



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

March 28, 2013

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515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Nevada, Iowa.

The City's receipts totaled \$9,484,606 for the year ended June 30, 2012, a 1.5% increase over the prior year. The receipts included \$2,573,282 in property tax, \$1,396,120 from tax increment financing, \$3,609,203 from charges for service, \$837,016 from operating grants, contributions and restricted interest, \$121,463 from capital grants, contributions and restricted interest, \$856,125 from local option sales tax and \$91,397 from unrestricted interest on investments.

Disbursements for the year totaled \$8,356,797, a 20% decrease from the prior year, and included \$1,649,493 for debt service, \$1,392,928 for culture and recreation and \$1,181,355 for public safety. Also, disbursements for business type activities totaled \$2,287,708.

The significant decrease in disbursements is due primarily to a decrease in capital projects.

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/1220-0820-B00F.pdf>.

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CITY OF NEVADA

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

JUNE 30, 2012

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City of Nevada

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Gearold E. Gull, II	Mayor	Jan 2014
Andrew Kelly	Mayor Pro tem	Jan 2014
Brett Barker	Council Member	Nov 2011
Christopher Clark	Council Member	Nov 2011
Jane Heintz	Council Member	Jan 2012
Brian Hanson	Council Member	Jan 2014
Ray Schwichtenberg	Council Member	Jan 2014
Elizabeth Hansen	City Administrator	Indefinite
Teresa Peterson-Smith	City Clerk	Indefinite
Brick, Gentry, Bowers, Swartz, Stolze, & Levis, P.C.	Attorney	Indefinite
(After January 2012)		
Gearold E. Gull, II	Mayor	Jan 2014
Andrew Kelly	Mayor Pro tem	Jan 2014
Brian Hanson	Council Member	Jan 2014
Ray Schwichtenberg	Council Member	Jan 2014
Brett Barker	Council Member	Jan 2016
Christopher Clark	Council Member	Jan 2016
Jane Heintz	Council Member	Jan 2016
Elizabeth Hansen	City Administrator	Indefinite
Teresa Peterson-Smith	City Clerk	Resigned
Kerin Wright (Appointed)	City Clerk	Indefinite
Brick, Gentry, Bowers, Swartz, Stolze, & Levis, P.C.	Attorney	Indefinite

City of Nevada



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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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Nevada's management. 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 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 management, 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.

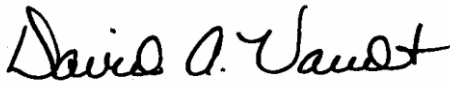
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada as of June 30, 2012, 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2013 on our consideration of the City of Nevada'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 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 and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 34 through 36 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 4, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Nevada 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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts for governmental activities decreased 2%, or approximately \$100,000, from fiscal year 2011 to fiscal year 2012. Receipts for business type activities increased approximately \$239,000, or 8%.
- Disbursements for governmental activities decreased 18%, or approximately \$1,368,000, in fiscal year 2012 from fiscal year 2011. Capital projects function disbursements decreased 70%, or approximately \$1,174,000, due to fewer capital projects in the current year. Debt service function disbursements decreased 13%, or approximately \$237,000, due to only 2 issuances with payments during the year compared to 3 in the prior year.
- Disbursements for business type activities decreased approximately \$696,000, or 23%. Disbursements in the Water Fund decreased 7%, or \$112,000. Sewer Fund disbursements decreased \$584,000, or 42%, due to fewer capital projects compared to the prior year.
- Total cash basis net assets of the City increased 12%, or approximately \$1,128,000, from fiscal year 2011 to fiscal year 2012. Of this amount, the net assets of the governmental activities increased approximately \$330,000 and the net assets of the business type activities increased approximately \$798,000.

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 Statement of Activities and Net Assets. 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 and proprietary 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 Statement of Activities and Net Assets reports information that helps answer this question.

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 deteriorating.

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. Property tax, road use tax, state and federal grants and user fees finance most of these activities.
- Business Type Activities include the water system, sanitary sewer system, sanitation and storm sewer utilities, including all capital projects associated with these activities. 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, Local Option Sales and Services Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds, such as Parks Planting (Hattery) and Cemetery Perpetual Care. 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 and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City, and the Sanitation and Storm Water Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

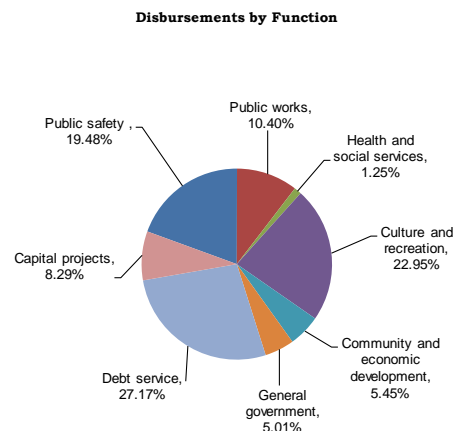
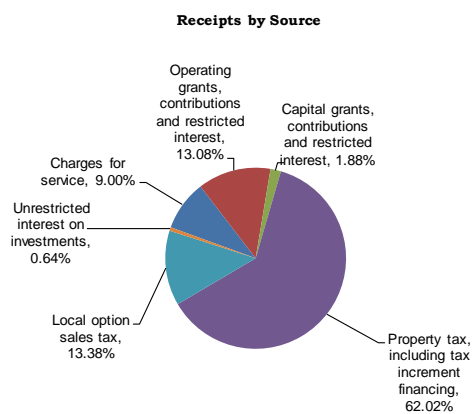
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

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 increased from a year ago, from \$5,954,501 to \$6,284,612. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 576	597
Operating grants, contributions and restricted interest	837	960
Capital grants, contributions and restricted interest	120	92
General receipts:		
Property tax, including tax increment financing	3,969	3,872
Local option sales tax	856	817
Unrestricted interest on investments	41	108
Total receipts	<u>6,399</u>	<u>6,499</u>
Disbursements:		
Public safety	1,182	1,126
Public works	631	664
Health and social services	76	67
Culture and recreation	1,393	1,366
Community and economic development	331	371
General government	304	280
Debt service	1,649	1,886
Capital projects	503	1,677
Total disbursements	<u>6,069</u>	<u>7,437</u>
Change in cash basis net assets before transfers	330	(938)
Transfers, net	-	136
Change in cash basis net assets	330	(802)
Cash basis net assets beginning of year	5,954	6,756
Cash basis net assets end of year	<u>\$ 6,284</u>	<u>5,954</u>



The City's total receipts for governmental activities decreased 2%, or approximately \$100,000. Charges for service decreased approximately \$21,000, or 4%. Operating and capital grants, contributions and restricted interest decreased approximately \$95,000. Unrestricted interest on investments decreased 62%, or approximately \$67,000. Property tax increased approximately \$97,000. Local option sales tax increased approximately \$39,000, or 5%.

The total cost of all governmental activities programs and services decreased approximately \$1,368,000, or 18%. Capital projects disbursements decreased approximately \$1,174,000, or 70%, due to fewer capital projects in the current year.

The City's property tax rate in fiscal year 2012 was \$15.04350 per \$1,000 of taxable valuation, which is the same as the fiscal year 2010 levy rate. The City's property tax rate has not increased significantly in fourteen years, except for the voted capital improvements levy in fiscal year 2009.

The cost of all governmental activities this year was approximately \$6.069 million compared to approximately \$7.437 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$4.537 million because some of the cost was paid by those directly benefiting from the programs (\$576,000) or by other governments and organizations which subsidized certain programs with grants, contributions and unrestricted interest (\$957,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2012 from approximately \$1.649 million to approximately \$1.533 million, primarily due to completion of capital projects for which donations were received. The City paid for the remaining "public benefit" portion of governmental activities with \$4,866,888 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,644	1,582
Sewer	1,156	1,079
Other	233	118
Capital grants, contributions and restricted interest	2	1
General receipts:		
Unrestricted interest on investments	50	54
Sale of capital assets	-	12
Total receipts	<u>3,085</u>	<u>2,846</u>
Disbursements:		
Water	1,401	1,513
Sewer	815	1,399
Other	71	71
Total disbursements	<u>2,287</u>	<u>2,983</u>
Change in cash basis net assets before transfers	798	(137)
Transfers, net	-	(136)
Change in cash basis net assets	798	(273)
Cash basis net assets beginning of year	3,759	4,032
Cash basis net assets end of year	<u>\$ 4,557</u>	<u>3,759</u>

Total business type activities receipts for fiscal year 2012 were approximately \$3.085 million compared to approximately \$2.846 million last year. Total business type activities disbursements for fiscal year 2012 were approximately \$2.287 million, compared to approximately \$2.983 million last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$6,273,776.

- The General Fund (includes the general, hotel/motel, emergency, general capital revolving, self insurance and sick and vacation accounts) cash balance increased \$229,974 to \$2,649,680.
- The Special Revenue, Road Use Tax Fund cash balance increased \$239,441 to \$827,142 due to an increase in transfers from the Special Revenue, Local Option Sales and Services Tax Fund and a 10% decrease in disbursements.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance decreased \$23,557 to \$730,542.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$890,130 at the end of the fiscal year, a decrease of \$91,449 from the previous year. Disbursements increased \$123,357 over the prior year due to increased payments on the tax increment indebtedness.
- The Debt Service Fund cash balance decreased \$4,434 to \$204,840.
- The Capital Projects Fund began the year with a cash balance of \$214,852 and ended with a balance of \$184,178, a decrease of \$30,674. The balance fluctuates greatly between years due to projects and funding.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$264,441 from a balance of \$1,517,908 to \$1,782,349, primarily due to a 4% increase in operating receipts and a 12% decrease in operating disbursements.
- The Enterprise, Sewer Fund cash balance increased \$369,886 to \$2,589,528. The increase is primarily due to fewer capital projects in the current year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 7, 2012 and resulted in an increase in operating disbursements of \$329,046 for the public safety, culture and recreation, community and economic development and capital projects functions.

The City's receipts were \$480,912 more than budgeted, a variance of 5%.

Total disbursements were \$1,070,355 less than budgeted, due primarily to being under budget in the community and economic development and capital projects functions.

The City exceeded the amount budgeted in the debt service function for the year ended June 30, 2012.

DEBT ADMINISTRATION

On June 30, 2012, the City had \$14,038,000 of outstanding bonds and other long and short term debt, compared to \$15,762,000 last year, as shown below. No new debt was issued during fiscal year 2012. The reduction in outstanding debt is due to the payment of \$1,724,000 of principal on all issues.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General obligation bonds:		
11/15/2008 - Refunding - \$635,000	\$ -	90,000
5/18/2010 - Street Improvement and Refunding - \$2,775,000	1,255,000	2,040,000
Urban renewal tax increment revenue bonds:		
11/15/2008 - City Hall - \$6,500,000	5,950,000	6,200,000
5/6/2009 - Nevada Economic Development Council - \$475,000	265,000	425,000
Revenue bonds:		
1/3/1995 - Sewer Revolving - \$1,114,000	160,000	235,000
1/14/2005 - Water - \$8,438,000	6,408,000	6,772,000
Total	\$ 14,038,000	15,762,000

The City continues to pursue an aggressive payback schedule on most of the debt issues outstanding. This allows the City the flexibility to issue new debt to finance additional projects on a regular basis.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the actual value of all taxable property within the City's corporate limits (\$333,861,120 x 5% = \$16,693,056). The City's outstanding general obligation debt of \$7,470,000 (general and TIF debt) is significantly below its constitutional debt limit of \$16,693,056.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Nevada's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities.

The City's taxable valuation increased \$12,566,813 between fiscal years 2012 and 2013 (\$174,036,257 - \$161,469,444), resulting in an increase in General Fund property tax of \$116,646.

Tax increment financing receipts are budgeted to decrease \$227,282 in fiscal year 2013, from \$1,460,469 to \$1,233,187.

The City's expected receipts for fiscal year 2013 are \$11,402,394 (without transfers) as opposed to fiscal year 2012 budgeted receipts of \$8,919,107 (without transfers).

The City's disbursements for fiscal year 2013 are expected to increase from the original budget of \$9,056,220 (without transfers) for fiscal year 2012 to \$14,730,778 for fiscal year 2013 (without transfers), primarily due to capital projects.

If these estimates are realized, the City's budgeted cash balance is expected to decrease to \$6,164,619 at the close of fiscal year 2013.

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 Kerin Wright, City Clerk, 1209 6th Street, P O Box 530, Nevada, Iowa 50201.

Basic Financial Statements

City of Nevada

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,181,355	103,206	77,970	91,962
Public works	631,257	961	644,798	18,993
Health and social services	76,205	-	-	-
Culture and recreation	1,392,928	373,641	88,761	-
Community and economic development	330,606	475	3,360	-
General government	303,847	83,115	-	-
Debt service	1,649,493	3,572	22,127	-
Capital projects	503,398	10,432	-	8,939
Total governmental activities	6,069,089	575,402	837,016	119,894
Business type activities:				
Water	1,401,415	1,644,739	-	1,058
Sewer	814,941	1,156,211	-	511
Other	71,352	232,851	-	-
Total business type activities	2,287,708	3,033,801	-	1,569
Total Primary Government	\$ 8,356,797	3,609,203	837,016	121,463
Component Unit:				
Nevada Economic Development Council	\$ 196,650	79,767	139,257	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Capital projects				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Community betterment				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
Primary Government		Total	Nevada Economic Development Council
Governmental Activities	Business Type Activities		
(908,217)	-	(908,217)	
33,495	-	33,495	
(76,205)	-	(76,205)	
(930,526)	-	(930,526)	
(326,771)	-	(326,771)	
(220,732)	-	(220,732)	
(1,623,794)	-	(1,623,794)	
(484,027)	-	(484,027)	
(4,536,777)	-	(4,536,777)	
-	244,382	244,382	
-	341,781	341,781	
-	161,499	161,499	
-	747,662	747,662	
(4,536,777)	747,662	(3,789,115)	
			22,374
1,997,159	-	1,997,159	-
535,271	-	535,271	-
40,852	-	40,852	-
1,396,120	-	1,396,120	-
856,125	-	856,125	-
41,361	50,036	91,397	-
4,866,888	50,036	4,916,924	-
330,111	797,698	1,127,809	22,374
5,954,501	3,759,180	9,713,681	61,377
\$ 6,284,612	4,556,878	10,841,490	83,751
\$ 123,863	-	123,863	-
827,142	-	827,142	-
240,130	-	240,130	-
854,840	238,375	1,093,215	-
184,178	787,827	972,005	-
1,497,219	-	1,497,219	-
663,401	268,843	932,244	-
1,893,839	3,261,833	5,155,672	83,751
\$ 6,284,612	4,556,878	10,841,490	83,751

City of Nevada

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

As of and for the year ended June 30, 2012

	Special Revenue			
	General	Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 1,530,930	-	-	-
Tax increment financing	-	-	-	1,396,120
Other city tax	40,222	-	856,125	-
Licenses and permits	85,311	-	-	-
Use of money and property	139,763	4,332	4,902	13,502
Intergovernmental	186,807	659,459	-	-
Charges for service	230,580	-	-	-
Special assessments	-	-	-	-
Miscellaneous	107,516	-	-	-
Total receipts	2,321,129	663,791	861,027	1,409,622
Disbursements:				
Operating:				
Public safety	1,081,945	21,769	41,600	-
Public works	348	552,581	78,645	-
Health and social services	-	-	76,205	-
Culture and recreation	1,323,999	-	2,883	-
Community and economic development	75,990	-	42,525	208,673
General government	292,909	-	13,033	-
Debt service	-	-	-	736,043
Capital projects	-	-	-	-
Total disbursements	2,775,191	574,350	254,891	944,716
Excess (deficiency) of receipts over (under) disbursements	(454,062)	89,441	606,136	464,906
Other financing sources (uses):				
Operating transfers in	684,036	150,000	-	-
Operating transfers out	-	-	(629,693)	(556,355)
Total other financing sources (uses)	684,036	150,000	(629,693)	(556,355)
Change in cash balances	229,974	239,441	(23,557)	(91,449)
Cash balances beginning of year	2,419,706	587,701	754,099	981,579
Cash balances end of year	\$ 2,649,680	827,142	730,542	890,130
Cash Basis Fund Balances				
Nonspendable	\$ -	-	-	-
Restricted for:				
Streets	-	827,142	-	-
Urban renewal purposes	-	-	-	240,130
Debt service	-	-	-	650,000
Capital projects	-	-	-	-
Community betterment	766,677	-	730,542	-
Other purposes	-	-	-	-
Unassigned	1,883,003	-	-	-
Total cash basis fund balances	\$ 2,649,680	827,142	730,542	890,130

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
526,704	40,027	417,401	2,515,062
-	-	-	1,396,120
8,567	825	8,606	914,345
-	-	-	85,311
8,625	8,940	23,199	203,263
-	-	22,276	868,542
-	10,432	3,394	244,406
3,572	-	-	3,572
-	-	61,063	168,579
547,468	60,224	535,939	6,399,200
-	-	37,170	1,182,484
-	-	-	631,574
-	-	-	76,205
-	-	68,165	1,395,047
-	-	3,433	330,621
-	-	-	305,942
913,450	-	-	1,649,493
-	503,398	-	503,398
913,450	503,398	108,768	6,074,764
(365,982)	(443,174)	427,171	324,436
361,548	412,500	-	1,608,084
-	-	(422,036)	(1,608,084)
361,548	412,500	(422,036)	-
(4,434)	(30,674)	5,135	324,436
209,274	214,852	782,129	5,949,340
204,840	184,178	787,264	6,273,776
-	-	123,863	123,863
-	-	-	827,142
-	-	-	240,130
204,840	-	-	854,840
-	184,178	-	184,178
-	-	-	1,497,219
-	-	663,401	663,401
-	-	-	1,883,003
204,840	184,178	787,264	6,273,776

City of Nevada

City of Nevada

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2012

Total governmental funds cash balances (page 17) \$ 6,273,776

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the assets of the Internal Service Fund is included in governmental activities in the Statement of Activities and Net Assets.

10,836

Cash basis net assets of governmental activities (page 15) \$ 6,284,612

Change in cash balances (page 17) \$ 324,436

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the change in cash basis net assets of the Internal Service Fund is reported with governmental activities.

5,675

Change in cash basis net assets of governmental activities (page 15) \$ 330,111

See notes to financial statements.

Exhibit D

City of Nevada

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

As of and for the year ended June 30, 2012

	Enterprise				Internal
	Water	Sewer	Nonmajor	Total	Service Flexible Benefits
Operating receipts:					
Use of money and property	\$ 11,232	-	-	11,232	-
Charges for service	1,520,232	1,127,836	231,406	2,879,474	42,843
Miscellaneous	113,275	28,375	1,445	143,095	1,333
Total operating receipts	1,644,739	1,156,211	232,851	3,033,801	44,176
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	8,639
Public works	-	-	-	-	2,424
Culture and recreation	-	-	-	-	16,220
Community and economic development	-	-	-	-	117
General government	-	-	-	-	5,830
Business type activities	817,633	733,075	71,352	1,622,060	4,662
Total operating disbursements	817,633	733,075	71,352	1,622,060	37,892
Excess of operating receipts over operating disbursements	827,106	423,136	161,499	1,411,741	6,284
Non-operating receipts (disbursements):					
Interest on investments	21,425	28,917	1,263	51,605	-
Debt service	(584,090)	(82,167)	-	(666,257)	-
Net non-operating receipts (disbursements)	(562,665)	(53,250)	1,263	(614,652)	-
Change in cash balances	264,441	369,886	162,762	797,089	6,284
Cash balances beginning of year	1,517,908	2,219,642	20,345	3,757,895	6,446
Cash balances end of year	\$ 1,782,349	2,589,528	183,107	4,554,984	12,730
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ -	238,375	-	238,375	-
Sewer construction	-	787,827	-	787,827	-
Water deposits	55,165	-	-	55,165	-
Sewer revolving	-	213,678	-	213,678	-
Unrestricted	1,727,184	1,349,648	183,107	3,259,939	12,730
Total cash basis fund balances	\$ 1,782,349	2,589,528	183,107	4,554,984	12,730

See notes to financial statements.

City of Nevada

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Proprietary Funds

As of and for the year ended June 30, 2012

Total enterprise funds cash balances (page 20) \$ 4,554,984

Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the assets of the Internal Service Fund is included in business type activities in the Statement of Activities and Net

1,894

Cash basis net assets of business type activities (page 15)

\$ 4,556,878

Change in cash balances (page 20)

\$ 797,089

Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the change in cash basis net assets of the Internal Service Fund is reported with business type activities.

609

Change in cash basis net assets of business type activities (page 15)

\$ 797,698

See notes to financial statements.

City of Nevada

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Nevada is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1853 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, sanitation and storm water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Nevada 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 Nevada (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These non-profit organizations were formed under Chapter 504A of the Code of Iowa.

Discretely Presented Component Unit – The Nevada Economic Development Council (NEDC) is presented in a separate column to emphasize it is legally separate from the City, but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The NEDC is governed by a fifteen-member Board. There are three standing Board positions and twelve members are elected at-large. The NEDC's operating budget is to be prepared and submitted to the City Council if public funds are requested from the City.

Blended Component Units – Nevada Firefighters Incorporated, Nevada First Responders, the Senior Citizen Center and the Friends of the Library are entities which are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended into the nonmajor governmental 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: Story County Assessor's Conference Board, Story County Emergency Management Commission and Story County Joint E911 Service Board.

The City also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Central Iowa Regional Transportation Planning Agency and Central Iowa Area Safety and Support Organization.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the primary government and its component units. 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 Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

Expendable 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 not meeting the definition of the preceding categories. 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 and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general and emergency 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 not paid from other funds.

Special Revenue:

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

The Local Option Sales and Services Tax Fund is used to account for receipts from the local option sales and services tax. The receipts are used to finance community betterment in the City.

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

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

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

The City reports the following major proprietary funds:

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

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

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the contributions made to the flexible benefits and prescription plans by City employees and the subsequent reimbursement for eligible claims.

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 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.

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:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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 imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 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.

During the year ended June 30, 2008, the City transferred \$180,000 received by the City through an estate bequest to a local non-profit organization (Foundation). At June 30, 2012, the carrying amount and fair value was \$175,034 and \$176,076, respectively. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

Concentration of credit risk – The City's investment policy specifies no more than 5% of the City's investments may be invested in any one issuer. Although the City did not invest more than 5% of the City's investments in any one issuer, more than 5% of the City's investments are in funds held by the Foundation. The City's investments in funds held by the Foundation are 100% of the City's total investments.

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

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and sewer and water revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Financing Revenue Bonds		Sewer and Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 800,000	23,793	470,000	306,338	455,000	197,040	1,725,000	527,171
2014	200,000	10,193	480,000	284,792	466,000	183,390	1,146,000	478,375
2015	205,000	6,193	370,000	261,982	398,000	169,410	973,000	437,585
2016	50,000	1,375	425,000	243,668	410,000	157,470	885,000	402,513
2017	-	-	470,000	222,630	422,000	145,170	892,000	367,800
2018-2022	-	-	2,720,000	741,000	2,308,000	528,120	5,028,000	1,269,120
2023-2026	-	-	1,280,000	98,374	2,109,000	160,530	3,389,000	258,904
Total	\$ 1,255,000	41,554	6,215,000	2,158,784	6,568,000	1,541,130	14,038,000	3,741,468

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$6,500,000 of urban renewal tax increment financing (TIF) revenue bonds in November 2008 for the purpose of providing funds to pay a portion of the cost of carrying out a project in the Nevada Urban Renewal Area, consisting of constructing, equipping and furnishing the City Hall and Public Safety Facility, and redeeming the City’s outstanding urban renewal tax increment financing revenue bond anticipation project notes dated June 2007. The bonds bear interest at 3.00% to 5.10% per annum and mature June 1, 2024.

The City also issued \$475,000 of urban renewal tax increment financing revenue bonds in May 2009 for the purpose of paying a portion of the costs of carrying out an urban renewal project in the Nevada Urban Renewal Area of the City, consisting of funding an economic development grant to the Nevada Economic Development Council in connection with the acquisition of certain real property for use in future business development initiatives. The bonds bear interest at 4.00% per annum and mature June 1, 2014.

The bonds are payable solely from TIF receipts generated by increased property values in the City’s TIF district which are credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City’s urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$8,373,784. For the current year, principal and interest paid and total TIF receipts were \$735,543 and \$1,396,120, respectively.

The resolution providing for the issuance of the 2008 urban renewal financing revenue bonds required the City to set aside \$650,000 in a reserve account to be used for the purpose of paying the principal and interest on the bonds whenever TIF receipts are insufficient.

Sewer Revolving Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,114,000 of sewer revenue bonds issued in January 1995. The bonds bear interest at 3.0% per annum. The bonds are payable solely from sewer customer net receipts and are payable through 2014. Annual principal and interest payments on the bonds are expected to require less than 20% of net receipts. The total principal and interest remaining to be paid on the bonds is \$167,200. For the current year, principal and interest paid and total customer net receipts were \$82,050 and \$423,136, respectively.

The resolution providing for the issuance of the sewer revolving revenue bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) A total of \$238,375 shall be set aside in a sewer revenue reserve account. This account is restricted for the purpose of paying the principal and interest on the bonds whenever the funds in the sinking account is insufficient.
- (d) All funds remaining in the sewer accounts after making the required transfers shall be placed in a sewer revenue surplus account. As long as the sinking and reserve accounts have the full amounts required to be deposited, the balance in the surplus account may be made available to the City as the City Council may direct.

Water Revenue Bonds

On January 14, 2005, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$8,438,000 of water revenue bonds with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay the cost of constructing improvements and extensions to the water treatment plant. An initiation fee of 1% of the authorized borrowing for the water revenue bonds was charged by Wells Fargo Bank Iowa, N.A. The total initiation fee was withheld by the bank from the first proceeds of the water revenue bonds drawn by the City during the year ended June 30, 2007.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$ 8,438,000 of water revenue bonds issued in January 2005. 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 69% of net receipts. The total principal and interest remaining to be paid on the bonds is \$7,941,930. For the current year, principal and interest paid and total customer net receipts were \$567,160 and \$827,106, respectively.

The resolution providing for the issuance of the water revenue bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.

- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

(4) 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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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 contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$164,633, \$141,996 and \$138,290, respectively, equal to the required contributions for each year.

(5) 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 spouses. There are 38 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical drug benefits are provided through a fully-insured plan with Health Alliance. Retirees under age 65 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 and plan members are \$384 for single coverage, \$750 for employee/spouse coverage, \$710 for employee/children coverage and \$1,227 for family coverage. For the year ended June 30, 2012, the City contributed \$187,875 and plan members eligible for benefits contributed \$28,081 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. City employees may also accumulate earned but unused sick leave hours for subsequent use or for payment upon retirement or death, up to a maximum of \$1,500. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 161,000
Compensatory time	2,000
Sick leave	27,000
Total	<u>\$ 190,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

(7) Contractual Commitments

The City entered into various construction contracts totaling approximately \$4,878,000. The unpaid contract balances as of June 30, 2012 totaled approximately \$52,330, which will be paid as work on the projects progresses.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 262,000
	Employee Benefits	422,036
		<u>684,036</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales and Services Tax	150,000
Debt Service	Special Revenue:	
	Local Option Sales and Services Tax	55,193
	Urban Renewal Tax Increment	306,355
		<u>361,548</u>
Capital Projects	Special Revenue:	
	Local Option Sales and Services Tax	162,500
	Urban Renewal Tax Increment	250,000
		<u>412,500</u>
Total		<u>\$ 1,608,084</u>

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

(9) Industrial Development Revenue Bonds

The City has issued a total of \$2,363,229 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$825,297 is outstanding at June 30, 2012. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

(10) Landfill Contract

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15th of each year, the City of Ames will notify the City of its proportionate share of the net costs of the system for the prior calendar year. The City will pay the City of Ames one-half of its share on July 15th and one-half on or before December 15th of each year. The annual rate of the contract is determined by multiplying the net per capita cost by the population of the City. The amount paid for calendar year 2012 was \$69,909.

(11) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2012 were \$136,943.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing

recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvement of buildings. Certain agreements also require the developer to certify specific employment requirements are met. The total to be paid by the City under the agreements is not to exceed \$9,385,261.

The City rebated \$157,315 during fiscal year 2012, for a total of \$954,788 of incremental property tax rebated under the agreements. The outstanding balance of the agreements at June 30, 2012 with fixed dollar commitments was \$8,574,533.

(13) Subsequent Events

General Obligation Bonds

In September 2012, the City issued \$1,390,000 of general obligation corporate purpose loan agreement anticipation project notes to partially fund certain street, water, sewer and storm sewer improvements.

In September 2012, the City issued \$7,320,000 of general obligation urban renewal library improvement and refunding bonds to fund library improvements and to refund the 2008 urban renewal tax increment financing revenue bonds.

Water Refunding Bonds

In October 2012, the City issued \$7,090,000 of water revenue refunding bonds to refund the 2005 water revenue bonds.

City of Nevada

Other Information

City of Nevada

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, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,515,062	-	-
Tax increment financing	1,396,120	-	-
Other city tax	914,345	-	-
Licenses and permits	85,311	-	-
Use of money and property	203,263	62,837	550
Intergovernmental	868,542	-	17,257
Charges for service	244,406	2,922,317	42,843
Special assessments	3,572	-	-
Miscellaneous	168,579	144,428	34,169
Total receipts	6,399,200	3,129,582	94,819
Disbursements:			
Public safety	1,182,484	8,639	45,810
Public works	631,574	2,424	2,424
Health and social services	76,205	-	-
Culture and recreation	1,395,047	16,220	27,219
Community and economic development	330,621	117	117
General government	305,942	5,830	5,830
Debt service	1,649,493	-	-
Capital projects	503,398	-	-
Business type activities	-	2,292,979	4,662
Total disbursements	6,074,764	2,326,209	86,062
Excess (deficiency) of receipts over (under) disbursements	324,436	803,373	8,757
Balances beginning of year	5,949,340	3,764,341	83,839
Balances end of year	\$ 6,273,776	4,567,714	92,596

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,515,062	2,490,181	2,490,181	24,881
1,396,120	1,460,469	1,460,469	(64,349)
914,345	825,045	825,045	89,300
85,311	81,900	81,900	3,411
265,550	189,303	199,303	66,247
851,285	790,449	790,449	60,836
3,123,880	2,828,200	2,836,309	287,571
3,572	-	-	3,572
278,838	253,560	269,395	9,443
9,433,963	8,919,107	8,953,051	480,912
1,145,313	1,250,370	1,261,370	116,057
631,574	722,883	722,883	91,309
76,205	77,020	77,020	815
1,384,048	1,477,838	1,513,158	129,110
330,621	354,784	627,510	296,889
305,942	361,395	361,395	55,453
1,649,493	1,648,938	1,648,938	(555)
503,398	568,595	578,595	75,197
2,288,317	2,594,397	2,594,397	306,080
8,314,911	9,056,220	9,385,266	1,070,355
1,119,052	(137,113)	(432,215)	1,551,267
9,629,842	7,614,809	9,629,844	(2)
10,748,894	7,477,696	9,197,629	1,551,265

City of Nevada

Notes to Other Information – Budgetary Reporting

June 30, 2012

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 component units and the Internal Service Fund. 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, the Permanent Funds 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 \$329,046. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function.

Supplementary Information

City of Nevada

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

As of and for the year ended June 30, 2012

	Employee Benefits	Cemetery Memorials	Cemetery Foundation Trust	Library Trust	Fire Trust	S.C.O.R.E. Undesignated	Special S.C.O.R.E. Operation & Maintenance
Receipts:							
Property tax	\$ 417,401	-	-	-	-	-	-
Other city tax	8,606	-	-	-	-	-	-
Use of money and property	2,659	31	2	1,023	112	398	3
Intergovernmental	-	-	-	5,019	-	-	-
Charges for service	-	-	-	-	-	-	-
Miscellaneous	-	-	190	7,597	1,600	-	-
Total receipts	428,666	31	192	13,639	1,712	398	3
Disbursements:							
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	-	17,730	-	-	-
Community and economic development	-	-	-	-	-	-	-
Total disbursements	-	-	-	17,730	-	-	-
Excess (deficiency) of receipts over (under) disbursements	428,666	31	192	(4,091)	1,712	398	3
Other financing uses:							
Operating transfers out	(422,036)	-	-	-	-	-	-
Change in cash balances	6,630	31	192	(4,091)	1,712	398	3
Cash balances beginning of year	13,080	2,604	23	89,566	8,576	33,626	237
Cash balances end of year	\$ 19,710	2,635	215	85,475	10,288	34,024	240
Cash Basis Fund Balances							
Nonspendable	\$ -	-	-	-	-	-	-
Restricted for other purposes	19,710	2,635	215	85,475	10,288	34,024	240
Total cash basis fund balances	\$ 19,710	2,635	215	85,475	10,288	34,024	240

Revenue										
Senior Center Trust	Gates Hall Piano	Parks and Recreation Open Space	Columbarium Maintenance	Trail Maintenance	Danielson Trust	Library Building Trust	Trees Forever	4th of July Trust	Police Forfeiture	
-	-	-	-	-	-	-	-	-	-	-
73	210	17,707	13	139	-	60	49	41	129	
-	-	994	240	-	-	-	-	-	-	-
-	-	5,071	-	-	-	10,500	-	3,270	-	-
73	210	23,772	253	139	-	10,560	49	3,311	129	
-	-	-	-	-	-	-	-	-	-	-
65	-	5,452	-	11,868	22,051	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	3,433	-	-
65	-	5,452	-	11,868	22,051	-	-	3,433	-	-
8	210	18,320	253	(11,729)	(22,051)	10,560	49	(122)	129	
-	-	-	-	-	-	-	-	-	-	-
8	210	18,320	253	(11,729)	(22,051)	10,560	49	(122)	129	
6,205	17,778	72,794	1,069	20,131	298,902	-	4,135	3,382	10,925	
6,213	17,988	91,114	1,322	8,402	276,851	10,560	4,184	3,260	11,054	
-	-	-	-	-	-	-	-	-	-	-
6,213	17,988	91,114	1,322	8,402	276,851	10,560	4,184	3,260	11,054	
6,213	17,988	91,114	1,322	8,402	276,851	10,560	4,184	3,260	11,054	

(Continued)

**Schedule 1
(Continued)**

City of Nevada

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

As of and for the year ended June 30, 2012

	Special Revenue				Permanent		Total
	Nevada Firefighters Association	Nevada First Responders	Senior Citizen Center	Friends of the Library	Cemetery Perpetual Care	Parks Planting (Hattery)	
Receipts:							
Property tax	-	-	-	-	-	-	417,401
Other city tax	-	-	-	-	-	-	8,606
Use of money and property	374	174	2	-	-	-	23,199
Intergovernmental	7,070	10,187	-	-	-	-	22,276
Charges for service	-	-	-	-	2,160	-	3,394
Miscellaneous	16,812	3,112	6,121	6,790	-	-	61,063
Total receipts	24,256	13,473	6,123	6,790	2,160	-	535,939
Disbursements:							
Public safety	21,325	15,845	-	-	-	-	37,170
Culture and recreation	-	-	4,972	6,027	-	-	68,165
Community and economic development	-	-	-	-	-	-	3,433
Total disbursements	21,325	15,845	4,972	6,027	-	-	108,768
Excess (deficiency) of receipts over (under) disbursements	2,931	(2,372)	1,151	763	2,160	-	427,171
Other financing uses:							
Operating transfers out	-	-	-	-	-	-	(422,036)
Change in cash balances	2,931	(2,372)	1,151	763	2,160	-	5,135
Cash balances beginning of year	31,033	34,375	6,040	5,945	116,703	5,000	782,129
Cash balances end of year	33,964	32,003	7,191	6,708	118,863	5,000	787,264
Cash Basis Fund Balances							
Nonspendable	-	-	-	-	118,863	5,000	123,863
Restricted for other purposes	33,964	32,003	7,191	6,708	-	-	663,401
Total cash basis fund balances	33,964	32,003	7,191	6,708	118,863	5,000	787,264

See accompanying independent auditor's report.

City of Nevada

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

As of and for the year ended June 30, 2012

	Enterprise		
	Sanitation	Storm Water	Total
Operating receipts:			
Charges for service	\$ 71,493	159,913	231,406
Miscellaneous	691	754	1,445
Total operating receipts	72,184	160,667	232,851
Operating disbursements:			
Business type activities	70,601	751	71,352
Excess of operating receipts over operating disbursements	1,583	159,916	161,499
Non-operating receipts:			
Interest on investments	-	1,263	1,263
Net change in cash balances	1,583	161,179	162,762
Cash balances beginning of year	(885)	21,230	20,345
Cash balances end of year	\$ 698	182,409	183,107
Cash Basis Fund Balances			
Unrestricted	\$ 698	182,409	183,107

See accompanying independent auditor's report.

City of Nevada
Schedule of Indebtedness
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose and refunding	Nov 15, 2008	2.65-3.40%	\$ 635,000
Street improvement and refunding	May 18, 2010	0.85-2.75	2,775,000
Total			
Urban renewal tax increment financing:			
Revenue bonds	Nov 15, 2008	3.00-5.10%	\$ 6,500,000
Revenue bonds	May 6, 2009	4.00	475,000
Total			
Revenue bonds:			
Sewer revolving	Jan 3, 1995	3.00%	\$ 1,114,000
Water	Jan 14, 2005 *	3.00	8,438,000
Total			

* The agreement also requires the City to annually pay a .25% servicing 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
90,000	-	90,000	-	3,060
2,040,000	-	785,000	1,255,000	34,390
\$ 2,130,000	-	875,000	1,255,000	37,450
6,200,000	-	250,000	5,950,000	307,987
425,000	-	160,000	265,000	17,556
\$ 6,625,000	-	410,000	6,215,000	325,543
235,000	-	75,000	160,000	7,050
6,772,000	-	364,000	6,408,000	203,160
\$ 7,007,000	-	439,000	6,568,000	210,210

City of Nevada

Bond Maturities

June 30, 2012

General Obligation Bonds			
Corporate Purpose and Refunding			
Issued May 18, 2010			
Year	Interest		Amount
Ending	Rates		
June 30,			
2013	1.70%	\$	800,000
2014	2.00		200,000
2015	2.35		205,000
2016	2.75		50,000
2017			-
2018			-
2019			-
2020			-
2021			-
2022			-
2023			-
2024			-
Total		\$	<u>1,255,000</u>

Revenue Bonds							
Year	Sewer Revolving			Water		Total	
	Ending	Issued Jan 3, 1995		Issued Jan 14, 2005			
		Interest	Amount	Interest	Amount		
June 30,	Rates			Rates			
2013	3.00%	\$	80,000	3.00%	\$	375,000	455,000
2014	3.00		80,000	3.00		386,000	466,000
2015			-	3.00		398,000	398,000
2016			-	3.00		410,000	410,000
2017			-	3.00		422,000	422,000
2018			-	3.00		435,000	435,000
2019			-	3.00		448,000	448,000
2020			-	3.00		461,000	461,000
2021			-	3.00		475,000	475,000
2022			-	3.00		489,000	489,000
2023			-	3.00		504,000	504,000
2024			-	3.00		519,000	519,000
2025			-	3.00		535,000	535,000
2026			-	3.00		551,000	551,000
Total		\$	<u>160,000</u>		\$	<u>6,408,000</u>	<u>6,568,000</u>

See accompanying independent auditor's report.

Urban Renewal Tax Increment				
Financing Revenue Bonds				
Issued Nov 15, 2008		Issued May 6, 2009		Total
Interest Rates	Amount	Interest Rates	Amount	
3.75%	\$ 305,000	4.00%	\$ 165,000	470,000
4.05	380,000	4.00	100,000	480,000
4.20	370,000		-	370,000
4.35	425,000		-	425,000
4.50	470,000		-	470,000
4.65	495,000		-	495,000
4.75	520,000		-	520,000
4.85	540,000		-	540,000
4.95	570,000		-	570,000
5.00	595,000		-	595,000
5.05	625,000		-	625,000
5.10	655,000		-	655,000
	<u>\$ 5,950,000</u>		<u>\$ 265,000</u>	<u>6,215,000</u>

City of Nevada

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

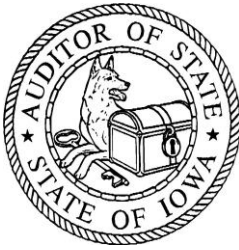
For the Last Ten Years

	2012	2011	2010	2009
Receipts:				
Property tax	\$ 2,515,062	2,390,310	2,203,777	2,001,007
Tax increment financing	1,396,120	1,403,236	1,608,637	1,712,528
Other city tax	914,345	896,047	879,528	954,164
Licenses and permits	85,311	97,724	79,754	68,272
Use of money and property	203,263	241,686	196,309	178,998
Intergovernmental	868,542	884,249	1,072,579	984,654
Charges for service	244,406	252,505	295,664	307,607
Special assessments	3,572	4,393	7,673	17,743
Miscellaneous	168,579	276,454	290,632	436,042
Total	\$ 6,399,200	6,446,604	6,634,553	6,661,015
Disbursements:				
Operating:				
Public safety	\$ 1,182,484	1,127,061	1,125,704	1,058,708
Public works	631,574	664,466	660,064	684,043
Health and social services	76,205	66,568	73,044	77,900
Culture and recreation	1,395,047	1,367,576	1,276,238	1,317,201
Community and economic development	330,621	370,341	230,845	2,625,884
General government	305,942	280,430	287,015	360,764
Debt service	1,649,493	1,886,046	1,945,808	2,123,130
Capital projects	503,398	1,677,280	1,061,197	2,524,989
Total	\$ 6,074,764	7,439,768	6,659,915	10,772,619

See accompanying independent auditor's report.

2008	2007	2006	2005	2004	2003
1,974,976	1,945,558	1,882,187	1,814,633	1,801,612	1,718,176
1,690,937	1,284,881	1,132,882	1,022,084	901,080	766,134
879,359	850,186	854,838	795,059	820,905	742,649
109,162	95,505	115,617	55,050	59,477	21,901
441,545	343,833	292,670	227,267	241,654	539,485
833,181	1,224,798	988,672	905,229	1,137,248	1,045,642
273,067	249,255	273,637	249,297	217,837	260,981
22,336	33,229	27,728	38,760	133,497	37,870
358,416	696,210	230,768	380,396	430,501	464,462
6,582,979	6,723,455	5,798,999	5,487,775	5,743,811	5,597,300
1,085,431	1,454,443	1,134,005	905,856	856,395	996,461
732,940	561,308	619,657	738,155	643,837	576,375
77,400	81,400	78,300	74,300	59,186	50,186
1,316,512	1,211,953	1,121,741	1,135,262	1,025,676	1,075,442
309,060	417,823	315,862	448,862	367,883	210,711
234,998	258,858	237,015	237,445	212,549	238,525
1,663,077	1,430,663	1,382,022	1,165,018	1,467,813	665,562
5,500,082	2,851,275	3,282,679	1,129,387	1,401,504	2,925,419
10,919,500	8,267,723	8,171,281	5,834,285	6,034,843	6,738,681

City of Nevada



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2013. Our report expressed unqualified opinions 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

Management of the City of Nevada is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Nevada'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 Nevada's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Nevada'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be 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 Nevada's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (E) 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 in the accompanying Schedule of Findings as items (F) through (J) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Nevada'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 in the accompanying Schedule of Findings.

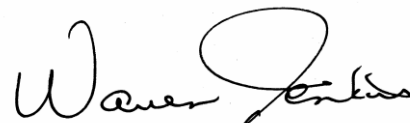
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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 Nevada's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Nevada'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 the City of Nevada and other parties to whom the City of Nevada may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Nevada 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.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 4, 2013

City of Nevada

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the City’s financial statements. One or two individuals identified may have control over the following areas for which no compensating controls exist:

- (1) The person who handles cash receipts also prepares bank deposits and reconciles the bank account.
- (2) The bank reconciliation is not reviewed by an independent person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, a review of the operating procedures of the office should be performed to obtain the maximum internal control possible under the circumstances. The officials should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Reviews should be performed by an independent person and the review should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – Operating procedures will be reviewed and evaluated. With new personnel, including a full time staff accountant, duties will be delegated to provide additional review of all transactions and reconciliations.

Conclusion – Response accepted.

(B) Nevada First Responders – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Responder’s financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist. In addition, no bank reconciliation is prepared.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. A formal bank reconciliation should be prepared monthly. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – We will do our best to do bank reconciliations. We will have other members initial and date their review of bank reconciliations and statements.

Conclusion – Response accepted.

City of Nevada

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- (C) Nevada Economic Development Council (NEDC) – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Council’s financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations.

Response – We will segregate to the best we can with the limited number of staff we have.

Conclusion – Response accepted.

- (D) Nevada Fire Fighters – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Fire Fighter’s financial statement. Generally, one individual has control over collecting, depositing and posting for which no compensating controls exist. In addition, bank reconciliations are not reviewed by an independent person.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – The recommendation will be taken under advisement.

Conclusion – Response acknowledged. The recommendation should be implemented.

- (E) Nevada Senior Citizen Center – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Center’s financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist. In addition, a bank reconciliation is not prepared.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. Formal bank reconciliations should be prepared monthly. The reconciliations should be reviewed by an independent person and the review should be evidenced by the signature or initials of the reviewer and the date of the review.

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Response – We will segregate duties to the extent possible with limited number of people. We will utilize the bank reconciliation form on the back of the bank statement to reconcile the bank statement to the book balance.

Conclusion – Response acknowledged. The bank reconciliation should be reviewed by an independent person and the review should be documented.

- (F) Nevada First Responders Authorized Check Signers – The signature cards held by the bank do not accurately reflect the current approved check signers. The signers currently on the signature cards are no longer members.

Recommendation – Signature cards held by the bank should be updated to reflect the current approved check signers.

Response – We will discuss this with the Board and bank to determine how to remove the unauthorized signers from signature cards.

Conclusion – Response accepted.

- (G) Nevada Economic Development Council (NEDC) – There was no indication of the date collections were received. Therefore, we were not able to determine if receipts were deposited timely.

Recommendation – When collections are received, a receipt register should be prepared to indicate the date of receipt, the payer and the amount received.

Response – We will attach a receipt register to the check book to log in the date received, the payer, the amount of the check and the date deposited.

Conclusion – Response accepted.

- (H) Nevada Fire Fighters – Itemized invoices were not included with the monthly statement for 2 out of 10 disbursements tested.

Recommendation – Supporting documentation, including itemized invoices, should be retained for all disbursements.

Response – The recommendation will be taken under advisement.

Conclusion – Response acknowledged. The recommendation should be implemented.

- (I) Nevada First Responders Disbursements – Supporting documentation was not retained for 2 of 10 disbursements tested.

Recommendation – Supporting documentation for disbursements should be retained.

Response – We will make an effort to ensure invoices are obtained for all checks written.

Conclusion – Response accepted.

City of Nevada

Schedule of Findings

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- (J) Nevada First Responders Receipts – Checks received by the First Responders were not restrictively endorsed upon receipt.

Recommendation – A restrictive endorsement should be placed on all checks when they are received to prevent a misappropriation of assets.

Response – We will make an effort to properly endorse checks when they are received.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Nevada
 Schedule of Findings
 Year ended June 30, 2012

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the debt service function. 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 – In the future, the budget will be amended to account for any disbursements not allowed in the adopted budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Harrison, Street Department, Owner of Harrison Concrete Construction	Sidewalk repair project Repair concrete trail	\$ 19,759 8,498

In accordance with Chapter 362.5(3)(d) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since they were entered into through competitive bidding.

- (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.
- (6) 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 – No instances of non-compliance with the revenue bond requirements for the year ended June 30, 2012 were noted.

City of Nevada

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Year ended June 30, 2012

- (9) Bequest to the Nevada Public Library – During the year ended June 30, 2008, the Nevada Public Library was named as a beneficiary in a last will and testament and had the proceeds (Bequest) remitted directly to the Greater Des Moines Community Foundation (Foundation). The Library signed an “Agency Endowed Fund Agreement” for \$170,000 and an “Agency Permanent Endowed Fund Agreement” for \$10,000 with the Foundation. Both agreements state, in part, “the Agency hereby irrevocably assigns, conveys, transfers and delivers to the GDMCF (Foundation) all of the Agency’s rights, title and interest in the property described.” As of June 30, 2012, these funds were still held by the Foundation.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.” In addition, Chapter 392.5 of the Code of Iowa states, in part, “A library board may accept and control the expenditure of all gifts, devises, and bequests to the library.”

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

We previously requested a letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of a Library Board of Trustees giving proceeds from a gift to a private non-profit Foundation. The Iowa Attorney General issued a letter of advice (advice letter) dated April 22, 2009. The advice letter states, in part:

“... I do not believe that a city library board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the library board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be ‘public funds,’ subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking.”

In addition, consistent with the Iowa Attorney General’s advice letter, the proceeds and related income are public funds and must be accounted for, deposited and invested pursuant to Chapters 12B and 12C of the Code of Iowa and rules of the City. According to financial reports of the Foundation, the Foundation had investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash at August 31, 2010. These types of investments are not included in the list of allowable investments of public funds specified in Chapter 12B.10(5) of the Code of Iowa.

City of Nevada

Schedule of Findings

Year ended June 30, 2012

Also, the agreement with the Foundation does not require the Foundation to notify the City, in writing, of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

Recommendation – A 28E agreement, as described in the advice letter, does not exist. We are not aware of any statutory authority for the Library Board and/or the City to relinquish its fiduciary responsibility over the public funds trust account to a separate non-profit organization.

The Nevada Library Board of Directors, through its action to give these public funds to the Foundation during the year ended June 30, 2008, has put these public funds at risk since the Library Board of Directors and the Foundation have not invested and accounted for the proceeds from the Bequest, including all income derived from the investment of the Bequest, as required by Chapter 12B.10(5) of the Code of Iowa and Chapter 384.20 of the Code of Iowa.

The City should consult legal counsel and recover the remaining proceeds of the Bequest held by the Foundation, including all income derived from the investment of the Bequest from the time it was remitted to the Foundation. In addition, the City should require an immediate accounting for these public funds from the date of the gift.

Until the City recovers the funds, it should seek to amend the agreement with the Foundation to require the Foundation to notify the City, in writing, of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the types of services being provided under the agreement.

Response – The funds in the amount of \$174,413.21 have been returned by the Greater Des Moines Community Foundation back to the City of Nevada. An accounting of the funds has been requested by the City of Nevada. We will work on developing a 28E agreement with the Foundation to address the funds held in the permanent endowment.

Conclusion – Response accepted.

- (10) Employee Benefits Levy – The City levies property tax for employee benefits. The proceeds of the property tax levy must be used for benefits for employees whose salary is paid from the General Fund or the Special Revenue, Road Use Tax Fund. The City pays the employee benefit costs from the General Fund and subsequently reimburses the General Fund through a transfer from the Special Revenue, Employee Benefits Fund. During the year ended June 30, 2012, the City transferred \$4,023 in excess of the actual costs.

Recommendation – The City should make a corrective transfer from the General Fund to the Special Revenue, Employee Benefits Fund for the excess amount transferred.

Response – This correction has been made in the current year as recommended.

Conclusion – Response accepted.

City of Nevada

Schedule of Findings

Year ended June 30, 2012

- (11) Tax Increment Financing (TIF) – 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 as provided in the Code section. 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.

During the year ended June 30, 2012, the City transferred \$250,000 from the Special Revenue, Urban Renewal Tax Increment Fund to the Capital Projects Fund to reduce the deficit balance in a trail project account. In addition, the City paid \$11,937 of legal fees from the Special Revenue, Urban Renewal Tax Increment Fund. These costs do not represent TIF debt and, accordingly, are not allowable uses of tax increment financing receipts in accordance with Chapter 403.19 of the Code of Iowa.

Recommendation – The City should consult TIF legal counsel to determine the proper disposition of these matters.

Response – The City will consult with our TIF legal counsel to rectify these matters.

Conclusion – Response accepted.

City of Nevada

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Janet K. Mortvedt, CPA, Staff Auditor
Andi J. Kaufman, CPA, Assistant Auditor
Tyler J. Guffy, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State