

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ February 26, 2015 _____

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515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Brooklyn, Iowa.

The City's receipts totaled \$4,599,614 for the year ended June 30, 2014, a 7% decrease from the prior year. The receipts included \$482,255 in property tax, \$388,700 from tax increment financing, \$3,167,789 from charges for service, \$398,933 from operating grants, contributions and restricted interest, \$3,400 from capital grants, contributions and restricted interest, \$141,764 from local option sales tax, \$6,623 from unrestricted interest on investments and \$10,150 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$4,215,061, an 8% decrease from the prior year, and included \$485,898 for public safety, \$365,961 for debt service and \$228,020 for public works. Also, disbursements for business type activities totaled \$2,782,386.

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/1421-0743-B00F.pdf>.

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

JUNE 30, 2014

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City of Brooklyn

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Dennis Solem	Mayor	Jan 2014
Nathan Hopwood	Council Member	Jan 2014
Nathan Taylor	Council Member	Jan 2014
Mark Davis	Council Member	Jan 2016
Chris Keller	Council Member	Jan 2016
Ron Vercande	Council Member	Jan 2016
Sheri Sharer	City Clerk	Indefinite
Louise VanErsvelde	City Treasurer	Indefinite
Tammy Kriegel	Deputy City Clerk	Indefinite
Fred Stiefel	Attorney	Indefinite
(After January 2014)		
Dennis Solem	Mayor	Jan 2016
Mark Davis	Council Member	Jan 2016
Chris Keller	Council Member	Jan 2016
Ron Vercande	Council Member	Jan 2016
Les Taylor	Council Member	Jan 2018
Nathan Taylor	Council Member	Jan 2018
Sheri Sharer	City Clerk	Indefinite
Louise VanErsvelde	City Treasurer	Indefinite
Tammy Kriegel	Deputy City Clerk	Indefinite
Fred Stiefel	Attorney	Indefinite

City of Brooklyn



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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, 2014, 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, 2014, 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 described 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. The supplementary information included in Schedules 1 through 3 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, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30, 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 February 4, 2015 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 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 in considering the City of Brooklyn's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Brooklyn provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- The cash basis net position of the City's governmental activities increased approximately \$226,000 during the fiscal year, primarily due to collecting more local option sales tax and tax increment financing than was spent during the year.
- The cash basis net position of the City's business type activities increased approximately \$159,000 during the fiscal year, primarily due to receipts exceeding disbursements in the Enterprise Funds.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. 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 of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and 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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

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

Fund Financial Statements

The City has two kinds of funds:

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

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

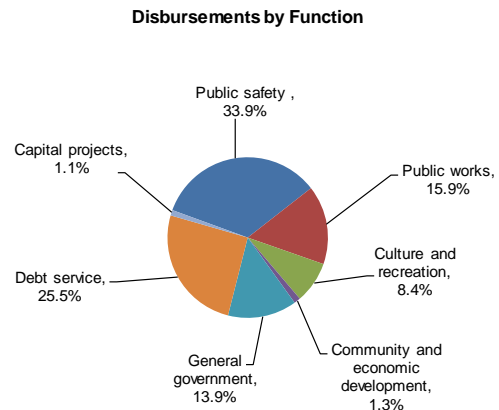
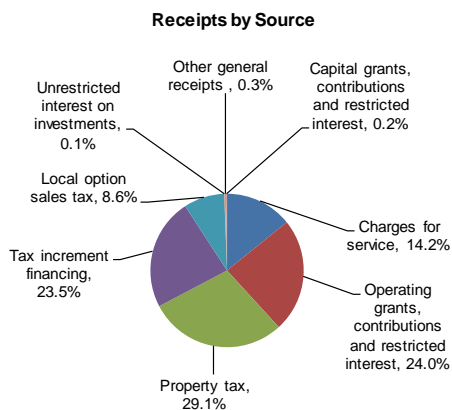
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the Water, Sewer, Electric and Gas Funds, considered to be major funds of the City, and the Storm Water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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,200,324 to \$1,425,847. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 234,935	282,588
Operating grants, contributions and restricted interest	398,933	425,985
Capital grants, contributions and restricted interest	3,400	24,318
General receipts:		
Property tax	482,255	436,602
Tax increment financing	388,700	424,115
Local option sales tax	141,764	133,856
Unrestricted interest on investments	651	1,301
Note proceeds, net of discount	-	581,057
Other general receipts	5,384	28,361
Total receipts	1,656,022	2,338,183
Disbursements:		
Public safety	485,898	426,902
Public works	228,020	196,737
Culture and recreation	120,121	125,193
Community and economic development	17,119	2,713
General government	199,230	182,646
Debt service	365,961	379,965
Capital projects	16,326	2,027
Payment to note refunding agent	-	578,308
Total disbursements	1,432,675	1,894,491
Change in cash basis net position before transfers	223,347	443,692
Transfers, net	2,176	42,625
Change in cash basis net position	225,523	486,317
Cash basis net position beginning of year	1,200,324	714,007
Cash basis net position end of year	\$ 1,425,847	1,200,324



Total business type activities cash basis net position increased \$159,030 from a year ago, from \$1,749,924 to \$1,908,954.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 396,733	376,876
Sewer	256,230	209,672
Electric	1,414,928	1,394,708
Gas	860,220	599,693
Storm water	4,743	-
General receipts:		
Unrestricted interest on investments	5,972	6,839
Miscellaneous	4,766	15,812
Total receipts	<u>2,943,592</u>	<u>2,603,600</u>
Disbursements:		
Water	351,436	314,330
Sewer	216,745	201,911
Electric	1,367,087	1,582,739
Gas	839,181	607,003
Storm water	7,937	-
Total disbursements	<u>2,782,386</u>	<u>2,705,983</u>
Change in cash basis net position before transfers	161,206	(102,383)
Transfers, net	<u>(2,176)</u>	<u>(42,625)</u>
Change in cash basis net position	159,030	(145,008)
Cash basis net position beginning of year	1,749,924	1,894,932
Cash basis net position end of year	<u>\$ 1,908,954</u>	<u>1,749,924</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Brooklyn completed the year, its governmental funds reported a combined fund balance of \$1,425,847, an increase of \$225,523 above last year's total of \$1,200,324. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$66,907 to a year-end balance of \$41,027. The decrease is due to a \$90,000 fire truck disbursement during the fiscal year.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$319,966 at the end of the fiscal year, an increase of \$38,201 over the previous year-end. The increase was the result of incremental property tax generated from the increased taxable valuation in the district.
- The Special Revenue, Brooklyn, East Poweshiek County Volunteer Ambulance Service Fund cash balance increased modestly from \$167,600 to \$185,109 by the end of the year.
- The Debt Service Fund cash balance increased \$103,700 over the prior year-end to \$155,763. The increase is due to a budgeting error. The extra \$100,000 budgeted and transferred was paid on debt in December 2014.
- The Capital Projects Fund cash balance increased \$82,465 over the prior year-end to \$276,430. The increase is due to correcting fund transfers from the previous year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$40,983 to a year-end balance of \$248,325, primarily due to an increase in charges for service.
- The Enterprise, Sewer Fund cash balance increased \$36,075 to a year-end balance of \$588,932, primarily due to an increase in charges for service.
- The Enterprise, Electric Fund cash balance increased \$52,100 to a year-end balance of \$482,192, primarily due to an increase in charges for service.
- The Enterprise, Gas Fund cash balance increased \$25,236 to a year-end balance of \$584,869, primarily due to receipts exceeding disbursements for operating activities.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 19, 2014 and resulted in an increase in budgeted operating disbursements related to public safety, debt service and business type activities. In addition, the capital projects function budget was decreased.

The City's receipts were \$9,198 less than budgeted.

Total disbursements were \$720,841 less than budgeted. Actual disbursements for the debt service, public works and business type activities functions were \$629,036, \$76,435 and \$59,289, respectively, less than the budget. This was primarily due to the City not completing capital projects as originally planned. The City budgeted for a road project which did not start until the 2014/2015 budget year.

The City exceeded the amounts budgeted in the public safety, community and economic development and general government functions for the year ended June 30, 2014 due to costs which were not budgeted.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$3,687,546 of notes and other long-term debt outstanding, compared to \$4,097,318 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2014	2013
General obligation capital loan notes	\$ 2,573,000	2,852,000
Revenue bonds/notes	496,000	574,000
Lease purchase agreement	127,000	167,000
Loan agreements	491,546	504,318
Total	\$ 3,687,546	4,097,318

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is \$2,173,000 adjusted for the annually appropriated debt payments on the \$620,000 of notes issued in March 2011, which is below its constitutional debt limit of approximately \$3,188,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Brooklyn's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various City activities.

The fiscal year 2015 budget contains total receipts of \$4,999,287 and disbursements of \$4,346,293, which is an increase in budgeted receipts and a decrease in budgeted disbursements from the fiscal year 2014 budget which contained total amended budgeted receipts of \$4,465,795 and amended budgeted disbursements of \$4,810,978.

The fiscal year 2015 property tax levy is \$14.64765 per \$1,000 of taxable valuation, a decrease from \$15.49342 per \$1,000 of taxable valuation for fiscal year 2014. The debt service levy decreased from \$3.95605 per \$1,000 of taxable valuation for fiscal year 2014 to \$1.46645 per \$1,000 of taxable valuation for fiscal year 2015.

These parameters were taken into account when adopting the budget for fiscal year 2015.

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 Sheri Sharer, City Clerk, 138 Jackson, Brooklyn, Iowa 52211.

Basic Financial Statements

City of Brooklyn

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 485,898	139,118	207,442	-
Public works	228,020	70,495	149,478	-
Culture and recreation	120,121	23,843	40,676	-
Community and economic development	17,119	-	1,337	-
General government	199,230	1,479	-	-
Debt service	365,961	-	-	-
Capital projects	16,326	-	-	3,400
Total governmental activities	1,432,675	234,935	398,933	3,400
Business type activities:				
Water	351,436	396,733	-	-
Sewer	216,745	256,230	-	-
Electric	1,367,087	1,414,928	-	-
Gas	839,181	860,220	-	-
Storm water	7,937	4,743	-	-
Total business type activities	2,782,386	2,932,854	-	-
Total	\$ 4,215,061	3,167,789	398,933	3,400

General Receipts and Transfers:

Property and other city tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Unrestricted interest on investments

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

Cash Basis Net Position

Restricted:

Urban renewal purposes

Ambulance service

Debt service

Local option sales tax

Capital projects

Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(139,338)	-	(139,338)
(8,047)	-	(8,047)
(55,602)	-	(55,602)
(15,782)	-	(15,782)
(197,751)	-	(197,751)
(365,961)	-	(365,961)
(12,926)	-	(12,926)
(795,407)	-	(795,407)

-	45,297	45,297
-	39,485	39,485
-	47,841	47,841
-	21,039	21,039
-	(3,194)	(3,194)
-	150,468	150,468
(795,407)	150,468	(644,939)

321,419	-	321,419
160,836	-	160,836
388,700	-	388,700
141,764	-	141,764
651	5,972	6,623
5,384	4,766	10,150
2,176	(2,176)	-
1,020,930	8,562	1,029,492
225,523	159,030	384,553
1,200,324	1,749,924	2,950,248
\$ 1,425,847	1,908,954	3,334,801

\$ 319,966	-	319,966
185,109	-	185,109
155,763	76,191	231,954
143,427	-	143,427
276,430	-	276,430
304,125	-	304,125
41,027	1,832,763	1,873,790
\$ 1,425,847	1,908,954	3,334,801

City of Brooklyn

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

As of and for the year ended June 30, 2014

	Special Revenue		
	General	Urban Renewal Tax Increment	Brooklyn, East County Volunteer Ambulance Service
Receipts:			
Property tax	\$ 263,614	-	-
Tax increment financing	-	388,700	-
Other city tax	6,470	-	-
Licenses and permits	1,489	-	-
Use of money and property	20,215	998	1,368
Intergovernmental	61,920	-	-
Charges for service	93,938	-	138,483
Miscellaneous	101,986	-	2,582
Total receipts	549,632	389,698	142,433
Disbursements:			
Operating:			
Public safety	271,666	-	124,924
Public works	72,317	-	-
Culture and recreation	115,524	-	-
Community and economic development	7,119	-	-
General government	173,056	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	639,682	-	124,924
Excess (deficiency) of receipts over (under) disbursements	(90,050)	389,698	17,509
Other financing sources (uses):			
Transfers in	23,143	-	-
Transfers out	-	(351,497)	-
Total other financing sources (uses)	23,143	(351,497)	-
Change in cash balances	(66,907)	38,201	17,509
Cash balances beginning of year	107,934	281,765	167,600
Cash balances end of year	\$ 41,027	319,966	185,109
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	\$ -	319,966	-
Ambulance service	-	-	185,109
Debt service	-	-	-
Local option sales tax purposes	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	41,027	-	-
Total cash basis fund balances	\$ 41,027	319,966	185,109

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
160,723	-	51,282	475,619
-	-	-	388,700
113	-	141,817	148,400
-	-	-	1,489
-	286	1,463	24,330
-	-	146,585	208,505
-	-	-	232,421
-	9,955	62,035	176,558
160,836	10,241	403,182	1,656,022
-	-	89,308	485,898
-	-	155,703	228,020
-	-	4,597	120,121
-	-	10,000	17,119
-	-	26,174	199,230
365,961	-	-	365,961
-	16,326	-	16,326
365,961	16,326	285,782	1,432,675
(205,125)	(6,085)	117,400	223,347
308,825	88,550	19,771	440,289
-	-	(86,616)	(438,113)
308,825	88,550	(66,845)	2,176
103,700	82,465	50,555	225,523
52,063	193,965	396,997	1,200,324
155,763	276,430	447,552	1,425,847
-	-	-	319,966
-	-	-	185,109
155,763	-	-	155,763
-	-	143,427	143,427
-	276,430	-	276,430
-	-	304,125	304,125
-	-	-	41,027
155,763	276,430	447,552	1,425,847

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, 2014

	Enterprise					Total
	Water	Sewer	Electric	Gas	Nonmajor Storm Water	
Operating receipts:						
Charges for service	\$ 396,733	256,230	1,414,928	860,220	4,743	2,932,854
Operating disbursements:						
Business type activities	273,812	180,494	1,227,801	814,959	107	2,497,173
Excess of operating receipts over operating disbursements	122,921	75,736	187,127	45,261	4,636	435,681
Non-operating receipts (disbursements):						
Interest on investments	686	1,596	1,876	1,814	-	5,972
Miscellaneous	-	-	2,383	2,383	-	4,766
Debt service	(67,511)	(25,726)	(55,645)	-	-	(148,882)
Capital projects	(10,113)	(10,525)	(83,641)	(24,222)	(7,830)	(136,331)
Net non-operating receipts (disbursements)	(76,938)	(34,655)	(135,027)	(20,025)	(3,194)	(274,475)
Excess of receipts over disbursements	45,983	41,081	52,100	25,236	-	161,206
Transfers in (out):						
Transfers in	-	7,824	-	-	7,830	15,654
Transfers out	(5,000)	(12,830)	-	-	-	(17,830)
Total transfers in (out)	(5,000)	(5,000)	-	-	7,830	(2,176)
Change in cash balances	40,983	36,075	52,100	25,236	4,636	159,030
Cash balances beginning of year	207,342	552,857	430,092	559,633	-	1,749,924
Cash balances end of year	\$ 248,325	588,932	482,192	584,869	4,636	1,908,954
Cash Basis Fund Balances						
Restricted for debt service	\$ -	4,616	71,575	-	-	76,191
Unrestricted	248,325	584,316	410,617	584,869	4,636	1,832,763
Total cash basis fund balances	\$ 248,325	588,932	482,192	584,869	4,636	1,908,954

See notes to financial statements.

City of Brooklyn

Notes to Financial Statements

June 30, 2014

(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 its 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 Brooklyn, East Poweshiek County Volunteer Ambulance Service, Inc. is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

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

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 E911 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 revenues, 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:

Expendable 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. Enabling legislation did not result in any restricted net position.

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 funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

The 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 the 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.

The City reports the following major proprietary funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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, 2014, disbursements exceeded the amounts budgeted in the public safety, community and economic development and general government functions.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$265,637 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City’s investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Bonds/Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 291,000	78,630	79,000	16,328	370,000	94,958
2016	303,000	71,415	86,000	13,165	389,000	84,580
2017	310,000	63,093	92,000	9,635	402,000	72,728
2018	317,000	54,033	38,000	5,758	355,000	59,791
2019	325,000	44,408	41,000	4,943	366,000	49,351
2020-2024	977,000	90,165	129,000	12,628	1,106,000	102,793
2025-2026	50,000	1,075	31,000	1,410	81,000	2,485
Total	\$ 2,573,000	402,819	496,000	63,867	3,069,000	466,686

Revenue Bonds/Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$425,000 of sewer revenue bonds issued in May 2001 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .05% servicing fee on the outstanding principal balance. Proceeds from the bonds provided financing for the construction of sewer main extensions. The bonds are payable solely from sewer customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 34% of net receipts. The total principal and interest remaining to be paid on the bonds is \$198,545. For the current year, principal and interest paid and total customer net receipts were \$25,623 and \$75,736, respectively.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$575,000 of electric revenue notes issued in June 2002 with interest at rates ranging from 3.25 to 5.60% per annum. Proceeds from the notes provided financing for the construction of electric system improvements. The notes are payable solely from electric customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 30% of net receipts. The total principal and interest remaining to be paid on the notes is \$167,170. For the current year, principal and interest paid and total customer net receipts were \$55,645 and \$187,127, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$245,000 of water revenue bonds issued in April 2006 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 14% of net receipts. The total principal and interest remaining to be paid on the bonds is \$194,152. For the current year, principal and interest paid and total customer net receipts were \$16,160 and \$122,921, respectively.

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

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the fund.
- (b) Water and sewer user rates shall be established at a level which produces and maintains net 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.
Electric user rates shall be established at a level which produces and maintains net receipts at a level not less than 125% of the annual installments of principal and interest on the notes falling due in the same year.
- (c) Sufficient monthly transfers shall be made to a separate electric revenue note sinking account within the Enterprise, Electric Fund for the purpose of making the note principal and interest payments when due.
- (d) The specific minimum balances required for the electric reserve and electric improvement accounts have been accumulated. The electric reserve account is restricted for the purpose of paying, at maturity, principal or interest on the notes when insufficient money shall be available in the sinking account. The electric improvement account is restricted for the cost of capital improvements to the Utility.

Poweshiek Water Association Agreement

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

During the year ended June 30, 2014, the City paid \$39,180 of principal and interest under the agreement.

(4) Lease Purchase Agreement

The Brooklyn Municipal Utilities entered into a lease purchase agreement with the South Iowa Municipal Electric Cooperative Association for an electric project. The original lease term was for fifteen years, with interest at rates ranging from 2.70% to 5.30% per annum. In February 2012, the South Iowa Municipal Electric Cooperative Association refunded its Series 2002 Bonds. The new remaining lease term is for four years, with interest rates from .85% to 1.85% per annum. Because the City's installments partially funded a reserve, the reserve was used by the South Iowa Municipal Electric Cooperative Association to lower the outstanding principal. The present value of net minimum lease payments under the agreement in effect at June 30, 2014 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 43,039
2016	43,486
2017	44,814
Total minimum lease payments	<u>131,339</u>
Less amount representing interest	<u>(4,339)</u>
Present value of net minimum lease payments	<u>\$ 127,000</u>

Payments under the lease purchase agreement totaled \$44,835 during the year ended June 30, 2014.

(5) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014 was \$23,011, equal to the required contribution for the year.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their families. There are 4 active and no 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 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City, Brooklyn Municipal Utilities and plan members are \$412 and \$921 for single coverage and \$1,601 and \$1,417 for family coverage, respectively. For the year ended June 30, 2014, the City contributed \$123,942 and there were no contributions from eligible plan members.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 8,000
Sick leave	19,000
Compensatory time	<u>4,000</u>
Total	<u>\$ 31,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2014.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 13,143
	Enterprise:	
	Water	5,000
	Sewer	5,000
		<u>23,143</u>
Special Revenue:	Special Revenue:	
Redevelopment Incentive	Urban Renewal Tax Increment	<u>19,771</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	260,352
	Local Option Sales Tax	48,473
		<u>308,825</u>
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment	63,550
	Local Option Sales Tax	25,000
		<u>88,550</u>
Enterprise:	Enterprise:	
Storm Water	Sewer	<u>7,830</u>
Sewer	Special Revenue:	
	Urban Renewal Tax Increment	<u>7,824</u>
Total		<u>\$ 455,943</u>

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

(9) Risk Management

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

(10) Subsequent Event

On July 1, 2014, the City approved a loan agreement with Poweshiek County for \$182,045 with interest at 1.60% per annum, for work performed on highway F29/Old Road 6. The agreement is payable through 2019 and requires annual payments of \$38,175.

Other Information

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

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 475,619	-	-
Tax increment financing	388,700	-	-
Other city tax	148,400	-	-
Licenses and permits	1,489	-	-
Use of money and property	24,330	5,972	1,902
Intergovernmental	208,505	-	-
Charges for service	232,421	2,932,854	138,483
Special assessments	-	-	-
Miscellaneous	176,558	4,766	2,632
Total receipts	<u>1,656,022</u>	<u>2,943,592</u>	<u>143,017</u>
Disbursements:			
Public safety	485,898	-	124,924
Public works	228,020	-	-
Culture and recreation	120,121	-	-
Community and economic development	17,119	-	-
General government	199,230	-	-
Debt service	365,961	-	-
Capital projects	16,326	-	-
Business type activities	-	2,782,386	-
Total disbursements	<u>1,432,675</u>	<u>2,782,386</u>	<u>124,924</u>
Excess (deficiency) of receipts over (under) disbursements	223,347	161,206	18,093
Other financing sources (uses), net	2,176	(2,176)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	225,523	159,030	18,093
Balances beginning of year	<u>1,200,324</u>	<u>1,749,924</u>	<u>227,475</u>
Balances end of year	<u>\$ 1,425,847</u>	<u>1,908,954</u>	<u>245,568</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
475,619	472,107	472,107	3,512
388,700	411,049	411,049	(22,349)
148,400	145,365	145,365	3,035
1,489	1,035	1,035	454
28,400	2,300	2,300	26,100
208,505	464,859	464,859	(256,354)
3,026,792	2,804,780	2,964,780	62,012
-	1,000	1,000	(1,000)
178,692	3,300	3,300	175,392
4,456,597	4,305,795	4,465,795	(9,198)
360,974	217,715	317,715	(43,259)
228,020	304,455	304,455	76,435
120,121	141,036	141,036	20,915
17,119	13,200	13,200	(3,919)
199,230	177,900	177,900	(21,330)
365,961	415,756	994,997	629,036
16,326	315,000	20,000	3,674
2,782,386	2,661,675	2,841,675	59,289
4,090,137	4,246,737	4,810,978	720,841
366,460	59,058	(345,183)	711,643
-	-	579,241	(579,241)
366,460	59,058	234,058	132,402
2,722,773	2,389,064	2,389,064	333,709
3,089,233	2,448,122	2,623,122	466,111

City of Brooklyn

Notes to Other Information – Budgetary Reporting

June 30, 2014

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 for certain blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$564,241. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, community and economic development and general government functions.

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, 2014

	Local			Special
	Option	Road	Employee	Redevel-
	Sales	Use	Benefits	opment
	Tax	Tax		Incentive
Receipts:				
Property tax	\$ -	-	51,282	-
Other city tax	141,764	-	53	-
Use of money and property	339	-	-	-
Intergovernmental	-	146,585	-	-
Miscellaneous	-	-	2,197	-
Total receipts	142,103	146,585	53,532	-
Disbursements:				
Operating:				
Public safety	-	-	39,605	-
Public works	733	130,952	24,018	-
Culture and recreation	-	-	4,241	-
Community and economic development	-	-	-	10,000
General government	-	-	26,174	-
Total disbursements	733	130,952	94,038	10,000
Excess (deficiency) of receipts over (under) disbursements	141,370	15,633	(40,506)	(10,000)
Other financing sources (uses):				
Transfers in	-	-	-	19,771
Transfers out	(86,616)	-	-	-
Total other financing sources (uses)	(86,616)	-	-	19,771
Change in cash balances	54,754	15,633	(40,506)	9,771
Cash balances beginning of year	88,673	67,396	92,317	(9,771)
Cash balances end of year	\$ 143,427	83,029	51,811	-
Cash Basis Fund Balances				
Restricted for:				
Local option sales tax purposes	\$ 143,427	-	-	-
Other purposes	-	83,029	51,811	-
Total cash basis fund balances	\$ 143,427	83,029	51,811	-

See accompanying independent auditor's report.

Revenue			
Brooklyn Volunteer Fire Department	Brooklyn Library Building Fund, Inc.	Friends of the Brooklyn Library	Total
-	-	-	51,282
-	-	-	141,817
588	534	2	1,463
-	-	-	146,585
58,830	50	958	62,035
59,418	584	960	403,182
49,703	-	-	89,308
-	-	-	155,703
-	-	356	4,597
-	-	-	10,000
-	-	-	26,174
49,703	-	356	285,782
9,715	584	604	117,400
-	-	-	19,771
-	-	-	(86,616)
-	-	-	(66,845)
9,715	584	604	50,555
95,618	59,875	2,889	396,997
105,333	60,459	3,493	447,552
-	-	-	143,427
105,333	60,459	3,493	304,125
105,333	60,459	3,493	447,552

City of Brooklyn
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Series 2001	May 16, 2001	1.75%	\$ 900,000
Series 2008	May 1, 2008	2.70-4.30	1,800,000
Series 2011A	Mar 15, 2011	1.25-3.75	620,000
Series 2013A	Apr 1, 2013	0.45-2.15	585,000
Total			
Revenue bonds/notes:			
Sewer bonds	May 16, 2001	1.75% ^	\$ 425,000
Electric notes	Jun 1, 2002	3.25-5.60	575,000
Water bonds	Apr 28, 2006	3.00 *	245,000
Total			
Lease purchase agreement:			
Electric generation units	Apr 1, 2013	0.85-1.85%	\$ 208,983
Loan agreement:			
Water	Oct 5, 1998	5.50%	\$ 617,992

^ - The City is required to annually pay a .05% service fee on the outstanding principal balance.

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
452,000	-	49,000	403,000	7,910
1,380,000	-	115,000	1,265,000	55,185
475,000	-	75,000	400,000	14,168
545,000	-	40,000	505,000	7,873
<u>\$ 2,852,000</u>	<u>-</u>	<u>279,000</u>	<u>2,573,000</u>	<u>85,136</u>
207,000	-	22,000	185,000	3,623
195,000	-	45,000	150,000	10,645
172,000	-	11,000	161,000	5,160
<u>\$ 574,000</u>	<u>-</u>	<u>78,000</u>	<u>496,000</u>	<u>19,428</u>
167,000	-	40,000	127,000	4,835
<u>504,318</u>	<u>-</u>	<u>12,772</u>	<u>491,546</u>	<u>38,149</u>

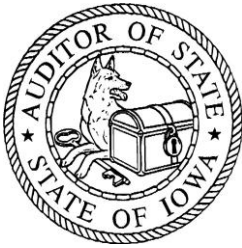
City of Brooklyn
Bond and Note Maturities
June 30, 2014

General Obligation Capital Loan Notes									
Year Ending June 30,	Series 2001		Series 2008		Series 2011A		Series 2013A		Total
	Issued May 16, 2001		Issued May 1, 2008		Issued Mar 15, 2011		Issued April 1, 2013		
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2015	1.75%	\$ 51,000	3.60%	\$ 120,000	2.40%	\$ 75,000	0.45%	\$ 45,000	291,000
2016	1.75	53,000	3.75	125,000	2.85	80,000	0.95	45,000	303,000
2017	1.75	55,000	3.90	130,000	3.25	80,000	0.95	45,000	310,000
2018	1.75	57,000	4.00	135,000	3.50	80,000	0.95	45,000	317,000
2019	1.75	60,000	4.10	140,000	3.75	85,000	1.55	40,000	325,000
2020	1.75	62,000	4.15	145,000	-	-	1.55	45,000	252,000
2021	1.75	65,000	4.20	150,000	-	-	1.55	45,000	260,000
2022		-	4.25	155,000	-	-	2.15	45,000	200,000
2023		-	4.30	165,000	-	-	2.15	50,000	215,000
2024		-		-	-	-	2.15	50,000	50,000
2025		-		-	-	-	2.15	50,000	50,000
2026		-		-	-	-		-	-
Total		<u>\$ 403,000</u>		<u>\$ 1,265,000</u>		<u>\$ 400,000</u>		<u>\$ 505,000</u>	<u>2,573,000</u>

See accompanying independent auditor's report.

Revenue Bonds/Notes							
Sewer Series 2001		Electric Series 2002		Water Series 2006			
Issued May 16, 2001		Issued June 1, 2002		Issued April 28, 2006			
Interest		Interest		Interest			
Rates	Amount	Rates	Amount	Rates	Amount		Total
1.75%	\$ 23,000	5.40%	\$ 45,000	3.00%	\$ 11,000		79,000
1.75	24,000	5.50	50,000	3.00	12,000		86,000
1.75	25,000	5.60	55,000	3.00	12,000		92,000
1.75	26,000	-	-	3.00	12,000		38,000
1.75	28,000	-	-	3.00	13,000		41,000
1.75	29,000	-	-	3.00	13,000		42,000
1.75	30,000	-	-	3.00	14,000		44,000
-	-	-	-	3.00	14,000		14,000
-	-	-	-	3.00	14,000		14,000
-	-	-	-	3.00	15,000		15,000
-	-	-	-	3.00	15,000		15,000
-	-	-	-	3.00	16,000		16,000
	<u>\$ 185,000</u>		<u>\$ 150,000</u>		<u>\$ 161,000</u>		<u>496,000</u>

City of Brooklyn



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 4, 2015. 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 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 were not 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 in internal control 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 of 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 of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 4, 2015

City of Brooklyn

City of Brooklyn

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas for the City:
- (1) Petty cash – Depositing, reconciling and recording of receipts is done by the custodian of the change funds.
 - (2) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.
 - (3) Investments – The person responsible for the detailed record keeping of investments is also the custodian of the investments. Investments are not periodically inspected or reconciled to investment records by an independent person and an independent verification of interest earnings is not performed.
 - (4) Receipts – opening mail, collecting, recording, depositing, reconciling and posting. An initial listing of mail receipts is not prepared, even on a test basis.
 - (5) Journal entries – preparing and journalizing with no independent review.
 - (6) Long-term debt – The person responsible for maintaining records for long-term debt also performs cash functions.

For the Brooklyn Municipal Utilities, opening mail, collecting, recording, depositing, reconciling, posting and maintaining accounts receivable records are done by the same person. Also, the initial listing of mail receipts is not compared to receipt records by an independent person. Although timesheets are prepared by employees, there is no evidence of supervisory approval.

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

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

City of Brooklyn

Schedule of Findings

Year ended June 30, 2014

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, the Brooklyn Municipal Utilities, the Brooklyn Volunteer Fire Department, the Brooklyn, East Poweshiek County Volunteer Ambulance Service, the Brooklyn Library Building Fund and the Friends of the Brooklyn Library should review their control procedures, including utilizing elected officials and Board members, to obtain the maximum internal control possible under the circumstances.

Responses –

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

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

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

Brooklyn, East Poweshiek County Volunteer Ambulance Service – The President will sign off on her copies of the bank reconciliations.

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

Conclusions –

City – Response accepted.

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

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

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

(B) Financial Reporting – During the audit, we identified a material amount of transfers incorrectly posted as receipts and disbursements for the Brooklyn Municipal Utilities.

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

Response – We will no longer issue a check for the transfer. We will do it through journal entry posting and mark as a transfer.

Conclusion – Response accepted.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2014

- (C) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

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

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

Response – The Deputy City Clerk is in the process of developing an accounting policy and procedure manual.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the public safety, community and economic development and general government functions. In addition, disbursements exceeded the amounts budgeted in the public safety, community and economic development, general government, debt service and business type activities functions before the budget was amended. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will monitor monthly expenditures and percentage of budget balances 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 – No business transactions between the City and City officials or employees were noted.
- (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) City Council Minutes – Except as noted, no transactions were found that we believe should have been approved in the City Council minutes but were not.

Although the City Council was aware of the purchase, the Brooklyn Volunteer Fire Department purchased a \$90,000 fire truck without obtaining formal City Council approval.

Recommendation – Future purchases of fire or other equipment should be approved by the City Council and documented in the minutes.

Response – The City Council will approve and document through the minutes any further fire or other equipment purchases.

Conclusion – Response accepted.

- (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/Notes – No instances of non-compliance with the revenue bond/note resolutions were noted.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2014

- (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. However, the City understated the amount reported as TIF debt outstanding by \$81,905.

Recommendation – The City should ensure the amounts reported as TIF debt agree with the City's records.

Response – All corrections have been made in budget year 2014-15.

Conclusion – Response accepted.

- (10) Separately Maintained Records – The Brooklyn Volunteer Fire Department, the Brooklyn Library Building Fund, Inc. and the Friends of the Brooklyn Library maintain bank and investment accounts for activity separate from the City Clerk's accounting records. 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. However, the transactions and resulting balances are included in these financial statements.

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

Response – All taxation money and expenditures from the Fire Department are recorded. For all other entities, the bank statements will be reviewed.

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

City of Brooklyn

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Laura M. Wernimont, Staff Auditor
Emma L. McGrane, Assistant Auditor

A handwritten signature in cursive script that reads "Andrew E. Nielsen". The signature is written in black ink and is positioned above the printed name and title.

Andrew E. Nielsen, CPA
Deputy Auditor of State