



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 17, 2022

Contact: Ernest Ruben
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$5,255,937 for the year ended June 30, 2021. The receipts included \$407,383 of property tax, \$443,598 of tax increment financing, \$208,530 of local option sales tax, \$3,631,024 of charges for service, \$532,142 of operating grants, contributions and restricted interest, \$14,395 of unrestricted interest on investments and \$18,865 from other general receipts.

Disbursements for the year ended June 30, 2021 totaled \$4,933,039, and included \$430,475 for public safety, \$421,253 for debt service and \$350,499 for capital projects. Also, disbursements for business type activities totaled \$3,122,596.

AUDIT FINDINGS:

Sand reported five findings related to the receipt and disbursement of taxpayer funds. They are found on pages 42 through 46 of this report. The findings address issues such as a lack of segregation of duties, the lack of independent review of bank reconciliations, disbursements exceeding budgeted amounts and separately maintained records. Sand provided the City with recommendations to address each of the findings.

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

A copy of the audit report is available for review on the Auditor of State's web site at [Audit Reports - Auditor of State](#).

#

CITY OF BROOKLYN

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

JUNE 30, 2021

City of Brooklyn



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Rob Sand
Auditor of State

April 25, 2022

Officials of the City of Brooklyn
Brooklyn, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Brooklyn, Iowa, for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized with a large "R" and "S".

Rob Sand
Auditor of State

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-5
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 8-9
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 10-11
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 13
Notes to Financial Statements	14-25
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	28-29
Notes to Other Information – Budgetary Reporting	31
Schedule of the City's Proportionate Share of the Net Pension Liability	32-33
Schedule of City Contributions	34-35
Notes to Other Information – Pension Liability	36
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1 38-39
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	40-41
Schedule of Findings	42-46
Staff	47

City of Brooklyn

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Carl Tubbs	Mayor	Jan 2022
Rusty Clayton	Council Member	Jan 2022
Les Taylor	Council Member	Jan 2022
Samantha DeGeorge	Council Member	Jan 2024
Scott Hawkins	Council Member	Jan 2024
Chris Keller	Council Member	(Deceased Aug 2020)
Matt Elsbury (Appointed Sep 2020)	Council Member	Nov 2021
Sheri Sharer	City Clerk	Indefinite
Tammy Kriegel	City Treasurer	Indefinite
Fred Stiefel	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Brooklyn, Iowa, as of and for the year ended June 30, 2021, 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.

Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distributions by fund of the total fund balances at July 1, 2020.

Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2020, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Brooklyn as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

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

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 28 through 36, 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 April 25, 2022 on our consideration of the City of Brooklyn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Brooklyn's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

April 25, 2022

City of Brooklyn

Basic Financial Statements

City of Brooklyn

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 430,475	145,655	265,102
Public works	273,094	79,375	223,007
Culture and recreation	83,333	662	42,027
Community and economic development	56,969	-	2,006
General government	194,820	425	-
Debt service	421,253	-	-
Capital projects	350,499	-	-
Total governmental activities	1,810,443	226,117	532,142
Business type activities:			
Water	389,400	441,152	-
Sewer	316,109	505,058	-
Electric	1,425,211	1,470,806	-
Gas	982,050	971,526	-
Storm water	9,826	16,365	-
Total business type activities	3,122,596	3,404,907	-
Total	\$ 4,933,039	3,631,024	532,142
Component Unit:			
Brooklyn, East Poweshiek County Volunteer Ambulance Service	\$ 244,155	238,937	-
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:			
Brooklyn, East Poweshiek County Volunteer Ambulance Service			
Streets			
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			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Brooklyn, East Poweshiek County Volunteer Ambulance Service
(19,718)	-	(19,718)	
29,288	-	29,288	
(40,644)	-	(40,644)	
(54,963)	-	(54,963)	
(194,395)	-	(194,395)	
(421,253)	-	(421,253)	
(350,499)	-	(350,499)	
(1,052,184)	-	(1,052,184)	
-	51,752	51,752	
-	188,949	188,949	
-	45,595	45,595	
-	(10,524)	(10,524)	
-	6,539	6,539	
-	282,311	282,311	
(1,052,184)	282,311	(769,873)	
			(5,218)
406,558	-	406,558	-
825	-	825	-
443,598	-	443,598	-
208,530	-	208,530	-
1,257	13,138	14,395	383
369	18,496	18,865	33,761
56,852	(56,852)	-	-
1,117,989	(25,218)	1,092,771	34,144
65,805	257,093	322,898	28,926
2,296,391	2,827,096	5,123,487	154,029
\$ 2,362,196	3,084,189	5,446,385	182,955
\$ -	-	-	182,955
356,566	-	356,566	-
647,696	85,879	733,575	-
536,468	-	536,468	-
90,962	-	90,962	-
250,247	-	250,247	-
480,257	2,998,310	3,478,567	-
\$ 2,362,196	3,084,189	5,446,385	182,955

City of Brooklyn

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

As of and for the year ended June 30, 2021

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 305,517	-	-	-
Tax increment financing	-	-	-	443,598
Other city tax	11,555	-	208,530	-
Licenses and permits	3,660	-	-	-
Use of money and property	3,155	-	1,280	2,006
Intergovernmental	162,403	219,704	-	-
Charges for service	79,375	-	-	-
Miscellaneous	199,430	-	-	-
Total receipts	765,095	219,704	209,810	445,604
Disbursements:				
Operating:				
Public safety	326,686	-	-	-
Public works	68,773	169,232	181	-
Culture and recreation	74,395	-	-	-
Community and economic development	46,969	-	-	-
General government	173,311	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	690,134	169,232	181	-
Excess (deficiency) of receipts over (under) disbursements	74,961	50,472	209,629	445,604
Other financing sources (uses):				
Transfers in	12,020	-	50,000	-
Transfers out	-	-	(74,459)	(387,683)
Total other financing sources (uses)	12,020	-	(24,459)	(387,683)
Change in cash balances	86,981	50,472	185,170	57,921
Cash balances beginning of year	393,276	306,094	351,298	511,558
Cash balances end of year	\$ 480,257	356,566	536,468	569,479
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	356,566	-	-
Debt service	-	-	-	569,479
Local option sales tax	-	-	536,468	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	480,257	-	-	-
Total cash basis fund balances	\$ 480,257	356,566	536,468	569,479

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
825	-	88,252	394,594
-	-	-	443,598
-	-	1,234	221,319
-	-	-	3,660
-	1,257	1,537	9,235
-	-	-	382,107
-	-	-	79,375
-	369	85,709	285,508
825	1,626	176,732	1,819,396
-	-	103,789	430,475
-	-	34,908	273,094
-	-	8,938	83,333
-	-	10,000	56,969
-	-	21,509	194,820
421,253	-	-	421,253
-	350,499	-	350,499
421,253	350,499	179,144	1,810,443
(420,428)	(348,873)	(2,412)	8,953
375,460	71,514	10,000	518,994
-	-	-	(462,142)
375,460	71,514	10,000	56,852
(44,968)	(277,359)	7,588	65,805
123,185	368,321	242,659	2,296,391
78,217	90,962	250,247	2,362,196
-	-	-	356,566
78,217	-	-	647,696
-	-	-	536,468
-	90,962	-	90,962
-	-	250,247	250,247
-	-	-	480,257
78,217	90,962	250,247	2,362,196

City of Brooklyn

City of Brooklyn

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

As of and for the year ended June 30, 2021

	Enterprise					Total
	Water	Sewer	Electric	Gas	Nonmajor Storm Water	
Operating receipts:						
Charges for service	\$ 441,152	505,058	1,470,806	971,526	16,365	3,404,907
Operating disbursements:						
Business type activities	286,491	174,019	1,099,104	902,274	278	2,462,166
Excess of operating receipts over operating disbursements	154,661	331,039	371,702	69,252	16,087	942,741
Non-operating receipts (disbursements):						
Interest on investments	1,678	2,638	6,259	2,563	-	13,138
Miscellaneous	8,611	719	2,029	7,137	-	18,496
Debt service	(15,760)	(140,840)	-	-	-	(156,600)
Capital projects	(87,149)	(1,250)	(326,107)	(79,776)	(9,548)	(503,830)
Net non-operating receipts (disbursements)	(92,620)	(138,733)	(317,819)	(70,076)	(9,548)	(628,796)
Excess (deficiency) of receipts over (under) disbursements	62,041	192,306	53,883	(824)	6,539	313,945
Transfers in	200,000	-	-	-	5,168	205,168
Transfers out	(56,010)	(206,010)	-	-	-	(262,020)
Total other financing sources (uses)	143,990	(206,010)	-	-	5,168	(56,852)
Change in cash balances	206,031	(13,704)	53,883	(824)	11,707	257,093
Cash balances beginning of year	409,681	808,190	944,107	581,191	83,927	2,827,096
Cash balances end of year	\$ 615,712	794,486	997,990	580,367	95,634	3,084,189
Cash Basis Fund Balances						
Restricted for debt service	\$ 8,518	77,361	-	-	-	85,879
Unrestricted	607,194	717,125	997,990	580,367	95,634	2,998,310
Total cash basis fund balances	\$ 615,712	794,486	997,990	580,367	95,634	3,084,189

See notes to financial statements.

City of Brooklyn

Notes to Financial Statements

June 30, 2021

(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.

Discretely Presented Component Unit

Pursuant to Chapter 501B of the Code of Iowa, the Brooklyn, East Poweshiek County Volunteer Ambulance Service, Inc. is an unincorporated nonprofit association. The purpose of the organization is to provide ambulance service to accommodate the residents in and about the City of Brooklyn and surrounding territory. In accordance with criteria set forth by the Governmental Accounting Standards Board, the organization meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Brooklyn, East Poweshiek County Volunteer Ambulance Service, Inc. are substantially for the direct benefit of the City of Brooklyn.

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 Library Building Fund, Inc. was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The purpose of the organization is to collect funds for the purpose of constructing a library in the City of Brooklyn and possible endowment for the operation thereof. The Brooklyn Library Building Fund, Inc. is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The financial transactions of the Brooklyn Library Building Fund, Inc. are reported as a Special Revenue Fund.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Poweshiek County Assessor's Conference Board, Poweshiek County Emergency Management Commission and Poweshiek County Joint 911 Service Board.

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for revenues from the tax authorized by referendum and used for capital improvements, equipment and infrastructure maintenance.

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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, 2021, disbursements exceeded the amounts budgeted in the culture and recreation, general government and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation capital loan notes	\$ 2,377,000	-	349,000	2,028,000	352,000
Loan agreement - Direct borrowing	114,761	-	22,952	91,809	22,952
Governmental activities total	<u>\$ 2,491,761</u>	<u>-</u>	<u>371,952</u>	<u>2,119,809</u>	<u>374,952</u>
Business-type activities:					
Water revenue bonds - Direct borrowing	\$ 88,000	-	14,000	74,000	14,000
Sewer revenue bonds - Direct borrowing	2,042,000	-	100,000	1,942,000	102,000
Business-type activities total	<u>\$ 2,130,000</u>	<u>-</u>	<u>114,000</u>	<u>2,016,000</u>	<u>116,000</u>

General Obligation Capital Loan Notes

A summary of the City's June 30, 2021 general obligation capital loan notes payable is as follows:

Year Ending June 30,	Refunding Capital Loan Notes Issued Apr 1, 2013			Refunding Capital Loan Notes Issued Apr 1, 2015		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2022	2.15%	\$ 45,000	4,193	1.90%	\$ 150,000	6,105
2023	2.15	50,000	3,225	2.10	155,000	3,255
2024	2.15	50,000	2,150		-	-
2025	2.15	50,000	1,075		-	-
2026		-	-		-	-
2027-2031		-	-		-	-
Total		<u>\$ 195,000</u>	<u>10,643</u>		<u>\$ 305,000</u>	<u>9,360</u>

Year Ending June 30,	Urban Renewal Capital Loan Notes Issued Aug 26, 2016			Total		
	Interest					
	Rates	Principal	Interest	Principal	Interest	Total
2022	1.75%	\$ 157,000	26,740	\$ 352,000	37,038	389,038
2023	1.75	160,000	23,993	365,000	30,473	395,473
2024	1.75	163,000	21,193	213,000	23,343	236,343
2025	1.75	166,000	18,340	216,000	19,415	235,415
2026	1.75	170,000	15,435	170,000	15,435	185,435
2027-2031	1.75	712,000	31,448	712,000	31,448	743,448
Total		<u>\$ 1,528,000</u>	<u>137,149</u>	<u>\$ 2,028,000</u>	<u>157,152</u>	<u>2,185,152</u>

On April 1, 2013, the City issued \$585,000 of general obligation capital loan notes with interest rates ranging from 0.45% to 2.15% per annum. The notes were issued to refund general obligation bonds issued January 15, 2010. During the year ended June 30, 2021, the City paid \$45,000 of principal and \$4,890 of interest on the notes.

On April 1, 2015, the City issued \$1,175,000 of general obligation capital loan notes with interest rates ranging from 0.50% to 2.10% per annum. The notes were issued to refund general obligation capital loan notes issued May 1, 2008. During the year ended June 30, 2021, the City paid \$150,000 of principal and \$8,655 of interest on the notes.

On August 26, 2016, the City issued \$2,125,000 of general obligation capital loan notes with an interest rate of 1.75% per annum. The notes were issued for the construction of a wastewater treatment system. During the year ended June 30, 2021, the City paid \$154,000 of principal and \$29,435 of interest on the notes.

Revenue Bonds – Direct Borrowing

Year Ending June 30,	Water			Sewer			Total		
	Issued April 28, 2006			Issued Oct 14, 2016					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	3.00%	\$ 14,000	2,220	1.75%	\$ 102,000	33,985	\$ 116,000	36,205	152,205
2023	3.00	14,000	1,800	1.75	104,000	32,200	118,000	34,000	152,000
2024	3.00	15,000	1,380	1.75	107,000	30,380	122,000	31,760	153,760
2025	3.00	15,000	930	1.75	110,000	28,508	125,000	29,438	154,438
2026	3.00	16,000	480	1.75	112,000	26,583	128,000	27,063	155,063
2027-2031	-	-	-	1.75	598,000	102,655	598,000	102,655	700,655
2032-2036	-	-	-	1.75	669,000	47,862	669,000	47,862	716,862
2037	-	-	-	1.75	140,000	2,450	140,000	2,450	142,450
Total		\$ 74,000	6,810		\$ 1,942,000	304,623	\$ 2,016,000	311,433	2,327,433

On April 28, 2006, the City issued \$245,000 of water revenue bonds to provide financing for the construction of water main extensions. The notes bear interest at 3.00%, per annum, and are payable through 2026. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. During the year ended June 30, 2021, the City paid principal of \$14,000 and interest of \$1,540 on the bonds.

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. The bonds include a provision that in an event of default, the issuer shall have the right to take whatever action at law or equity may appear necessary or desirable to collect the amounts due. The bonds are payable solely from water customer net receipts. Annual principal and interest payments on the bonds are expected to require 10% of net receipts. The total principal and interest remaining to be paid on the bonds is \$80,810. For the current year, principal and interest paid and total customer net receipts were \$15,540 and \$154,661, respectively.

On October 14, 2016, the City issued \$2,632,000 of sewer revenue bonds to provide financing for the construction of sewer main extensions. The notes bear interest at 1.75%, per annum, and are payable through 2037. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. During the year ended June 30, 2021, the City paid principal of \$100,000 and interest of \$35,735 on the bonds.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,632,000 of water revenue bonds issued in October 2016. The bonds include a provision that in an event of default, the issuer shall have the right to take whatever action at law or equity may appear necessary or desirable to collect the amounts due. The bonds are payable solely from sewer customer net receipts. Annual principal and interest payments on the bonds are expected to require 41% of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,246,623. For the current year, principal and interest paid and total customer net receipts were \$135,735 and \$331,039, respectively.

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

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

Poweshiek County Loan Agreement – Direct Borrowing

On November 15, 2019, the City entered into a loan agreement with Poweshiek County for \$114,762, with interest at 1.60% per annum, for the resurfacing of Highway F29. The agreement is payable through 2025 and requires annual payments of \$24,068.

During the year ended June 30, 2021, the City paid \$24,068 of principal and interest under the agreement.

(4) Interfund Loans

On November 2, 2020, the City agreed to advance \$10,000 from the Special Revenue, Redevelopment Incentive Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for redevelopment projects located in the downtown commercial area. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the Special Revenue, Redevelopment Incentive Fund, as funds become available in the Special Revenue, Urban Renewal Tax Increment Fund. During the year ended June 30, 2021, no transfers were made to repay this loan. The amount due to the Special Revenue, Redevelopment Incentive Fund at June 30, 2021 is \$10,000.

On May 18, 2020, the City agreed to advance \$2,261 from the Enterprise, Water Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying fees related to the Linden Street Water Main project. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the Enterprise, Water Fund, as funds become available in the Special Revenue, Urban Renewal Tax Increment Fund. During the year ended June 30, 2021, no transfers were made to repay this loan. The amount due to the Enterprise, Water Fund at June 30, 2021 is \$2,261.

On November 16, 2020, the City loaned \$200,000 to the Enterprise, Water Fund from the Enterprise, Sewer Fund for the purpose of paying for a water main project. This loan will be repaid through transfers from the Enterprise, Water Fund to the Enterprise, Sewer Fund, as funds become available in the Enterprise, Water Fund. The remaining balance of the internal loan is \$200,000 as of June 30, 2021.

(5) Pension Plan

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

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

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

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

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

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

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

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$24,130.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$236,334 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.003364%, which was a decrease of 0.000013% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$36,259, \$45,109, and \$25,034, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 394,067	236,334	104,077

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, 2021, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 13,000
Sick leave	31,000
Compensatory time	<u>4,000</u>
Total	<u>\$ 48,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2021.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise:	
	Water	\$ 6,010
	Sewer	<u>6,010</u>
		12,020
Special Revenue:	Special Revenue:	
Redevelopment Incentive	Urban Renewal Tax Increment	<u>10,000</u>
Special Revenue:	Enterprise:	
Local Option Sales Tax	Water	<u>50,000</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>71,514</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	2,945
	Urban Renewal Tax Increment	<u>372,515</u>
		375,460
Enterprise:	Enterprise:	
Water	Sewer	<u>200,000</u>
Enterprise:	Special Revenue:	
Storm Water	Urban Renewal Tax Increment	<u>5,168</u>
Total		<u>\$ 724,162</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) Subsequent Event

In August 2021, the City approved the issuance of \$1,550,000 general obligation capital loan notes to pay the costs of a street reconstruction project.

(10) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease assets and liabilities that are not currently reported.

City of Brooklyn

Other Information

City of Brooklyn

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

Other Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 394,594	-	-
Tax increment financing	443,598	-	-
Other city tax	221,319	-	-
Licenses and permits	3,660	-	-
Use of money and property	9,235	13,138	99
Intergovernmental	382,107	-	-
Charges for service	79,375	3,404,907	-
Special assessments	-	-	-
Miscellaneous	285,508	18,496	-
Total receipts	1,819,396	3,436,541	99
Disbursements:			
Public safety	430,475	-	-
Public works	273,094	-	-
Culture and recreation	83,333	-	-
Community and economic development	56,969	-	-
General government	194,820	-	-
Debt service	421,253	-	-
Capital projects	350,499	-	-
Business type activities	-	3,122,596	-
Total disbursements	1,810,443	3,122,596	-
Excess (deficiency) of receipts over (under) disbursements	8,953	313,945	99
Other financing sources (uses), net	56,852	(56,852)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	65,805	257,093	99
Balances beginning of year	2,296,391	2,827,096	35,656
Balances end of year	\$ 2,362,196	3,084,189	35,755

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
394,594	375,156	375,156	19,438
443,598	434,567	434,567	9,031
221,319	150,635	150,635	70,684
3,660	2,285	2,285	1,375
22,274	12,000	12,000	10,274
382,107	605,943	677,943	(295,836)
3,484,282	3,160,750	3,495,750	(11,468)
-	5,000	5,000	(5,000)
304,004	1,600	1,600	302,404
5,255,838	4,747,936	5,154,936	100,902
430,475	358,581	430,581	106
273,094	335,600	557,114	284,020
83,333	70,250	73,250	(10,083)
56,969	53,000	184,514	127,545
194,820	139,610	139,610	(55,210)
421,253	587,938	587,938	166,685
350,499	-	100,000	(250,499)
3,122,596	3,403,320	3,853,320	730,724
4,933,039	4,948,299	5,926,327	993,288
322,799	(200,363)	(771,391)	1,094,190
-	-	-	-
322,799	(200,363)	(771,391)	1,094,190
5,087,831	4,431,600	4,431,600	656,231
5,410,630	4,231,237	3,660,209	1,750,421

City of Brooklyn

City of Brooklyn

Notes to Other Information – Budgetary Reporting

June 30, 2021

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 discretely presented component unit and 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 \$978,028. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the culture and recreation, general government and capital projects functions.

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

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

Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.003364%	0.003377%	0.003651%	0.003643%
City's proportionate share of the net pension liability	\$ 236	196	231	243
City's covered payroll	\$ 267	257	274	272
City's proportionate share of the net pension liability as a percentage of its covered payroll	88.39%	76.26%	84.31%	89.34%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

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

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

See accompanying independent auditor's report.

2017	2016	2015
0.003788%	0.003722%	0.003859%
238	184	156
272	255	258
87.50%	72.16%	60.47%
81.82%	85.19%	87.61%

City of Brooklyn
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years*
(In Thousands)

Other Information

	2021	2020	2019	2018
Statutorily required contribution	\$ 24	25	24	25
Contributions in relation to the statutorily required contribution	(24)	(25)	(24)	(25)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 256	267	257	274
Contributions as a percentage of covered payroll *	9.44%	9.44%	9.44%	8.93%

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

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

See accompanying independent auditor's report.

City of Brooklyn

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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, 2021

			Special
	Employee	Redevelopment	Brooklyn Volunteer Fire
	Benefits	Incentive	Department
Receipts:			
Property tax	\$ 88,252	-	-
Other city tax	1,234	-	-
Use of money and property	-	-	1,438
Miscellaneous	-	-	85,047
Total receipts	89,486	-	86,485
Disbursements:			
Public safety	48,363	-	55,426
Public works	34,908	-	-
Culture and recreation	6,376	-	-
Community and economic development	-	10,000	-
General government	21,509	-	-
Total disbursements	111,156	10,000	55,426
Excess (deficiency) of receipts over (under) disbursements	(21,670)	(10,000)	31,059
Other financing sources:			
Transfers in	-	10,000	-
Change in cash balances	(21,670)	-	31,059
Cash balances beginning of year	59,561	-	140,916
Cash balances end of year	\$ 37,891	-	171,975
Cash Basis Fund Balances			
Restricted for other purposes	\$ 37,891	-	171,975

See accompanying independent auditor's report.

Revenue		
Brooklyn Library Building Fund, Inc.	Friends of the Brooklyn Library	Total
-	-	88,252
-	-	1,234
99	-	1,537
-	662	85,709
99	662	176,732
-	-	103,789
-	-	34,908
-	2,562	8,938
-	-	10,000
-	-	21,509
-	2,562	179,144
99	(1,900)	(2,412)
-	-	10,000
99	(1,900)	7,588
35,656	6,526	242,659
35,755	4,626	250,247
35,755	4,626	250,247



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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, the discretely presented component unit and the aggregate remaining fund information of the City of Brooklyn, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 25, 2022. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed modified opinions on the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2020.

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 as a basis for designing audit procedures that are 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.

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. 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.

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

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 financial statements. 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, 2021 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.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

April 25, 2022

City of Brooklyn

Schedule of Findings

Year ended June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

For the City:

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

For the Brooklyn Municipal Utilities:

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

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

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

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

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

City of Brooklyn

Schedule of Findings

Year ended June 30, 2021

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

Responses –

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

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

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

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

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

Conclusion – Responses accepted.

(B) Bank Reconciliations

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

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

Cause – Policies have not been established and procedures have not been implemented to require the bank reconciliations be reviewed by an independent person. For the Brooklyn Library Building Fund, Inc., procedures have not been established to ensure bank reconciliations are prepared and independently reviewed.

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

City of Brooklyn

Schedule of Findings

Year ended June 30, 2021

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

Responses –

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

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

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

Conclusion – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the culture and recreation, general government and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) 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.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) 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.
- (9) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (10) 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.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2021

- (11) Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.”

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

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

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

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

Conclusion – Response accepted.

- (12) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and the back of each cancelled check. The City does not obtain an image of the front and back of each cancelled check as required for the Friends of the Brooklyn Library separately maintained account.

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

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

Conclusion – Response accepted.

City of Brooklyn

Staff

This audit was performed by:

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