

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

January 16, 2025

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

FINANCIAL HIGHLIGHTS:

The City's receipts and disbursements totaled \$1,163,274 and \$1,158,043, respectively for the year ended June 30, 2020.

AUDIT FINDINGS:

Sand reported sixteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 41 through 53 of this report. The findings address issues such as a lack of segregation of duties, lack of a monthly bank reconciliation between bank accounts and the City's general ledger, lack of controls over payroll, unreported separately maintained records related to the City's fire department, Annual Financial Report inaccuracies, certain disbursements and transfers not approved by the City Council and certain functions being over budget at June 30, 2020. Sand provided the City with recommendations to address each of the findings.

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 BRANDON

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

JUNE 30, 2020

City of Brandon



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

December 5, 2024

Officials of the City of Brandon
Brandon, 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 Brandon for the year ended June 30, 2020. 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 Brandon 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", written in a cursive style.

Rob Sand
Auditor of State

Table of Contents

| | | <u>Page</u> |
|--|-----------------|-------------|
| Officials | | 3 |
| Independent Auditor’s Report | | 5-7 |
| Basic Financial Statements: | <u>Exhibit</u> | |
| Government-wide Financial Statement: | | |
| Cash Basis Statement of Activities and Net Position | A | 10-11 |
| Governmental Fund Financial Statements: | | |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances | B | 12 |
| Proprietary Fund Financial Statements: | | |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances | C | 13 |
| Notes to Financial Statements | | 14-21 |
| Other Information: | | |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds | | 24-25 |
| Notes to Other Information – Budgetary Reporting | | 26 |
| Schedule of the City’s Proportionate Share of the Net Pension Liability | | 27 |
| Schedule of City Contributions | | 28 |
| Notes to Other Information – Pension Liability | | 29 |
| Supplementary Information: | <u>Schedule</u> | |
| Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds | 1 | 32 |
| Schedule of Expenditures of Federal Awards | 2 | 33 |
| 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> | | 34-35 |
| Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance | | 37-39 |
| Schedule of Findings and Questioned Costs | | 40-53 |
| Staff | | 54 |

City of Brandon

Officials

(Before January 2020)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------|----------------|---------------------|
| Guy Stacy | Mayor | Jan 2020 |
| Michael Brown | Council Member | Jan 2020 |
| Patrick Lehman | Council Member | Jan 2020 |
| Brian Thomas | Council Member | Jan 2020 |
| Karol Smith | Council Member | Jan 2022 |
| Kelly Thomas | Council Member | Jan 2022 |
| Danette Lujan | City Clerk | Indefinite |
| R.J. Longmuir | Attorney | Indefinite |

(After January 2020)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------|----------------|---------------------|
| Guy Stacy | Mayor | Jan 2022 |
| Karol Smith | Council Member | Jan 2022 |
| Kelly Thomas | Council Member | Jan 2022 |
| Michael Brown | Council Member | Jan 2024 |
| Patrick Lehman | Council Member | Jan 2024 |
| Brian Thomas | Council Member | Jan 2024 |
| Danette Lujan | City Clerk | Indefinite |
| R.J. Longmuir | Attorney | Indefinite |

City of Brandon



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Qualified Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Brandon, Iowa, as of and for the year ended June 30, 2020, 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, 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, 2019, as described in the Basis for Qualified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Brandon as of June 30, 2020, 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 Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all the prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2019.

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 the Financial Statements section of our report. We are required to be independent of the City of Brandon, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe 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.

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 judgment 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 judgment 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 Brandon'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brandon'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 Brandon's basic financial statements. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 GAAS. 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 this report. The other information comprises 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 24 through 29 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 December 5, 2024 on our consideration of the City of Brandon'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 Brandon's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA
Deputy Auditor of State

December 5, 2024

City of Brandon

Basic Financial Statements

City of Brandon

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

| | Program Receipts | | | |
|---|------------------|---------------------------|--|--|
| | Disbursements | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 26,685 | - | 9,015 | - |
| Public works | 66,917 | 34,844 | 37,682 | - |
| Health and social services | 225 | - | - | - |
| Culture and recreation | 17,782 | - | - | - |
| Community and economic development | 3,086 | 25,575 | - | - |
| General government | 26,308 | 146 | - | - |
| Capital projects | 451 | - | - | - |
| Total governmental activities | 141,454 | 60,565 | 46,697 | - |
| Business type activities: | | | | |
| Water | 43,259 | 52,131 | - | - |
| Sewer | 973,330 | 74,386 | - | 142,284 |
| Total business type activities | 1,016,589 | 126,517 | - | 142,284 |
| Total | \$ 1,158,043 | 187,082 | 46,697 | 142,284 |
| General Receipts and Transfers: | | | | |
| Property and other city tax levied for: | | | | |
| General purposes | | | | |
| Local option sales tax | | | | |
| Unrestricted interest on investments | | | | |
| Note proceeds | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total general receipts and transfers | | | | |
| Change in cash basis net position | | | | |
| Cash basis net position beginning of year | | | | |
| Cash basis net position end of year | | | | |
| Cash Basis Net Position | | | | |
| Restricted: | | | | |
| Expendable: | | | | |
| Streets | | | | |
| Local option sales tax | | | | |
| Capital projects | | | | |
| Other purposes | | | | |
| Unrestricted | | | | |
| Total cash basis net position | | | | |

See notes to financial statements.

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

| Governmental Activities | Business Type Activities | Total |
|----------------------------|-----------------------------|-----------|
| (17,670) | - | (17,670) |
| 5,609 | - | 5,609 |
| (225) | - | (225) |
| (17,782) | - | (17,782) |
| 22,489 | - | 22,489 |
| (26,162) | - | (26,162) |
| (451) | - | (451) |
| (34,192) | - | (34,192) |
| - | 8,872 | 8,872 |
| - | (756,660) | (756,660) |
| - | (747,788) | (747,788) |
| (34,192) | (747,788) | (781,980) |
| 65,671 | - | 65,671 |
| 28,758 | - | 28,758 |
| 260 | - | 260 |
| - | 685,873 | 685,873 |
| 2,180 | 4,469 | 6,649 |
| (7,183) | 7,183 | - |
| 89,686 | 697,525 | 787,211 |
| 55,494 | (50,263) | 5,231 |
| 254,446 | 335,285 | 589,731 |
| \$ 309,940 | 285,022 | 594,962 |
| \$ 67,532 | - | 67,532 |
| 96,190 | - | 96,190 |
| 12,643 | - | 12,643 |
| 26,889 | - | 26,889 |
| 106,686 | 285,022 | 391,708 |
| \$ 309,940 | 285,022 | 594,962 |

Exhibit B

City of Brandon

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

As of and for the year ended June 30, 2020

| | Special Revenue | | | | Total |
|---------------------------------------|-----------------|--------------------|---------------------------------|----------|---------|
| | General | Road Use Tax | Local Option Sales Tax | Nonmajor | |
| Receipts: | | | | | |
| Property tax | \$ 49,314 | - | - | 7,571 | 56,885 |
| Local option sales tax | - | - | 28,758 | - | 28,758 |
| Other city tax | 8,786 | - | - | - | 8,786 |
| Licenses and permits | 25,575 | - | - | - | 25,575 |
| Use of money and property | 260 | - | - | - | 260 |
| Intergovernmental | - | 37,682 | - | - | 37,682 |
| Charges for service | 34,990 | - | - | - | 34,990 |
| Miscellaneous | 2,180 | - | - | 9,015 | 11,195 |
| Total receipts | 121,105 | 37,682 | 28,758 | 16,586 | 204,131 |
| Disbursements: | | | | | |
| Operating: | | | | | |
| Public safety | 23,597 | - | - | 3,088 | 26,685 |
| Public works | 33,287 | 32,276 | - | 1,354 | 66,917 |
| Health and social services | 225 | - | - | - | 225 |
| Culture and recreation | 14,098 | - | - | 3,684 | 17,782 |
| Community and economic development | 3,086 | - | - | - | 3,086 |
| General government | 24,312 | - | - | 1,996 | 26,308 |
| Capital projects | - | - | - | 451 | 451 |
| Total disbursements | 98,605 | 32,276 | - | 10,573 | 141,454 |
| Excess of receipts over disbursements | 22,500 | 5,406 | 28,758 | 6,013 | 62,677 |
| Other financing uses: | | | | | |
| Transfers out | - | - | - | (7,183) | (7,183) |
| Change in cash balances | 22,500 | 5,406 | 28,758 | (1,170) | 55,494 |
| Cash balances beginning of year | 84,186 | 62,126 | 67,432 | 40,702 | 254,446 |
| Cash balances end of year | \$ 106,686 | 67,532 | 96,190 | 39,532 | 309,940 |
| Cash Basis Fund Balances | | | | | |
| Restricted for: | | | | | |
| Streets | - | 67,532 | - | - | 67,532 |
| Local option sales tax | - | - | 96,190 | - | 96,190 |
| Capital projects | - | - | - | 12,643 | 12,643 |
| Other purposes | - | - | - | 26,889 | 26,889 |
| Unassigned | 106,686 | - | - | - | 106,686 |
| Total cash basis fund balances | \$ 106,686 | 67,532 | 96,190 | 39,532 | 309,940 |

See notes to financial statements.

City of Brandon

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

As of and for the year ended June 30, 2020

| | Enterprise | | |
|---|------------|-----------|-----------|
| | Water | Sewer | Total |
| Operating receipts: | | | |
| Charges for service | \$ 52,131 | 74,386 | 126,517 |
| Miscellaneous | 4,469 | - | 4,469 |
| Total operating receipts | 56,600 | 74,386 | 130,986 |
| Operating disbursements: | | | |
| Business type activities | 43,259 | 42,171 | 85,430 |
| Excess of operating receipts over operating disbursements | 13,341 | 32,215 | 45,556 |
| Non-operating receipts (disbursements): | | | |
| Community Development Block Grant | - | 142,284 | 142,284 |
| Sewer revenue note proceeds | - | 685,873 | 685,873 |
| Capital projects | - | (931,159) | (931,159) |
| Net non-operating receipts (disbursements) | - | (103,002) | (103,002) |
| Excess (deficiency) of receipts over (under) disbursements | 13,341 | (70,787) | (57,446) |
| Transfers in | - | 7,183 | 7,183 |
| Change in cash balances | 13,341 | (63,604) | (50,263) |
| Cash balances beginning of year | 164,993 | 170,292 | 335,285 |
| Cash balances end of year | \$ 178,334 | 106,688 | 285,022 |
| Cash Basis Fund Balances | | | |
| Unrestricted | \$ 178,334 | 106,688 | 285,022 |

See notes to financial statements.

City of Brandon

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Brandon is a political subdivision of the State of Iowa located in Buchanan County. It was first incorporated in 1905 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 and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Brandon 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.

The City has no component units which meet the Governmental Accounting Standards Board criteria.

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: Buchanan County Assessor's Conference Board, Buchanan County Emergency Management Commission, Buchanan County Joint 911 Service Board and the Buchanan County Economic Development Commission. The City also participates in the Iowa Northland Regional Council of Governments, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

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:

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The 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 (LOST) fund is used to account for all taxes collected by the City imposed by its voter approved local option sales tax levy. The receipts are to be used for community protection, human development, home and community environment and policy and administration.

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.

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, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

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, 2020, disbursements exceeded the amounts budgeted in the public safety, community and economic development and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 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) Notes Payable

A summary of changes in notes payable for the year ended June 30, 2020 is as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances | Due Within One Year |
|---------------------------------|--------------------|-----------|-----------|-----------------|---------------------|
| Governmental activities: | | | | | |
| Promissory notes | \$ 23,405 | - | 4,447 | 18,958 | 4,692 |
| Business type activities: | | | | | |
| Direct borrowing: | | | | | |
| Sewer anticipation project note | \$ - | 685,873 | - | 685,873 | 685,873 |

Commercial Promissory Notes

A summary of the City's June 30, 2020 commercial promissory notes payable is as follows:

| Year | Commercial Promissory Note | | | |
|-----------------|----------------------------|-----------|----------|--------|
| | Issued Mar 21, 2019 | | | |
| Ending June 30, | Interest Rates | Principal | Interest | Total |
| 2021 | 5.25% | \$ 4,692 | 896 | 5,588 |
| 2022 | 5.25 | 4,948 | 640 | 5,588 |
| 2023 | 5.25 | 5,218 | 370 | 5,588 |
| 2024 | 5.25 | 4,100 | 92 | 4,192 |
| Total | | \$ 18,958 | 1,998 | 20,956 |

On March 21, 2019, the City issued a \$24,500 commercial promissory note with an interest rate of 5.25% per annum with Bank Iowa of Independence, Iowa. The note was issued to pay for a backhoe. During the year ended June 30, 2020, the City paid \$4,447 of principal and \$1,141 of interest on the note.

On November 21, 2019, the City entered into an agreement with Northeast Security Bank for a sewer anticipation project note for \$911,000 with interest at 3.0% per annum. As of June 30, 2020, \$685,873 was drawn on the note. The note was issued as interim financing to pay construction costs of a waste sewer treatment plant and will be repaid from the proceeds of future revenue notes. The note is due on or before December 1, 2020. During the year ended June 30, 2020, the City made no payments of principal or interest on the note.

(4) 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.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member’s monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member’s highest three-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 2020, 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%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$5,844.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$46,260 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the City's proportion was 0.000799%, which was an increase of 0.000068% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$8,510, \$7,270 and \$9,063, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 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, 2019 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 2019 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:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------|-------------------------|---|
| Domestic equity | 22.0% | 5.60% |
| International equity | 15.0 | 6.08 |
| Global smart beta equity | 3.0 | 5.82 |
| Core plus fixed income | 27.0 | 1.71 |
| Public credit | 3.5 | 3.32 |
| Public real assets | 7.0 | 2.81 |
| Cash | 1.0 | (0.21) |
| Private equity | 11.0 | 10.13 |
| Private real assets | 7.5 | 4.76 |
| Private credit | 3.0 | 3.01 |
| 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 of 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 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 | \$ 82,142 | 46,260 | 16,162 |

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

| Transfer to | Transfer from | Amount |
|----------------------|---------------------------|-----------------|
| Enterprise: Sewer | Special Revenue: IJobs | \$ 740 |
| | Capital Projects | <u>6,443</u> |
| Total | | <u>\$ 7,183</u> |

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

(6) 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.

(7) Construction Commitment

The City entered into a construction contract with Ray’s Excavating LLC totaling \$1,168,829 on November 6, 2019 for wastewater treatment plant improvements. The unpaid contract balances as of June 30, 2020 totaled \$305,274, which will be paid as work on the project progresses.

(8) Subsequent Events

In November 2020, the City entered into an agreement with the U.S. Department of Agriculture for the issuance of two sewer revenue loan notes for an aggregate principal amount of \$911,000 with interest at 1.75% per annum. Proceeds from the notes will provide financing for the costs of construction improvements and extensions to the municipal sanitary sewer system including the current refunding of the City’s outstanding sewer anticipation project note previously issued by the City. The notes are payable solely from sewer customer net receipts and are payable through November 2060.

City of Brandon

Other Information

City of Brandon
 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, 2020

| | Governmental Funds Actual | Proprietary Funds Actual | Total |
|---|---------------------------------|--------------------------------|-----------|
| Receipts: | | | |
| Property tax | \$ 56,885 | - | 56,885 |
| Other city tax | 37,544 | - | 37,544 |
| Licenses and permits | 25,575 | - | 25,575 |
| Use of money and property | 260 | - | 260 |
| Intergovernmental | 37,682 | 142,284 | 179,966 |
| Charges for service | 34,990 | 126,517 | 161,507 |
| Miscellaneous | 11,195 | 4,469 | 15,664 |
| Total receipts | 204,131 | 273,270 | 477,401 |
| Disbursements: | | | |
| Public safety | 26,685 | - | 26,685 |
| Public works | 66,917 | - | 66,917 |
| Health and social services | 225 | - | 225 |
| Culture and recreation | 17,782 | - | 17,782 |
| Community and economic development | 3,086 | - | 3,086 |
| General government | 26,308 | - | 26,308 |
| Capital projects | 451 | - | 451 |
| Business type activities | - | 1,016,589 | 1,016,589 |
| Total disbursements | 141,454 | 1,016,589 | 1,158,043 |
| Excess (deficiency) of receipts over (under) disbursements | 62,677 | (743,319) | (680,642) |
| Other financing sources (uses), net | (7,183) | 693,056 | 685,873 |
| Change in balances | 55,494 | (50,263) | 5,231 |
| Balances beginning of year | 254,446 | 335,285 | 589,731 |
| Balances end of year | \$ 309,940 | 285,022 | 594,962 |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to |
|------------------|------------------|------------------|
| Original | Final | Total |
| | | Variance |
| 66,048 | 66,048 | (9,163) |
| 45,875 | 45,875 | (8,331) |
| 390 | 390 | 25,185 |
| 200 | 200 | 60 |
| 47,543 | 347,543 | (167,577) |
| 159,550 | 159,550 | 1,957 |
| - | - | 15,664 |
| <u>319,606</u> | <u>619,606</u> | <u>(142,205)</u> |
| 26,425 | 26,425 | (260) |
| 117,692 | 117,692 | 50,775 |
| 500 | 500 | 275 |
| 18,876 | 18,876 | 1,094 |
| 3,000 | 3,000 | (86) |
| 26,803 | 35,303 | 8,995 |
| - | - | (451) |
| 125,713 | 1,294,542 | 277,953 |
| <u>319,009</u> | <u>1,496,338</u> | <u>338,295</u> |
| 597 | (876,732) | 196,090 |
| - | 868,829 | (182,956) |
| 597 | (7,903) | 13,134 |
| 739,878 | 739,878 | (150,147) |
| <u>740,475</u> | <u>731,975</u> | <u>(137,013)</u> |

City of Brandon

Notes to Other Information – Budgetary Reporting

June 30, 2020

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. 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 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 \$1,177,329. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, community and economic development and capital projects functions.

City of Brandon

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

Iowa Public Employees' Retirement System
For the Last Two Years*

Other Information

| | 2020 | 2019 |
|--|-----------|-----------|
| City's proportion of the net pension liability | 0.000799% | 0.000731% |
| City's proportionate share of the net pension liability | \$ 46,260 | 46,270 |
| City's covered payroll | \$ 60,797 | 54,950 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 76.09% | 84.20% |
| IPERS' net position as a percentage of the total pension liability | 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.

See accompanying independent auditor's report.

City of Brandon
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Two Years

Other Information

| | <u>2020</u> | <u>2019</u> |
|---|----------------|----------------|
| Statutorily required contribution | \$ 5,844 | 5,739 |
| Contributions in relation to the statutorily required contribution | <u>(5,844)</u> | <u>(5,739)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> |
| City's covered payroll | \$ 61,909 | 60,797 |
| Contributions as a percentage of covered payroll | 9.44% | 9.44% |

Note: City contributions and covered payroll information for the years ended June 30, 2011 through June 30, 2018 were not readily available.

See accompanying independent auditor's report.

City of Brandon

Notes to Other Information – Pension Liability

Year ended June 30, 2020

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.

City of Brandon

Supplementary Information

Schedule 1

City of Brandon

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

| | Special Revenue | | | | Total |
|---|----------------------|--------------------|-------|---------------------|---------|
| | Employee Benefits | Fire Department | IJobs | Capital Projects | |
| Receipts: | | | | | |
| Property tax | \$ 7,571 | - | - | - | 7,571 |
| Miscellaneous | - | 9,015 | - | - | 9,015 |
| Total receipts | 7,571 | 9,015 | - | - | 16,586 |
| Disbursements: | | | | | |
| Operating: | | | | | |
| Public safety | - | 3,088 | - | - | 3,088 |
| Public works | 1,354 | - | - | - | 1,354 |
| Cultures and recreation | 3,684 | - | - | - | 3,684 |
| General government | 1,996 | - | - | - | 1,996 |
| Capital projects | - | - | - | 451 | 451 |
| Total disbursements | 7,034 | 3,088 | - | 451 | 10,573 |
| Excess (deficiency) of receipts over (under) disbursements | 537 | 5,927 | - | (451) | 6,013 |
| Other financing uses: | | | | | |
| Transfers out | - | - | (740) | (6,443) | (7,183) |
| Change in cash balances | 537 | 5,927 | (740) | (6,894) | (1,170) |
| Cash balances beginning of year | 6,040 | 14,385 | 740 | 19,537 | 40,702 |
| Cash balances end of year | \$ 6,577 | 20,312 | - | 12,643 | 39,532 |
| Cash Basis Fund Balances | | | | | |
| Restricted for: | | | | | |
| Capital projects | \$ - | - | - | 12,643 | 12,643 |
| Other purposes | 6,577 | 20,312 | - | - | 26,889 |
| Total cash basis fund balances | \$ 6,577 | 20,312 | - | 12,643 | 39,532 |

See accompanying independent auditor's report.

City of Brandon

Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

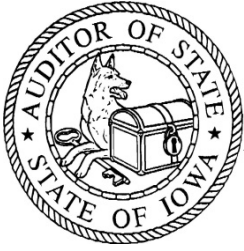
| Grantor/Program | Assistance Listings Number | Pass-Through Entity Identifying Number | Program Expenditures |
|--|----------------------------------|--|-------------------------|
| U.S. Department of Agriculture: Water and Waste Disposal Systems for Rural Communities | 10.760 | | \$ 664,938 |
| U.S. Department of Housing and Urban Development Passed through Iowa Economic Development Authority Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 20-WS-010 | 208,609 |
| Total | | | \$ 873,547 |

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Brandon under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Brandon, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Brandon.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – The City of Brandon has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor’s report.



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Rob Sand
Auditor of State

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with 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, each major fund and the aggregate remaining fund information of the City of Brandon, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2024. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America. Our report expressed modified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total July 1, 2019 fund balance.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Brandon'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 Brandon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Brandon's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Part II of the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2020-001 through 2020-003 to be material weaknesses.

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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2020-004 through 2020-007 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brandon'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 noncompliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 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 Brandon's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Brandon's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Brandon'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 Brandon 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

December 5, 2024

City of Brandon



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Rob Sand
Auditor of State

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Brandon, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Brandon's major federal program for the year ended June 30, 2020. The City of Brandon's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Brandon complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Brandon and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City of Brandon's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Brandon's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Brandon's compliance based on our audit. 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, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgment made by a reasonable user of the report on compliance about the City of Brandon's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Brandon's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Brandon's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Brandon's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2020-008, to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Brandon's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The City of Brandon's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Brian R. Brustkern, CPA
Deputy Auditor of State

December 5, 2024

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part I: Summary of the Independent Auditor's Results:

- (a) Modified opinions were issued on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were 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.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listing Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Brandon did not qualify as a low-risk auditee.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2020-001 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 – One individual in the City has control over the following areas for which no compensating controls exist:

- (1) Accounting system – performing all accounting functions, including making journal entries and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement functions, handling and recording cash.
- (3) Receipts – opening mail, collecting, depositing, recording, and reconciling.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – entering rates into the system, preparing, recording and distributing.
- (6) Utilities – billing, collecting, depositing, posting, entering utility rates and maintaining detailed accounts receivable records.

For the City Fire Department, one individual has control over each of the following areas:

- (1) Cash and investments – handling and recording cash and investments.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – posting, reconciling and check writing.

Cause – The City has 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 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 should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional controls through review of financial transactions, reconciliations and financial reports. The independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Response and Corrective Action Planned – We understand that this is an issue and have done our best considering we have only one employee that does the accounting. The Mayor already looks over and signs all checks. The council looks over and approves all monthly reports. We will also pass this information along to the fire department treasurer as we are unaware of their policies and how they deal with this type of thing.

Conclusion – Response acknowledged. The City should utilize current personnel, including elected officials, to provide additional control through review of financial transactions and reconciliations.

2020-002 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. Independent review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – The cash balances in the City’s general ledger were not reconciled to bank balances throughout the year. In addition, cash balances in the City fire department’s separately maintained records were not reconciled to bank balances throughout the year.

Cause – The City has never designated an individual to reconcile book balances to bank balances and there has been a lack of oversight to ensure the two different sets of records are properly reconciled.

Effect – The lack of a comprehensive reconciliation of bank to book balances and independent review of bank reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City should establish procedures to ensure bank balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. Outstanding check and deposit in transit listings should properly cut off at month end and should include all outstanding items through the end of the month. The outstanding check list should detail the check number, payee and date written in addition to the amount outstanding. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

Response and Corrective Action Planned – The City understands this and will look into a way of doing your version of bank reconciling, as the way the software does the reconciling is not the correct way.

Conclusion – Response accepted. It should also be noted the City should establish procedures to ensure bank balances are reconcile to the general ledger including, if necessary, working with their software provider to obtain instruction on the proper method to reconcile this activity.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

2020-003 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts, and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings and utility collections to deposits.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections, and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response and Corrective Action Planned – We have been doing this since before the current Clerk started in November of 2022.

Conclusion – Response accepted.

2020-004 Timecards and Pay Rates

Criteria – An effective internal control system provides for internal controls related to preparation of timecards by all employees and proper approval of pay rates. Timecards support all hours worked and vacation, sick leave and holiday hours. Supervisory review of timecards can help ensure the accuracy of recorded hours worked.

Condition – Although timecards are prepared by all employees, there was no evidence of the approval for the October timecards and one October timecard observed was also missing a clock out time, resulting in undocumented actual hours worked. In addition, the pay rate for the City's maintenance worker was not approved and documented in the City Council minutes.

Cause – Policies have not been established and procedures have not been implemented to require timecards be reviewed and approved by supervisory personnel and to ensure pay rates are approved and documented in the City Council minutes.

Effect – The lack of a documented supervisory review process increases the probability of staff errors in recording of hours or leave could go undetected. The lack of an approval of pay rates could result in unauthorized, unapproved or incorrect increases in pay.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Recommendation – Timecards should be submitted to an appropriate supervisor for approval and be signed or initialed by the employee and supervisor. Wages of employees should be stated in the City Council minutes as an hourly wage or annual salary.

Response and Corrective Action Planned – The City understands and plans to pass a resolution during next month’s meeting approving City worker’s pay rates.

Conclusion – Response acknowledged. The City should also ensure timecards are reviewed by an independent person and evidence of this review is documented with a signature and date.

2020-005 Disbursements

Criteria – Internal Controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designated to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper supporting documentation, proper authorization of the disbursement and the proper cancellation of invoices to prevent their reuse.

Condition – We noted the following regarding the City’s disbursement activity during fiscal year ended 2020.

- 1) For three of 20 disbursements tested totaling \$431, documentation was not maintained to support the nature of the claim or whether these claims were for a public purpose. In addition, one of these three claims totaling \$58 was not listed on the claims listing for City Council approval.
- 2) For all 20 disbursements tested, no invoices were cancelled to prevent their reuse.
- 3) In addition, for three of five Fire Department disbursements tested totaling \$222, documentation was not maintained to support the nature of the claim, proper authorization or whether these claims were for a public purpose.

Cause – Although certain policies may exist to require the controls noted above, they are not consistently being followed.

Effect – The lack of the controls noted above could result in unauthorized transactions and the opportunity for error or misappropriation.

Recommendation – All disbursements should be supported by invoices or other supporting documentation. Procedures should be established to ensure disbursement claims provided at the monthly council meetings are complete prior to approval. All checks should be signed by an authorized official and if the check is over a certain dollar amount, dual signatures should be considered. In addition, all disbursements should be canceled to prevent reuse.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Response and Corrective Action Planned – The City had a few issues finding some of the required information. With this audit being several years in the past, all these issues have currently been rectified. Disbursements are being authorized and approved, invoices are kept, checks are signed by the City Clerk and the Mayor. Everything is being kept in monthly folders, in our file cabinet.

Conclusion – Response accepted.

2020-006 Credit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the City Council.

Effect – Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response and Corrective Action Planned – The City will get assistance and adopt a formal policy.

Conclusion – Response accepted.

2020-007 Insurance Stipend Approval

Criteria – An effective internal control system provides for internal controls related to the processing and approval of payroll for all City employees. City Council approval of wages and salaries can help ensure proper payment of payroll expense.

Condition – One employee received a monthly stipend in lieu of health insurance. However, the stipend amount was not approved by the City Council as part of a resolution.

Cause – The City has not implemented procedures to ensure stipends are approved and approval is documented in the minutes.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Effect – Not documenting approved stipends may cause errors resulting in unauthorized, unapproved or incorrect pay.

Recommendation – The City should approve applicable stipends for all employees. The approvals should be documented in the City Council meeting minutes.

Response and Corrective Action Planned – As stipends are included in the employee's paycheck, which is signed by the Mayor and included on the list of bills in the Council Packet which is approved by the Council and listed on the meeting minutes, we will continue doing exactly as we were previously.

Conclusion – Response acknowledged. To ensure transparency for disbursements, payroll rates as well as associated stipends, if any, should be documented in a resolution and approved for each employee.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

Assistance Listing Number 10.760: Water and Waste Disposal Systems for Rural Communities

Federal Award Year: 2020

Prior Year Finding Number: N/A

U.S. Department of Agriculture

2020-008 Reporting Requirements

Criteria – The Uniform Guidance, Part 200.303, requires the auditee establish and maintain effective internal control over the federal award which provides reasonable assurance the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms of the federal award. The City is required to submit a Statement of Budget, Income and Equity along with a Balance Sheet to the U.S. Department of Agriculture. In lieu of this, audited financial statements can be provided.

Condition – The City of Brandon did not submit a Statement of Budget, Income and Equity as well as a Balance Sheet, to the U.S. Department of Agriculture. Nor did the City submit audited financial statements in lieu of this requirement.

Cause – City procedures have not been established to ensure the report was submitted as required.

Effect – The lack of established policies and procedures resulted in the City's lack of timely submission of the required reports.

Recommendation – The City should establish policies and procedures to ensure reports are submitted timely in accordance with reporting requirements.

Response and Corrective Action Planned – City officials understand a previous clerk was supposed to have gotten this audit done right away. However, this was not done. As soon as current City officials received an email from the USDA, the process of trying to get the audit done was started. Now, finally, we are almost finished, and this will no longer be an issue.

Conclusion – Response accepted.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part IV: Other Findings Related to Required Statutory Reporting:

2020-A Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the public safety, 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 understands that in the future, if the City is going to spend over the budgeted amount, we will amend the budget and pass by resolution.

Conclusion – Response accepted.

2020-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> |
|----------------|----------------|---------------|
| Altorfer, Inc. | Sales tax | \$ 13 |

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.

Response – City officials understand that as a city government, the City of Brandon is sales tax exempt. We believe we have already rectified this. We now fill out and send Tax Exempt Certificates to the companies we purchase from.

Conclusion – Response accepted.

2020-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

- 2020-D Business Transactions – There were no business transactions between the City and City officials or employees.
- 2020-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.
- 2020-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.
- 2020-G City Council Minutes – Certain disbursements were not approved by the City Council prior to disbursement in accordance with Chapter 372.13(6) of the Code of Iowa. In addition, the City does not have a written disbursement approval policy allowing certain items to be paid prior to City Council approval.

Also, the City transferred \$740 from the Special Revenue, IJobs Fund and \$6,443 from the Capital Projects Fund to the Enterprise, Sewer Fund which was not approved by the City Council prior to making the transfer between funds.

Recommendation – The City should adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

In addition, the City Council should approve all transfers prior to the actual transfer and document approval and amount(s) as part of the minute records. In accordance with Section 545-2 of the City Finance Committee Rules, “A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred.”

Response – City officials understand all disbursements are to receive Council approval and that anytime money is transferred from one fund, to another, the City must approve a transfer resolution. Going forward, we will be doing this.

Conclusion – Response accepted.

- 2020-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

2020-I Questionable Donations – During the fiscal year ended June 30, 2020, the City donated \$50 to the Independence Post Prom Committee and \$175 to Pathways Behavioral Services.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to private, nonprofit corporations. Article III, Section 31 of the Constitution of the State of Iowa states “...no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation or claim be allowed by two-thirds of the members elected to each branch of the General Assembly.”

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that “a governmental body may not donate public funds to a private entity, even if the entity is established for charitable educational purposes and performs work which the government can’t perform directly. The Opinions further state, “Even if the function of a private nonprofit corporation fits within the scope of activities generally recognized as serving a public purpose, a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes.”

“Political subdivisions and municipalities, including cities, counties, schools and townships are municipal – governmental – entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support ‘public’ services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities.”

Recommendation – We are not aware of any statutory authority for the City to donate public funds to private nonprofit corporations. If the nonprofit organization provides a service to the City, the City may enter into an agreement properly established under Chapter 28E of the Code of Iowa or an ordinary contract for services similar to one they would enter with a private entity providing services. Either way, the agreement should detail the services provided and the cost of those services, as well as provide transparency for the City that allows confirmation the funds were spent as agreed and a clawback provision in the event that they are not spent as agreed. If the entity is not providing a service to the City, the City should immediately cease making future donations. Agreements to provide funding to governmental organizations should likewise be determined in advance and provide transparency on the use of the funds.

Response – The City understands and has already rectified this.

Conclusion – Response accepted.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

2020-J 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 City Fire Department maintains a bank account for activity separate from the City Clerk’s accounting records. While this Department is 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 Report.

In addition, the transactions and resulting balances of this account was not reported to the City Council and disbursements from the account were not reviewed and approved by the City Council. Also, a summary of the 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 Fire Department’s separate account 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 Report. The activity in this account 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 understands and have already discussed with audit staff about possible things we can change. The Fire Department has made it clear they want to continue with the separation.

Conclusion – Response acknowledged. The City should include all City accounts with the City’s accounting records.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

2020-K Annual Financial Report (AFR) – In accordance with Chapter 384.22 of the Code of Iowa, all cities are required to file an annual financial report with the Iowa Department of Management by December 1 each year. This report is to contain the actual revenues, expenditures, cash balances and the public debt of the City for the previous year ended on June 30.

The following conditions existed for the City of Brandon’s fiscal year 2020 (AFR):

- 1) The intergovernmental revenues, charges for services, use of money and property, and miscellaneous revenues were not consistent with the Uniform Chart of Accounts adopted by the City.
- 2) The business type activities expenses exceeded the City’s book records by \$5,276 and general government expenses were less than the City book records by \$1,335.
- 3) The fiscal year 2020 beginning balance for governmental funds was greater than the fiscal year 2019 AFR ending balance by \$37,557 and the fiscal year 2020 beginning balance for the proprietary funds was less than the fiscal year 2019 AFR ending balance by \$5,556.
- 4) The City’s bank promissory note issued by the City for a backhoe purchase in fiscal year 2019 was not listed as debt outstanding on the AFR.
- 5) The City did not file the fiscal year 2020 AFR by December 1, 2020.

Recommendation – The AFR should be adequately reviewed by someone other than the preparer to ensure all revenues, expenses, fund balances and outstanding debt are properly stated. In addition, the City should ensure the Annual Financial Report is filed by December 1 as required.

Response – The City understands the AFR was not done correctly in the past. This has already been rectified. We also understand and have already rectified meeting the submission deadline. We have been submitting all reports early.

Conclusion – Response accepted.

2020-L Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit these obligations, as required.

Recommendation – Outstanding obligations should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State, as required.

Response – These items have been submitted since the current clerk has been hired.

Conclusion – Response accepted.

City of Brandon

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

2020-M Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City Fire Department does not retain electronic images of cancelled checks.

Recommendation – The City Fire Department should retain images of both the front and back of each cancelled check as required.

Response – We will inform the Fire Department that they need to be doing this from here on out.

Conclusion – Response accepted.

City of Brandon

Staff

This audit was performed by:

Brian R. Brustkern CPA, Deputy
Suzanne R. Dahlstrom, CPA, Manager
David A. Slocum, CPA, Senior II Auditor
Dillon J. Hoit, Staff Auditor