



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

June 25, 2014

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on the City of Brooklyn, Iowa.

The City's receipts totaled \$4,941,783 for the year ended June 30, 2013. The receipts included \$436,602 in property tax, \$424,115 from tax increment financing, \$2,863,537 from charges for service, \$425,985 from operating grants, contributions and restricted interest, \$24,318 from capital grants, contributions and restricted interest, \$133,856 from local option sales tax, \$8,140 from unrestricted interest on investments, \$581,057 of note proceeds and \$44,173 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$4,600,474, and included \$578,308 for payments to the note refunding agent, \$426,902 for public safety, \$379,965 for debt service and \$196,737 for public works. Also, disbursements for business type activities totaled \$2,705,983.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1321-0743-B00F.pdf>.

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CITY OF BROOKLYN
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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City of Brooklyn

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Solem	Mayor	Jan 2014
Nathan Hopwood	Council Member	Jan 2014
Nathan Taylor	Council Member	Jan 2014
Mark Davis	Council Member	Jan 2016
Chris Keller	Council Member	Jan 2016
Ron Vercande	Council Member	Jan 2016
Sheri Sharer	City Clerk	Indefinite
Louise VanErsvelde	City Treasurer	Indefinite
Tammy Kriegel	Deputy City Clerk	Indefinite
Fred Stiefel	Attorney	Indefinite

City of Brooklyn



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Brooklyn, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

Qualified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2012, as discussed in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Brooklyn as of June 30, 2013, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brooklyn’s basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, 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, 2012, as discussed in the Basis for Qualified Opinions paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management’s Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 29, 2014 on our consideration of the City of Brooklyn’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Brooklyn’s internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Brooklyn provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2013 FINANCIAL HIGHLIGHTS

- The cash basis net position of the City's governmental activities increased approximately \$486,000 during the fiscal year, primarily due to collecting more local option sales tax and tax increment financing than was spent during the year.
- The cash basis net position of the City's business type activities decreased approximately \$145,000 during the fiscal year, primarily due to disbursements exceeding receipts in the Enterprise, Electric Fund and the Enterprise, Sewer Fund.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, the electric system and the gas system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Sewer, Electric and Gas Funds, considered to be major funds of the City.

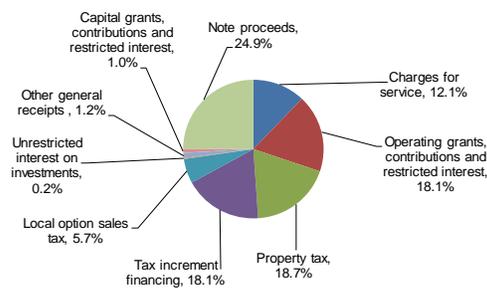
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

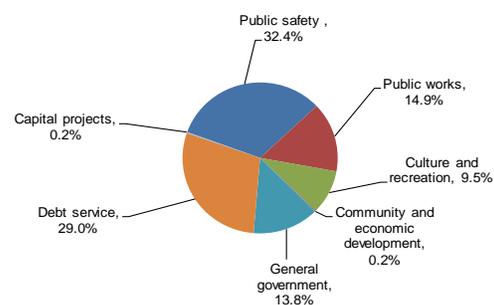
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$714,007 to \$1,200,324. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities	
	Year ended June 30, 2013
Receipts:	
Program receipts:	
Charges for service	\$ 282,588
Operating grants, contributions and restricted interest	425,985
Capital grants, contributions and restricted interest	24,318
General receipts:	
Property tax	436,602
Tax increment financing	424,115
Local option sales tax	133,856
Unrestricted interest on investments	1,301
Note proceeds, net of discount	581,057
Other general receipts	28,361
Total receipts	<u>2,338,183</u>
Disbursements:	
Public safety	426,902
Public works	196,737
Culture and recreation	125,193
Community and economic development	2,713
General government	182,646
Debt service	379,965
Capital projects	2,027
Payment to note refunding agent	578,308
Total disbursements	<u>1,894,491</u>
Change in cash basis net position before transfers	443,692
Transfers, net	<u>42,625</u>
Change in cash basis net position	486,317
Cash basis net position beginning of year	<u>714,007</u>
Cash basis net position end of year	<u>\$ 1,200,324</u>

Receipts by Source



Disbursements by Function



Total business type activities cash basis net position decreased approximately \$145,000 from a year ago, from \$1,894,932 to \$1,749,924.

<u>Changes in Cash Basis Net Position of Business Type Activities</u>	
	<u>Year ended June 30, 2013</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 376,876
Sewer	209,672
Electric	1,394,708
Gas	599,693
General receipts:	
Unrestricted interest on investments	6,839
Miscellaneous	15,812
Total receipts	<u>2,603,600</u>
Disbursements:	
Water	314,330
Sewer	201,911
Electric	1,582,739
Gas	607,003
Total disbursements	<u>2,705,983</u>
Change in cash basis net position before transfers	(102,383)
Transfers, net	<u>(42,625)</u>
Change in cash basis net position	(145,008)
Cash basis net position beginning of year	<u>1,894,932</u>
Cash basis net position end of year	<u>\$ 1,749,924</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Brooklyn completed the year, its governmental funds reported a combined fund balance of \$1,200,324, an increase of \$486,317 above last year's total of \$714,007. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$82,324 over the prior year to \$107,934. The increase is due to receipts and transfers in exceeding disbursements for the fiscal year.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$281,765 at the end of the fiscal year, an increase of \$106,446 over the previous year. The increase was the result of incremental property tax generated from the increased taxable valuation in the district.
- The Special Revenue, Brooklyn, East Poweshiek County Volunteer Ambulance Service Fund cash balance increased modestly from \$153,083 to \$167,600 by the end of the year.
- The Debt Service Fund cash balance increased \$411 to \$52,063.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$60,533 to a year-end balance of \$207,342, primarily due to an increase in charges for service.
- The Enterprise, Sewer Fund cash balance decreased \$23,187 to a year-end balance of \$552,857, primarily due to transfers out for debt service.
- The Enterprise, Electric Fund cash balance decreased \$183,939 to a year-end balance of \$430,092, primarily due to disbursements exceeding receipts, including \$283,028 spent on improvements.
- The Enterprise, Gas Fund cash balance increased \$1,585 to a year-end balance of \$559,633.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 20, 2013 and resulted in an increase in budgeted operating disbursements related to public safety and business type activities.

The City’s receipts were \$381,079 less than budgeted. This was primarily due to the City planning to receive grants for projects during the fiscal year when these projects were delayed.

Total disbursements were \$641,304 less than the budget. Actual disbursements for the business type activities, public works and capital projects functions were \$301,267, \$166,892 and \$97,973, respectively, less than the budget. This was primarily due to the City not completing capital projects as originally planned. The City budgeted for a road project which did not start until the 2013/2014 budget year.

The City exceeded the amounts budgeted in the community and economic development and general government functions for the year ended June 30, 2013 due to higher costs which were not budgeted.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$4,097,318 of notes and other long-term debt outstanding, compared to \$4,404,408 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation capital loan notes	\$ 2,852,000	3,029,000
Revenue bonds/notes	574,000	651,000
Lease purchase agreement	167,000	208,983
Loan agreement	504,318	515,425
Total	\$ 4,097,318	4,404,408

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt is \$2,452,000, adjusted for the annually appropriated debt payments on the \$620,000 of notes issued in March 2011, which is below its constitutional debt limit of approximately \$3,184,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Brooklyn's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities.

The fiscal year 2014 budget contains total receipts of \$4,305,795 and disbursements of \$4,246,737, which is a decrease from the fiscal year 2013 budget which contained total amended receipts of \$4,539,802 and amended disbursements of \$4,492,200.

The fiscal year 2014 property tax levy is \$15.49342 per \$1,000 of taxable valuation, an increase from \$15.45586 per \$1,000 of taxable valuation for fiscal year 2013. The debt service levy increased from \$1.57168 per \$1,000 of taxable valuation for fiscal year 2013 to \$3.95605 per \$1,000 of taxable valuation for fiscal year 2014.

These parameters were taken into account when adopting the budget for fiscal year 2014.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sheri Sharer, City Clerk, 138 Jackson, Brooklyn, Iowa 52211.

Basic Financial Statements

City of Brooklyn

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 426,902	181,938	228,004	-
Public works	196,737	70,924	144,052	-
Culture and recreation	125,193	28,322	48,073	-
Community and economic development	2,713	-	1,214	-
General government	182,646	1,404	4,642	-
Debt service	379,965	-	-	-
Capital projects	2,027	-	-	24,318
Total governmental activities	1,316,183	282,588	425,985	24,318
Business type activities:				
Water	314,330	376,876	-	-
Sewer	201,911	209,672	-	-
Electric	1,582,739	1,394,708	-	-
Gas	607,003	599,693	-	-
Total business type activities	2,705,983	2,580,949	-	-
Total	\$ 4,022,166	2,863,537	425,985	24,318
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds, net of \$3,943 of discount				
Payment to refunding note agent				
Sale of capital assets				
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:				
Urban renewal purposes				
Ambulance service				
Debt service				
Local option sales tax				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(16,960)	-	(16,960)
18,239	-	18,239
(48,798)	-	(48,798)
(1,499)	-	(1,499)
(176,600)	-	(176,600)
(379,965)	-	(379,965)
22,291	-	22,291
(583,292)	-	(583,292)
-	62,546	62,546
-	7,761	7,761
-	(188,031)	(188,031)
-	(7,310)	(7,310)
-	(125,034)	(125,034)
(583,292)	(125,034)	(708,326)
373,972	-	373,972
62,630	-	62,630
424,115	-	424,115
133,856	-	133,856
1,301	6,839	8,140
581,057	-	581,057
(578,308)	-	(578,308)
15,398	-	15,398
12,963	15,812	28,775
42,625	(42,625)	-
1,069,609	(19,974)	1,049,635
486,317	(145,008)	341,309
714,007	1,894,932	2,608,939
\$ 1,200,324	1,749,924	2,950,248
\$ 281,765	-	281,765
167,600	-	167,600
52,063	77,092	129,155
88,673	-	88,673
193,965	-	193,965
318,095	-	318,095
98,163	1,672,832	1,770,995
\$ 1,200,324	1,749,924	2,950,248

City of Brooklyn

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

As of and for the year ended June 30, 2013

	Special Revenue		
	General	Urban Renewal Tax Increment	Brooklyn, East Poweshiek County Volunteer Ambulance Service
Receipts:			
Property tax	\$ 256,109	-	-
Tax increment financing	-	424,115	-
Other city tax	6,142	-	-
Licenses and permits	1,414	-	-
Use of money and property	25,758	920	2,828
Intergovernmental	60,060	-	-
Charges for service	98,446	-	180,519
Miscellaneous	110,980	-	2,151
Total receipts	558,909	425,035	185,498
Disbursements:			
Operating:			
Public safety	174,040	-	170,981
Public works	79,659	-	-
Culture and recreation	118,782	-	-
Community and economic development	673	-	-
General government	157,546	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	530,700	-	170,981
Excess (deficiency) of receipts over (under) disbursements	28,209	425,035	14,517
Other financing sources (uses):			
Note proceeds, net of \$3,943 of discount	-	-	-
Payment to refunding note agent	-	-	-
Operating transfers in	54,115	31,157	-
Operating transfers out	-	(349,746)	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	54,115	(318,589)	-
Change in cash balances	82,324	106,446	14,517
Cash balances beginning of year	25,610	175,319	153,083
Cash balances end of year	\$ 107,934	281,765	167,600
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	\$ -	281,765	-
Ambulance service	-	-	167,600
Debt service	-	-	-
Local option sales tax purposes	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	107,934	-	-
Cash Total cash basis fund balances	\$ 107,934	281,765	167,600

See notes to financial statements.

Debt Service	Nonmajor	Total
62,630	111,408	430,147
-	-	424,115
-	134,169	140,311
-	-	1,414
-	11,659	41,165
-	166,052	226,112
-	-	278,965
-	86,368	199,499
62,630	509,656	1,741,728
-	81,881	426,902
-	117,078	196,737
-	6,411	125,193
-	2,040	2,713
-	25,100	182,646
379,965	-	379,965
-	2,027	2,027
379,965	234,537	1,316,183
(317,335)	275,119	425,545
581,057	-	581,057
(578,308)	-	(578,308)
314,997	114,526	514,795
-	(122,424)	(472,170)
-	15,398	15,398
317,746	7,500	60,772
411	282,619	486,317
51,652	308,343	714,007
52,063	590,962	1,200,324
-	-	281,765
-	-	167,600
52,063	-	52,063
-	88,673	88,673
-	193,965	193,965
-	318,095	318,095
-	(9,771)	98,163
52,063	590,962	1,200,324

Exhibit C

City of Brooklyn

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

As of and for the year ended June 30, 2013

	Enterprise				
	Water	Sewer	Electric	Gas	Total
Operating receipts:					
Charges for service	\$ 376,876	209,672	1,394,708	599,693	2,580,949
Operating disbursements:					
Business type activities	241,283	164,195	1,196,888	568,087	2,170,453
Excess of operating receipts over operating disbursements	135,593	45,477	197,820	31,606	410,496
Non-operating receipts (disbursements):					
Interest on investments	525	1,949	2,249	2,116	6,839
Miscellaneous	3,196	3,994	1,843	6,779	15,812
Debt service	(16,948)	(27,954)	(102,823)	-	(147,725)
Capital projects	(56,099)	(9,762)	(283,028)	(38,916)	(387,805)
Net non-operating receipts (disbursements)	(69,326)	(31,773)	(381,759)	(30,021)	(512,879)
Excess (deficiency) of receipts over (under) disbursements	66,267	13,704	(183,939)	1,585	(102,383)
Operating transfers out	(5,734)	(36,891)	-	-	(42,625)
Change in cash balances	60,533	(23,187)	(183,939)	1,585	(145,008)
Cash balances beginning of year	146,809	576,044	614,031	558,048	1,894,932
Cash balances end of year	\$ 207,342	552,857	430,092	559,633	1,707,299
Cash Basis Fund Balances					
Restricted for debt service	\$ -	5,517	71,575	-	77,092
Unrestricted	207,342	547,340	358,517	559,633	1,672,832
Total cash basis fund balances	\$ 207,342	552,857	430,092	559,633	1,749,924

See notes to financial statements.

City of Brooklyn

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Brooklyn is a political subdivision of the State of Iowa located in Poweshiek County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, electric 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. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Brooklyn (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Units

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

The Brooklyn, East Poweshiek County Volunteer Ambulance Service, Inc. was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Brooklyn, East Poweshiek County Volunteer Ambulance Service, Inc. is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Brooklyn Library Building Fund, Inc. was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Brooklyn Library Building Fund, Inc. is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The financial transactions of the Brooklyn, East Poweshiek County Volunteer Ambulance Service, Inc. and the Brooklyn Library Building Fund, Inc. are reported as Special Revenue Funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Poweshiek County Assessor's Conference Board, Poweshiek County Emergency Management Commission and Poweshiek County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as 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 service.

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

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 category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Brooklyn, East Poweshiek County Volunteer Ambulance Service Fund is used to account for the charges for service and operation of the ambulance service.

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

The City reports the following major proprietary funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the community and economic development and general government functions.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2013 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.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$265,609 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City’s investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Bonds/ Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 279,000	96,661	78,000	22,015	357,000	118,676
2015	291,000	88,907	79,000	18,640	370,000	107,547
2016	303,000	80,391	86,000	15,190	389,000	95,581
2017	310,000	70,717	92,000	11,360	402,000	82,077
2018	317,000	60,255	38,000	7,170	355,000	67,425
2019-2023	1,252,000	142,087	155,000	18,390	1,407,000	160,477
2024-2026	100,000	3,225	46,000	2,790	146,000	6,015
Total	\$ 2,852,000	542,243	574,000	95,555	3,426,000	637,798

Revenue Bonds/Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$425,000 of sewer revenue bonds issued in May 2001. Proceeds from the bonds provided financing for the construction of sewer main extensions. The bonds are payable solely from sewer customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 62% of net receipts. The total principal and interest remaining to be paid on the bonds is \$236,430. For the current year, principal and interest paid and total customer net receipts were \$27,840 and \$45,477, respectively.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$575,000 of electric revenue notes issued in June 2002. Proceeds from the notes provided financing for the construction of electric system improvements. The notes are payable solely from electric customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 30% of net receipts. The total principal and interest remaining to be paid on the notes is \$222,815. For the current year, principal and interest paid and total customer net receipts were \$58,008 and \$197,820, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$245,000 of water revenue bonds issued in April 2006 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 13% of net receipts. The total principal and interest remaining to be paid on the bonds is \$210,310. For the current year, principal and interest paid and total customer net receipts were \$16,490 and \$135,593, respectively.

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

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the fund.
- (b) Water and sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the annual installments of principal and interest on the bonds falling due in the same year.

Electric user rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the annual installments of principal and interest on the notes falling due in the same year.

- (c) Sufficient monthly transfers shall be made to a separate electric revenue note sinking account within the Enterprise, Electric Fund for the purpose of making the note principal and interest payments when due.
- (d) The specific minimum balances required for the electric reserve and electric improvement accounts have been accumulated. The electric reserve account is restricted for the purpose of paying, at maturity, principal or interest on the notes when insufficient money shall be available in the sinking account. The electric improvement account is restricted for the cost of capital improvements to the Utility.

Poweshiek Water Association Agreement

On October 5, 1998, the City entered into a loan agreement with the Poweshiek Water Association for \$617,992, with interest at 5.50% per annum, to purchase and provide water. The agreement is payable through 2035 and requires monthly payments of \$3,917, which includes \$652 for reserve and replacement to the Poweshiek Water Association.

During the year ended June 30, 2013, the City paid \$41,592 of principal and interest under the agreement.

General Obligation Refunding Notes

On April 1, 2013, the City issued \$585,000 of general obligation refunding notes for the purpose of advance refunding \$490,000 of general obligation notes dated January 15, 2010. The notes bear interest at .45% to 2.15% per annum and mature June 1, 2025.

The City entered into an escrow agreement whereby the proceeds from the general obligation refunding notes were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation notes as they become due. After the principal and interest on all of the outstanding notes have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be refunded to the City. The transactions, balances and liabilities of the escrow account are not recorded by the City. The amount of the refunded general obligation notes considered extinguished and, therefore, excluded from long-term debt was \$460,000 at June 30, 2013.

(4) Lease Purchase Agreement

The Brooklyn Municipal Utilities entered into a lease purchase agreement with the South Iowa Municipal Electric Cooperative Association for an electric project. The original lease term was for fifteen years, with interest at rates ranging from 2.70% to 5.30% per annum. In February 2012, the South Iowa Municipal Electric Cooperative Association refunded its Series 2002 Bonds. The new remaining lease term is for four years, with interest rates from .85% to 1.85% per annum. Because the City's installments partially funded a reserve, the reserve was used by the South Iowa Municipal Electric Cooperative Association to lower the outstanding principal. The present value of net minimum lease payments under the agreement in effect at June 30, 2013 is as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2014	\$ 42,460
2015	43,039
2016	43,486
2017	44,814
Total minimum lease payments	<u>173,799</u>
Less amount representing interest	<u>(6,799)</u>
Present value of net minimum lease payments	<u>\$ 167,000</u>

Payments under the lease purchase agreement totaled \$44,815 during the year ended June 30, 2013.

(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 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2013 was \$22,182, equal to the required contribution for the year.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their families. There are 4 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City, Brooklyn Municipal Utilities and plan members are \$459 and \$959 for single coverage and \$1,535 and \$2,013 for family coverage, respectively. For the year ended June 30, 2013, the City and Brooklyn Municipal Utilities contributed \$41,171 and \$78,673, respectively, and there were no contributions from eligible plan members.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 11,000
Sick leave	17,000
Compensatory time	<u>3,000</u>
Total	<u>\$ 31,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2013.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 12,000
	Employee Benefits	30,255
	Capital Projects	392
	Enterprise:	
	Water	5,734
	Sewer	5,734
		<u>54,115</u>
Special Revenue:	Enterprise:	
Urban Renewal Tax Increment	Sewer	<u>31,157</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	260,220
	Local Option Sales Tax	54,777
		<u>314,997</u>
Special Revenue:	Special Revenue:	
Redevelopment Incentive	Urban Renewal Tax Increment	<u>10,000</u>
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment	79,526
	Local Option Sales Tax	25,000
		<u>104,526</u>
Total		<u>\$ 514,795</u>

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

(9) Risk Management

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

(10) Deficit Balance

The Special Revenue, Redevelopment Incentive Fund had a deficit balance of \$9,771 at June 30, 2013. The City intends to eliminate the deficit by a transfer of funds.

Other Information

City of Brooklyn
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	430,147	-	-
Tax increment financing	424,115	-	-
Other city tax	140,311	-	-
Licenses and permits	1,414	-	-
Use of money and property	41,165	6,839	3,185
Intergovernmental	226,112	-	-
Charges for service	278,965	2,580,949	180,519
Special assessments	-	-	-
Miscellaneous	199,499	15,812	2,901
Total receipts	<u>1,741,728</u>	<u>2,603,600</u>	<u>186,605</u>
Disbursements:			
Public safety	426,902	-	170,981
Public works	196,737	-	-
Culture and recreation	125,193	-	289
Community and economic development	2,713	-	-
General government	182,646	-	-
Debt service	379,965	-	-
Capital projects	2,027	-	-
Business type activities	-	2,705,983	-
Total disbursements	<u>1,316,183</u>	<u>2,705,983</u>	<u>171,270</u>
Excess (deficiency) of receipts over (under) disbursements	425,545	(102,383)	15,335
Other financing sources, net	60,772	(42,625)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	486,317	(145,008)	15,335
Balances beginning of year	714,007	1,894,932	212,140
Balances end of year	<u>\$ 1,200,324</u>	<u>1,749,924</u>	<u>227,475</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
430,147	425,954	501,473	(71,326)
424,115	402,000	402,000	22,115
140,311	145,973	145,973	(5,662)
1,414	1,035	1,035	379
44,819	3,928	3,928	40,891
226,112	383,933	383,933	(157,821)
2,679,395	3,098,060	3,098,060	(418,665)
-	800	800	(800)
212,410	2,600	2,600	209,810
4,158,723	4,464,283	4,539,802	(381,079)
255,921	244,425	286,425	30,504
196,737	363,629	363,629	166,892
124,904	136,826	136,826	11,922
2,713	2,200	2,200	(513)
182,646	159,415	159,415	(23,231)
379,965	436,455	436,455	56,490
2,027	100,000	100,000	97,973
2,705,983	2,871,575	3,007,250	301,267
3,850,896	4,314,525	4,492,200	641,304
307,827	149,758	47,602	260,225
18,147	-	(156,096)	174,243
325,974	149,758	(108,494)	434,468
2,396,799	2,258,093	2,258,093	138,706
2,722,773	2,407,851	2,149,599	573,174

City of Brooklyn

Notes to Other Information – Budgetary Reporting

June 30, 2013

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$177,675. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the community and economic development and general government functions.

Supplementary Information

City of Brooklyn

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

As of and for the year ended June 30, 2013

	Local Option Sales Tax	Road Use Tax	Employee Benefits	Special Re devel- opment Incentive
Receipts:				
Property tax	\$ -	-	111,408	-
Other city tax	133,856	-	313	-
Use of money and property	295	-	-	-
Intergovernmental	-	140,584	-	-
Miscellaneous	-	-	75,519	-
Total receipts	134,151	140,584	187,240	-
Disbursements:				
Operating:				
Public safety	-	-	80,342	-
Public works	1,056	99,805	16,217	-
Culture and recreation	-	-	4,574	-
Community and economic development	2,040	-	-	-
General government	-	-	25,100	-
Capital projects	-	-	-	-
Total disbursements	3,096	99,805	126,233	-
Excess (deficiency) of receipts over (under) disbursements	131,055	40,779	61,007	-
Other financing sources (uses):				
Operating transfers in	-	-	-	10,000
Operating transfers out	(91,777)	-	(30,255)	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(91,777)	-	(30,255)	10,000
Change in cash balances	39,278	40,779	30,752	10,000
Cash balances beginning of year	49,395	26,617	61,565	(19,771)
Cash balances end of year	\$ 88,673	67,396	92,317	(9,771)
Cash Basis Fund Balances				
Restricted for:				
Local option sales tax purposes	\$ 88,673	-	-	-
Capital projects	-	-	-	-
Other purposes	-	67,396	92,317	-
Unassigned	-	-	-	(9,771)
Total cash basis fund balances	\$ 88,673	67,396	92,317	(9,771)

See accompanying independent auditor's report.

Revenue				
Brooklyn Volunteer Fire Department	Brooklyn Library Building Fund, Inc.	Friends of the Brooklyn Library	Capital Projects	Total
-	-	-	-	111,408
-	-	-	-	134,169
10,778	357	1	228	11,659
1,150	-	-	24,318	166,052
361	750	1,029	8,709	86,368
12,289	1,107	1,030	33,255	509,656
1,539	-	-	-	81,881
-	-	-	-	117,078
-	289	1,548	-	6,411
-	-	-	-	2,040
-	-	-	-	25,100
-	-	-	2,027	2,027
1,539	289	1,548	-	234,537
10,750	818	(518)	33,255	275,119
-	-	-	104,526	114,526
-	-	-	(392)	(122,424)
-	-	-	15,398	15,398
-	-	-	119,532	7,500
10,750	818	(518)	152,787	284,646
84,868	59,057	3,407	43,205	308,343
95,618	59,875	2,889	195,992	592,989
-	-	-	-	88,673
-	-	-	193,965	193,965
95,618	59,875	2,889	-	318,095
-	-	-	-	(9,771)
95,618	59,875	2,889	193,965	590,962

City of Brooklyn
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Series 2001	May 16, 2001	4.30%	\$ 900,000
Series 2008	May 1, 2008	2.70-4.30	1,800,000
Series 2010A	Jan 15, 2010	2.00-4.25	550,000
Series 2011A	Mar 15, 2011	1.25-3.75	620,000
Series 2013A	Apr 1, 2013	0.45-2.15	585,000
Total			
Revenue bonds/notes:			
Sewer bonds	May 16, 2001	3.00-4.30% ^	\$ 425,000
Electric notes	Jun 1, 2002	3.25-5.60	575,000
Water bonds	Apr 28, 2006	3.00 *	245,000
Total			
Lease purchase agreement:			
Electric generation units	Apr 1, 2013	.85-1.85%	\$ 208,983
Loan agreement:			
Water	Oct 5, 1998	5.50%	\$ 617,992

^ - The City is required to annually pay a .05% service fee on the outstanding principal balance.

* - The City is required to annually pay a .25% service fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
499,000	-	47,000	452,000	14,970
1,490,000	-	110,000	1,380,000	58,815
490,000	-	490,000	-	8,906
550,000	-	75,000	475,000	15,405
-	585,000	40,000	545,000	1,342
\$ 3,029,000	585,000	762,000	2,852,000	99,438
228,000	-	21,000	207,000	6,840
240,000	-	45,000	195,000	13,008
183,000	-	11,000	172,000	5,490
\$ 651,000	-	77,000	574,000	25,338
208,983	-	41,983	167,000	2,832
515,425	-	11,107	504,318	30,485

City of Brooklyn
Bond and Note Maturities
June 30, 2013

General Obligation Capital Loan Notes										
Year	Series 2001		Series 2008		Series 2011A		Series 2013A		Total	
	Issued May 16, 2001		Issued May 1, 2008		Issued Mar 15, 2011		Issued April 1, 2013			
Ending	Interest		Interest		Interest		Interest			
June 30,	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount		
2014	4.30%	\$ 49,000	3.45%	\$ 115,000	2.00%	\$ 75,000	0.45%	\$ 40,000	279,000	
2015	4.30	51,000	3.60	120,000	2.40	75,000	0.45	45,000	291,000	
2016	4.30	53,000	3.75	125,000	2.85	80,000	0.95	45,000	303,000	
2017	4.30	55,000	3.90	130,000	3.25	80,000	0.95	45,000	310,000	
2018	4.30	57,000	4.00	135,000	3.50	80,000	0.95	45,000	317,000	
2019	4.30	60,000	4.10	140,000	3.75	85,000	1.55	40,000	325,000	
2020	4.30	62,000	4.15	145,000	-	-	1.55	45,000	252,000	
2021	4.30	65,000	4.20	150,000	-	-	1.55	45,000	260,000	
2022	-	-	4.25	155,000	-	-	2.15	45,000	200,000	
2023	-	-	4.30	165,000	-	-	2.15	50,000	215,000	
2024	-	-	-	-	-	-	2.15	50,000	50,000	
2025	-	-	-	-	-	-	2.15	50,000	50,000	
2026	-	-	-	-	-	-	-	-	-	
Total		<u>\$ 452,000</u>		<u>\$ 1,380,000</u>		<u>\$ 475,000</u>		<u>\$ 545,000</u>	<u>2,852,000</u>	

See accompanying independent auditor's report.

City of Brooklyn



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Brooklyn, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 29, 2014. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Brooklyn's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Brooklyn's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Brooklyn's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described of the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Brooklyn's Responses to the Findings

The City of Brooklyn's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Brooklyn's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Brooklyn during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 29, 2014

City of Brooklyn

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas for the City:
- (1) Petty cash – Depositing, reconciling and recording of receipts is done by the custodian of the change funds.
 - (2) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.
 - (3) Investments - The person responsible for the detailed record keeping of investments is also the custodian of the investments. Investments are not periodically inspected or reconciled to investment records by an independent person and an independent verification of interest earnings is not performed.
 - (4) Receipts – opening mail, collecting, recording, depositing, reconciling and posting. An initial listing of mail receipts is not prepared, even on a test basis.
 - (5) Payroll – employees prepare timesheets, but timesheets are not approved by supervisors.
 - (6) Journal entries – preparing and journalizing with no independent review.
 - (7) Long-term debt – The person responsible for maintaining records for long-term debt also performs cash functions.

For the Brooklyn Municipal Utilities, opening mail, collecting, recording, depositing, reconciling, posting and maintaining accounts receivable records are done by the same person. Also, the initial listing of mail receipts is not compared to receipt records by an independent person.

For the Brooklyn Volunteer Fire Department, the Brooklyn, East Poweshiek County Volunteer Ambulance Service, the Brooklyn Library Building Fund and the Friends of the Brooklyn Library, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements - preparing, recording and reconciling.
- (3) Also, bank reconciliations are not reviewed by an independent person for propriety.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2013

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, Brooklyn Municipal Utilities, Brooklyn Volunteer Fire Department, Brooklyn, East Poweshiek County Volunteer Ambulance Service, Brooklyn Library Building Fund and the Friends of the Brooklyn Library should review their control procedures, including utilizing elected officials and Board members, to obtain the maximum internal control possible under the circumstances.

Responses –

City – We will review our internal controls to obtain the maximum internal control possible under the circumstances.

Brooklyn Municipal Utilities – One person does handle these duties. However, a listing of receipts is handwritten when received with names and amounts.

Brooklyn Volunteer Fire Department – We will implement a new policy where the Chief and Secretary sign off on the monthly financial reports given by the Treasurer to verify against the monthly bank statement.

Brooklyn, East Poweshiek County Volunteer Ambulance Service – The President will sign off on her copies of the bank reconciliations.

Brooklyn Library Building Fund and the Friends of the Brooklyn Library – The Brooklyn Library Building Fund and the Friends of the Brooklyn Library will implement new policies and have the President of the Board and the President of the Friends check and sign off on the monthly bank reconciliations which are given by the treasurer of each group.

Conclusions –

City – Response accepted.

Brooklyn Municipal Utilities – Response acknowledged. This initial listing should be compared to receipt records by an independent person.

Brooklyn Volunteer Fire Department and Brooklyn, East Poweshiek County Volunteer Ambulance Service – Responses acknowledged. Independent review should include review of monthly bank statements, including redeemed checks and monthly deposits.

Brooklyn Library Building Fund and the Friends of the Brooklyn Library – Responses acknowledged. Independent review should include review of monthly bank statements, redeemed checks and monthly deposits.

- (B) Financial Reporting – During the audit, we identified a material amount of transfers incorrectly posted as receipts and disbursements.

Recommendation – The City should implement procedures to ensure transfers are properly recorded in the City's financial statements.

Response – The City will implement a procedure to ensure transfers are properly recorded.

Conclusion – Response accepted.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2013

- (C) Software – The software package used by the City has limited capabilities because the software developer no longer supports the software. This may cause the City to lose the ability to maintain historical data.

Recommendation – The City should consider alternatives to its current software since the software package is no longer being supported by the vendor.

Response – The City is in the process of getting new software. In June 2014, we will have our new system.

Conclusion – Response accepted.

- (D) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Response – With the City's new system, we will develop an accounting policy and procedure manual.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the community and economic development and general government 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 2012-2013 budget was amended but these two functions were not amended. The City will monitor monthly disbursements and percentage of budget balances in order to not exceed the budgeted amounts.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Poweshiek Pines	Christmas wreaths	\$ 120
True Value	Christmas decorations	143

According to the opinion, it is possible for such 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 should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City Council should establish written policies and procedures, including the requirements for proper documentation.

Response – The recommendation will be discussed at a future community center board meeting with policy changes as needed.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2013

- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds/Notes – No instances of non-compliance with the revenue bond/note resolutions were noted.
- (9) Employee Benefits – The employee benefits levy funds benefits for City employees. The City levied more for the fiscal year than was necessary to pay allowable employee benefits.

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

Response – The City will reevaluate the employee benefits levy to ensure only the amount necessary is levied.

Conclusion – Response accepted.

- (10) Tax Increment Financing (TIF) and Annual Urban Renewal Report – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from the fund as provided in Chapter 403.19 of the Code of Iowa. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

The Capital Projects Fund instead of the Special Revenue, Urban Renewal Tax Increment Fund repaid an internal loan to the Enterprise, Sewer Fund in the amount of \$67,070. This has been corrected for financial reporting.

Recommendation – In the future, the City should determine the appropriate fund for repayment of internal loans. The transfer should be corrected and the obligation on the Annual Urban Renewal Report should be increased by \$67,070.

Response – The transfer has been corrected and the obligation on the Annual Urban Renewal Report will be increased by \$67,070. In the future, the appropriate fund will repay internal loans.

Conclusion – Response accepted.

City of Brooklyn

Schedule of Findings

Year ended June 30, 2013

- (11) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City understated the amount reported as TIF debt outstanding by \$155,880.

Recommendation – The City should ensure the amounts reported as TIF debt agree with the City’s records.

Response – The City will report the understatement amount of \$155,880 on the Annual Urban Renewal Report on December 1, 2014 and make sure amounts reported as TIF debt agree with City records.

Conclusion – Response accepted.

- (12) Financial Condition – The Special Revenue, Redevelopment Incentive Fund had a deficit balance of \$9,771 at June 30, 2013.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response – On July 1, 2013, \$19,771 was transferred. As of July 1, 2013, the Redevelopment Incentive Fund had a balance of \$10,000.

Conclusion – Response accepted.

City of Brooklyn

Staff

This audit was performed by:

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Laura M. Wernimont, Staff Auditor
Ramona E. Daly, Assistant Auditor



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