
Gas	296,966
General receipts:	
Unrestricted interest on investments	2,752
Note proceeds	519,006
Grant proceeds	205,000
Miscellaneous	2,421
Total receipts	<u>1,236,435</u>
Disbursements:	
Water	132,614
Sewer	846,152
Gas	272,225
Total disbursements	<u>1,250,991</u>
Change in cash basis net assets before transfers	(14,556)
Transfers, net	<u>78,619</u>
Change in cash basis net assets	64,063
Cash basis net assets beginning of year	<u>325,124</u>
Cash basis net assets end of year	<u><u>\$ 389,187</u></u>

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Brighton completed the year, its governmental funds reported a combined fund balance of \$249,039, a decrease of \$9,135 from last year's total of \$258,174. 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 increased \$14,931 from the prior year to \$113,773. This increase was primarily due to the transfer of \$7,500 from the Special Revenue, Local Option Sales Tax Fund for grant matching funds.
- The Special Revenue, Road Use Tax Fund cash balance remained relatively constant, increasing \$2,147 from the prior year to \$44,415.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$27,466 from the prior year to a year-end balance of \$25,754. The decrease was primarily due to projects for the City's business type activities being funded with local option sales tax.
- The Permanent, Cemetery Perpetual Care Fund remained relatively constant, increasing \$50 from the prior year to a year-end balance of \$62,641.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance remained relatively constant, decreasing \$1,146 from the prior year to a year-end balance of \$37,136
- The Enterprise, Sewer Fund cash balance increased \$37,794 from the prior year to a year-end balance of \$74,418.
- The Enterprise, Gas Fund cash balance increased \$27,415 from the prior year to a year-end balance of \$277,633, primarily due to the increased usage by Koch Nitrogen for bulk sales.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on February 21, 2012 and resulted in an increase in other financing sources related to grant awards. The second amendment was approved on June 19, 2012 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$936,933 less than budgeted. This was primarily due to the City budgeting debt proceeds under charges for service rather than other financing sources.

Total disbursements were \$295,237 less than budgeted. This was primarily due to the City incurring less construction expenses for the sewer project than anticipated. The City did not exceed the budget in any functions for the year ended June 30, 2012.

## DEBT ADMINISTRATION

At June 30, 2012, the City had approximately \$745,000 in notes outstanding compared to approximately \$372,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General obligation notes	\$ 243,800	254,300
Sewer loan	-	48,000
Sewer revenue notes	501,000	69,220
Total	\$ 744,800	371,520

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 of \$243,800 is less than its constitutional debt limit of approximately \$785,700. Additional information about the City's long term debt is presented in Note 3 to the financial statements.

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

The City of Brighton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. The fiscal year 2013 property tax levy is \$8.10 per \$1,000 of taxable valuation.

- The fiscal year 2013 budget contains total receipts of \$895,021 and disbursements of \$973,405. This budget is lower than the fiscal year 2012 amended budget which contained total receipts of \$1,823,268 and disbursements of \$1,777,174.
- If these estimates are realized, the City's budgeted cash balance is expected to increase \$267,213 by the close of fiscal year 2013.

## **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 Chris Davies, City Clerk, 100 East Washington Street, Brighton, IA 52540.

## **Basic Financial Statements**

City of Brighton

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	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	\$ 83,739	1,099	67,598	-
Public works	142,182	44,673	62,278	-
Culture and recreation	13,570	1,756	41,370	-
Community and economic development	4,854	-	-	-
General government	60,077	4,520	-	-
Total governmental activities	304,422	52,048	171,246	-
Business type activities:				
Water	132,614	113,095	-	-
Sewer	846,152	97,195	-	205,000
Gas	272,225	296,966	-	-
Total business type activities	1,250,991	507,256	-	205,000
Total	\$ 1,555,413	559,304	171,246	205,000
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for general purposes				
Local option sales tax				
Unrestricted interest on investments				
Sewer revenue note proceeds, net of \$5,250 of initiation fees				
Miscellaneous				
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:				
Nonexpendable:				
Cemetary perpetual care				
Expendable:				
Local option sales tax				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(15,042)	-	(15,042)
(35,231)	-	(35,231)
29,556	-	29,556
(4,854)	-	(4,854)
(55,557)	-	(55,557)
(81,128)	-	(81,128)
-	(19,519)	(19,519)
-	(543,957)	(543,957)
-	24,741	24,741
-	(538,735)	(538,735)
(81,128)	(538,735)	(619,863)
86,134	-	86,134
58,653	-	58,653
1,903	2,752	4,655
-	519,006	519,006
3,922	2,421	6,343
(78,619)	78,619	-
71,993	602,798	674,791
(9,135)	64,063	54,928
258,174	325,124	583,298
\$ 249,039	389,187	638,226
\$ 62,641	-	62,641
44,415	-	44,415
25,754	-	25,754
-	2,928	2,928
2,456	-	2,456
113,773	386,259	500,032
\$ 249,039	389,187	638,226

**Exhibit B**

## City of Brighton

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

As of and for the year ended June 30, 2012

	General	Special Revenue			Permanent	Total
		Road Use Tax	Local Option Sales Tax	Nonmajor Employee Benefits	Cemetery Perpetual Care	
Receipts:						
Property tax	\$ 77,674	-	-	8,460	-	86,134
Other city tax	-	-	58,653	-	-	58,653
Licenses and permits	1,232	-	-	-	-	1,232
Use of money and property	2,988	-	-	-	-	2,988
Intergovernmental	90,261	61,843	-	-	-	152,104
Charges for service	45,564	-	-	-	-	45,564
Miscellaneous	27,181	-	-	-	50	27,231
Total receipts	244,900	61,843	58,653	8,460	50	373,906
Disbursements:						
Operating:						
Public safety	83,739	-	-	-	-	83,739
Public works	79,259	59,696	-	3,227	-	142,182
Culture and recreation	13,570	-	-	-	-	13,570
Community and economic development	4,854	-	-	-	-	4,854
General government	56,047	-	-	4,030	-	60,077
Total disbursements	237,469	59,696	-	7,257	-	304,422
Excess of receipts over disbursements	7,431	2,147	58,653	1,203	50	69,484
Other financing sources (uses):						
Operating transfers in	7,500	-	-	-	-	7,500
Operating transfers out	-	-	(86,119)	-	-	(86,119)
Total other financing sources (uses)	7,500	-	(86,119)	-	-	(78,619)
Net change in cash balances	14,931	2,147	(27,466)	1,203	50	(9,135)
Cash balances beginning of year	98,842	42,268	53,220	1,253	62,591	258,174
Cash balances end of year	\$ 113,773	44,415	25,754	2,456	62,641	249,039
<b>Cash Basis Fund Balances</b>						
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	62,641	62,641
Restricted for:						
Streets	-	44,415	-	-	-	44,415
Local option sales tax	-	-	25,754	-	-	25,754
Other purposes	-	-	-	2,456	-	2,456
Assigned for:						
Horizons	10,363	-	-	-	-	10,363
Trees Forever	1,290	-	-	-	-	1,290
Historical preservation	142	-	-	-	-	142
Unassigned	101,978	-	-	-	-	101,978
Total cash basis fund balances	\$ 113,773	44,415	25,754	2,456	62,641	249,039

See notes to financial statements.

City of Brighton

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

As of and for the year ended June 30, 2012

	Enterprise			
	Water	Sewer	Gas	Total
Operating receipts:				
Charges for service	\$ 109,509	97,195	289,419	496,123
Miscellaneous	3,586	-	7,547	11,133
Total operating receipts	113,095	97,195	296,966	507,256
Operating disbursements:				
Business type activities	111,306	62,954	272,225	446,485
Excess of operating receipts over operating disbursements	1,789	34,241	24,741	60,771
Non-operating receipts (disbursements):				
Interest on investments	48	36	2,668	2,752
Debt service	(21,308)	(144,610)	-	(165,918)
Miscellaneous	2,421	-	-	2,421
I-JOBS grant proceeds	-	205,000	-	205,000
Revenue note proceeds, net of \$5,250 of initiation fees	-	519,006	-	519,006
Capital projects	-	(638,588)	-	(638,588)
Net non-operating receipts (disbursements)	(18,839)	(59,156)	2,668	(75,327)
Excess (deficiency) of receipts over (under) disbursements	(17,050)	(24,915)	27,409	(14,556)
Transfers in	15,904	62,715	6	78,625
Transfers out	-	(6)	-	(6)
Total transfers in (out)	15,904	62,709	6	78,619
Net change in cash balances	(1,146)	37,794	27,415	64,063
Cash balances beginning of year	38,282	36,624	250,218	325,124
Cash balances end of year	\$ 37,136	74,418	277,633	389,187
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ -	2,928	-	2,928
Unrestricted	37,136	71,490	277,633	386,259
Total cash basis fund balances	\$ 37,136	74,418	277,633	389,187

See notes to financial statements.

City of Brighton

Notes to Financial Statements

June 30, 2012

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

The City of Brighton is a political subdivision of the State of Iowa located in Johnson County. It was first incorporated in 1906 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 sewer, water and gas utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Brighton 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**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: Johnson County Assessor's Conference Board, Johnson County Emergency Management Commission and Johnson 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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 categories. 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. The remaining governmental fund is reported as a nonmajor governmental fund.

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 Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection of the local option sales tax which is to be used for the improvement of streets, sidewalks, storm sewers, sanitary sewers and parks.

The Permanent, Cemetery Perpetual Care Fund is used to account for funds collected to be used for the perpetual care of the cemetery.

The City reports the following major proprietary funds:

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

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

## (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

## (3) Notes Payable

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

Year Ending June 30,	General Obligation Notes		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 11,000	10,362	20,000	15,135	31,000	25,497
2014	11,500	9,894	20,000	14,580	31,500	24,474
2015	11,900	9,405	21,000	13,980	32,900	23,385
2016	12,500	8,899	22,000	13,350	34,500	22,249
2017	13,000	8,368	22,000	12,690	35,000	21,058
2018 - 2022	73,300	33,112	122,000	53,040	195,300	86,152
2023 - 2027	90,100	16,163	145,000	33,450	235,100	49,613
2028 - 2031	20,500	871	134,000	10,200	154,500	11,071
Total	\$ 243,800	97,074	506,000	166,425	749,800	263,499

### Sewer Revenue Notes

On September 7, 2011, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources (DNR) for the issuance of sewer revenue notes of up to \$525,000 with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of constructing improvements and extensions to the municipal sanitary sewer system. The City drew down funds from the IFA upon request to reimburse the City for costs as they were incurred. At June 30, 2012, \$520,000 of proceeds were constructively received and were used to refund the outstanding balance of \$73,476 on the March 17, 2010 sewer revenue note. In addition, the IFA charged an initiation fee of 1%, or \$5,250, of the authorized borrowing for the sewer revenue notes.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$525,000 of sewer revenue notes issued September 7, 2011. Proceeds from the notes provided financing for the sewer improvement project. The notes are payable solely from sewer customer net receipts and are payable through 2031. The

total principal and interest remaining to be paid on the notes is \$672,425. For the year ended June 30, 2012, principal and interest paid and total customer net receipts were \$21,403 and \$34,241, respectively. Annual principal and interest payments on the bonds required 63% of net receipts.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the note falling due in the same year. The City did not comply with this requirement.

The City has not created a sewer revenue note sinking account and has not made the required transfers.

#### **(4) 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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012 was \$21,540, equal to the required contribution for the year.

#### **(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave 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 and sick leave payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 1,300
Sick leave	3,700
Total	<u>\$ 5,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 7,500
Enterprise:	Special Revenue:	
Sewer	Local Option Sales Tax	62,715
Water	Local Option Sales Tax	15,904
	Enterprise:	
Gas	Sewer	6
Total		<u>\$ 86,125</u>

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

**(7) 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.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 3 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 and plan members are \$512 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$26,276 and there were no contributions from eligible plan members.

**(9) Construction Contracts**

During the year ended June 30, 2012, the City entered into construction contracts totaling \$595,924 for the sewer main project. The City made payments totaling \$575,985 during the year ended June 30, 2012. The balance remaining on the contracts at June 30, 2012 totaled \$19,939. Contract costs will be paid as work on the unfinished project is completed.

**City of Brighton**

### **Other Information**

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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 86,134	-	86,134
Other city tax	58,653	-	58,653
Licenses and permits	1,232	-	1,232
Use of money and property	2,988	2,752	5,740
Intergovernmental	152,104	-	152,104
Charges for service	45,564	496,123	541,687
Miscellaneous	27,231	13,554	40,785
Total receipts	373,906	512,429	886,335
Disbursements:			
Public safety	83,739	-	83,739
Public works	142,182	-	142,182
Culture and recreation	13,570	-	13,570
Community and economic development	4,854	-	4,854
General government	60,077	-	60,077
Business type activities	-	1,177,515	1,177,515
Total disbursements	304,422	1,177,515	1,481,937
Excess (deficiency) of receipts over (under) disbursements	69,484	(665,086)	(595,602)
Other financing sources, net	(78,619)	729,149	650,530
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses		64,063	54,928
Balances beginning of year	258,174	325,124	583,298
Balances end of year	\$ 258,174	389,187	638,226

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
83,697	83,697	2,437
62,508	62,375	(3,722)
1,040	1,190	42
4,150	4,270	1,470
163,633	163,633	(11,529)
1,438,703	1,458,303	(916,616)
1,000	49,800	(9,015)
1,754,731	1,823,268	(936,933)
71,586	91,386	7,647
134,774	157,287	15,105
17,000	22,000	8,430
-	15,000	10,146
100,006	97,092	37,015
1,365,221	1,394,409	216,894
1,688,587	1,777,174	295,237
66,144	46,094	(641,696)
-	-	650,530
66,144	46,094	8,834
611,913	583,300	(2)
678,057	629,394	8,832

City of Brighton

Notes to Other Information – Budgetary Reporting

June 30, 2012

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. 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 Permanent 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. During the year, two budget amendments increased budgeted disbursements by \$88,587. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted by function.

## **Supplementary Information**

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City of Brighton  
Schedule of Indebtedness  
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water main project	Aug 15, 2008	6.05 - 6.25%	\$ 274,000
Loan:			
Sewer	Feb 28, 2002	0.00%	\$ 240,750
Revenue notes:			
Sewer	Mar 17, 2010	0.00%	\$ 320,000
Sewer	Sep 7, 2011 *	3.00%	525,000
Total			

\* The agreement also requires the City to annually pay a .25% servicing fee on 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
254,300	-	10,500	243,800	10,808
48,000	-	48,000	-	419
69,220	4,256	73,476	-	-
-	520,000	19,000	501,000	2,403
\$ 69,220	524,256	92,476	501,000	2,403

**Schedule 2**

## City of Brighton

## Note Maturities

June 30, 2012

Year Ending June 30,	General Obligation Notes		Revenue Notes	
	Water Main Project		Sewer	
	Issued August 15, 2008		Issued September 7, 2011	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2013	4.25%	\$ 11,000	3.00%	\$ 20,000
2014	4.25	11,500	3.00	20,000
2015	4.25	11,900	3.00	21,000
2016	4.25	12,500	3.00	22,000
2017	4.25	13,000	3.00	22,000
2018	4.25	13,500	3.00	23,000
2019	4.25	14,000	3.00	24,000
2020	4.25	14,600	3.00	24,000
2021	4.25	15,200	3.00	25,000
2022	4.25	16,000	3.00	26,000
2023	4.25	16,500	3.00	27,000
2024	4.25	17,300	3.00	28,000
2025	4.25	18,000	3.00	29,000
2026	4.25	18,800	3.00	30,000
2027	4.25	19,500	3.00	31,000
2028	4.25	20,500	3.00	32,000
2029		-	3.00	33,000
2030		-	3.00	34,000
2031		-	3.00	35,000
Total		<u>\$ 243,800</u>		<u>\$ 506,000</u>

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

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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 Brighton, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 6, 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, 2011. 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

The management of the City of Brighton is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Brighton'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 an opinion on the effectiveness of the City of Brighton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Brighton'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, 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 Brighton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (C) 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 the accompanying Schedule of Findings as items (D) through (F) to be significant deficiencies.

### Compliance and Other Matters

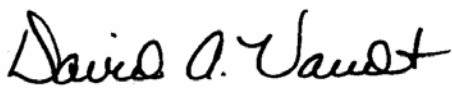
As part of obtaining reasonable assurance about whether the City of Brighton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 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.

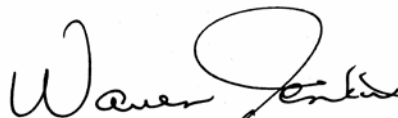
The City of Brighton's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Brighton's responses and, accordingly, we express no opinion on them.

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 Brighton and other parties to whom the City of Brighton may report 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 Brighton 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

November 6, 2012

City of Brighton

Schedule of Findings

Year ended June 30, 2012

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas:
- (1) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
  - (2) Investments – detailed record keeping and reconciling earnings.
  - (3) Receipts – collecting, depositing, journalizing and posting.
  - (4) Utility receipts – billing, collecting, depositing, posting and reconciling.
  - (5) Disbursements – purchasing, check signing, recording and reconciling.
  - (6) Payroll – preparing and distributing.
  - (7) Transfers – recording and reconciling.
  - (8) Financial reporting – preparing, reconciling and distributing.
  - (9) Accounting system – performing all general accounting functions and having custody of City assets.

In addition, an initial listing of mail receipts is not prepared by the mail opener.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Evidence of review of reconciliations should be indicated by the signature or initials of the independent reviewer and the date of the review.

Response – The City Clerk is the only employee present daily. When Deputy Clerk is on the job, duties are shared. Each employee now has their own password and log-in for all software applications for Summit. With both the City Clerk and Deputy Clerk new to their positions, sharing and training is ongoing.

Conclusion – Response acknowledged. The City should continue to review operating procedures to obtain the maximum internal control possible under the circumstances utilizing current staff and elected officials.

City of Brighton

Schedule of Findings

Year ended June 30, 2012

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts each month. The City Council should review the reconciliation and monitor delinquent accounts each month.

Response – Delinquencies are monitored at least monthly at council meetings as are collections. Procedures are being developed to reconcile the billing at the end of each month. The reconciliation will be submitted to the City Council for approval.

Conclusion – Response accepted.

- (C) Financial Reporting – During the audit, we identified a material amount of intergovernmental receipts and note proceeds which were classified as miscellaneous receipts. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receipts are properly classified in the City's financial statements.

Response – Procedures have been implemented since the City began using Summit software as of July 1, 2011.

Conclusion – Response accepted.

- (D) Computer System – During our review of internal control, the existing control activities in the City's computer system were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer system were noted:

- (1) The City does not have a written disaster recovery plan which addresses the following items:
  - a. Identification of critical applications.
  - b. Identification of staff responsibilities.
  - c. Identification of steps for recovery of any operating systems for City operations.
  - d. Identification of computer equipment needed for temporary processing.
  - e. Identification of business location(s) which could be used to process critical applications in the event of an emergency, including any applicable written agreements for the use of the locations.
  - f. Requirement to keep a copy of the disaster recovery plan off site.

City of Brighton

Schedule of Findings

Year ended June 30, 2012

- g. Requirement to keep system backups current and off site.
  - h. An inventory of all hardware and components (e.g.: make, model numbers, serial numbers, etc.).
  - i. An inventory of all software applications (e.g.: operating system and software applications, release versions and vendor names).
  - j. A requirement copies of all user documentation and policy and procedures manuals be located off site.
  - k. A requirement extra stocks of paper supplies, such as checks, warrants, purchase orders, etc., be located off site.
  - l. Requirements outlining the frequency and guidelines for testing the disaster recovery plan to identify issues and document the results of testing.
- (2) The City's policies do not include guidance on employee use of computer equipment and software. Also there is no computer policy regarding password requirements, a lock out function and the use of one password by multiple users.

Recommendation – A written disaster recovery plan should be developed and tested periodically. In addition, the City should develop and adopt policies which address personal usage of City computers, password requirements, lock out function and password sharing.

Response – I have discussed this with the City Manager of the City of Parkersburg which was destroyed by an EF-5 tornado three years ago. I have contacted the State Auditor's Office for additional guidance, although these comments today are very helpful. Summit records and all word and excel documents are backed up on an internet I-drive which can be used to restore all records. I will follow your recommendations as outlined above where possible.

In addition, passwords have been obtained since your visit, Summit doesn't have a lock out procedure so employees will have to log out. The City will contact Summit to establish individual passwords. I will try to get a written policy on the other items.

Conclusion – Response accepted.

- (E) 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 personnel.
- (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.

City of Brighton

Schedule of Findings

Year ended June 30, 2012

Response – After discussion with the State Auditor’s Office on the development and use of a policies and procedures manual, a manual will be compiled as time allows. The manual will be kept on file at City Hall for future reference.

Conclusion – Response accepted.

- (F) Safekeeping of Signature Stamp - The Mayor’s signature stamp is not properly safeguarded. The signature stamp is maintained in an unlocked drawer.

Recommendation – The signature stamp should be locked in a secure place when not in use.

Response – This has already taken place per your recommendation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Brighton  
Schedule of Findings  
Year ended June 30, 2012

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- (2) 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:

Paid to	Purpose	Amount
Various Vendors	Flu shots, vaccinations and drug testing	\$ 323
Various Vendors	Weiner roast	110
Federation Bank	Gift cards for 4 full-time employees	410

According to the Attorney General's 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 proper and an improper purpose is very thin.

In addition, the payments made by the City for gift cards were not included in employee taxable wages as required by Internal Revenue Service regulations.

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

Response – This was discussed at the August 21, 2012 Council meeting and steps to correct are in place. Documentation of public purpose will occur in the future.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
James Miller, Council Member, Owner of Miller General Contracting	Koch Building, per bid Supplies	\$ 10,163 54

City of Brighton

Schedule of Findings

Year ended June 30, 2012

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with the Council Member for supplies do not appear to represent conflicts of interest since total transactions were less than \$2,500 during the fiscal year. The transaction for the Koch Building does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- (5) 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.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – 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.
- (8) Revenue Notes – The City has not established a sewer revenue note sinking account and has not made monthly transfers as required by the revenue note resolution

Recommendation – The City should establish a sewer revenue note sinking account and ensure monthly transfers are made to the sewer revenue note sinking account as required.

Response – The City is in the process of establishing a Sewer Sinking Fund. The City is in contact with the State Auditor's office and will setting this fund up by the end of November 2012 after further instruction.

Conclusion – Response accepted.

- (9) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but do not obtain an image of the back of each cancelled check as required.

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

Response – I have already contacted the Federation Bank and will get copies of both sides of the checks for now on.

Conclusion – Response accepted.

City of Brighton

Schedule of Findings

Year ended June 30, 2012

- (10) Payment of General Obligation Notes – Chapter 384.4 of the Code of Iowa states, in part, “Money’s pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund.” The City paid general obligation debt from funds other than the Debt Service Fund for all general obligation issuances.

Recommendation – The City should transfer funds to a Debt Service Fund to pay the general obligation debt in the future.

Response – The City is in the process of establishing a Debt Service Fund. This will be completed by the end of November 2012.

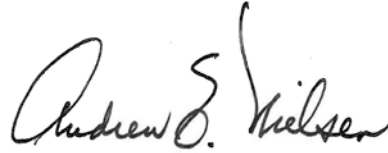
Conclusion – Response accepted.

City of Brighton

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Jenny R. Lawrence, Staff Auditor  
Laura E. Grinnell, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA  
Deputy Auditor of State