



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

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Des Moines, Iowa 50319-0006

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Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

March 9, 2020

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on the City of Brooklyn, Iowa.

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$5,426,397 for the year ended June 30, 2019, a 16.6% decrease from the prior year. Disbursements for the year ended June 30, 2019 totaled \$4,796,299, a 22.7% decrease from the prior year. The significant decrease in receipts and disbursements is due to fewer loan proceeds in fiscal year 2019 and a decrease in disbursements for the wastewater treatment plant project.

**AUDIT FINDINGS:**

Sand reported eight findings related to the receipt and disbursement of taxpayer funds. They are found on pages 44 through 49 of this report. The findings address issues such as a lack of segregation of duties, the lack of independent review of bank reconciliations, disbursements exceeding budgeted amounts and separately maintained records. Sand provided the City with recommendations to address each of the findings.

Five of the eight findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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

**JUNE 30, 2019**

**City of Brooklyn**



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Telephone (515) 281-5834 Facsimile (515) 281-6518

January 30, 2020

Officials of the City of Brooklyn  
Brooklyn, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Brooklyn, Iowa, for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Brooklyn throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

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**City of Brooklyn**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Solem	Mayor	Jan 2020
Stockton Harter	Council Member	Jan 2020
Leah Keller	Council Member	Jan 2020
Carl Tubbs	Council Member	Jan 2020
Rusty Clayton	Council Member	Jan 2022
Les Taylor	Council Member	Jan 2022
Sheri Sharer	City Clerk	Indefinite
Tammy Kriegel	City Treasurer	Indefinite
Fred Stiefel	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

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, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

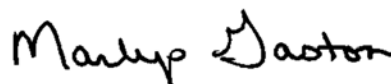
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brooklyn's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed a qualified opinion on those financial statements which were prepared on the basis of cash receipts and disbursements due to being unable to verify the distribution by fund of the total fund balance at July 1, 2012. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 26 through 32, 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.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2020 on our consideration of the City of Brooklyn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Brooklyn's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State



**City of Brooklyn**

## **Basic Financial Statements**

City of Brooklyn

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 522,833	243,417	433,559
Public works	248,350	79,954	193,611
Culture and recreation	124,884	49,617	26,355
Community and economic development	132,261	-	3,850
General government	172,407	1,355	-
Debt service	581,695	-	-
Capital projects	4,500	-	-
Total governmental activities	1,786,930	374,343	657,375
Business type activities:			
Water	683,516	436,555	-
Sewer	452,646	503,483	-
Electric	1,174,212	1,450,812	-
Gas	695,854	702,319	-
Storm water	3,141	15,924	-
Total business type activities	3,009,369	3,109,093	-
Total	\$ 4,796,299	3,483,436	657,375
<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			
Loan proceeds			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
<b>Cash Basis Net Position</b>			
Restricted:			
Streets			
Ambulance service			
Debt service			
Local option sales tax			
Capital projects			
Other purposes			
Unrestricted			
<b>Total cash basis net position</b>			

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
154,143	-	154,143
25,215	-	25,215
(48,912)	-	(48,912)
(128,411)	-	(128,411)
(171,052)	-	(171,052)
(581,695)	-	(581,695)
(4,500)	-	(4,500)
<u>(755,212)</u>	<u>-</u>	<u>(755,212)</u>
-	(246,961)	(246,961)
-	50,837	50,837
-	276,600	276,600
-	6,465	6,465
-	12,783	12,783
-	99,724	99,724
<u>(755,212)</u>	<u>99,724</u>	<u>(655,488)</u>
414,796	-	414,796
67,941	-	67,941
451,795	-	451,795
170,903	-	170,903
8,201	36,874	45,075
-	122,726	122,726
1,567	10,783	12,350
<u>(88,670)</u>	<u>88,670</u>	<u>-</u>
<u>1,026,533</u>	<u>259,053</u>	<u>1,285,586</u>
271,321	358,777	630,098
<u>1,831,737</u>	<u>2,715,401</u>	<u>4,547,138</u>
<u>\$ 2,103,058</u>	<u>3,074,178</u>	<u>5,177,236</u>
\$ 273,146	-	273,146
171,099	-	171,099
488,270	64,495	552,765
224,745	-	224,745
314,313	-	314,313
303,510	-	303,510
<u>327,975</u>	<u>3,009,683</u>	<u>3,337,658</u>
<u>\$ 2,103,058</u>	<u>3,074,178</u>	<u>5,177,236</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, 2019

	Special Revenue				
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment	Brooklyn, East Poweshiek County Volunteer Ambulance Service
Receipts:					
Property tax	\$ 302,592	-	-	-	-
Tax increment financing	-	-	-	451,795	-
Other city tax	12,100	-	170,903	-	-
Licenses and permits	2,085	-	-	-	-
Use of money and property	7,509	-	2,103	3,850	602
Intergovernmental	73,341	189,788	-	-	-
Charges for service	123,309	-	-	-	148,893
Miscellaneous	255,016	-	-	-	127,861
Total receipts	775,952	189,788	173,006	455,645	277,356
Disbursements:					
Operating:					
Public safety	213,336	-	-	-	169,653
Public works	81,596	142,634	55	-	-
Culture and recreation	115,244	-	-	-	-
Community and economic development	122,261	-	-	-	-
General government	150,650	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	683,087	142,634	55	-	169,653
Excess (deficiency) of receipts over (under) disbursements	92,865	47,154	172,951	455,645	107,703
Other financing sources (uses):					
Transfers in	11,330	-	-	-	-
Transfers out	-	-	(196,708)	(482,680)	-
Total other financing sources (uses)	11,330	-	(196,708)	(482,680)	-
Change in cash balances	104,195	47,154	(23,757)	(27,035)	107,703
Cash balances beginning of year	223,780	225,992	248,502	451,633	63,396
Cash balances end of year	\$ 327,975	273,146	224,745	424,598	171,099
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Streets	\$ -	273,146	-	-	-
Ambulance service	-	-	-	-	171,099
Debt service	-	-	-	424,598	-
Local option sales tax	-	-	224,745	-	-
Capital projects	-	-	-	-	-
Other purposes	-	-	-	-	-
Unassigned	327,975	-	-	-	-
Total cash basis fund balances	\$ 327,975	273,146	224,745	424,598	171,099

See notes to financial statements.

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Debt Service	Capital Projects	Nonmajor	Total
67,274	-	98,634	468,500
-	-	-	451,795
667	-	1,470	185,140
-	-	-	2,085
-	2,315	3,220	19,599
-	-	-	263,129
-	-	-	272,202
-	1,567	100,027	484,471
<b>67,941</b>	<b>3,882</b>	<b>203,351</b>	<b>2,146,921</b>
-	-	139,844	522,833
-	-	24,065	248,350
-	-	9,640	124,884
-	-	10,000	132,261
-	-	21,757	172,407
581,695	-	-	581,695
-	4,500	-	4,500
<b>581,695</b>	<b>4,500</b>	<b>205,306</b>	<b>1,786,930</b>
<b>(513,754)</b>	<b>(618)</b>	<b>(1,955)</b>	<b>359,991</b>
519,388	50,000	10,000	590,718
-	-	-	(679,388)
<b>519,388</b>	<b>50,000</b>	<b>10,000</b>	<b>(88,670)</b>
5,634	49,382	8,045	271,321
58,038	264,931	295,465	1,831,737
<b>63,672</b>	<b>314,313</b>	<b>303,510</b>	<b>2,103,058</b>
-	-	-	273,146
-	-	-	171,099
63,672	-	-	488,270
-	-	-	224,745
-	314,313	-	314,313
-	-	303,510	303,510
-	-	-	327,975
<b>63,672</b>	<b>314,313</b>	<b>303,510</b>	<b>2,103,058</b>

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**Exhibit C**

## City of Brooklyn

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

As of and for the year ended June 30, 2019

	Enterprise					Total
	Water	Sewer	Electric	Gas	Nonmajor Storm Water	
Operating receipts:						
Charges for service	\$ 436,555	503,483	1,450,812	702,319	15,924	3,109,093
Operating disbursements:						
Business type activities	257,005	186,743	1,056,694	630,820	473	2,131,735
Excess of operating receipts over operating disbursements	179,550	316,740	394,118	71,499	15,451	977,358
Non-operating receipts (disbursements):						
Interest on investments	4,062	3,673	20,036	9,103	-	36,874
Miscellaneous	1,323	304	2,667	6,489	-	10,783
Loan proceeds	-	122,726	-	-	-	122,726
Debt service	(405,029)	(148,822)	-	-	-	(553,851)
Capital projects	(21,482)	(117,081)	(117,518)	(65,034)	(2,668)	(323,783)
Net non-operating receipts (disbursements)	(421,126)	(139,200)	(94,815)	(49,442)	(2,668)	(707,251)
Excess (deficiency) of receipts over (under) disbursements	(241,576)	177,540	299,303	22,057	12,783	270,107
Transfers in	100,000	-	-	-	-	100,000
Transfers out	(5,665)	(5,665)	-	-	-	(11,330)
Total other financing sources (uses)	94,335	(5,665)	-	-	-	88,670
Change in cash balances	(147,241)	171,875	299,303	22,057	12,783	358,777
Cash balances beginning of year	500,792	478,313	1,072,473	599,304	64,519	2,715,401
Cash balances end of year	\$ 353,551	650,188	1,371,776	621,361	77,302	3,074,178
<b>Cash Basis Fund Balances</b>						
Restricted for debt service	\$ 6,144	58,351	-	-	-	64,495
Unrestricted	347,407	591,837	1,371,776	621,361	77,302	3,009,683
Total cash basis fund balances	\$ 353,551	650,188	1,371,776	621,361	77,302	3,074,178

See notes to financial statements.

City of Brooklyn

Notes to Financial Statements

June 30, 2019

**(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, gas and storm water 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 their operational or financial relationship with the City.

Blended Component Units

The Brooklyn Municipal Utilities (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 Enterprise Funds. 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 purpose of the organization is to provide ambulance service to accommodate the residents in and about the City of Brooklyn and surrounding territory. 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 organization is currently unincorporating.



The Brooklyn Library Building Fund, Inc. was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The purpose of the organization is to collect funds for the purpose of constructing a library in the City of Brooklyn and possible endowment for the operation thereof. 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.

The financial transactions of the Brooklyn, East Poweshiek County Volunteer Ambulance Service, Inc. and the Brooklyn Library Building Fund, Inc. are reported as Special Revenue Funds.

#### 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 911 Service Board.

#### B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position 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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 and proprietary funds are aggregated and reported as nonmajor 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 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 revenues from the tax authorized by referendum and used for capital improvements, equipment and infrastructure maintenance.

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

The Brooklyn, East Poweshiek County Volunteer Ambulance Service Fund is used to account for the charges for service and operation of an ambulance service.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

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 electric 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 position 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 are 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 Other Information. During the year ended June 30, 2019, disbursements exceeded the amounts budgeted in the public safety, community and economic development, general government, debt service and capital projects functions.

### **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2019 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 ensure 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. 72.

### (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		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 352,000	50,775	13,000	3,030	365,000	53,805
2021	349,000	42,980	14,000	2,640	363,000	45,620
2022	352,000	37,038	14,000	2,220	366,000	39,258
2023	365,000	30,472	14,000	1,800	379,000	32,272
2024	213,000	23,343	15,000	1,380	228,000	24,723
2025-2029	915,000	63,095	31,000	1,410	946,000	64,505
2030	183,000	3,202	-	-	183,000	3,202
Total	\$ 2,729,000	250,905	101,000	12,480	2,830,000	263,385

#### General Obligation Capital Loan Notes

The City issued \$2,125,000 of general obligation capital loan notes in August 2016 for the purpose of financing costs of the construction of the wastewater treatment system. The bonds bear interest at 1.75% and mature June 2030. An initiation fee of \$10,625 (0.5% of the authorized borrowing for the general obligation capital loan notes) was charged by the IFA. The initiation fee was withheld from the first proceeds of the general obligation capital loan notes drawn by the City.

#### Revenue Bonds

On October 14, 2016, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds up to \$2,632,000 with interest at 1.75% annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to provide financing for the construction of sewer main extensions. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2019, the City had drawn down \$2,121,834 of the authorized amount. An initiation fee of \$13,160 (0.5% of the authorized borrowing for the sewer revenue bonds) was charged by the IFA. The initiation fee was withheld from the first proceeds of the sewer revenue bonds drawn by the City. A final repayment schedule has not yet been adopted. During the year ended June 30, 2019, the City paid principal and interest of \$148,822 on the bonds under a preliminary repayment schedule.

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 8% of net receipts. The total principal and interest remaining to be paid on the bonds is \$113,480. For the current year, principal and interest paid and total customer net receipts were \$14,995 and \$179,550, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to separate sewer revenue bond sinking account within the Enterprise Funds for the purpose of making bond principal and interest payments when due.
- (c) Water and sewer user rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the annual installments of principal and interest on the bonds falling due in the same year.

#### Poweshiek Water Association Agreement

On October 5, 1998, the City entered into a water purchase contract with the Poweshiek Water Association for \$617,992, with interest at 5.50% per annum, to purchase and provide water for the City. 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, 2019, the City paid \$467,011 of principal and interest under the agreement for the final payment. The City loaned \$100,000 to the Enterprise, Water Fund from the Special Revenue Local Option Sales Tax Fund to allow early payment of the agreement.

#### **(4) Interfund Loans**

On August 20, 2018, the City agreed to advance \$10,000 from the Special Revenue, Redevelopment Incentive Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for redevelopment projects located in the downtown commercial area. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the Special Revenue, Redevelopment Incentive Fund, as funds become available in the Special Revenue, Urban Renewal Tax Increment Fund. During the year ended June 30, 2019, no transfers were made to repay this loan. The amount due to the Special Revenue, Redevelopment Incentive Fund at June 30, 2019 is \$10,000.

On April 15, 2019, the City loaned \$100,000 to the Enterprise, Water Fund from the Special Revenue, Local Option Sales Tax Fund in order to pay off the City's loan with the Poweshiek Water Association. The loan will be repaid over the next two years at \$50,000 with zero percent interest. The remaining balance of the internal loan is \$100,000 as of June 30, 2019.

#### **(5) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$24,258.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$231,066 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City’s proportion was 0.003651%, which was an increase of 0.000008% over its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$31,308, \$61,153, and \$38,494, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability	\$ 392,166	231,066	95,928

IPERS' Fiduciary Net Position – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).



**(6) 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 payable to employees at June 30, 2019, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 8,000
Sick leave	24,000
Compensatory time	<u>4,000</u>
Total	<u>\$ 36,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2019.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise:	
	Water	\$ 5,665
	Sewer	<u>5,665</u>
		<u>11,330</u>
Special Revenue: Redevelopment Incentive	Special Revenue: Urban Renewal Tax Increment	<u>10,000</u>
Capital Projects	Special Revenue: Local Option Sales Tax	<u>50,000</u>
Debt Service	Special Revenue: Local Option Sales Tax	46,708
	Urban Renewal Tax Increment	<u>472,680</u>
		519,388
Enterprise: Water	Special Revenue: Local Option Sales Tax	<u>100,000</u>
Total		<u>\$ 690,718</u>

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

**(8) 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.

**(9) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

**City of Brooklyn**

## **Other Information**

City of Brooklyn

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 468,500	-	-
Tax increment financing	451,795	-	-
Other city tax	185,140	-	-
Licenses and permits	2,085	-	-
Use of money and property	19,599	36,874	2,298
Intergovernmental	263,129	-	-
Charges for service	272,202	3,109,093	148,893
Special assessments	-	-	-
Miscellaneous	484,471	10,783	127,861
Total receipts	2,146,921	3,156,750	279,052
Disbursements:			
Public safety	522,833	-	169,653
Public works	248,350	-	-
Culture and recreation	124,884	-	-
Community and economic development	132,261	-	5,579
General government	172,407	-	-
Debt service	581,695	553,851	-
Capital projects	4,500	323,783	-
Business type activities	-	2,131,735	-
Total disbursements	1,786,930	3,009,369	175,232
Excess (deficiency) of receipts over (under) disbursements	359,991	147,381	103,820
Other financing sources (uses), net	(88,670)	211,396	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	271,321	358,777	103,820
Balances beginning of year	1,831,737	2,715,401	126,474
Balances end of year	\$ 2,103,058	3,074,178	230,294

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
468,500	456,361	476,361	(7,861)
451,795	437,901	437,901	13,894
185,140	160,644	160,644	24,496
2,085	2,435	2,435	(350)
54,175	7,300	7,300	46,875
263,129	444,961	444,961	(181,832)
3,232,402	3,109,700	3,209,700	22,702
-	5,000	5,000	(5,000)
367,393	3,300	3,300	364,093
5,024,619	4,627,602	4,747,602	277,017
353,180	293,876	293,876	(59,304)
248,350	310,775	310,775	62,425
124,884	183,186	183,186	58,302
126,682	13,000	13,000	(113,682)
172,407	143,290	143,290	(29,117)
1,135,546	837,024	837,024	(298,522)
328,283	-	300,000	(28,283)
2,131,735	2,809,099	3,159,679	1,027,944
4,621,067	4,590,250	5,240,830	619,763
403,552	37,352	(493,228)	896,780
122,726	-	200,000	(77,274)
526,278	37,352	(293,228)	819,506
4,420,664	4,439,335	4,439,335	(18,671)
4,946,942	4,476,687	4,146,107	800,835

City of Brooklyn

Notes to Other Information – Budgetary Reporting

June 30, 2019

The budgetary comparison is presented 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 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. During the year, one budget amendment increased budgeted disbursements by \$650,580. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amounts budgeted in the public safety, community and economic development, general government, debt service and capital projects functions.

City of Brooklyn  
 Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
 For the Last Five Years\*  
 (In Thousands)

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.003651%	0.003643%	0.003788%	0.003722%	0.003859%
City's proportionate share of the net pension liability	\$ 231	243	238	184	156
City's covered payroll	\$ 274	272	272	255	258
City's proportionate share of the net pension liability as a percentage of its covered payroll	84.31%	89.34%	87.50%	72.16%	60.47%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.



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City of Brooklyn

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Nine Years\*  
(In Thousands)

Other Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 24	25	24	24
Contributions in relation to the statutorily required contribution	(24)	(25)	(24)	(24)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 257	274	272	272
Contributions as a percentage of covered payroll *	9.44%	8.93%	8.93%	8.93%

\* Amounts reported do not agree with calculated amounts due to rounding required contributions and covered payroll to nearest thousandth.

**Note:** GASB Statement No. 68 requires ten years of information be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

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2015	2014	2013	2012	2011
23	23	22	26	25
(23)	(23)	(22)	(26)	(25)
-	-	-	-	-
255	258	256	304	359
8.93%	8.93%	8.67%	8.07%	6.95%

City of Brooklyn

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

## **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, 2019

	Employee Benefits	Redevel- opment Incentive	Special Brooklyn Volunteer Fire Department
Receipts:			
Property tax	\$ 98,634	-	-
Other city tax	1,470	-	-
Use of money and property	-	-	1,524
Miscellaneous	-	-	93,765
Total receipts	100,104	-	95,289
Disbursements:			
Public safety	45,775	-	94,069
Public works	24,065	-	-
Culture and recreation	3,849	-	-
Community and economic development	-	10,000	-
General government	21,757	-	-
Total disbursements	95,446	10,000	94,069
Excess (deficiency) of receipts over (under) disbursements	4,658	(10,000)	1,220
Other financing sources:			
Transfers in	-	10,000	-
Change in cash balances	4,658	-	1,220
Cash balances beginning of year	82,667	-	145,948
Cash balances end of year	\$ 87,325	-	147,168
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	\$ 87,325	-	147,168

See accompanying independent auditor's report.

Revenue		
Brooklyn Library Building Fund, Inc.	Friends of the Brooklyn Library	Total
-	-	98,634
-	-	1,470
1,696	-	3,220
-	6,262	100,027
1,696	6,262	203,351
-	-	139,844
-	-	24,065
5,579	212	9,640
-	-	10,000
-	-	21,757
5,579	212	205,306
(3,883)	6,050	(1,955)
-	-	10,000
(3,883)	6,050	8,045
63,078	3,772	295,465
59,195	9,822	303,510
59,195	9,822	303,510

City of Brooklyn  
Schedule of Indebtedness  
Year ended June 30, 2019

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Capital loan notes, Series 2001	May 16, 2001	1.75%	\$ 900,000
Capital loan notes, Series 2011A	Mar 15, 2011	1.25-3.75	620,000
Refunding capital loan notes, Series 2013A	Apr 1, 2013	0.45-2.15	585,000
Refunding capital loan notes, Series 2015	Apr 1, 2015	0.50-2.10	1,175,000
Urban renewal capital loan notes, Series 2016	Aug 26, 2016	1.75 *	2,125,000
Total			
Revenue bonds:			
Sewer	Oct 14, 2016	1.75% *	\$ 2,121,834
Water	Apr 28, 2006	3.00 *	245,000
Total			
Loan agreement:			
Road	Jul 1, 2014	1.60%	\$ 182,045
Purchase contract:			
Water purchase contract <sup>^</sup>	Oct 5, 1998	5.50%	\$ 617,992

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

<sup>^</sup> - A portion of the monthly payments on the water purchase contract are held in a reserve account. The balance of the reserve account, \$77,262, was applied to the remaining principal balance when the final payment was made.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
67,000	-	60,000	7,000	1,173
85,000	-	85,000	-	3,188
325,000	-	40,000	285,000	6,208
750,000	-	145,000	605,000	12,717
1,980,000	-	148,000	1,832,000	39,600
<u>\$ 3,207,000</u>	-	478,000	2,729,000	62,886
1,891,108	122,726	111,000	1,902,834	37,822
114,000	-	13,000	101,000	1,995
<u>\$ 2,005,108</u>	122,726	124,000	2,003,834	39,817
<u>\$ 36,409</u>	-	36,409	-	1,766
<u>\$ 438,728</u>	-	438,728	-	28,283



City of Brooklyn  
 Bond and Note Maturities  
 June 30, 2019

Year Ending June 30,	General Obligation Capital					
	Capital Loan Notes		Refunding Capital Loan Notes		Refunding Capital Loan Notes	
	Issued May 16, 2001		Issued Apr 1, 2013		Issued Apr 1, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2020	1.75%	\$ 7,000	1.55%	\$ 45,000	1.50%	\$ 150,000
2021		-	1.55	45,000	1.70	150,000
2022		-	2.15	45,000	1.90	150,000
2023		-	2.15	50,000	2.10	155,000
2024		-	2.15	50,000		-
2025		-	2.15	50,000		-
2026		-		-		-
2027		-		-		-
2028		-		-		-
2029		-		-		-
2030		-		-		-
Total		<u>\$ 7,000</u>		<u>\$ 285,000</u>		<u>\$ 605,000</u>

See accompanying independent auditor's report.

<u>Loan Notes</u>		
Urban Renewal Capital		
<u>Loan Notes</u>		
<u>Issued Aug 26, 2016</u>		
Interest		
Rates	Amount	Total
1.75%	\$ 150,000	352,000
1.75	154,000	349,000
1.75	157,000	352,000
1.75	160,000	365,000
1.75	163,000	213,000
1.75	166,000	216,000
1.75	170,000	170,000
1.75	173,000	173,000
1.75	176,000	176,000
1.75	180,000	180,000
1.75	183,000	183,000
	<u>\$ 1,832,000</u>	<u>2,729,000</u>

<u>Revenue Bonds/Notes</u>		
Water Series 2006		
<u>Issued April 28, 2006</u>		
Interest		
Rates	Amount	
3.00%	\$ 13,000	
3.00	14,000	
3.00	14,000	
3.00	14,000	
3.00	15,000	
3.00	15,000	
3.00	16,000	
		-
		-
		-
		-
	<u>\$ 101,000</u>	

City of Brooklyn

Schedule of Receipts by Source and Disbursements by Function –  
All Governmental Funds

For the Last Seven Years

	2019	2018	2017	2016
<b>Receipts:</b>				
Property tax	\$ 468,500	472,249	446,552	431,743
Tax increment financing	451,795	431,740	410,317	412,046
Other city tax	185,140	163,292	181,430	150,462
Licenses and permits	2,085	2,060	2,204	1,599
Use of money and property	19,599	32,542	29,438	26,939
Intergovernmental	263,129	248,877	252,723	244,847
Charges for service	272,202	273,775	318,984	236,420
Miscellaneous	484,471	215,659	328,291	213,344
<b>Total</b>	<b>\$ 2,146,921</b>	<b>1,840,194</b>	<b>1,969,939</b>	<b>1,717,400</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 522,833	492,515	605,533	488,731
Public works	248,350	244,415	258,317	299,520
Culture and recreation	124,884	132,345	139,004	125,241
Community and economic development	132,261	12,778	19,117	18,267
General government	172,407	206,271	239,495	209,222
Debt service	581,695	583,406	409,883	422,156
Capital projects	4,500	35,202	37,531	28,000
<b>Total</b>	<b>\$ 1,786,930</b>	<b>1,706,932</b>	<b>1,708,880</b>	<b>1,591,137</b>

See accompanying independent auditor's report.

2015	2014	2013
411,851	475,619	430,147
396,047	388,700	424,115
174,457	148,400	140,311
1,214	1,489	1,414
21,919	24,330	41,165
218,712	208,505	226,112
220,444	232,421	278,965
221,335	176,558	199,499
<u>1,665,979</u>	<u>1,656,022</u>	<u>1,741,728</u>

497,098	485,898	426,902
233,866	228,020	196,737
108,740	120,121	125,193
95,000	17,119	2,713
223,496	199,230	182,646
1,673,677	365,961	379,965
122,162	16,326	2,027
<u>2,954,039</u>	<u>1,432,675</u>	<u>1,316,183</u>



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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 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, the 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, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Brooklyn's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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 Brooklyn's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Brooklyn's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and 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 the accompanying Schedule of Findings as items (A) and (B) 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 deficiency described in the accompanying Schedule of Findings as item (C) to be a significant deficiency.

### 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 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.

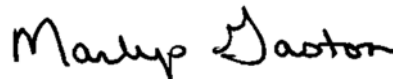
### The City of Brooklyn's Responses to the Findings

The City of Brooklyn's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Brooklyn's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

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

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.



Marlys K. Gaston, CPA  
Deputy Auditor of State

January 30, 2020

City of Brooklyn

Schedule of Findings

Year ended June 30, 2019

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

For the City:

- (1) Petty cash – custody of the change funds, depositing, reconciling and recording.
- (2) Investments – recordkeeping, custody of investments, reconciling and recording.
- (3) Receipts – opening mail, collecting, recording, depositing, reconciling and posting.
- (4) Journal entries – preparing and recording with no independent review.
- (5) Long-term debt – recordkeeping and debt payment processing.
- (6) Payroll – recordkeeping, preparing and distributing.

For the Brooklyn Municipal Utilities:

- (1) Receipts – opening mail, collecting, depositing, posting, reconciling and maintaining accounts receivable.

For the Brooklyn Volunteer Fire Department, the Brooklyn, East Poweshiek County Volunteer Ambulance Service, the Brooklyn Library Building Fund, Inc. and the Friends of the Brooklyn Library:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.

Cause – The City, Brooklyn Municipal Utilities, the Brooklyn Volunteer Fire Department, the Brooklyn, East Poweshiek County Volunteer Ambulance Service, the Brooklyn Library Building Fund, Inc. and the Friends of the Brooklyn Library have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2019

Effect – Inadequate segregation of duties could adversely affect the City's, the Brooklyn Municipal Utilities', the Brooklyn Volunteer Fire Department's, the Brooklyn, East Poweshiek County Volunteer Ambulance Services, the Brooklyn Library Building Fund, Inc.'s and the Friends of the Brooklyn Library's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City, the Brooklyn Municipal Utilities, the Brooklyn Volunteer Fire Department, the Brooklyn, East Poweshiek County Volunteer Ambulance Service, the Brooklyn Library Building Fund, Inc. and the Friends of the Brooklyn Library should review their control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and Board members, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

City – The City will review their internal controls to obtain the maximum internal control possible under the circumstances.

Brooklyn Municipal Utilities – Brooklyn Municipal Utilities will review internal controls to obtain the maximum internal control possible under the circumstances.

Brooklyn Volunteer Fire Department – The Fire Department will review their internal controls to obtain the maximum internal control possible.

Brooklyn, East Poweshiek County Volunteer Ambulance Service – The East Poweshiek County Volunteer Ambulance Service will review their internal controls to try and obtain the maximum internal control as possible.

Brooklyn Library Building Fund, Inc. and the Friends of the Brooklyn Library – The Brooklyn Library Building Fund and the Friends of the Brooklyn Library will review their internal controls to obtain the maximum control as possible.

Conclusion – Responses accepted.

(B) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly bank statements are reconciled to the City's monthly financial report. However, the bank reconciliations are not reviewed by an independent person. In addition, bank reconciliations are not reviewed by an independent person for the Brooklyn Volunteer Fire Department, the Brooklyn Library Building Fund, Inc. and the Friends of the Brooklyn Library.

Cause – Policies have not been established and procedures have not been implemented to require the bank reconciliations be reviewed by an independent person.



City of Brooklyn

Schedule of Findings

Year ended June 30, 2019

Effect – Lack of review of bank reconciliations by an independent person could result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – Procedures should be established to ensure bank reconciliations are reviewed by an independent person. Evidence of the review should be documented by signing or initialing and dating the monthly reconciliations.

Responses –

City – The City will have the Mayor review the bank reconciliations and will initial the review.

Brooklyn Volunteer Fire Department – The Fire Department will have an independent person review the bank reconciliations and will initial the review.

Brooklyn Library Building Fund, Inc. and the Friends of the Brooklyn Library – The Mayor will review the bank reconciliations and will initial the review

Conclusion – Responses accepted.

(C) Receipts

Criteria – An effective internal control system provides for internal controls related to ensuring all receipts are properly accounted for and deposited.

Condition – Mail is not opened by someone independent of the receipt process and an initial listing of mail receipts is not prepared and tested by the independent mail opener to ensure all receipts received through the mail are properly accounted for.

Cause – Policies have not been established and procedures have not been implemented to require an independent person open the mail and prepare and test an initial receipts listing.

Effect – Inadequate accounting records can result in unrecorded transactions, undetected errors and opportunity for misappropriations.

Recommendation – Mail should be opened by someone independent of the receipt process. An initial listing of receipts should be prepared and tested by the independent mail opener to ensure all receipts received through the mail are properly accounted for.

Response – The Mayor will review and initial receipts from the mail.

Conclusion – Response acknowledged. Someone independent of the receipt process should open mail and prepare an initial listing of mail receipts.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2019

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amounts budgeted in the public safety, community and economic development, general government, debt service and capital projects 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 closely monitor monthly disbursements and percentage of budget balances better in order to not exceed the budgeted amounts.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (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:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rusty Clayton, Council Member, Owner of True Value	Parts and supplies	\$ 4,314

The transactions with True Value may represent a conflict of interest since the transactions exceeded \$2,500 and were not competitively bid in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

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

Response – Effective July 1, 2019, the law (362.5) changed. The conflict now only applies if the purchases exceed \$6,000 for the fiscal year. We will monitor purchases to ensure compliance with the Code of Iowa.

Conclusion – Response accepted.

- (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.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2019

- (6) City 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 Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.
- (10) Employee Benefits – The employee benefits levy funds benefits for City employees. The Special Revenue, Employee Benefits Fund received \$97,307 from levies at June 30, 2019, 110.6% of current year disbursements.

Recommendation – The City should reevaluate future employee benefit levies to ensure only the amount necessary to pay allowable employee benefits is levied.

Response – The City did levy less employee benefits but will levy even less for the budget of fiscal year 2020-2021.

Conclusion – Response accepted.

- (11) Separately Maintained 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, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.”

The Brooklyn Volunteer Fire Department and the Friends of the Brooklyn Library maintain bank and investment accounts for activity separate from the City Clerk’s accounting records. While these Departments are part of the City, the transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account’s receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2019

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Brooklyn Volunteer Fire Department and the Friends of the Brooklyn Library separate accounts should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of each account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

Response – The City will make sure all entities of the City submit reports monthly to the City Council.

Conclusion – Response accepted.

- (12) 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 the back of each cancelled check. The City does not obtain an image of the front and back of each cancelled check as required for the Friends of the Brooklyn Library separately maintained account.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check for all accounts, including the Friends of the Brooklyn Library separately maintained account, as required.

Response – The Friends of the Brooklyn Library informed the bank that the Friends of the Library will need an image of both front and back of each cancelled check as required by Chapter 554D.114 of the Code of Iowa.

Conclusion – Response accepted.

City of Brooklyn

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Jennifer L. Wall, CPA, Manager  
Edward J. Schroder, Staff Auditor  
Cara N. Roush, Assistant Auditor