



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ February 4, 2016

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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 \$5,740,214 for the year ended June 30, 2015, a 25% increase over the prior year. The receipts included \$421,449 in property tax, \$396,047 from tax increment financing, \$3,117,989 from charges for service, \$456,776 from operating grants, contributions and restricted interest, \$164,859 from local option sales tax, \$7,881 from unrestricted interest on investments, \$1,169,125 from note proceeds and \$6,088 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$5,524,313, a 31% increase over the prior year, and included \$1,673,677 for debt service, \$497,098 for public safety and \$233,866 for public works. Also, disbursements for business type activities totaled \$2,570,274.

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/1521-0743-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, 2015

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City of Brooklyn

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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, 2015, 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, 2015, 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.

Emphasis of a Matter

As discussed in Note 4 to the financial statements, the City of Brooklyn adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. 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, 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 7 through 12 and 32 through 39, 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 14, 2016 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

January 14, 2016

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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The cash basis net position of the City's governmental activities decreased approximately \$110,000 during the fiscal year, primarily due to refunding Series 2008 general obligation capital loan notes with proceeds from Series 2015 general obligation capital loan notes.
- The cash basis net position of the City's business type activities increased approximately \$326,000 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 and the City's proportionate share of the net pension liability and related contributions..

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.

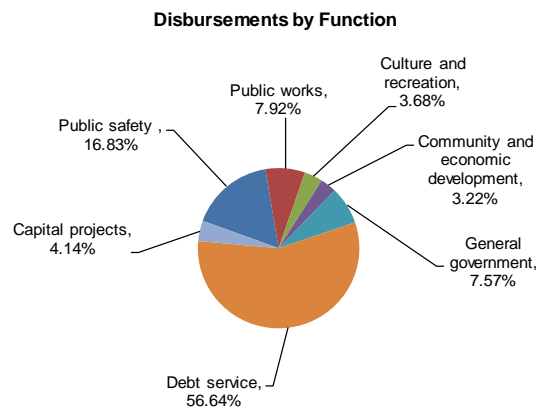
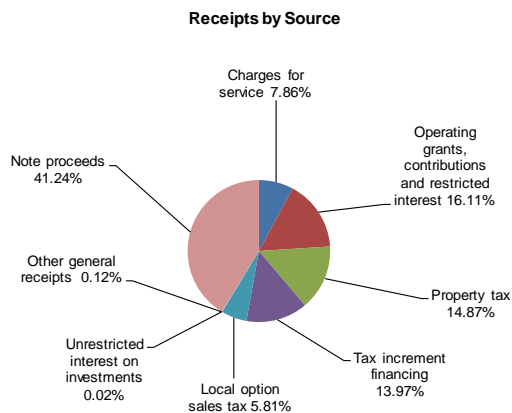
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the Water, Sewer, Electric and Gas Funds, considered to be major funds of the City, and the Storm Water 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 decreased from a year ago, decreasing from \$1,425,847 to \$1,315,898. 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,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 222,727	234,935
Operating grants, contributions and restricted interest	456,776	398,933
Capital grants, contributions and restricted interest	-	3,400
General receipts:		
Property tax	421,449	482,255
Tax increment financing	396,047	388,700
Local option sales tax	164,859	141,764
Unrestricted interest on investments	583	651
Note proceeds, net of discount	1,169,125	-
Other general receipts	3,538	5,384
Total receipts	2,835,104	1,656,022
Disbursements:		
Public safety	497,098	485,898
Public works	233,866	228,020
Culture and recreation	108,740	120,121
Community and economic development	95,000	17,119
General government	223,496	199,230
Debt service	1,673,677	365,961
Capital projects	122,162	16,326
Total disbursements	2,954,039	1,432,675
Change in cash basis net position before transfers	(118,935)	223,347
Transfers, net	8,986	2,176
Change in cash basis net position	(109,949)	225,523
Cash basis net position beginning of year	1,425,847	1,200,324
Cash basis net position end of year	\$ 1,315,898	1,425,847



Total business type activities cash basis net position increased \$325,850 from a year ago, from \$1,908,954 to \$2,234,804.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 422,923	396,733
Sewer	305,478	256,230
Electric	1,415,881	1,414,928
Gas	734,590	860,220
Storm water	16,390	4,743
General receipts:		
Unrestricted interest on investments	7,298	5,972
Miscellaneous	2,550	4,766
Total receipts	<u>2,905,110</u>	<u>2,943,592</u>
Disbursements:		
Water	368,626	351,436
Sewer	258,204	216,745
Electric	1,279,525	1,367,087
Gas	663,811	839,181
Storm water	108	7,937
Total disbursements	<u>2,570,274</u>	<u>2,782,386</u>
Change in cash basis net position before transfers	334,836	161,206
Transfers, net	(8,986)	(2,176)
Change in cash basis net position	325,850	159,030
Cash basis net position beginning of year	1,908,954	1,749,924
Cash basis net position end of year	<u>\$ 2,234,804</u>	<u>1,908,954</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Brooklyn completed the year, its governmental funds reported a combined fund balance of \$1,315,898, a decrease of \$109,949 from last year's total of \$1,425,847. 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 \$36,240 to a year-end balance of \$4,787. The decrease is due to a \$66,000 disbursement for air packs for the fire department during the fiscal year.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$313,070 at the end of the fiscal year, a decrease of \$6,896 from the previous year-end. The decrease was due to a payment for a rebate agreement during the fiscal year.
- The Special Revenue, Brooklyn, East Poweshiek County Volunteer Ambulance Service Fund cash balance increased from \$185,109 to \$217,599 by the end of the year. The increase is due to donations and savings for a new ambulance to be purchased in the near future.
- The Debt Service Fund cash balance decreased \$92,952 from the prior year-end to \$62,811. The decrease is due to refunding Series 2008 general obligation capital loan notes with proceeds from Series 2015 general obligation capital loan notes, as proceeds from the Series 2015 notes did not completely cover the full balance paid on the Series 2008 notes.

- The Capital Projects Fund cash balance decreased \$44,618 from the prior year-end to a year-end balance of \$231,812. The decrease is due to the purchase of a loader and backhoe during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$49,979 to a year-end balance of \$298,304, primarily due to an increase in charges for service.
- The Enterprise, Sewer Fund cash balance increased \$45,023 to a year-end balance of \$633,955, primarily due to an increase in charges for service.
- The Enterprise, Electric Fund cash balance increased \$140,122 to a year-end balance of \$622,314, primarily due to receipts exceeding disbursements for operating activities.
- The Enterprise, Gas Fund cash balance increased \$74,444 to a year-end balance of \$659,313, 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 18, 2015 and resulted in a decrease in budgeted disbursements.

The City’s receipts were \$5,615 less than budgeted.

Total disbursements were \$1,067,524 more than budgeted. This was primarily due to the City not budgeting to pay off general obligation capital loan notes during the fiscal year, which was refunded with new general obligation capital loan notes. Actual disbursements for the business type activities, public works and culture and recreation functions were \$210,987, \$107,915 and \$33,096, respectively, less than the budget. This was primarily due to the City not starting street projects as originally planned. Also, the City budgeted for a sewer projects which did not get started until fiscal year 2016.

The City exceeded the amounts budgeted in the public safety, community and economic development, general government, debt service and capital projects functions for the year ended June 30, 2015 due to costs which were not budgeted.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$3,320,825 of notes and other long-term debt outstanding, compared to \$3,687,546 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2015	2014
General obligation capital loan notes	\$ 2,192,000	2,573,000
Revenue bonds/notes	417,000	496,000
Lease purchase agreement	86,000	127,000
Loan agreements	625,825	491,546
Total	<u>\$ 3,320,825</u>	<u>3,687,546</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is \$2,092,636 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 \$3,093,000.

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 2016 budget, tax rates and fees charged for various City activities.

The fiscal year 2016 budget contains total receipts of \$4,391,674 and disbursements of \$4,493,179, which is an increase in budgeted receipts and budgeted disbursements from the fiscal year 2015 budget which contained total amended budgeted receipts of \$4,408,350 and amended budgeted disbursements of \$4,320,293.

The fiscal year 2016 property tax levy is \$15.00987 per \$1,000 of taxable valuation, an increase from \$14.64765 per \$1,000 of taxable valuation for fiscal year 2015. The debt service levy decreased from \$1.46645 per \$1,000 of taxable valuation for fiscal year 2015 to \$1.43299 per \$1,000 of taxable valuation for fiscal year 2016.

These parameters were taken into account when adopting the budget for fiscal year 2016.

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, 2015

	Special Revenue		
	General	Urban Renewal Tax Increment	Brooklyn, East Poweshiek County Volunteer Ambulance Service
Receipts:			
Property tax	\$ 262,066	-	-
Tax increment financing	-	396,047	-
Other city tax	8,420	-	-
Licenses and permits	1,214	-	-
Use of money and property	17,845	982	1,216
Intergovernmental	66,066	-	-
Charges for service	109,313	-	111,131
Miscellaneous	92,147	-	55,639
Total receipts	557,071	397,029	167,986
Disbursements:			
Operating:			
Public safety	181,773	-	135,496
Public works	78,892	-	-
Culture and recreation	102,994	-	-
Community and economic development	6,526	78,474	-
General government	199,668	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	569,853	78,474	135,496
Excess (deficiency) of receipts over (under) disbursements	(12,782)	318,555	32,490
Other financing sources (uses):			
General obligation refunding capital loan note proceeds, net of \$5,875 discount	-	-	-
Transfers in	42,542	-	-
Transfers out	(66,000)	(325,451)	-
Total other financing sources (uses)	(23,458)	(325,451)	-
Change in cash balances	(36,240)	(6,896)	32,490
Cash balances beginning of year	41,027	319,966	185,109
Cash balances end of year	\$ 4,787	313,070	217,599
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	\$ -	313,070	-
Ambulance service	-	-	217,599
Debt service	-	-	-
Local option sales tax	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	4,787	-	-
Cash basis net position beginning of year	-	-	-
Total cash basis fund balances	\$ 4,787	313,070	217,599

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
59,991	-	89,794	411,851
-	-	-	396,047
356	-	165,681	174,457
-	-	-	1,214
-	529	1,347	21,919
-	-	152,646	218,712
-	-	-	220,444
-	5,264	68,285	221,335
60,347	5,793	477,753	1,665,979
-	-	179,829	497,098
-	-	154,974	233,866
-	-	5,746	108,740
-	-	10,000	95,000
-	-	23,828	223,496
1,673,677	-	-	1,673,677
-	122,162	-	122,162
1,673,677	122,162	374,377	2,954,039
(1,613,330)	(116,369)	103,376	(1,288,060)
1,169,125	-	-	1,169,125
351,253	75,151	79,400	548,346
-	(3,400)	(144,509)	(539,360)
1,520,378	71,751	(65,109)	1,178,111
(92,952)	(44,618)	38,267	(109,949)
155,763	276,430	447,552	1,425,847
62,811	231,812	485,819	1,315,898
-	-	-	313,070
-	-	-	217,599
62,811	-	-	62,811
-	-	166,408	166,408
-	231,812	-	231,812
-	-	319,411	319,411
-	-	-	4,787
-	-	-	-
62,811	231,812	485,819	1,315,898

City of Brooklyn

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

As of and for the year ended June 30, 2015

	Special Revenue		
	General	Urban Renewal Tax Increment	Brooklyn, East Poweshiek County Volunteer Ambulance Service
Receipts:			
Property tax	\$ 262,066	-	-
Tax increment financing	-	396,047	-
Other city tax	8,420	-	-
Licenses and permits	1,214	-	-
Use of money and property	17,845	982	1,216
Intergovernmental	66,066	-	-
Charges for service	109,313	-	111,131
Miscellaneous	92,147	-	55,639
Total receipts	557,071	397,029	167,986
Disbursements:			
Operating:			
Public safety	181,773	-	135,496
Public works	78,892	-	-
Culture and recreation	102,994	-	-
Community and economic development	6,526	78,474	-
General government	199,668	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	569,853	78,474	135,496
Excess (deficiency) of receipts over (under) disbursements	(12,782)	318,555	32,490
Other financing sources (uses):			
General obligation refunding capital loan note proceeds, net of \$5,875 discount	-	-	-
Transfers in	42,542	-	-
Transfers out	(66,000)	(325,451)	-
Total other financing sources (uses)	(23,458)	(325,451)	-
Change in cash balances	(36,240)	(6,896)	32,490
Cash balances beginning of year	41,027	319,966	185,109
Cash balances end of year	\$ 4,787	313,070	217,599
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	\$ -	313,070	-
Ambulance service	-	-	217,599
Debt service	-	-	-
Local option sales tax	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	4,787	-	-
Cash basis net position beginning of year	-	-	-
Total cash basis fund balances	\$ 4,787	313,070	217,599

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
59,991	-	89,794	411,851
-	-	-	396,047
356	-	165,681	174,457
-	-	-	1,214
-	529	1,347	21,919
-	-	152,646	218,712
-	-	-	220,444
-	5,264	68,285	221,335
60,347	5,793	477,753	1,665,979
-	-	179,829	497,098
-	-	154,974	233,866
-	-	5,746	108,740
-	-	10,000	95,000
-	-	23,828	223,496
1,673,677	-	-	1,673,677
-	122,162	-	122,162
1,673,677	122,162	374,377	2,954,039
(1,613,330)	(116,369)	103,376	(1,288,060)
1,169,125	-	-	1,169,125
351,253	75,151	79,400	548,346
-	(3,400)	(144,509)	(539,360)
1,520,378	71,751	(65,109)	1,178,111
(92,952)	(44,618)	38,267	(109,949)
155,763	276,430	447,552	1,425,847
62,811	231,812	485,819	1,315,898
-	-	-	313,070
-	-	-	217,599
62,811	-	-	62,811
-	-	166,408	166,408
-	231,812	-	231,812
-	-	319,411	319,411
-	-	-	4,787
-	-	-	-
62,811	231,812	485,819	1,315,898

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, 2015

	Enterprise					Total
	Water	Sewer	Electric	Gas	Nonmajor Storm Water	
Operating receipts:						
Charges for service	\$422,923	305,478	1,415,881	734,590	16,390	2,895,262
Operating disbursements:						
Governmental activities:						
Business type activities	261,262	209,218	1,168,012	646,409	108	2,285,009
Excess of operating receipts over operating disbursements	161,661	96,260	247,869	88,181	16,282	610,253
Non-operating receipts (disbursements):						
Interest on investments	682	1,736	2,490	2,390	-	7,298
Miscellaneous	-	-	1,275	1,275	-	2,550
Debt service	(59,320)	(26,330)	(53,260)	-	-	(138,910)
Capital projects	(48,044)	(22,657)	(58,252)	(17,402)	-	(146,355)
Receipts (disbursements)	(106,682)	(47,251)	(107,747)	(13,737)	-	(275,417)
Excess of receipts over disbursements	54,979	49,009	140,122	74,444	16,282	334,836
Transfers in (out):						
Transfers in	-	1,014	-	-	-	1,014
Transfers out	(5,000)	(5,000)	-	-	-	(10,000)
Total transfers in (out)	(5,000)	(3,986)	-	-	-	(8,986)
Change in cash balances	49,979	45,023	140,122	74,444	16,282	325,850
Cash balances beginning of year	248,325	588,932	482,192	584,869	4,636	1,908,954
Cash balances end of year	\$298,304	633,955	622,314	659,313	20,918	2,234,804
Cash Basis Fund Balances						
Restricted for debt service	\$ -	2,456	71,575	-	-	74,031
Unrestricted	298,304	631,499	550,739	659,313	20,918	2,160,773
Total cash basis fund balances	\$298,304	633,955	622,314	659,313	20,918	2,234,804

See notes to financial statements.

City of Brooklyn

Notes to Financial Statements

June 30, 2015

(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 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:

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 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, 2015, 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, 2015 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. 3 as amended by Statement No. 40.

(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		Revenue		Total	
	Capital Loan Notes		Bonds/Notes			
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 318,000	43,088	86,000	13,165	404,000	56,253
2017	320,000	36,100	92,000	9,635	412,000	45,735
2018	327,000	31,060	38,000	5,758	365,000	36,818
2019	330,000	25,385	41,000	4,943	371,000	30,328
2020	202,000	18,715	42,000	4,063	244,000	22,778
2021-2025	645,000	32,473	102,000	9,495	747,000	41,968
2026	50,000	1,075	16,000	480	66,000	1,555
Total	\$ 2,192,000	187,896	417,000	47,539	2,609,000	235,435

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 28% of net receipts. The total principal and interest remaining to be paid on the bonds is \$172,307. For the current year, principal and interest paid and total customer net receipts were \$26,238 and \$96,260, 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 22% of net receipts. The total principal and interest remaining to be paid on the notes is \$113,910. For the current year, principal and interest paid and total customer net receipts were \$53,260 and \$247,869, 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 10% of net receipts. The total principal and interest remaining to be paid on the bonds is \$178,322. For the current year, principal and interest paid and total customer net receipts were \$15,830 and \$161,661, 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, 2015, the City paid \$43,087 of principal and interest under the agreement.

Poweshiek County Loan Agreement

On July 1, 2014, the City entered into 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.

During the year ended June 30, 2015, the City paid \$38,175 of principal and interest under the agreement.

General Obligation Refunding Capital Loan Notes

On April 1, 2015, the City issued \$1,175,000 of general obligation refunding capital loan notes for the purpose of refunding \$1,265,000 of general obligation capital loan notes dated May 1, 2008. The notes bear interest at .50% to 2.10% per annum and mature June 1, 2023. The amount of the refunded general obligation capital loan notes considered extinguished and, therefore, excluded from long-term debt was \$1,265,000 at June 30, 2015.

The City refunded the notes to reduce its total debt service payments by approximately \$105,000 and to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$100,000.

(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 at rates ranging from 0.85% 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, 2015 is as follows:

Year Ending June 30,	Amount
2016	\$ 43,486
2017	44,814
Total minimum lease payments	88,300
Less amount representing interest	(2,300)
Present value of net minimum lease payments	<u>\$ 86,000</u>

Payments under the lease purchase agreement totaled \$44,820 during the year ended June 30, 2015.

(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 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at 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, anytime 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used 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 - Effective July 1, 2012, as a result of a 2010 law change, the 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 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$22,795.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$156,176. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective 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, 2014, the City's proportion was 0.003859%, which was a decrease of 0.000122% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled \$11,689, \$8,589 and \$59,561, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, 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 (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 295,091	\$ 156,176	\$ 39,918

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.

(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, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 8,000
Sick leave	18,000
Compensatory time	<u>4,000</u>
Total	<u>\$ 30,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2015.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 225
	Local Option Sales Tax	32,317
	Enterprise:	
	Water	5,000
	Sewer	5,000
		<u>42,542</u>
Special Revenue:		
Local Option Sales Tax	Capital Projects	3,400
Redevelopment Incentive	Special Revenue:	
	Urban Renewal Tax Increment	10,000
Brooklyn Volunteer Fire Department	General	66,000
		<u>79,400</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	298,061
	Local Option Sales Tax	53,192
		<u>351,253</u>
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment	16,151
	Local Option Sales Tax	59,000
		<u>75,151</u>
Enterprise:		
Sewer	Special Revenue:	
	Urban Renewal Tax Increment	1,014
Total		<u>\$ 549,360</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) Development Agreement

The City entered into a development agreement to assist in urban renewal projects. The City agreed to rebate 100% of the incremental property tax paid by the developer in exchange for construction of a commercial office building by the developer. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years. The total amount rebated is not to exceed \$125,000. During the year ended June 30, 2015, the City paid the developer the remaining outstanding balance of \$78,474.

City of Brooklyn

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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 411,851	-	-
Tax increment financing	396,047	-	-
Other city tax	174,457	-	-
Licenses and permits	1,214	-	-
Use of money and property	21,919	7,298	1,584
Intergovernmental	218,712	-	-
Charges for service	220,444	2,895,262	111,131
Special assessments	-	-	-
Miscellaneous	221,335	2,550	55,639
Total receipts	1,665,979	2,905,110	168,354
Disbursements:			
Public safety	497,098	-	135,496
Public works	233,866	-	-
Culture and recreation	108,740	-	1,000
Community and economic development	95,000	-	-
General government	223,496	-	-
Debt service	1,673,677	-	-
Capital projects	122,162	-	-
Business type activities	-	2,570,274	-
Total disbursements	2,954,039	2,570,274	136,496
Excess (deficiency) of receipts over (under) disbursements	(1,288,060)	334,836	31,858
Other financing sources (uses), net	1,178,111	(8,986)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(109,949)	325,850	31,858
Balances beginning of year	1,425,847	1,908,954	245,568
Balances end of year	\$ 1,315,898	2,234,804	277,426

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
411,851	404,783	404,783	7,068
396,047	369,257	369,257	26,790
174,457	140,264	150,264	24,193
1,214	1,035	1,035	179
27,633	2,620	2,620	25,013
218,712	500,990	500,990	(282,278)
3,004,575	2,973,601	2,973,601	30,974
-	1,000	3,000	(3,000)
168,246	2,800	2,800	165,446
4,402,735	4,396,350	4,408,350	(5,615)
361,602	420,138	360,138	(1,464)
233,866	341,781	341,781	107,915
107,740	140,836	140,836	33,096
95,000	13,000	13,000	(82,000)
223,496	196,075	196,075	(27,421)
1,673,677	453,202	453,202	(1,220,475)
122,162	-	34,000	(88,162)
2,570,274	2,781,261	2,781,261	210,987
5,387,817	4,346,293	4,320,293	(1,067,524)
(985,082)	50,057	88,057	(1,073,139)
1,169,125	-	(78,475)	1,247,600
184,043	50,057	9,582	174,461
3,089,233	2,926,530	2,926,530	162,703
3,273,276	2,976,587	2,936,112	337,164

City of Brooklyn

Notes to Other Information – Budgetary Reporting

June 30, 2015

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 the 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 decreased budgeted disbursements by \$26,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, 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
Last Fiscal Year*
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.003859%
City's proportionate share of the net pension liability	\$ 156
City's covered-employee payroll	\$ 258
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.47%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

City of Brooklyn
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 23	23	22
Contributions in relation to the statutorily required contribution	<u>\$ (23)</u>	<u>(23)</u>	<u>(22)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 255	258	256
Contributions as a percentage of covered-employee payroll *	8.93%	8.93%	8.67%

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

See accompanying independent auditor's report.

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.

<u>2012</u>	<u>2011</u>
26	25
<u>(26)</u>	<u>(25)</u>
<u>-</u>	<u>-</u>
304	359
8.07%	6.95%

City of Brooklyn

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current 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.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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 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.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

City of Brooklyn

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, 2015

	Local Option Sales Tax	Road Use Tax	Employee Benefits	Special Redevel- opment Incentive
Receipts:				
Property tax	\$ -	-	89,794	-
Other city tax	164,859	-	822	-
Use of money and property	439	-	-	-
Intergovernmental	-	152,646	-	-
Miscellaneous	-	-	5,545	-
Total receipts	<u>165,298</u>	<u>152,646</u>	<u>96,161</u>	<u>-</u>
Disbursements:				
Operating:				
Public safety	-	-	39,030	-
Public works	1,208	131,394	22,372	-
Culture and recreation	-	-	3,535	-
Community and economic development	-	-	-	10,000
General government	-	-	23,828	-
Total disbursements	<u>1,208</u>	<u>131,394</u>	<u>88,765</u>	<u>10,000</u>
Excess (deficiency) of receipts over (under) disbursements	<u>164,090</u>	<u>21,252</u>	<u>7,396</u>	<u>(10,000)</u>
Other financing sources (uses):				
Transfers in	3,400	-	-	10,000
Transfers out	(144,509)	-	-	-
Total other financing sources (uses)	<u>(141,109)</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Change in cash balances	22,981	21,252	7,396	-
Cash balances beginning of year	143,427	83,029	51,811	-
Cash balances end of year	<u>\$ 166,408</u>	<u>104,281</u>	<u>59,207</u>	<u>-</u>
Cash Basis Fund Balances				
Restricted for:				
Local option sales tax purposes	\$ 166,408	-	-	-
Other purposes	-	104,281	59,207	-
Total cash basis fund balances	<u>\$ 166,408</u>	<u>104,281</u>	<u>59,207</u>	<u>-</u>

See accompanying independent auditor's report.

Revenue			
Brooklyn Volunteer Fire Department	Brooklyn Library Building Fund, Inc.	Friends of the Brooklyn Library	Total
-	-	-	89,794
-	-	-	165,681
538	368	2	1,347
-	-	-	152,646
61,520	-	1,220	68,285
62,058	368	1,222	477,753
140,799	-	-	179,829
-	-	-	154,974
-	1,000	1,211	5,746
-	-	-	10,000
-	-	-	23,828
140,799	1,000	1,211	374,377
(78,741)	(632)	11	103,376
66,000	-	-	79,400
-	-	-	(144,509)
66,000	-	-	(65,109)
(12,741)	(632)	11	38,267
105,333	60,459	3,493	447,552
92,592	59,827	3,504	485,819
-	-	-	166,408
92,592	59,827	3,504	319,411
92,592	59,827	3,504	485,819

City of Brooklyn
Schedule of Indebtedness
Year ended June 30, 2015

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
Series 2015	Apr 1, 2015	0.50-2.10	1,175,000
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 agreements:			
Water	Oct 5, 1998	5.50%	\$ 617,992
Road	Jul 1, 2014	1.60	182,045
Total			

^ - 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
403,000	-	171,000	232,000	6,003
1,265,000	-	1,265,000	-	51,218
400,000	-	75,000	325,000	12,668
505,000	-	45,000	460,000	7,693
-	1,175,000	-	1,175,000	-
\$ 2,573,000	1,175,000	1,556,000	2,192,000	77,582
185,000	-	23,000	162,000	3,238
150,000	-	45,000	105,000	8,260
161,000	-	11,000	150,000	4,830
\$ 496,000	-	79,000	417,000	16,328
127,000	-	41,000	86,000	3,820
491,546	-	11,357	480,189	31,730
	182,045	36,409	145,636	1,766
\$ 491,546	182,045	47,766	625,825	33,496

City of Brooklyn
Bond and Note Maturities
June 30, 2015

General Obligation Capital Loan Notes										
Year	Series 2001		Series 2011A		Series 2013A		Series 2015		Total	
	Issued May 16, 2001	Issued Mar 15, 2011	Issued April 1, 2013	Issued April 1, 2015						
Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2016	1.75%	\$ 53,000	2.85%	\$ 80,000	0.95%	\$ 45,000	0.50%	\$ 140,000	318,000	
2017	1.75	55,000	3.25	80,000	0.95	45,000	0.75	140,000	320,000	
2018	1.75	57,000	3.50	80,000	0.95	45,000	1.00	145,000	327,000	
2019	1.75	60,000	3.75	85,000	1.55	40,000	1.25	145,000	330,000	
2020	1.75	7,000	-	-	1.55	45,000	1.50	150,000	202,000	
2021		-	-	-	1.55	45,000	1.70	150,000	195,000	
2022		-	-	-	2.15	45,000	1.90	150,000	195,000	
2023		-	-	-	2.15	50,000	2.10	155,000	205,000	
2024		-	-	-	2.15	50,000		-	50,000	
2025		-	-	-	2.15	50,000		-	50,000	
2026		-	-	-		-		-	-	
Total		<u>\$ 232,000</u>		<u>\$ 325,000</u>		<u>\$ 460,000</u>		<u>\$ 1,175,000</u>	<u>2,192,000</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%	\$ 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>\$ 162,000</u>		<u>\$ 105,000</u>		<u>\$ 150,000</u>	<u>417,000</u>

City of Brooklyn



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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited 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, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 14, 2016. 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 deficiencies described of the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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

January 14, 2016

City of Brooklyn

City of Brooklyn

Schedule of Findings

Year ended June 30, 2015

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 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 investment records 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, Inc. 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, 2015

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, Inc. 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 – The Brooklyn Municipal Utilities will review their 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 Brooklyn, East Poweshiek County Volunteer Ambulance Service will review their internal controls to obtain the maximum internal control possible.

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

Conclusions – Responses accepted.

- (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 no longer will need to do transfers as the note is paid off. For the future, transfers will be made through journal entry accounts.

Conclusions – Response accepted.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2015

- (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 City will start working on an accounting policies and procedures manual.

Conclusion – Response accepted.

- (D) Disbursements – For the Brooklyn, East Poweshiek County Volunteer Ambulance Service, final approval for one disbursement was not noted in the minutes of the Brooklyn, East Poweshiek County Volunteer Ambulance Service.

Recommendation – All disbursements should have evidence of proper approval prior to payment.

Response – The Brooklyn, East Poweshiek County Volunteer Ambulance Service will make sure all disbursements will be noted in the minutes.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety, community and economic development, general government debt service and capital projects functions. In addition, disbursements exceeded the amounts budgeted in the community and economic development, general government and capital projects 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 disbursements 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 – 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/Notes – No instances of non-compliance with the revenue bond/note resolutions were noted.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2015

- (9) 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 entities will report to the City on a monthly basis.

Conclusion – Response accepted.

- (10) Employee Benefits – The employee benefits levy funds benefits for City employees. The City levied more for the fiscal year than was necessary to pay allowable employee benefits.

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

Response – The City Clerk will levy less employee benefits for the budget of fiscal year 2016-2017.

Conclusion – Response accepted.

- (11) 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, the Brooklyn Volunteer Fire Department and the Brooklyn, East Poweshiek County Volunteer Ambulance Service separately maintained accounts.

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, the Brooklyn Volunteer Fire Department and the Brooklyn, East Poweshiek County Volunteer Ambulance Service separately maintained accounts, as required.

Responses –

Brooklyn Volunteer Fire Department – The Brooklyn Volunteer Fire Department will inform the bank the Fire Department will need an image of both the front and back of each cancelled check as required by Chapter 554D.114 of the Code of Iowa.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2015

Brooklyn, East Poweshiek County Volunteer Ambulance Service – The Brooklyn, East Poweshiek County Volunteer Ambulance Service will inform the bank the Ambulance Service will need an image of both front and back of each cancelled check as required by Chapter 554D.114 of the Code of Iowa.

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

Conclusions – Responses accepted.

City of Brooklyn

Staff

This audit was performed by:

Timothy D. Houlette, CPA, Manager
Laura M. Wernimont, Senior Auditor
Emma L. McGrane, Staff Auditor
Debora M. Copeland, Assistant Auditor

A handwritten signature in cursive script that reads "Andrew E. Nielsen".

Andrew E. Nielsen, CPA
Deputy Auditor of State