



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006
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NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

March 31, 2023

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$6,819,220 for the year ended June 30, 2022, a 29.7% increase over the prior year. The significant increase in receipts is due to the issuance of general obligation capital loan notes. Disbursements for the year ended June 30, 2022 totaled \$6,161,141, a 24.9% increase over the prior year. The significant increase in disbursements is primarily due to the West Des Moines Street Reconstruction Project in the current fiscal year.

AUDIT FINDINGS:

Sand reported six findings related to the receipt and disbursement of taxpayer funds. They are found on pages 46 through 51 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 six 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 website 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, 2022

City of Brooklyn



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

Rob Sand
Auditor of State

March 20, 2023

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, 2022. 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".

Rob Sand
Auditor of State

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City of Brooklyn

Officials

(Before January 2022)

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

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Carl Tubbs	Mayor	Jan 2024
Cheryl Blom	Council Member	Jan 2024
Samantha DeGeorge	Council Member	Jan 2024
Scott Hawkins	Council Member	Jan 2024
Les Taylor	Council Member	Jan 2026
Willy Wonnick	Council Member	Jan 2026
Sheri Sharer	City Clerk	Indefinite
Tammy Kriegel	City Treasurer	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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Brooklyn, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, the discretely presented component unit each major fund and the aggregate remaining fund information of the City of Brooklyn as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Brooklyn, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brooklyn's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Brooklyn's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brooklyn's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brooklyn’s basic financial statements. We previously audited, in accordance with the standards referred to in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of this report, the financial statements for the year ended June 30, 2021 (which is not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 and 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

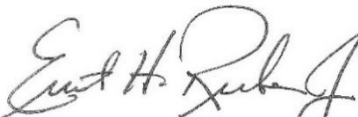
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions on pages 30 through 38 but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2023 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

March 20, 2023

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, 2022

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 402,799	158,696	157,382
Public works	351,856	118,865	218,898
Culture and recreation	98,810	1,695	46,354
Community and economic development	17,648	-	1,565
General government	184,622	2,136	-
Debt service	439,570	-	-
Capital projects	1,728,993	-	-
Total governmental activities	3,224,298	281,392	424,199
Business type activities:			
Water	461,478	446,019	-
Sewer	334,774	507,525	-
Electric	1,324,310	1,492,319	-
Gas	805,890	776,362	-
Storm water	10,391	16,266	-
Total business type activities	2,936,843	3,238,491	-
Total	\$ 6,161,141	3,519,883	424,199
Component Unit:			
Brooklyn, East Poweshiek County Volunteer Ambulance Service	\$ 498,782	471,120	-
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Tax increment financing			
Local option sales tax			
American Rescue Plan Act			
Unrestricted interest on investments			
Loan proceeds, net of \$23,283 premium and \$19,375 issuance costs			
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
(86,721)	-	(86,721)	
(14,093)	-	(14,093)	
(50,761)	-	(50,761)	
(16,083)	-	(16,083)	
(182,486)	-	(182,486)	
(439,570)	-	(439,570)	
<u>(1,728,993)</u>	<u>-</u>	<u>(1,728,993)</u>	
<u>(2,518,707)</u>	<u>-</u>	<u>(2,518,707)</u>	
-	(15,459)	(15,459)	
-	172,751	172,751	
-	168,009	168,009	
-	(29,528)	(29,528)	
-	5,875	5,875	
-	301,648	301,648	
<u>(2,518,707)</u>	<u>301,648</u>	<u>(2,217,059)</u>	
			<u>(27,662)</u>
433,622	-	433,622	-
479,058	-	479,058	-
249,785	-	249,785	-
104,666	-	104,666	-
1,248	10,241	11,489	436
1,553,908	-	1,553,908	-
9,183	33,427	42,610	73,048
<u>(263,523)</u>	<u>263,523</u>	<u>-</u>	<u>-</u>
<u>2,567,947</u>	<u>307,191</u>	<u>2,875,138</u>	<u>73,484</u>
49,240	608,839	658,079	45,822
2,362,196	3,084,189	5,446,385	182,955
<u>\$ 2,411,436</u>	<u>3,693,028</u>	<u>6,104,464</u>	<u>228,777</u>
\$ -	-	-	228,777
380,399	-	380,399	-
496,475	86,763	583,238	-
665,076	-	665,076	-
241,366	-	241,366	-
245,860	-	245,860	-
382,260	3,606,265	3,988,525	-
<u>\$ 2,411,436</u>	<u>3,693,028</u>	<u>6,104,464</u>	<u>228,777</u>

City of Brooklyn

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

As of and for the year ended June 30, 2022

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 320,582	-	-	-
Tax increment financing	-	-	-	479,058
Other city tax	11,019	-	249,785	-
Licenses and permits	4,296	-	-	-
Use of money and property	3,057	-	1,728	1,567
Intergovernmental	98,477	206,780	-	-
Charges for service	113,548	-	-	-
Miscellaneous	174,514	-	-	-
Total receipts	725,493	206,780	251,513	480,625
Disbursements:				
Operating:				
Public safety	266,964	-	-	-
Public works	136,919	182,947	767	-
Culture and recreation	84,804	-	-	-
Community and economic development	7,648	-	-	-
General government	162,971	-	-	-
Debt service	-	-	-	-
Capital projects	180,075	-	-	-
Total disbursements	839,381	182,947	767	-
Excess (deficiency) of receipts over (under) disbursements	(113,888)	23,833	250,746	480,625
Other financing sources (uses):				
General obligation bond proceeds, net of \$23,283 premium and \$19,375 issuance costs	-	-	-	-
Transfers in	15,891	-	-	-
Transfers out	-	-	(122,138)	(657,647)
Total other financing sources (uses)	15,891	-	(122,138)	(657,647)
Change in cash balances	(97,997)	23,833	128,608	(177,022)
Cash balances beginning of year	480,257	356,566	536,468	569,479
Cash balances end of year	\$ 382,260	380,399	665,076	392,457
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	380,399	-	-
Debt service	-	-	-	392,457
Local option sales tax	-	-	665,076	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	382,260	-	-	-
Total cash basis fund balances	\$ 382,260	380,399	665,076	392,457

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
-	-	100,742	421,324
-	-	-	479,058
-	-	1,279	262,083
-	-	-	4,296
-	1,248	(764)	6,836
-	104,666	-	409,923
-	5,317	-	118,865
-	9,183	97,071	280,768
-	120,414	198,328	1,983,153
-	-	135,835	402,799
-	-	31,223	351,856
-	-	14,006	98,810
-	-	10,000	17,648
-	-	21,651	184,622
439,570	-	-	439,570
-	1,548,918	-	1,728,993
439,570	1,548,918	212,715	3,224,298
(439,570)	(1,428,504)	(14,387)	(1,241,145)
-	1,553,908	-	1,553,908
465,371	25,000	10,000	516,262
-	-	-	(779,785)
465,371	1,578,908	10,000	1,290,385
25,801	150,404	(4,387)	49,240
78,217	90,962	250,247	2,362,196
104,018	241,366	245,860	2,411,436
-	-	-	380,399
104,018	-	-	496,475
-	-	-	665,076
-	241,366	-	241,366
-	-	245,860	245,860
-	-	-	382,260
104,018	241,366	245,860	2,411,436

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, 2022

	Enterprise					Total
	Water	Sewer	Electric	Gas	Nonmajor Storm Water	
Operating receipts:						
Charges for service	\$ 446,019	507,525	1,492,319	776,362	16,266	3,238,491
Operating disbursements:						
Business type activities	290,463	193,280	1,059,706	771,840	1,622	2,316,911
Excess of operating receipts over operating disbursements	155,556	314,245	432,613	4,522	14,644	921,580
Non-operating receipts (disbursements):						
Interest on investments	1,852	2,849	3,860	1,680	-	10,241
Miscellaneous	4,362	2,538	19,036	7,491	-	33,427
Debt service	(15,480)	(140,841)	-	-	-	(156,321)
Capital outlay	(155,535)	(653)	(264,604)	(34,050)	(8,769)	(463,611)
Net non-operating receipts (disbursements)	(164,801)	(136,107)	(241,708)	(24,879)	(8,769)	(576,264)
Excess (deficiency) of receipts over (under) disbursements	(9,245)	178,138	190,905	(20,357)	5,875	345,316
Other financing sources (uses):						
Transfers in	75,903	200,000	-	-	-	275,903
Transfers out	(6,190)	(6,190)	-	-	-	(12,380)
Total other financing sources (uses)	69,713	193,810	-	-	-	263,523
Change in cash balances	60,468	371,948	190,905	(20,357)	5,875	608,839
Cash balances beginning of year	615,712	794,486	997,990	580,367	95,634	3,084,189
Cash balances end of year	\$ 676,180	1,166,434	1,188,895	560,010	101,509	3,693,028
Cash Basis Fund Balances						
Restricted for debt service	\$ 9,406	77,357	-	-	-	86,763
Unrestricted	666,774	1,089,077	1,188,895	560,010	101,509	3,606,265
Total cash basis fund balances	\$ 676,180	1,166,434	1,188,895	560,010	101,509	3,693,028

See notes to financial statements.

City of Brooklyn

Notes to Financial Statements

June 30, 2022

(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, 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, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

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, 2022, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2022 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.

Component Unit

At June 30, 2022, the Library Building Fund, Inc. had the following investments:

Investment	Carrying Amount	Fair Value	Maturity
Market Linked CD	\$ 15,699	14,871	January 2023
Market Linked CD	14,029	13,176	December 2027
	<u>\$ 29,728</u>	<u>28,047</u>	

The Library Building Fund uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the market linked CD's was determined using quoted market prices. (Level 1 inputs)

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation capital loan notes	\$ 2,028,000	1,550,000	352,000	3,226,000	465,000
Loan agreement - Direct borrowing	91,809	-	22,952	68,857	22,952
Governmental activities total	<u>\$ 2,119,809</u>	<u>1,550,000</u>	<u>374,952</u>	<u>3,294,857</u>	<u>487,952</u>
Business-type activities:					
Water revenue bonds - Direct borrowing	\$ 74,000	-	14,000	60,000	14,000
Sewer revenue bonds - Direct borrowing	1,942,000	-	102,000	1,840,000	104,000
Business-type activities total	<u>\$ 2,016,000</u>	<u>-</u>	<u>116,000</u>	<u>1,900,000</u>	<u>118,000</u>

General Obligation Capital Loan Notes

A summary of the City's June 30, 2022 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
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		-	-		-	-
2028-2032		-	-		-	-
2033-2036		-	-		-	-
Total		<u>\$ 150,000</u>	<u>6,450</u>		<u>\$ 155,000</u>	<u>3,255</u>

Year Ending June 30,	Urban Renewal Capital Loan Notes Issued Aug 26, 2016			Urban Renewal Capital Loan Notes Issued Aug 2, 2021		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2023	1.75%	\$ 160,000	23,993	2.00%	\$ 100,000	27,533
2024	1.75	163,000	21,193	2.00	100,000	25,533
2025	1.75	166,000	18,340	2.00	100,000	23,533
2026	1.75	170,000	15,435	2.00	105,000	21,533
2027	1.75	173,000	12,460	2.00	105,000	19,433
2028-2032	1.75	539,000	18,988	1.55	555,000	69,845
2033-2036		-	-	1.80	485,000	22,139
Total		<u>\$ 1,371,000</u>	<u>110,409</u>		<u>\$ 1,550,000</u>	<u>209,549</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2023	\$ 465,000	58,006	523,006
2024	313,000	48,876	361,876
2025	316,000	42,948	358,948
2026	275,000	36,968	311,968
2027	278,000	31,893	309,893
2028-2032	1,094,000	88,833	1,182,833
2033-2036	485,000	22,139	507,139
Total	<u>\$ 3,226,000</u>	<u>329,663</u>	<u>3,555,663</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, 2022, the City paid \$45,000 of principal and \$4,193 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, 2022, the City paid \$150,000 of principal and \$6,105 of interest on the notes.

On August 26, 2016, the City issued \$2,125,000 of general obligation urban renewal 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, 2022, the City paid \$157,000 of principal and \$26,740 of interest on the notes.

On August 18, 2021, the City issued \$1,550,000 of general obligation urban renewal capital loan notes with interest rates ranging from 1.55% to 2.00% per annum. The notes were issued for the reconstruction of West Des Moines Street. During the year ended June 30, 2022, the City paid \$21,644 of interest on the notes.

Revenue Bonds – Direct Borrowing

Year Ending June 30,	Water Issued Apr 28, 2006			Sewer Issued Oct 14, 2016			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2023	1.75%	\$ 14,000	1,800	1.75%	\$ 104,000	32,200	\$ 118,000	34,000	152,000
2024	1.75	15,000	1,380	1.75	107,000	30,380	122,000	31,760	153,760
2025	1.75	15,000	930	1.75	110,000	28,508	125,000	29,438	154,438
2026	1.75	16,000	480	1.75	112,000	26,583	128,000	27,063	155,063
2027	-	-	-	1.75	114,000	24,623	114,000	24,623	138,623
2028-2032	-	-	-	1.75	612,000	92,190	612,000	92,190	704,190
2033-2037	-	-	-	1.75	681,000	36,154	681,000	36,154	717,154
Total		\$ 60,000	4,590		\$ 1,840,000	270,638	\$ 1,900,000	275,228	2,175,228

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, 2022, the City paid principal of \$14,000 and interest of \$1,295 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 \$64,590. For the current year, principal and interest paid and total customer net receipts were \$15,295 and \$155,556, 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, 2022, the City paid principal of \$102,000 and interest of \$33,985 on the bonds.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,632,000 of sewer 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 43% of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,110,638. For the current year, principal and interest paid and total customer net receipts were \$135,985 and \$314,245, 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.

Year Ending June 30,	Poweshiek County Loan Agreement		
	Principal	Interest	Total
2023	\$ 22,952	1,116	24,068
2024	22,952	1,116	24,068
2025	22,953	1,115	24,068
Total	\$ 68,857	3,347	72,204

During the year ended June 30, 2022, the City paid \$24,068 of principal and interest under the agreement from the Debt Service Fund.

(4) Interfund Loans

On various dates from December 7, 2020 to February 1, 2021, the General Fund advanced various amounts totaling \$1,912 from the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying legal fees related to the issuance of urban renewal bonds. The amount due to the General Fund at June 30, 2022 is \$1,912.

On November 15, 2021, 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, 2022, no transfers were made to repay this loan. The amount due to the Special Revenue, Redevelopment Fund at June 30, 2022 is \$10,000. During the year ended June 30, 2022, the City transferred \$10,000 from the Special Revenue, Urban Renewal Tax Increment Fund to the Special Revenue, Redevelopment Incentive Fund to repay the loan issued during fiscal year 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 2022, 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, 2022 totaled \$25,043.

Net Pension Liability (Asset), Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported a liability of \$4,415 for its proportionate share of the overall plan pension asset. The overall plan net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the overall plan net pension asset was determined by an actuarial valuation as of that date. The City’s proportion of the overall net plan pension asset was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City’s proportion was (0.001279%), which was a decrease of 0.004643% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City’s pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(15,351), \$29,058 and \$186,158, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2021 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 2021 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	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	<u>100.0%</u>	

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) 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 (asset)	\$ 156,272	4,415	(122,850)

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, 2022, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 13,000
Sick leave	34,000
Compensatory time	3,000
Total	<u>\$ 50,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2022.

(7) Contractual Commitments

The City has entered into various construction contracts totaling \$1,820,436. The unpaid contract balance as of June 30, 2022 totaled \$309,350, which will be paid as work on the projects progresses.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise:	
	Water	\$ 6,190
	Sewer	6,190
	Special Revenue:	
	Urban Renewal Tax Increment	<u>3,511</u>
		15,891
Special Revenue: Redevelopment Incentive	Special Revenue: Urban Renewal Tax Increment	10,000
Capital Projects	Special Revenue: Local Option Sales Tax	<u>25,000</u>
Debt Service	Special Revenue: Local Option Sales Tax	97,138
	Urban Renewal Tax Increment	<u>368,233</u>
		465,371
Enterprise: Water	Special Revenue: Urban Renewal Tax Increment	75,903
Sewer	Urban Renewal Tax Increment	<u>200,000</u>
		<u>275,903</u>
Total		<u>\$ 792,165</u>

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

(9) Risk Management

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

(10) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 96, Subscription-Based Information Technology Arrangements. This statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statements will require reporting of the right to use another party's information technology software alone or in combination with tangible capital assets that are not currently reported.

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, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 421,324	-	-
Tax increment financing	479,058	-	-
Other city tax	262,083	-	-
Licenses and permits	4,296	-	-
Use of money and property	6,836	10,241	(1,153)
Intergovernmental	409,923	-	-
Charges for service	118,865	3,238,491	-
Special assessments	-	-	-
Miscellaneous	280,768	33,427	-
Total receipts	<u>1,983,153</u>	<u>3,282,159</u>	<u>(1,153)</u>
Disbursements:			
Public safety	402,799	-	-
Public works	351,856	-	-
Culture and recreation	98,810	-	-
Community and economic development	17,648	-	-
General government	184,622	-	-
Debt service	439,570	-	-
Capital projects	1,728,993	-	-
Business type activities	-	2,936,843	-
Total disbursements	<u>3,224,298</u>	<u>2,936,843</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(1,241,145)	345,316	(1,153)
Other financing sources (uses), net	<u>1,290,385</u>	<u>263,523</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	49,240	608,839	(1,153)
Balances beginning of year	<u>2,362,196</u>	<u>3,084,189</u>	<u>35,755</u>
Balances end of year	<u>\$ 2,411,436</u>	<u>3,693,028</u>	<u>34,602</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
421,324	407,915	407,915	13,409
479,058	498,246	498,246	(19,188)
262,083	160,631	160,631	101,452
4,296	2,280	2,280	2,016
18,230	13,500	13,500	4,730
409,923	426,030	426,030	(16,107)
3,357,356	3,189,750	3,189,750	167,606
-	3,000	3,000	(3,000)
314,195	2,000	2,000	312,195
5,266,465	4,703,352	4,703,352	563,113
402,799	348,955	348,955	(53,844)
351,856	377,850	377,850	25,994
98,810	86,043	86,043	(12,767)
17,648	13,000	13,000	(4,648)
184,622	189,475	189,475	4,853
439,570	565,310	565,310	125,740
1,728,993	-	400,000	(1,328,993)
2,936,843	4,472,970	4,472,970	1,536,127
6,161,141	6,053,603	6,453,603	292,462
(894,676)	(1,350,251)	(1,750,251)	855,575
1,553,908	1,000,000	1,565,000	(11,092)
659,232	(350,251)	(185,251)	844,483
5,410,630	4,878,362	4,878,362	532,268
6,069,862	4,528,111	4,693,111	1,376,751

City of Brooklyn

City of Brooklyn

Notes to Other Information – Budgetary Reporting

June 30, 2022

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 \$400,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and capital projects functions.

City of Brooklyn

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

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

Other Information

	2022	2021	2020	2019
City's proportion of the net pension liability (asset)	(0.001279)% **	0.003364%	0.003377%	0.003651%
City's proportionate share of the net pension liability	\$ 4	236	196	231
City's covered payroll	\$ 256	267	257	274
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	1.56%	88.39%	76.26%	84.31%
IPERS' net position as a percentage of the total pension liability (asset)	100.81%	82.90%	85.45%	83.62%

* 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.

** Overall plan pension asset.

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.

2018	2017	2016	2015
0.003643%	0.003788%	0.003722%	0.003859%
243	238	184	156
272	272	255	258
89.34%	87.50%	72.16%	60.47%
82.21%	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

	2022	2021	2020	2019
Statutorily required contribution	\$ 25	24	25	24
Contributions in relation to the statutorily required contribution	(25)	(24)	(25)	(24)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 265	256	267	257
Contributions as a percentage of covered payroll *	9.44%	9.44%	9.44%	9.44%

* 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.

2018	2017	2016	2015	2014	2013
25	24	24	23	23	22
(25)	(24)	(24)	(23)	(23)	(22)
-	-	-	-	-	-
274	272	272	255	258	256
8.93%	8.93%	8.93%	8.93%	8.93%	8.67%

City of Brooklyn

Notes to Other Information – Pension Liability (Asset)

Year ended June 30, 2022

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, 2022

			Special
			Brooklyn Volunteer Fire Department
	Employee Benefits	Redevelopment Incentive	
Receipts:			
Property tax	\$ 100,742	-	-
Other city tax	1,279	-	-
Use of money and property	-	-	389
Miscellaneous	-	-	95,380
Total receipts	102,021	-	95,769
Disbursements:			
Public safety	43,987	-	91,848
Public works	31,223	-	-
Culture and recreation	11,956	-	-
Community and economic development	-	10,000	-
General government	21,651	-	-
Total disbursements	108,817	10,000	91,848
Excess (deficiency) of receipts over (under) disbursements	(6,796)	(10,000)	3,921
Other financing sources:			
Transfers in	-	10,000	-
Change in cash balances	(6,796)	-	3,921
Cash balances beginning of year	37,891	-	171,975
Cash balances end of year	\$ 31,095	-	175,896
Cash Basis Fund Balances			
Restricted for other purposes	\$ 31,095	-	175,896

See accompanying independent auditor's report.

Revenue		
Brooklyn Library Building Fund, Inc.	Friends of the Brooklyn Library	Total
-	-	100,742
-	-	1,279
(1,153)	-	(764)
-	1,691	97,071
(1,153)	1,691	198,328
-	-	135,835
-	-	31,223
-	2,050	14,006
-	-	10,000
-	-	21,651
-	2,050	212,715
(1,153)	(359)	(14,387)
-	-	10,000
(1,153)	(359)	(4,387)
35,755	4,626	250,247
34,602	4,267	245,860
34,602	4,267	245,860

City of Brooklyn

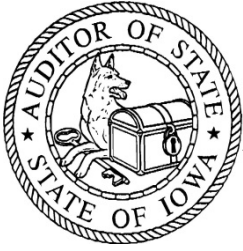
City of Brooklyn

Schedule of Receipts by Source and Disbursements by Function –
All Governmental Fund Types

For the Last Two Years

	2022	2021
Receipts:		
Property tax	\$ 421,324	394,594
Tax increment financing	479,058	443,598
Other city tax	262,083	221,319
Licenses and permits	4,296	3,660
Use of money and property	6,836	9,235
Intergovernmental	409,923	382,107
Charges for service	118,865	79,375
Miscellaneous	280,768	285,508
Total	<u>\$ 1,983,153</u>	<u>1,819,396</u>
Disbursements:		
Operating:		
Public safety	\$ 402,799	430,475
Public works	351,856	273,094
Culture and recreation	98,810	83,333
Community and economic development	17,648	56,969
General government	184,622	194,820
Debt service	439,570	421,253
Capital projects	1,728,993	350,499
Total	<u>\$ 3,224,298</u>	<u>1,810,443</u>

See accompanying independent auditor's report.



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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 auditing standards generally accepted in the United States of America 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Brooklyn, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2023. 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.

Report on 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 (internal control) 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 that a material misstatement of the City'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 that 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brooklyn's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters which 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, 2022 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.

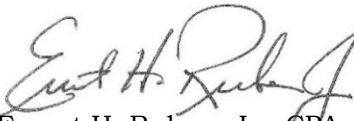
City of Brooklyn's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Brooklyn's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City of Brooklyn's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

March 20, 2023

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties

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

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

For the City:

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

For the Brooklyn Municipal Utilities:

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

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

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

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

City of Brooklyn

Schedule of Findings

Year ended June 30, 2022

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.

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.

2022-002 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.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2022

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.

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 an independent person review the bank reconciliations and will initial the review.

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

Brooklyn Library Building Fund, Inc. and the Friends of the Brooklyn Library – The Mayor will review the bank reconciliations 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, 2022

Other Findings Related to Required Statutory Reporting:

2022-A Certified Budget – Disbursements at June 30, 2022 exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, 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.

2022-B Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
BGM After Prom	Donation	\$ 100
Iowa State University	Sweatshirt from training	32
VISA	Sales tax on purchases from Amazon and Walmart	14
Altorfer CAT	Sales tax on replacement of water pump and installation of fuel tank monitor	1,258
Iowa Association of Municipal Utilities	Sales tax on repair of abandoned service tap tee	100

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these types of disbursements prior to authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation. The City should ensure sales tax is not paid on goods and services.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2022

2022-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2022-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jim Clayton, Public Works Employee	Equipment rental	\$ 300

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with the Public Works employee does not appear to represent a conflict of interest since total transactions with the individual were less than \$6,000 during the fiscal year.

2022-E 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.

2022-F 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.

2022-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

2022-H 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.

2022-I Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.

2022-J 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.

2022-K 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.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2022

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.

2022-L Payment of General Obligation Bonds – Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund." During the year ended June 30, 2022, \$172,280 of general obligation debt payments were paid from the Enterprise, Sewer Fund. In addition, \$121,420 of sewer revenue bond debt payments were paid from the Debt Service Fund rather than the Enterprise, Sewer Fund. Adjustments were subsequently made by the City to properly report these amounts in the financial statements.

Recommendation – Payments on general obligation bonds should be made from the Debt Service Fund, as required. Payments on sewer revenue debt should be paid from the Enterprise, Sewer Fund.

Response – We will make the general obligation debt payments from the debt service fund and revenue bond payments from the Sewer Fund, as required.

Conclusion – Response accepted.

2022-M Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans. Also, the City properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

City of Brooklyn

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Jennifer L. Wall, CPA, Manager
Taylor A. Hepp, Staff Auditor
Jared A. Marshall, Assistant Auditor