

CITY OF BROOKLYN, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

CITY OF BROOKLYN, IOWA  
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CITY OF BROOKLYN, IOWA  
OFFICIALS  
June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Loren Rickard	Mayor	January, 2008
Ronald Stonebraker	Mayor Pro tem	January, 2008
Denise Ford	Council Member	January, 2010
John McNaul	Council Member	January, 2008
Darrel Heetland	Council Member	January, 2008
Dean Huls	Council Member	January, 2010
Lorraine Willett	Clerk	Indefinite
Louise VanErsvelde	Treasurer	Indefinite
Fred Stiefel	Attorney	Indefinite

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DAVID A. GINTHER

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Brooklyn, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of city officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by officials, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2006.

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, 2006, and except that the omission of a statement of activities and net assets results in an incomplete presentation as discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business activities, each major fund and the aggregate remaining fund information of the City of Brooklyn as of June 30, 2007 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

To the Honorable Mayor and  
Members of the City Council

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2008 on our consideration of the City of Brooklyn's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 4e and 20 through 21 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Brooklyn's basic financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

G. Newell, Bell, Kohn + Co. P.C.

Atlantic, Iowa  
January 18, 2008



City of **BROOKLYN** "Community of Flags"  
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**OFFICERS**  
 Loren J. Rickard, Mayor  
 Louise Van Ervelde, Treasurer  
 Lorraine Willett, City Clerk  
 ~ ~ ~  
 Fred Stiefel, City Attorney

**COUNCIL MEMBERS**  
 Denise L. Ford  
 Darrel N. Heetland  
 Dean A. Huls  
 John McNaul  
 Ronald J. Stonebraker

**MANAGEMENTS' DISCUSSION AND ANALYSIS**

This discussion and analysis of the City of Brooklyn's financial performance is an overview of the City's financial activities for the fiscal year, which ended June 30, 2007. Readers should consider this information in conjunction with the City's financial statements, which follow.

**2007 FINANCIAL HIGHLIGHTS**

- \*Revenues of the City increased approximately 26.11% from fiscal year 2006 to 2007 because of increased TIF funds, charges for services, and RISE Funds received for Industrial Park Capital Project.
- \*Disbursements of the City increased approximately 28.32% from fiscal year 2006 to 2007 due to an increase in Public Safety costs, Water, Sewer, Gas, & Electric costs, the Water System Improvement Project and the Industrial Park Street/Water/Sewer Extension Project.
- \* The City's total cash basis net assets increased approximately \$117,957 from fiscal year 2006 to 2007 due mainly to increased TIF funds, and charges for services.

**USING THIS ANNUAL REPORT**

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

Management's Discussion and Analysis shows basic financial statement and an overview of cash receipts and disbursements. The cash basis of accounting does not take into consideration accounts receivable or accounts payable.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This Statement includes information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other supplementary information provides detailed information about the nonmajor governmental funds and permanent funds.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

- ❖ Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. These activities are financed mainly by property taxes and state/federal grants.
- ❖ Business Type Activities include the water system, sanitary sewer system, gas and electric systems. Fees charged to the users finance these activities.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax, and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, electric, and gas funds, of which the water, gas and electric funds are considered to be major funds of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$394,085 to \$324,747 from a year ago. This analysis focuses on the changes in cash balances for governmental activities

Changes in Cash Basis Net Assets of Governmental Activities

	Year ended <u>June 30,</u> <u>2007</u>
Receipts and transfers	
Program receipts:	
Charges for services	\$ 107,397
Operating grants, contributions and restricted interest	197,033
Capital grants, contributions and restricted interest	444,450
General receipts:	
Property tax	305,169
Tax increment financing	224,031
Unrestricted interest	3,764
Loan proceeds	
State Revolving Fund Loan	236,219
Other general receipts	74,775
Transfers	<u>549,297</u>
Total receipts and transfers	2,142,135
Disbursements and transfers:	
Public safety	244,347
Public works	174,337
Culture and recreation	47,489
Community and economic development	98,857
General government	91,795
Debt service	124,529
Capital projects	943,260
Transfers	<u>486,859</u>
Total disbursements and transfers	2,211,473
Cash basis net assets beginning of year	<u>394,085</u>
Cash basis net assets end of year	<u>\$ 324,747</u>

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended <u>June 30,</u> <u>2007</u>
Receipts	
Program receipts:	
Charges for services:	
Water	\$ 286,736
Sewer	190,465
Gas	834,818
Electric	1,084,141
General receipts:	
Unrestricted investment earnings	10,554
Other general receipts	184,343
Transfers in	<u>538,202</u>
Total receipts	3,129,259
Disbursements and transfers:	
Water	309,093
Sewer	139,294
Gas	843,132
Electric	1,049,805
Transfers	<u>600,640</u>
Total disbursements	<u>2,941,964</u>
Increase in cash basis net assets	187,295
Cash basis net assets beginning of year	<u>1,591,969</u>
Cash basis net assets end of year	<u>\$ 1,779,264</u>

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As Brooklyn, Iowa completed the year, its governmental funds reported a combined fund balance of \$ 324,747 which is a decrease of \$69,338 from a year ago. Major reasons for changes in balances from fiscal year 2006 are:

\*The General Fund continues a negative balance due to a decrease in property tax revenue received and increases for public safety expenditures.

\*The Road Use Tax Fund revenue is based on per capita dollars from the state. The rate decreased somewhat, giving the city less revenue.

\*The Tax Increment Financing Fund revenues were more than the prior fiscal year due to increases in the valuation in the TIF district. The TIF fund continues to cover past debt and present capital improvement projects.

\*The Capital Projects Fund balance decreased due to expenses for capital projects that were not covered by Grants or Loans. (Water System Improvements Project, Industrial Park Water/Sewer/Streets Extension Project)

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Utility Fund balance increased \$55,592 from fiscal year 2006 due mainly to increased water usage.

The Electric and Gas Utility Funds fund balances increased by \$186,450 due to increases in usage.

## BUDGETARY HIGHLIGHTS

The City amended its budget in May and June 2007. Additional revenues included CDBG, SRF, and RISE grant revenues, revenue from the Fire Assoc. for the new fire truck purchased, and increased TIF revenues. Disbursements increased due to the purchase of a fire truck, water revenue bond principal & interest, capital project expenses, Economic Development payments, and increased expenses for meters, pumps & hydrants.

Even with the budget amendments, the City exceeded the budget in community and economic development, and debt service functions.

## DEBT ADMINISTRATION

At June 30, 2007, the City had approximately \$2,304,533 in bonds and other long-term debt, compared to approximately \$2,211,251 last year, as shown below.

### Outstanding Debt at Year-End

	June 30,	
	2007	2006
General obligation bonds and notes	\$ 705,000	\$ 781,938
Revenue bonds and notes	<u>1,599,533</u>	<u>1,429,313</u>
Total	<u>\$ 2,304,533</u>	<u>\$ 2,211,251</u>

Debt decreased as a result of approximately \$142,937 in debt principal paid during the year.

The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$705,000 is below its constitutional debt limit of \$1,512,477.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Brooklyn elected and appointed officials considered factors such as tax rates and fees that will be charged for various City activities when they adopted the 2008 budget.

Projects being considered for fiscal year 2008 are:

- \*\*Anticipated expenses associated with possession of the new community center.
- \*\*Business District Improvements Project (infrastructure, streets, lighting)

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for all money received. If you have questions about this report or need additional information, please contact Lorraine Willett, City Clerk, 138 Jackson Street, Brooklyn, Iowa 52211 or call 641-522-7066.

CITY OF BROOKLYN, IOWA  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
As of and for the year ended June 30, 2007

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 244,347	\$ 35,181	\$ 946
Public works	174,337	61,157	113,932
Culture and recreation	47,489	8,663	1,155
Community and economic development	98,857	--	--
General government	91,795	2,396	--
Debt service	124,529	--	--
Capital projects	943,260	--	81,000
Total governmental activities	1,724,614	107,397	197,033
Business type activities:			
Water	309,093	286,736	--
Sewer	139,294	190,465	--
Gas	843,132	834,818	--
Electric	1,049,804	1,084,141	--
Total business type activities	2,341,323	2,396,160	--
 Total	 \$ 4,065,937	 \$ 2,503,557	 \$ 197,033

General Receipts:

- Property tax levied for:
  - General purposes
  - Tax increment financing
  - Debt service
  - Other city tax
- Grants and contributions not restricted to a specific purpose
- Unrestricted interest on investments
- Loan proceeds
- Miscellaneous
- Transfers
- Total general receipts and transfers
- Change in cash basis net assets
- Cash basis net assets beginning of year
- Cash basis net assets end of year

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
\$ --	\$( 208,220)	\$ --	\$( 208,220)
--	752	--	752
--	( 37,671)	--	( 37,671)
--	( 98,857)	--	( 98,857)
--	( 89,399)	--	( 89,399)
--	( 124,529)	--	( 124,529)
<u>444,450</u>	<u>( 417,810)</u>	<u>--</u>	<u>( 417,810)</u>
<u>444,450</u>	<u>( 975,734)</u>	<u>--</u>	<u>( 975,734)</u>
--	--	( 22,357)	( 22,357)
--	--	51,171	51,171
--	--	( 8,314)	( 8,314)
<u>--</u>	<u>--</u>	<u>34,337</u>	<u>34,337</u>
<u>--</u>	<u>--</u>	<u>54,837</u>	<u>54,837</u>
<u>\$ 444,450</u>	<u>( 975,734)</u>	<u>54,837</u>	<u>( 920,897)</u>
	235,930	--	235,930
	224,031	--	224,031
	68,615	--	68,615
	624	--	624
	9,739	--	9,739
	3,764	10,553	14,317
	236,219	--	236,219
	65,036	184,343	249,379
	62,438	( 62,438)	--
	<u>906,396</u>	<u>132,458</u>	<u>1,038,854</u>
	( 69,338)	187,295	117,957
	<u>394,085</u>	<u>1,591,969</u>	<u>1,986,054</u>
	<u>\$ 324,747</u>	<u>\$ 1,779,264</u>	<u>\$ 2,104,011</u>

CITY OF BROOKLYN, IOWA  
 STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS - Continued  
 As of and for the year ended June 30, 2007

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts Operating Grants, Contributions, and Restricted Interest</u>
Cash Basis Net Assets			
Restricted:			
Urban renewal projects			
Debt service			
Capital projects			
Employee benefits			
Other purpose			
Unrestricted			
Total cash basis net assets			

The accompanying notes are an integral part of these statements.

<u>Program Receipts</u> Capital Grants, Contributions, and Restricted Interest	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
	\$ 61,590	\$ --	\$ 61,590
	53,882	--	53,882
	51,279	--	51,279
	35,477	--	35,477
	143,870	--	143,870
	<u>( 21,351)</u>	<u>1,779,264</u>	<u>1,757,913</u>
	<u>\$ 324,747</u>	<u>\$ 1,779,264</u>	<u>\$ 2,104,011</u>

CITY OF BROOKLYN, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2007

	General	Special Revenue Urban Renewal Tax Increment
Receipts:		
Property tax	\$ 195,888	\$ --
Tax increment financing collections	--	222,428
Other city tax	415	--
Use of money and property	12,514	--
Licenses and permits	1,367	--
Intergovernmental	44,844	--
Charges for service	61,017	--
Miscellaneous	65,823	--
Total receipts	381,868	222,428
Disbursements:		
Operating:		
Public safety	232,937	--
Public works	77,555	--
Culture and recreation	47,195	--
Community and economic development	36,000	62,857
General government	79,255	--
Debt service	15,358	40,938
Capital projects	--	25,000
Total disbursements	488,300	128,795
Excess (deficiency) of receipts over (under) disbursements	( 106,432)	93,633
Other financing sources (uses):		
CDBG	36,000	--
State Revolving Fund loan	--	--
Operating transfers in	66,533	187,103
Operating transfers out	( 63,598)	( 216,334)
Total other financing sources (uses)	38,935	( 29,231)
Net change in cash balance	( 67,497)	64,402

(continued next page)

<u>Capital Projects</u>			
<u>Industrial Park</u>	<u>Water Main</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ 108,657	\$ 304,545
--	--	1,603	224,031
--	--	209	624
--	--	989	13,503
--	--	--	1,367
81,000	--	113,932	239,776
--	--	--	61,017
--	--	1,483	67,306
<u>81,000</u>	<u>--</u>	<u>226,873</u>	<u>912,169</u>
--	--	11,410	244,347
--	--	96,782	174,337
--	--	294	47,489
--	--	--	98,857
--	--	12,540	91,795
--	--	68,233	124,529
<u>262,227</u>	<u>644,696</u>	<u>11,337</u>	<u>943,260</u>
<u>262,227</u>	<u>644,696</u>	<u>200,596</u>	<u>1,724,614</u>
( 181,227)	( 644,696)	26,277	( 812,445)
--	408,450	--	444,450
--	236,219	--	236,219
229,580	6,670	59,411	549,297
--	( 1,713)	( 205,214)	( 486,859)
<u>229,580</u>	<u>649,626</u>	<u>( 145,803)</u>	<u>743,107</u>
48,353	4,930	( 119,526)	( 69,338)

CITY OF BROOKLYN, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES - Continued  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2007

	<u>General</u>	<u>Special Revenue</u>
		<u>Urban Renewal Tax Increment</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$( 67,497)	\$ 64,402
Balance beginning of year	<u>46,146</u>	<u>( 2,812)</u>
Balance end of year	<u>\$( 21,351)</u>	<u>\$ 61,590</u>
 Cash Basis Fund Balances		
Reserved:		
Debt service	\$ --	\$ --
Unreserved:		
General fund	( 21,351)	--
Special revenue funds	--	61,590
Capital projects funds	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$( 21,351)</u>	<u>\$ 61,590</u>

The accompanying notes are an integral part of these statements.

<u>Capital Projects</u>			
<u>Industrial Park</u>	<u>Water Main</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 48,353	\$ 4,930	\$ ( 119,526)	\$ ( 69,338)
<u>( 6,958)</u>	<u>( 4,999)</u>	<u>362,708</u>	<u>394,085</u>
<u>\$ 41,395</u>	<u>\$ ( 69)</u>	<u>\$ 243,182</u>	<u>\$ 324,747</u>
\$ --	\$ --	\$ 53,882	\$ 53,882
--	--	--	( 21,351)
--	--	179,347	240,937
<u>41,395</u>	<u>( 69)</u>	<u>9,953</u>	<u>51,279</u>
<u>\$ 41,395</u>	<u>\$ ( 69)</u>	<u>\$ 243,182</u>	<u>\$ 324,747</u>

CITY OF BROOKLYN, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2007

	Enterprise Funds	
	Water	Sewer
Receipts:		
Use of money and property	\$ 2,880	\$ --
Charges for service	<u>286,736</u>	<u>190,465</u>
Total receipts	289,616	190,465
Disbursements:		
Business type activities	<u>254,105</u>	<u>107,674</u>
Total disbursements	<u>254,105</u>	<u>107,674</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	35,511	82,791
Non-operating receipts (disbursements):		
Interest on investments	2,828	1,960
Dividends received	--	--
Miscellaneous	19,198	6,368
Debt service	<u>( 54,988)</u>	<u>( 31,620)</u>
Net non-operating receipts (disbursements)	<u>( 32,962)</u>	<u>( 23,292)</u>
Excess (deficiency) of receipts over (under) disbursements	2,549	59,499
Other financing sources (uses):		
Operating transfers in	108,780	173,810
Operating transfers out	<u>( 55,737)</u>	<u>( 288,056)</u>
Total other financing sources (uses)	<u>53,043</u>	<u>( 114,246)</u>
Net change in cash balance	55,592	( 54,747)
Balance beginning of year	<u>184,293</u>	<u>286,208</u>
Balance end of year	<u>\$ 239,885</u>	<u>\$ 231,461</u>
Cash Basis Fund Balances		
Reserved for Debt Service	\$ --	\$ --
Unreserved	<u>239,885</u>	<u>231,461</u>
Total cash basis fund balances	<u>\$ 239,885</u>	<u>\$ 231,461</u>

The accompanying notes are an integral part of these statements.

Enterprise Funds			
Gas	Electric	Electric Reserve	Total
\$ 7,268	\$ 33,419	\$ --	\$ 43,567
<u>834,818</u>	<u>1,084,141</u>	<u>--</u>	<u>2,396,160</u>
842,086	1,117,560	--	2,439,727
<u>843,132</u>	<u>926,036</u>	<u>--</u>	<u>2,130,947</u>
<u>843,132</u>	<u>926,036</u>	<u>--</u>	<u>2,130,947</u>
( 1,046)	191,524	--	308,780
--	--	5,766	10,554
--	48,599	--	48,599
27,432	39,179	--	92,177
<u>--</u>	<u>( 70,231)</u>	<u>( 53,538)</u>	<u>( 210,377)</u>
<u>27,432</u>	<u>17,547</u>	<u>( 47,772)</u>	<u>( 59,047)</u>
26,386	209,071	( 47,772)	249,733
--	200,000	55,612	538,202
( 486)	( 256,361)	--	( 600,640)
<u>( 486)</u>	<u>( 56,361)</u>	<u>55,612</u>	<u>( 62,438)</u>
25,900	152,710	7,840	187,295
<u>248,481</u>	<u>645,281</u>	<u>227,706</u>	<u>1,591,969</u>
<u>\$ 274,381</u>	<u>\$ 797,991</u>	<u>\$ 235,546</u>	<u>\$ 1,779,264</u>
\$ --	\$ --	\$ 235,546	\$ 235,546
<u>274,381</u>	<u>797,991</u>	<u>--</u>	<u>1,543,718</u>
<u>\$ 274,381</u>	<u>\$ 797,991</u>	<u>\$ 235,546</u>	<u>\$ 1,779,264</u>

CITY OF BROOKLYN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Brooklyn, Iowa is a political subdivision of the State of Iowa located in Poweshiek County. It was first incorporated in 1850 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, recreation, community and economic development, and general government services. The City also provides water and sewer utilities services for its citizens. The Brooklyn Municipal Utilities provides electric and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Brooklyn has included all funds, organizations, agencies, boards, commissions and authorities (except for an immaterial library fund). 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.

Blended Component Unit

The Brooklyn Municipal Utilities is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, part of the City. The Utilities are reported as part of the City and blended in the Enterprise Fund. Its mission is to provide electric and gas service to the citizens of the City of Brooklyn. The Utilities are governed by a three-member board appointed by the City Council and the Utilities operating budget is subject to the approval of the City Council and is combined with the City's budget.

Jointly Governed Organization

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 commission: Poweshiek County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF BROOKLYN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets 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 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 that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

Capital Projects:

The Industrial Park Fund is used to reflect activity related to the construction at the Industrial Park which is expected to exceed one year.

The Water Main Fund is used to reflect activity related to the construction at the Industrial Park which is expected to exceed one year and financed with debt.

CITY OF BROOKLYN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

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

The Gas Fund accounts for the operation and maintenance of the City Utilities Gas system.

The Electric Fund accounts for the operation and maintenance of the City Utilities Electric system.

The City also reports the following additional fiduciary fund:

The Fiduciary Fund is used to account for monies and properties received and held by the City in a trustee capacity. These include expendable trust funds.

C. Measurement Focus and Basis of Accounting

The City of Brooklyn 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 assets 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.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007 disbursements exceeded the amounts budgeted in the community and economic development and debt service functions.

E. Property Taxes

According to Iowa law, the Electric Utility is required to pay property taxes on transmission lines outside of the Brooklyn city limits.

CITY OF BROOKLYN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

In addition, the Utilities had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$100,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

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

Credit risk - The City's investment in the Iowa Public Agency Investment Trust is unrated.

NOTE 3 - BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Bonds		Revenue Notes and Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 38,000	\$ 30,315	\$ 72,365	\$ 89,644	\$ 110,365	\$ 119,959
2009	39,000	28,681	73,922	86,161	112,922	114,842
2010	41,000	27,004	75,425	82,089	116,425	109,093
2011	43,000	25,241	82,957	76,940	125,957	102,181
2012	45,000	23,392	84,439	71,608	129,439	95,000
2013-2017	255,000	86,215	488,089	257,076	743,089	343,291
2018-2022	244,000	26,789	275,694	145,323	519,694	172,112
2023-2027	--	--	182,496	94,133	182,496	94,133
2028-2032	--	--	141,427	54,473	141,427	54,473
2033-2036	--	--	122,719	12,283	122,719	12,283
	<u>\$ 705,000</u>	<u>\$ 247,637</u>	<u>\$1,599,533</u>	<u>\$ 969,730</u>	<u>\$2,304,533</u>	<u>\$1,217,367</u>

CITY OF BROOKLYN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

The Code of Iowa requires that principal and interest on general obligation bonds and general obligation loan notes be paid from the Debt Service Fund.

The resolutions providing for the issuance of the revenue notes and bonds include the following provisions.

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate sinking fund accounts for the purpose of making the note principal and interest payments when due.
- c. The resolutions require that specific amounts of funds, available at the time of the delivery of the notes and bonds, be put into Principal and Interest Reserve Accounts. Whenever the sums on deposit in the Reserve Accounts have been reduced to less than the required Reserve Account Balances, there shall be deposited into such Reserve Accounts the remaining Net Revenues, after first making the required deposits into the Sinking Funds, until the amount required in the Reserve Accounts has been restored.
- d. Improvement and Extension Funds were to be established. If and to whatever extent it may become necessary to use such accumulated reserves for any allowable purpose, there shall be deposited into the Improvement Funds the remaining Net Revenues, after first making the required deposits into the Sinking Funds and the Reserve Accounts, until the sum on deposit in the Improvement Funds has been restored to the Required Improvement Funds Balance.
- e. Surplus Fund accounts were established, first for making payments into the Sinking Funds, the Reserve Accounts and the Improvement Funds. After the Sinking Funds, Reserve Accounts and the Improvement Funds contain the required reserve account balances then the monies credited to the Surplus Fund may be made available to the Utility.

CITY OF BROOKLYN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE 4 - LEASE-PURCHASE AGREEMENTS

The Brooklyn Municipal Utilities has entered into a lease-purchase agreement with the South Iowa Municipal Electric Cooperative Association for an electric project with a variable interest rate ranging from 2.7% to 5.3%. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2007:

Year Ending June 30,	Amount
2008	\$ 69,391
2009	68,647
2010	68,755
2011	69,660
2012	69,369
2013-2017	414,764
Total minimum lease payments	760,586
Less amount representing interest	220,586
Present value of net minimum lease payments	\$ 540,000

The City of Brooklyn has entered into a lease-purchase agreement with the Baystone Financial Group for the purchase of a Pumper Truck for the Brooklyn Volunteer Fire Department with an interest rate of 5.05%. The following is a schedule of the future minimum payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2007.

Year Ending June 30,	Amount
2008	\$ 30,715
2009	30,716
2010	30,716
2011	15,358
Total minimum lease payments	107,505
Less amount representing interest	7,411
Less amount representing service charges	2,674
Present value of net minimum lease payments	\$ 97,420

CITY OF BROOKLYN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE 5 - PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 3.70% (3.90% effective July 1, 2007) of their annual covered salary and the City is required to contribute 5.75% (6.05% effective July 1, 2007) of annual covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$24,405, \$21,360, and \$21,111, respectively, equal to the required contribution for each year.

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. Additionally, the City pays employees half of their accumulated sick pay upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's liability for earned vacation, half sick, and comp time leave termination payments payable to employees at June 30, 2007 is \$36,641 for sick time, \$10,761 for vacation, and \$5,994 for comp time, for a total liability of \$53,396. The liability has been computed based on rates of pay in effect at June 30, 2007.

CITY OF BROOKLYN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Employee Benefits	\$ 3,344
	Electric Fund	748
	Gas Fund	486
		<u>4,578</u>
Special Revenue		
Urban Renewal	Capital Projects	
Tax Increment Financing	Tax Increment Financing	187,103
Road Use	Employee Benefits	8,474
Maintainer Fund	Road Use	5,004
Street Improvements	General Fund	1,643
	Urban Renewal Tax	
	Increment Financing	23,000
Capital Project Fund		
Improvement Fund	Urban Renewal	
	Tax Increment Financing	1,290
	Water	20,000
Industrial Park	Sewer	229,580
Water Main	Water	6,670
Water	Urban Renewal Tax	
	Increment Financing	78,000
	Capital Projects	
	Water Main	1,713
Sewer	Urban Renewal Tax	
	Increment Financing	<u>115,334</u>
		<u>\$ 682,389</u>
General Fund Intrafund Transfers		\$ 61,955
Water Fund Intrafund Transfers		29,067
Sewer Fund Intrafund Transfers		58,476
Electric Fund Intrafund Transfers		<u>255,612</u>
		<u>\$ 405,110</u>

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

CITY OF BROOKLYN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE 8 - SERVICE AGREEMENTS

The City has an agreement with Poweshiek County to provide police protection for its citizens. The City paid \$78,587 for services during the year ended June 30, 2007, and approved an agreement in the amount of \$93,316 for the year ending June 30, 2008.

NOTE 9 - WORKERS COMPENSATION

The City is a member of the Iowa Municipalities Worker's Compensation Association (IMWCA) which provides worker's compensation coverage to its members. The members own an interest in the assets of the claims payment fund.

NOTE 10 - RISK MANAGEMENT

The City of Brooklyn 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.

NOTE 11 - INTERFUND NOTES PAYABLE

The City has an interfund loan between the Urban Renewal Fund - Tax Increment Financing and the Sewer Fund. The City advanced the funds to the Sewer Fund to construct sewer improvements on Clay Street and East Alley for sewer lining and manholes in the amount of \$209,000 which is paid back in an annual transfer of \$76,243 and will be paid off in 2009.

Additionally, a grant was given to ITWC as an incentive to build a plant in the new Brooklyn Industrial Park. This incentive grant in the amount of \$84,334 was paid out of the Sewer Fund, and is being repaid from the Urban Renewal Fund - Tax Increment Financing Account in the annual amount of \$39,091. This will be fully paid in 2008.

NOTE 12 - DEFICIT FUND BALANCES

The General Fund had a deficit balance of \$21,351. The deficit balance was a result of the loss of the City Police Department in fiscal year 2005 and the increased cost of the service agreement for police protection with the county. Future General Fund revenues will cover the deficit.

The Capital Projects Fund, Water Main Account had a deficit balance of \$69. The deficit balance was a result of the City receiving unanticipated invoices for the project. The balance will be funded by the Water Fund.

CITY OF BROOKLYN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE 13 - AGREEMENT

In 2001, the City entered into a 28E Agreement with Poweshiek County for the operation, repair and maintenance of the bridge over the Iowa Interstate Railroad for a maximum of \$25,000 annually until the City's portion of the bridges operation, repair and maintenance is paid in full with no interest due on the note. This agreement will be completed in December of 2007.

NOTE 14 - SUBSEQUENT EVENTS

The City entered into construction contracts for \$27,187 for various construction projects to be financed with City funds.

NOTE 15 - UTILITY COMMITMENTS

Power Supply - The Electric Utility participates with several other utility companies in a cooperative to purchase power. This allows the utility to garner better rates than the utility would be able to attain individually. Brooklyn has no share in any ongoing operating or construction projects at this time.

Risk Management - The Utilities are exposed to common business risks of loss. These risks are covered to the extent practical by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

Environmental Regulations - The Utilities are subject to various federal and state environmental regulations. These regulations are continuously revised and updated, resulting in ongoing compliance requirements. Management has determined the facility is currently in compliance with the applicable regulations. The Utility anticipates that any future cost incurred relating to environmental regulations will be recovered through rates charged to customers.

\* \* \*

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROOKLYN, IOWA  
 BUDGETARY COMPARISON SCHEDULE  
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - GOVERNMENTAL  
 FUNDS AND PROPRIETRY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2007

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 304,545	\$ --	\$ 304,545
Tax increment financing collections	224,031	--	224,031
Other city tax	624	--	624
Use of money and property	13,503	102,720	116,223
Licenses and permits	1,367	--	1,367
Intergovernmental	239,776	--	239,776
Charges for service	61,017	2,396,160	2,457,177
Miscellaneous	<u>67,306</u>	<u>92,177</u>	<u>159,483</u>
Total receipts	<u>912,169</u>	<u>2,591,057</u>	<u>3,503,226</u>
Disbursements:			
Public safety	244,347	--	244,347
Public works	174,337	--	174,337
Culture and recreation	47,489	--	47,489
Community and economic development	98,857	--	98,857
General government	91,795	--	91,795
Debt service	124,529	210,377	334,906
Capital projects	943,260	--	943,260
Business type activities	<u>--</u>	<u>2,130,947</u>	<u>2,130,947</u>
Total disbursements	<u>1,724,614</u>	<u>2,341,324</u>	<u>4,065,938</u>
Excess (deficiency) of receipts over (under) disbursements	( 812,445)	249,733	( 562,712)
Other financing sources (uses):			
CDBG	444,450	--	444,450
State revolving fund loan	236,219	--	236,219
Operating transfers in (out)	<u>62,438</u>	<u>( 62,438)</u>	<u>--</u>
Total other financing sources (uses)	<u>743,107</u>	<u>( 62,438)</u>	<u>680,669</u>
Net change in cash balance	( 69,338)	187,295	117,957
Balance beginning of year	<u>394,085</u>	<u>1,591,969</u>	<u>1,986,054</u>
Balance end of year	<u>\$ 324,747</u>	<u>\$ 1,779,264</u>	<u>\$ 2,104,011</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 302,610	\$ 302,610	\$ 1,935
218,776	250,776	( 26,745)
970	970	( 346)
4,625	4,625	111,598
1,560	1,560	( 193)
703,730	909,450	( 669,674)
2,509,430	2,509,430	( 52,253)
97,700	164,700	( 5,217)
<u>3,839,401</u>	<u>4,144,121</u>	<u>( 640,895)</u>
208,075	275,075	30,728
262,164	262,164	87,827
53,239	53,239	5,750
4,000	52,500	( 46,357)
117,263	117,263	25,468
68,875	109,825	( 225,081)
603,730	1,357,935	414,675
2,549,399	2,574,899	443,952
<u>3,866,745</u>	<u>4,802,900</u>	<u>736,962</u>
( 27,344)	( 658,779)	96,067
--	444,450	--
226,173	554,685	( 318,466)
<u>--</u>	<u>--</u>	<u>--</u>
<u>266,173</u>	<u>999,135</u>	<u>( 318,466)</u>
238,829	340,356	( 222,399)
<u>1,423,890</u>	<u>1,423,890</u>	<u>562,164</u>
<u>\$ 1,662,719</u>	<u>\$ 1,764,246</u>	<u>\$ 339,765</u>

CITY OF BROOKLYN, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGETARY REPORTING

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary 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, two budget amendments increased budgeted disbursements by \$936,155. The budget amendments are reflected in the final budgeted amount.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the community and economic development and debt service functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BROOKLYN, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2007

	<u>Special Revenue</u>	
	<u>Maintainer Fund</u>	<u>Employee Benefits</u>
Receipts:		
Property tax	\$ --	\$ 40,042
Tax increment financing collections	--	--
Other City tax	--	93
Use of money and property	--	251
Intergovernmental	--	--
Miscellaneous	--	1,343
Total receipts	<u>--</u>	<u>41,729</u>
Disbursements:		
Operating:		
Public safety	--	11,410
Public works	--	15,166
Culture and recreation	--	294
General government	--	12,540
Debt service	--	--
Capital projects	--	--
Total disbursements	<u>--</u>	<u>39,410</u>
Excess (deficiency) of receipts over (under) disbursements	--	2,319
Other financing sources (uses):		
Operating transfers in	5,004	--
Operating transfers out	--	( 11,817)
Total other financing sources (uses)	<u>5,004</u>	<u>( 11,817)</u>
Net change in cash balance	5,004	( 9,498)
Balance, beginning of year	<u>15,012</u>	<u>44,975</u>
Balance, end of year	<u>\$ 20,016</u>	<u>\$ 35,477</u>

(continued next page)

Schedule 1

Special Revenue		Debt Service	Capital Projects		Total
Road Use Tax	Street Improvement	Debt Service	TIF Construction	Improvement Fund	
\$ --	\$ --	\$ 68,615	\$ --	\$ --	\$ 108,657
--	--	--	1,603	--	1,603
--	--	116	--	--	209
--	--	738	--	--	989
113,932	--	--	--	--	113,932
--	140	--	--	--	1,483
<u>113,932</u>	<u>140</u>	<u>69,469</u>	<u>1,603</u>	<u>--</u>	<u>226,873</u>
--	--	--	--	--	11,410
81,616	--	--	--	--	96,782
--	--	--	--	--	294
--	--	--	--	--	12,540
--	--	68,233	--	--	68,233
--	--	--	--	11,337	11,337
<u>81,616</u>	<u>--</u>	<u>68,233</u>	<u>--</u>	<u>11,337</u>	<u>200,596</u>
32,316	140	1,236	1,603	( 11,337)	26,277
8,474	24,643	--	--	21,290	59,411
( 6,294)	--	--	( 187,103)	--	( 205,214)
<u>2,180</u>	<u>24,643</u>	<u>--</u>	<u>( 187,103)</u>	<u>21,290</u>	<u>( 145,803)</u>
34,496	24,783	1,236	( 185,500)	9,953	( 119,526)
<u>57,341</u>	<u>7,234</u>	<u>52,646</u>	<u>185,500</u>	<u>--</u>	<u>362,708</u>
<u>\$ 91,837</u>	<u>\$ 32,017</u>	<u>\$ 53,882</u>	<u>\$ --</u>	<u>\$ 9,953</u>	<u>\$ 243,182</u>

CITY OF BROOKLYN, IOWA  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2007

	Special Revenue	
	Maintainer Fund	Employee Benefits
Cash Basis Fund Balances		
Reserved:		
Debt service	\$ --	\$ --
Unreserved:		
Special revenue funds	20,016	35,477
Capital projects funds	--	--
Total cash basis fund balances	\$ 20,016	\$ 35,477

See accompanying independent auditor's report.

Schedule 1

<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>		<u>Total</u>
<u>Road Use Tax</u>	<u>Street Improvement</u>	<u>Debt Service</u>	<u>TIF Construction</u>	<u>Improvement Fund</u>	
\$ --	\$ --	\$ 53,882	\$ --	\$ --	\$ 53,882
91,837	32,017	--	--	--	179,347
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>9,953</u>	<u>9,953</u>
<u>\$ 91,837</u>	<u>\$ 32,017</u>	<u>\$ 53,882</u>	<u>\$ --</u>	<u>\$ 9,953</u>	<u>\$ 243,182</u>

CITY OF BROOKLYN, IOWA  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 FIDUCIARY FUND

As of and for the year ended June 30, 2007

	Fiduciary Fund
	Mohler Fund
Receipts:	
Use of money and property	\$           --
Total receipts	--
Disbursements:	
Culture and recreation	2,000
Total disbursements	2,000
Deficiency of receipts under disbursements	(       2,000)
Balance, beginning of year	2,000
Balance, end of year	\$           --
Cash Basis Fund Balances	
Unreserved	\$           --
Total cash basis fund balances	\$           --

See accompanying independent auditor's report.

CITY OF BROOKLYN, IOWA  
 SCHEDULE OF INDEBTEDNESS  
 Year ended June 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
General Obligation Capital Loan			
Notes:			
Corporate purpose - urban renewal	March 20, 1998	0.00%	\$ 327,500
General Obligation Bonds:			
Corporate purpose - sanitary sewer improvements	March 30, 2001	4.30%	\$ 900,000
Revenue Bonds and Notes:			
Sewer revenue bonds	March 30, 2001	4.30%	425,000
Water revenue notes	August 1, 1999	5.50%	617,992
Electric revenue notes	June 1, 2002	3.25-5.60%	575,000
Drinking water revenue bonds	April 28, 2006	3.00%	300,000
Total Bond & Notes Obligations			
Lease Purchase			
Electric project	March 1, 2002	2.70-5.30%	737,220
Fire truck lease	November 6, 2006	5.05%	110,000
Total			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 40,938	\$ --	\$ 40,938	\$ --	\$ --	\$ --
741,000	--	36,000	705,000	31,863	2,492
340,000	--	17,000	323,000	14,620	1,157
570,532	--	7,999	562,533	31,181	2,578
455,000	--	30,000	425,000	23,538	1,576
<u>63,781</u>	<u>236,219</u>	<u>11,000</u>	<u>289,000</u>	<u>4,808</u>	<u>723</u>
<u>\$2,211,251</u>	<u>\$ 236,219</u>	<u>\$ 142,937</u>	<u>\$2,304,533</u>	<u>\$ 106,010</u>	<u>\$ 8,526</u>
\$ 582,000	\$ --	\$ 42,000	\$ 540,000	\$ 28,231	\$ 994
<u>--</u>	<u>110,000</u>	<u>12,580</u>	<u>97,420</u>	<u>2,778</u>	<u>863</u>
<u>\$ 582,000</u>	<u>\$ 110,000</u>	<u>\$ 54,580</u>	<u>\$ 637,420</u>	<u>\$ 31,009</u>	<u>\$ 1,857</u>

CITY OF BROOKLYN, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2007

<u>Year ending June 30,</u>	<u>General Obligation Bonds Issued March 30, 2001</u>	
	<u>Interest Rate</u>	<u>Amount</u>
2008	4.30%	\$ 38,000
2009	4.30	39,000
2010	4.30	41,000
2011	4.30	43,000
2012	4.30	45,000
2013	4.30	47,000
2014	4.30	49,000
2015	4.30	51,000
2016	4.30	53,000
2017	4.30	55,000
2018	4.30	57,000
2019	4.30	60,000
2020	4.30	62,000
2021	4.30	<u>65,000</u>
		<u>\$ 705,000</u>

Revenue Bonds and Notes

<u>Year ending June 30,</u>	<u>Sewer Revenue Bonds Issued March 30, 2001</u>		<u>Water Revenue Notes Issued August 1, 1999</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
2008	4.30%	\$ 17,000	5.50%	\$ 8,365
2009	4.30	18,000	5.50	8,922
2010	4.30	19,000	5.50	9,425
2011	4.30	20,000	5.50	9,957
2012	4.30	21,000	5.50	10,439
2013	4.30	21,000	5.50	11,107
2014	4.30	22,000	5.50	11,734
2015	4.30	23,000	5.50	12,396
2016	4.30	24,000	5.50	13,023
2017	4.30	25,000	5.50	13,829
2018	4.30	26,000	5.50	14,609
2019	4.30	28,000	5.50	15,433
2020	4.30	29,000	5.50	16,241
2021	4.30	30,000	5.50	17,220
2022-2036		<u>--</u>	5.50	<u>389,833</u>
		<u>\$ 323,000</u>		<u>\$ 562,533</u>

See accompanying independent auditor's report.

Revenue Bonds and Notes				
Municipal Utilities Electric Revenues Notes Issued June 1, 2002		Water Revenue Bonds Issued April 28, 2006		Total
Interest Rate	Amount	Interest Rate	Amount	
4.65%	\$ 35,000	3.00%	\$ 12,000	\$ 72,365
4.85	35,000	3.00	12,000	73,922
5.00	35,000	3.00	12,000	75,425
5.10	40,000	3.00	13,000	82,957
5.20	40,000	3.00	13,000	84,439
5.25	45,000	3.00	13,000	90,107
5.30	45,000	3.00	14,000	92,734
5.40	45,000	3.00	14,000	94,396
5.50	50,000	3.00	15,000	102,023
5.60	55,000	3.00	15,000	108,829
--	--	3.00	15,000	55,609
--	--	3.00	16,000	59,433
--	--	3.00	16,000	61,241
--	--	3.00	17,000	64,220
--	--	3.00	92,000	481,833
	<u>\$ 425,000</u>		<u>\$ 289,000</u>	<u>\$1,599,533</u>

CITY OF BROOKLYN, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Program Expenditures</u>				
Indirect:							
Community Planning and Development, Department of Housing and Urban Development: Iowa Department of Economic Development Community Development Block Grants/ State's Program	14.228	05-WS-011	\$ 408,451				
Community Planning and Development, Department of Housing and Urban Development: Iowa Department of Economic Development Community Development Block Grants/ State's Program	14.228	06-ED-011	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; border-top: 1px solid black;">36,000</td> </tr> <tr> <td></td> <td style="text-align: right;">444,451</td> </tr> </table>		36,000		444,451
	36,000						
	444,451						
Environmental Protection Agency: Iowa Department of Natural Resources: Drinking Water State Revolving Fund	66.468	--	185,424				
Department of Homeland Security: Iowa Department of Public Defense Iowa Department of Homeland Security and Emergency Management: Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	--	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; border-top: 1px solid black;">26,278</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 3px double black;">\$ 656,153</td> </tr> </table>		26,278		\$ 656,153
	26,278						
	\$ 656,153						

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Brooklyn and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

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

To the Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of City of Brooklyn, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 18, 2008. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Brooklyn's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Brooklyn's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Brooklyn's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

To the Honorable Mayor and  
Members of the City Council

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Brooklyn's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Brooklyn's financial statements that is more than inconsequential will not be prevented or detected by the City of Brooklyn's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Brooklyn's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-II-A is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brooklyn's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that 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, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Brooklyn's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Brooklyn's responses and, accordingly, we express no opinion on them.

To the Honorable Mayor and  
Members of the City Council

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Brooklyn and other parties to whom the City of Brooklyn may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Gronwald, Bell, Kyhn & Co. P.C.*

Atlantic, Iowa  
January 18, 2008

# Gronewold, Bell, Kyhnn & Co. P.C.

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## Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council

### Compliance

We have audited the compliance of City of Brooklyn with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. City of Brooklyn's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to its major federal program is the responsibility of City of Brooklyn's management. Our responsibility is to express an opinion on City of Brooklyn's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Brooklyn's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Brooklyn's compliance with those requirements.

In our opinion, City of Brooklyn complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

To the Honorable Mayor and  
Members of the City Council

### Internal Control Over Compliance

The management of City of Brooklyn is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered City of Brooklyn's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Brooklyn's internal control over compliance.

A control deficiency in the City's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

City of Brooklyn's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Brooklyn's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Brooklyn and other parties to whom City of Brooklyn may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Gronwald, Bell, Kuhn & W. P. C.*

Atlantic, Iowa  
January 18, 2008

CITY OF BROOKLYN, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 - Community Development Block Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Brooklyn did not qualify as a low-risk auditee.

CITY OF BROOKLYN, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

PART II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

07-II-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: Continued work in this area will increase segregation of duties.

Conclusion: A lot of strides have been made in this area during the year with the addition of additional personnel, response accepted.

07-II-B Separately Maintained Records: The Brooklyn Library Department maintains separate accounting records pertaining to their operation. The financial transactions and resulting balances are not included in the City's accounting records.

Recommendation: Chapter 384.20 of the Code of Iowa states in part that "a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis.

Response: The Library Department's financial information will be included in the City's accounting records and reported to the Council on a monthly basis.

Conclusion: Response accepted.

CITY OF BROOKLYN, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

PART III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

CFDA Number 14.228 - Community Development Block Grant  
Federal Award Year: 2007  
Department of Housing and Urban Development  
Passed through the Iowa Department of Economic Development

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 14.228 - Community Development Block Grant  
Federal Award Year: 2007  
Department of Housing and Urban Development  
Passed through the Iowa Department of Economic Development

No matters were reported.

PART IV: Other Findings Related to Statutory Reporting

07-IV-A Certified Budget: Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the community and economic development and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response: The budget was amended, but not in an amount to sufficiently cover expenditures. In the future this will be addressed prior to the expenditures occurring.

Conclusion: Response accepted.

07-IV-B Questionable Disbursements: During the audit, we noted no expenditures for parties, banquets or other entertainment for employees or Council members that we believe may constitute an unlawful expenditure of public funds as defined in an Attorney General's opinion dated April 25, 1979.

07-IV-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

CITY OF BROOKLYN, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

PART IV: Other Findings Related to Statutory Reporting - Continued

07-IV-D Business Transactions: In accordance with Chapter 362.5(10) of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.

07-IV-E 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 that the coverage is adequate for current operations.

07-IV-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

07-IV-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa, except for the one CD the City holds for the Brooklyn Volunteer Fire Department. It was invested below the minimum rates set by the Rate Setting Committee.

Recommendation: All monies invested in CD's or bonds should be invested at the minimum rates set by the Rate Setting Committee.

Response: We will review in the future.

Conclusion: Response accepted.

07-IV-H Revenue Bonds and Notes: The City has complied with the revenue bond and note resolutions.

07-IV-I City Code: The City last had its City Code recodified in 2000. Chapter 380.8 of the Code of Iowa states in part, "At least once every five years, a City shall compile a code or ordinances containing all of the City ordinances in effect, except grade ordinances, bond ordinances, zoning ordinances and ordinances vacating streets and alleys."

Recommendation: The City should have its City Code recodified as required by the Code of Iowa

Response: We are currently working on recodifying.

Conclusion: Response accepted.

CITY OF BROOKLYN, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

PART IV: Other Findings Related to Statutory Reporting - Continued

07-IV-J Financial Condition: The General Fund had a deficit balance of \$21,351 at June 30, 2007. In addition, the Capital Projects Fund, Water Main Account had a deficit balance of \$69 at June 30, 2007.

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response: The City will comply.

Conclusion: Response accepted.

\* \* \*