



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

February 3, 2015

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Auditor of State Mary Mosiman today released an audit report on the City of Nevada, Iowa.

The City's receipts totaled \$ 19,145,111 for the year ended June 30, 2014, a 26% decrease from the prior year. The receipts included \$ 2,972,789 in property tax, \$1,094,368 from tax increment financing, \$815,112 from local option sales tax, \$3,796,025 from charges for service, \$991,563 from operating grants, contributions and restricted interest, \$1,025,489 from capital grants, contributions and restricted interest, \$109,647 from unrestricted interest on investments, \$8,330,236 of bond proceeds and \$9,882 from the sale of capital assets.

Disbursements for the year ended June 30, 2014 totaled \$16,869,387, a 32% decrease from the prior year, and included \$5,386,802 for capital projects, \$4,000,920 for debt service and \$1,509,826 for culture and recreation. Also, disbursements for business type activities totaled \$3,093,038.

The significant decrease in both receipts and disbursements is primarily due to bond proceeds and payments to refund debt in the prior year.

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/1420-0820-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, 2014

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City of Nevada

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Andrew Kelly (Appointed)	Mayor	Nov 2013
Richard Atwell (Appointed)	Council Member	Nov 2013
Brian Hanson	Council Member	Jan 2014
Ray Schwichtenberg	Council Member	Jan 2014
Brett Barker	Council Member	(Resigned)
Jim Walker (Appointed)	Council Member	Nov 2015
Christopher Clark	Council Member	Jan 2016
Jane Heintz	Council Member	Jan 2016
Elizabeth Hansen	City Administrator	Indefinite
Kerin Wright	City Clerk	Indefinite
Brick, Gentry, Bowers, Swartz, Stolze, & Levis, P.C.	Attorney	Indefinite
(After January 2014)		
Lynn Lathrop	Mayor	Jan 2018
Jim Walker	Council Member	Nov 2015
Christopher Clark	Council Member	Jan 2016
Jane Heintz	Council Member	Jan 2016
Brian Hanson	Council Member	Jan 2018
Andrew Kelly	Council Member	Jan 2018
Ray Schwichtenberg	Council Member	Jan 2018
Elizabeth Hansen	City Administrator	Indefinite
Kerin Wright	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:

Report on the Financial Statements

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, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 13 and 36 through 38, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2014 on our consideration of the City of Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Nevada's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 24, 2014

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts for governmental activities decreased less than 1%, or approximately \$61,000, from fiscal year 2013 to fiscal year 2014. Receipts for business type activities decreased approximately \$6,745,000, or 67%, because of receiving revenue refunding bond proceeds during fiscal year 2013.
- Disbursements for governmental activities decreased 13%, or approximately \$2,001,000, in fiscal year 2014 from fiscal year 2013. Capital projects function disbursements increased 72%, or approximately \$2,254,000, due to more capital projects, including street improvements and library expansion, in the current year. Debt service function disbursements increased 72%, or approximately \$1,679,000, due to a new issuance with a payment due during the current year and a repayment of short-term financing.
- Disbursements for business type activities decreased approximately \$5,791,000, or 65%, with nearly all of the decrease coming from decreased disbursements in the Enterprise, Water Fund, which decreased \$6,145,000. This decrease is due to a large debt service payment in the previous year to advance refund the water revenue bond originally issued in 2008. Enterprise, Sewer Fund disbursements increased 42%, primarily because of capital improvements to the sewer system.
- The City's total cash basis net position increased 19%, or approximately \$2,276,000, from fiscal year 2013 to fiscal year 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$2,685,000 and the cash basis net position of the business type activities decreased approximately \$410,000.

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental 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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system, the 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.

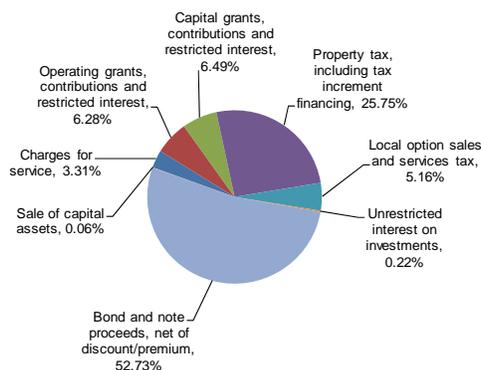
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

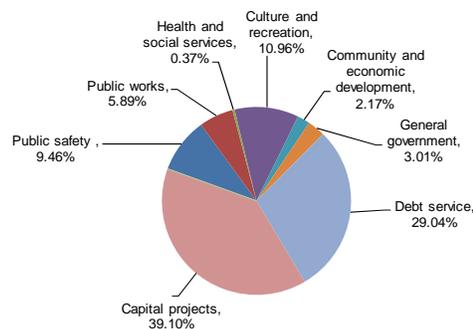
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased substantially from a year ago, increasing from approximately \$6.464 million to approximately \$9.150 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 523	483
Operating grants, contributions and restricted interest	992	931
Capital grants, contributions and restricted interest	1,025	95
General receipts:		
Property tax, including tax increment financing	4,067	4,025
Local option sales and services tax	815	813
Unrestricted interest on investments	34	44
Bond and note proceeds, net of discount/premium	8,330	8,844
Sale of capital assets	10	622
Total receipts	15,796	15,857
Disbursements:		
Public safety	1,303	1,146
Public works	812	638
Health and social services	50	54
Culture and recreation	1,510	1,391
Community and economic development	299	347
General government	414	450
Debt service	4,001	2,322
Capital projects	5,387	3,133
Payment to refunding bond agent	-	6,296
Total disbursements	13,776	15,777
Change in cash basis net position before transfers	2,020	80
Transfers, net	666	100
Change in cash basis net position	2,686	180
Cash basis net position beginning of year	6,464	6,284
Cash basis net position end of year	\$ 9,150	6,464

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased less than 1%, or approximately \$61,000, from the prior year. Charges for service, operating and capital grants, contributions and restricted interest combined increased approximately \$1,031,000. Property tax and local option sales and services tax combined increased approximately \$44,000. General receipts overall decreased approximately \$1,092,000. The decrease resulted from decreased bond and note proceeds of approximately \$514,000 and a decrease in the sale of capital assets of approximately \$612,000.

The total cost of all governmental activities programs and services decreased approximately \$2,001,000, or 13%. Capital projects function disbursements increased 72%, or approximately \$2,254,000, due to more capital projects, including street improvements and library expansion, in the current year. Debt service function disbursements increased 72%, or approximately \$1,679,000, due to the payment on a new issue during the current year. Included in fiscal year 2013 disbursements was a payment to the refunding bond agent of approximately \$6,296,000, which accounts for much of the decrease in overall governmental activities disbursements.

The City's property tax rate in fiscal year 2014 was \$15.32974 per \$1,000 of taxable valuation, which is a decrease from fiscal year 2013 which had a rate of \$15.42934 per \$1,000 of taxable valuation. The City's property tax rate has not increased significantly in fifteen years, except for the voted capital improvements levies in fiscal years 2009 and 2011.

The cost of all governmental activities this year was approximately \$13.776 million compared to approximately \$15.777 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$11.237 million because some of the cost was paid by those directly benefiting from the programs (approximately \$523,000) or by other governments and organizations which subsidized certain programs with grants, contributions and unrestricted interest (approximately \$2.016 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased from approximately \$1.508 million in fiscal year 2013 to approximately \$2.540 million in fiscal year 2014. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4.9 million in taxes (some of which could only be used for certain programs), approximately \$8.3 million of bond and anticipation project note proceeds and with other receipts, such as interest, proceeds from the sale of capital assets and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,791	1,647
Sewer	1,254	1,135
Other	228	226
General receipts:		
Unrestricted interest on investments	76	68
Bond proceeds	-	7,017
Sale of capital assets	-	1
Total receipts	3,349	10,094
Disbursements:		
Water	1,849	7,994
Sewer	1,176	827
Other	68	63
Total disbursements	3,093	8,884
Change in cash basis net position before transfers	256	1,210
Transfers, net	(666)	(100)
Change in cash basis net position	(410)	1,110
Cash basis net position beginning of year	5,667	4,557
Cash basis net position end of year	\$ 5,257	5,667

Total business type activities receipts for fiscal year 2014 were approximately \$3.349 million compared to approximately \$10.094 million last year. Total business type activities disbursements for fiscal year 2014 were approximately \$3.093 million compared to approximately \$8.884 million last year. The primary reason for these decreases is the receipt of bond proceeds and a large debt service payment during fiscal year 2013 to refund the 2008 water revenue bond. With the exception of sewer improvements during fiscal year 2014, the Enterprise, Sewer Fund receipts and disbursements remained fairly consistent

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$9,139,303, an increase of more than \$2,684,000 above last year's total of \$6,454,983. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund (includes the general, hotel/motel, emergency, general capital revolving, self insurance and sick and vacation accounts) cash balance increased \$245,374 to \$2,962,553, partially attributed to an increase in property tax receipts and transfers.
- The Special Revenue, Road Use Tax Fund cash balance decreased a modest \$1,387 to \$1,008,144.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance decreased \$155,525 to \$238,801. This decrease can be partially attributed to flat receipts and transfers for capital projects and an early redemption of a bond payment.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$346,945 at the end of the fiscal year, an increase of \$121,361 over the previous year. Disbursements decreased more than \$800,000 and transfers to the Debt Service Fund increased \$150,231 over the prior year due to refunding a TIF revenue bond with a general obligation bond.
- The Debt Service Fund cash balance increased \$17,782 to \$249,862 due to transferring more than currently necessary due to over-estimating bond costs when setting the budget.
- The Capital Projects Fund began the year with a cash balance of \$949,848 and ended with a balance of \$3,583,057, an increase of \$2,633,209. The balance fluctuates greatly between years due to projects and funding and timing of transfers. Bond and grant proceeds are being used to expand the library and general obligation bonds are funding water, sewer and street improvements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$242,730 from a balance of \$2,483,684 at the end of the prior year to \$2,240,954, primarily due to additional capital improvements and transfers to pay general obligation debt made during the year.
- The Enterprise, Sewer Fund cash balance decreased \$251,682 to \$2,680,912. This decrease is primarily due to additional capital improvements and transfers to pay general obligation debt.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on June 9, 2014 and resulted in an increase in budgeted disbursements of \$3,220,196. The largest increase was in the debt service function to repay the short-term project anticipation note and early redemption of bonds. Smaller increases were in the public safety, public works, culture and recreation, community and economic development, general government, capital projects and business type activities functions.

The City’s receipts were \$949,593 less than budgeted, a variance of 8%. Intergovernmental receipts alone were \$1,835,673 less than budgeted, which was primarily due to budgeting for two RISE grants which were not received in the current year due to a delay in project construction.

Total disbursements were \$6,289,127 less than budgeted, primarily from being under budget in the capital projects function due to delays in the construction of several projects.

The City did not exceed the amount budgeted in any function for the year ended June 30, 2014.

DEBT ADMINISTRATION

On June 30, 2014, the City had \$19,301,036 of outstanding bonds and other long and short term debt, compared to \$15,496,267 last year, as shown below. Debt increased as a result of issuing general obligation bonds for street, water and sewer improvements and refunding anticipation notes. The City also made final payments on a general obligation bond, anticipation project note, urban renewal tax increment revenue bond and a sewer revolving bond, resulting in zero balances for those obligations at the end of fiscal year 2014.

Outstanding Debt at Year-End		
	June 30,	
	2014	2013
General obligation bonds:		
5/18/2010 - Street Improvement and Refunding Bonds - \$2,775,000	\$ -	455,000
9/13/12 - Library Improvement and Refunding Bonds - \$7,320,000	6,130,000	6,750,000
9/18/12 - Anticipation Project Notes - \$1,390,000	-	1,390,000
7/25/13 - Street, Water, Sewer and Refunding Bonds - \$8,045,000	6,945,000	-
Urban renewal tax increment revenue bonds:		
5/6/2009 - Nevada Economic Development Council - \$475,000	-	100,000
Revenue bonds:		
1/3/1995 - Sewer Revolving - \$1,114,000	-	80,000
10/4/12 - Water Refunding - \$7,090,000	6,195,000	6,660,000
Lease purchase agreements	31,036	61,267
Total	<u>\$ 19,301,036</u>	<u>15,496,267</u>

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 assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation and lease purchase debt of \$13,413,765 (including \$307,729 of development and rebate agreements) is significantly below its constitutional debt limit of approximately \$18,016,868. Additional information about the City’s long-term debt is presented in Note 3 to the financial statements.

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 2015 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Story County stands at 3.8% at June 30, 2014 compared with 4.3% at June 30, 2013. This compares with the State's unemployment rate of 4.4% and 6.1% nationally.

Tax increment financing receipts are budgeted to increase \$831,825 in fiscal year 2015, from \$1,094,368 to \$1,931,825.

The City's budgeted receipts for fiscal year 2015 are \$10,293,439 (without transfers) compared to fiscal year 2014 final budgeted receipts of \$11,649,467 (without transfers).

The City's disbursements for fiscal year 2015 are budgeted to decrease from a final budget of \$22,442,943 (without transfers) for fiscal year 2014 to \$10,800,430 for fiscal year 2015 (without transfers), primarily due to an decrease in capital projects and debt service.

If these estimates are realized, the City's budgeted cash balance is expected to decrease to \$11,321,503 at the close of fiscal year 2015.

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, PO Box 530, Nevada, Iowa 50201.

City of Nevada

Basic Financial Statements

City of Nevada

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	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	\$ 1,303,193	86,695	81,174	54,330
Public works	812,203	1,979	680,368	4,018
Health and social services	50,060	-	-	-
Culture and recreation	1,509,826	366,450	214,383	13,261
Community and economic development	299,484	1,432	1,199	-
General government	413,861	55,503	-	-
Debt service	4,000,920	2,365	14,439	-
Capital projects	5,386,802	8,809	-	953,168
Total governmental activities	13,776,349	523,233	991,563	1,024,777
Business type activities:				
Water	1,848,862	1,790,905	-	-
Sewer	1,176,244	1,253,987	-	712
Other	67,932	227,900	-	-
Total business type activities	3,093,038	3,272,792	-	712
Total Primary Government	\$ 16,869,387	3,796,025	991,563	1,025,489
Component Unit:				
Nevada Economic Development Council	\$ 176,424	29,100	185,074	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Capital projects				
Tax increment financing				
Local option sales and services tax				
Unrestricted interest on investments				
Bond proceeds, net of \$285,236 of premium				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Permanent Funds				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Community betterment				
Library				
Parks				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Primary Government		Total	Nevada Economic Development Council
Governmental Activities	Business Type Activities		
(1,080,994)	-	(1,080,994)	
(125,838)	-	(125,838)	
(50,060)	-	(50,060)	
(915,732)	-	(915,732)	
(296,853)	-	(296,853)	
(358,358)	-	(358,358)	
(3,984,116)	-	(3,984,116)	
(4,424,825)	-	(4,424,825)	
(11,236,776)	-	(11,236,776)	
-	(57,957)	(57,957)	
-	78,455	78,455	
-	159,968	159,968	
-	180,466	180,466	
(11,236,776)	180,466	(11,056,310)	
			37,750
2,269,198	-	2,269,198	-
577,256	-	577,256	-
126,335	-	126,335	-
1,094,368	-	1,094,368	-
815,112	-	815,112	-
34,088	75,559	109,647	-
8,330,236	-	8,330,236	-
9,882	-	9,882	-
665,559	(665,559)	-	-
13,922,034	(590,000)	13,332,034	-
2,685,258	(409,534)	2,275,724	37,750
6,464,026	5,666,563	12,130,589	138,357
\$ 9,149,284	5,257,029	14,406,313	176,107
\$ 132,413	-	132,413	-
1,008,144	-	1,008,144	-
346,945	-	346,945	-
249,862	852,745	1,102,607	-
3,583,057	906,179	4,489,236	-
1,111,545	-	1,111,545	-
360,646	-	360,646	-
113,456	-	113,456	-
143,426	282,512	425,938	-
2,099,790	3,215,593	5,315,383	176,107
\$ 9,149,284	5,257,029	14,406,313	176,107

City of Nevada

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

As of and for the year ended June 30, 2014

	Special Revenue			
	General	Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 1,742,584	-	-	-
Tax increment financing	-	-	-	1,094,368
Other city tax	54,449	-	815,112	-
Licenses and permits	88,337	-	-	-
Use of money and property	117,377	4,018	1,708	7,637
Intergovernmental	158,239	680,368	-	-
Charges for service	226,424	-	-	-
Special assessments	-	-	-	-
Miscellaneous	109,962	-	-	-
Total receipts	2,497,372	684,386	816,820	1,102,005
Disbursements:				
Operating:				
Public safety	1,182,185	21,173	54,774	-
Public works	500	739,600	72,128	-
Health and social services	-	-	50,060	-
Culture and recreation	1,402,969	-	3,788	-
Community and economic development	94,105	-	45,342	160,037
General government	397,864	-	16,440	-
Debt service	-	-	-	101,257
Capital projects	-	-	-	-
Total disbursements	3,077,623	760,773	242,532	261,294
Excess (deficiency) of receipts over (under) disbursements	(580,251)	(76,387)	574,288	840,711
Other financing sources (uses):				
Bond proceeds, net of \$285,236 of premium	-	-	-	-
Sale of capital assets	9,882	-	-	-
Transfers in	815,743	75,000	-	250,000
Transfers out	-	-	(729,813)	(969,350)
Total other financing sources (uses)	825,625	75,000	(729,813)	(719,350)
Change in cash balances	245,374	(1,387)	(155,525)	121,361
Cash balances beginning of year	2,717,179	1,009,531	394,326	225,584
Cash balances end of year	\$ 2,962,553	1,008,144	238,801	346,945
Cash Basis Fund Balances				
Nonspendable	\$ -	-	-	-
Restricted for:				
Streets	-	1,008,144	-	-
Urban renewal purposes	-	-	-	346,945
Debt service	-	-	-	-
Capital projects	-	-	-	-
Community betterment	872,744	-	238,801	-
Library	-	-	-	-
Parks	-	-	-	-
Other purposes	-	-	-	-
Unassigned	2,089,809	-	-	-
Total cash basis fund balances	\$ 2,962,553	1,008,144	238,801	346,945

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
564,933	123,140	460,224	2,890,881
-	-	-	1,094,368
12,323	3,195	11,941	897,020
-	-	-	88,337
6,802	65,152	36,014	238,708
-	-	13,123	851,730
-	86,825	1,142	314,391
2,365	-	-	2,365
-	810,000	158,165	1,078,127
586,423	1,088,312	680,609	7,455,927
-	-	45,184	1,303,316
-	-	-	812,228
-	-	-	50,060
-	-	103,413	1,510,170
-	-	-	299,484
-	-	-	414,304
3,899,663	-	-	4,000,920
-	5,386,802	-	5,386,802
3,899,663	5,386,802	148,597	13,777,284
(3,313,240)	(4,298,490)	532,012	(6,321,357)
-	8,330,236	-	8,330,236
-	-	-	9,882
3,331,022	476,092	10,000	4,957,857
-	(1,874,629)	(718,506)	(4,292,298)
3,331,022	6,931,699	(708,506)	9,005,677
17,782	2,633,209	(176,494)	2,684,320
232,080	949,848	926,435	6,454,983
249,862	3,583,057	749,941	9,139,303
-	-	132,413	132,413
-	-	-	1,008,144
-	-	-	346,945
249,862	-	-	249,862
-	3,583,057	-	3,583,057
-	-	-	1,111,545
-	-	360,646	360,646
-	-	113,456	113,456
-	-	143,426	143,426
-	-	-	2,089,809
249,862	3,583,057	749,941	9,139,303

City of Nevada

City of Nevada

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

As of and for the year ended June 30, 2014

Total governmental funds cash balances (page 19)	\$ 9,139,303
 <i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
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 cash basis net position of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.	9,981
	9,981
Cash basis net position of governmental activities (page 17)	\$ 9,149,284
 Change in cash balances (page 19)	
	\$ 2,684,320
 <i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
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 position of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.	938
	938
Change in cash basis net position of governmental activities (page 17)	\$ 2,685,258

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, 2014

	Enterprise				Internal
	Water	Sewer	Nonmajor	Total	Service Flexible Benefits
Operating receipts:					
Use of money and property	\$ 16,042	-	-	16,042	-
Charges for service	1,657,196	1,221,850	226,531	3,105,577	28,082
Miscellaneous	117,667	32,138	1,369	151,174	271
Total operating receipts	<u>1,790,905</u>	<u>1,253,988</u>	<u>227,900</u>	<u>3,272,793</u>	<u>28,353</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	5,036
Public works	-	-	-	-	1,016
Culture and recreation	-	-	-	-	14,186
General government	-	-	-	-	7,057
Business type activities	972,108	760,110	67,932	1,800,150	117
Total operating disbursements	<u>972,108</u>	<u>760,110</u>	<u>67,932</u>	<u>1,800,150</u>	<u>27,412</u>
Excess of operating receipts over operating disbursements	<u>818,797</u>	<u>493,878</u>	<u>159,968</u>	<u>1,472,643</u>	<u>941</u>
Non-operating receipts (disbursements):					
Interest on investments	33,842	39,192	3,236	76,270	-
Debt service	(581,507)	(82,440)	-	(663,947)	-
Capital projects	(295,247)	(333,697)	-	(628,944)	-
Net non-operating receipts (disbursements)	<u>(842,912)</u>	<u>(376,945)</u>	<u>3,236</u>	<u>(1,216,621)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(24,115)</u>	<u>116,933</u>	<u>163,204</u>	<u>256,022</u>	<u>941</u>
Transfers out	(218,615)	(368,615)	(78,329)	(665,559)	-
Change in cash balances	<u>(242,730)</u>	<u>(251,682)</u>	<u>84,875</u>	<u>(409,537)</u>	<u>941</u>
Cash balances beginning of year	2,483,684	2,932,594	248,402	5,664,680	10,926
Cash balances end of year	<u>\$ 2,240,954</u>	<u>2,680,912</u>	<u>333,277</u>	<u>5,255,143</u>	<u>11,867</u>
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ 614,370	238,375	-	852,745	-
Sewer construction	-	906,179	-	906,179	-
Water improvement	150,000	-	-	150,000	-
Water deposits	61,825	-	-	61,825	-
Sewer revolving	-	220,687	-	220,687	-
Unrestricted	1,414,759	1,315,671	333,277	3,063,707	11,867
Total cash basis fund balances	<u>\$ 2,240,954</u>	<u>2,680,912</u>	<u>333,277</u>	<u>5,255,143</u>	<u>11,867</u>

See notes to financial statements.

City of Nevada

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

As of and for the year ended June 30, 2014

Total enterprise funds cash balances (page 22)	\$ 5,255,143
<i>Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
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 cash basis net position of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.	1,886
	<u>1,886</u>
Cash basis net position of business type activities (page 17)	\$ 5,257,029
	<u><u>\$ 5,257,029</u></u>
Change in cash balances (page 22)	\$ (409,537)
<i>Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
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 the cash basis net position of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.	3
	<u>3</u>
Change in cash basis net position of business type activities (page 17)	\$ (409,534)
	<u><u>\$ (409,534)</u></u>

See notes to financial statements.

City of Nevada

Notes to Financial Statements

June 30, 2014

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

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

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental 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 tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

The Local Option Sales 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 plan 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 position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

D. Governmental Cash Basis Fund Balances

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

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 are 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.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 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). During the year ended June 30, 2013, \$174,413 was transferred from the Foundation to the City. No transfers were made from the Foundation to the City during the year ended June 30, 2014. At June 30, 2014, the carrying amount and fair value of the amounts held by the Foundation were \$13,753 and \$15,780, 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. The City did not invest more than 5% of the City’s investments in any one issuer. 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 Payable

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

Year Ending June 30,	General Obligation Bonds		Water Revenue Refunding Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2015	\$ 1,505,000	318,713	465,000	113,218	1,970,000
2016	1,745,000	288,613	470,000	109,963	2,215,000	398,576
2017	1,185,000	253,713	475,000	106,203	1,660,000	359,916
2018	1,230,000	230,013	475,000	101,453	1,705,000	331,466
2019	1,255,000	205,413	480,000	95,515	1,735,000	300,928
2020-2024	5,500,000	581,765	2,525,000	341,484	8,025,000	923,249
2025-2029	655,000	34,421	1,305,000	60,613	1,960,000	95,034
Total	\$ 13,075,000	1,912,651	6,195,000	928,449	19,270,000	2,841,100

General Obligation Bonds

On July 25, 2013, the City issued \$8,045,000 of general obligation street, water, sewer, and refunding bonds for the purpose of constructing street, water system, sanitary sewer system, and storm sewer improvements and to retire the \$1,390,000 project anticipation note issued September 18, 2012. The bonds bear interest at rates ranging from 2.00% to 4.00% per annum and mature June 1, 2026.

Water Revenue Refunding Bonds

On October 25, 2012, the City issued \$7,090,000 of water revenue refunding bonds for the current refunding of the water revenue bonds issued January 14, 2005. As a condition of the refunding, the City was required to place \$581,203 of the \$7,090,000 proceeds into a debt service reserve fund. The bonds bear interest at rates ranging from 0.50% to 2.70% per annum and mature June 1, 2027.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$7,090,000 of water revenue refunding bonds issued in October 2012. The bonds are payable solely from water customer net receipts and are payable through 2027. Annual principal and interest payments on the bonds are expected to require less than 71% of net receipts. The total principal and interest remaining to be paid on the bonds is \$7,123,449. For the current year, principal and interest paid and total customer net receipts were \$581,007 and \$818,797, respectively.

The resolution providing for the issuance of the water revenue refunding 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 receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (d) A principal and interest reserve account shall be created into which \$581,203 shall be set apart and paid from proceeds of the sale of the bonds at the time of delivery.

Lease-Purchase Agreements

On February 17, 2011, the City entered into a lease-purchase agreement to lease two John Deere Gators. The lease term is for three years, with interest at 4.55% per annum.

On March 30, 2012, the City entered into a lease-purchase agreement to lease a mower. The lease term was for three years, with interest at 4.30% per annum. During the year ended June 30, 2014, the City made the final payment of \$15,028.

On June 21, 2013, the City entered into a lease-purchase agreement to lease a tractor and accessories. The lease term is for three years, with interest at 4.30% per annum.

The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2014:

Year Ending June 30,	Gators	Tractor and Accessories
2015	\$ 2,690	14,569
2016	1	14,570
Total minimum lease payments	2,691	29,139
Less amount representing interest	80	714
Present value of net minimum lease payments	\$ 2,611	28,425

During the year ended June 30, 2014, the City made principal payments of \$15,835 and interest payments of \$1,425 on these lease purchase agreements.

(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 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$182,023, \$177,341 and \$164,633, 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 39 active and 1 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 UnitedHealthcare. 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 \$400 for single coverage, \$840 for employee/spouse coverage, \$760 for employee/children coverage and \$1,180 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$197,557 and plan members eligible for benefits contributed \$34,098 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 hours payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 158,000
Compensatory time	28,000
Sick leave	7,500
Total	<u>\$ 193,500</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) Contractual Commitments

The City entered into various construction contracts totaling approximately \$5,983,000. The unpaid contract balances as of June 30, 2014 totaled approximately \$2,446,000, which will be paid as work on the projects progresses.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 305,000
	Employee Benefits	510,743
		<u>815,743</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales and Services Tax	<u>75,000</u>
Special Revenue:	Special Revenue:	
Trail Maintenance	Local Option Sales and Services Tax	<u>10,000</u>
Special Revenue:	Capital Projects	<u>250,000</u>
Urban Renewal Tax Increment		
Debt Service	Special Revenue:	
	Local Option Sales and Services Tax	149,813
	Urban Renewal Tax Increment	969,350
	Capital Projects	1,624,629
	Enterprise:	
	Water	218,615
	Storm Water	368,615
		<u>3,331,022</u>
Capital Projects	Special Revenue:	
	Local Option Sales and Services Tax	190,000
	Library Building Trust	207,763
	Enterprise:	
	Storm Water	78,329
		<u>476,092</u>
Total		<u>\$ 4,957,857</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 \$765,860 is outstanding at June 30, 2014. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest does 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 current contract began April 1, 1994 and terminated June 30, 2014. The City entered into a new contract with the City of Ames beginning July 1, 2014 and terminating June 30, 2034. 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 15 and one-half on or before December 15 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 2014 was \$61,862.

(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 700 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 casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of basis rate 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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, 2014 were \$142,460.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, 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. Upon

withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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 remaining total to be paid by the City under the agreements is not to exceed \$9,052,729.

The City rebated \$160,037 during fiscal year 2014, for a total of \$1,277,113 of incremental property tax rebated under the agreements. The outstanding balance of the agreements at June 30, 2014 with fixed dollar commitments was \$307,729. The outstanding balance of the agreements at June 30, 2014 subject to annual appropriation was \$8,745,000.

During the year, the City also provided a \$33,000 grant to the Nevada Economic Development Corporation to provide to a developer in the urban renewal area. This grant served as a local match in support of incentives provided to the developer from the Iowa Economic Development Authority. This grant is to be repaid from incremental property tax prior to June 1, 2016.

(13) Subsequent Event

In June 2014, the City authorized the issuance of \$770,000 of general obligation bonds for the purpose of vehicle acquisition.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

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, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,890,881	-	-
Tax increment financing	1,094,368	-	-
Other city tax	897,020	-	-
Licenses and permits	88,337	-	-
Use of money and property	238,708	16,042	410
Intergovernmental	851,730	-	6,485
Charges for service	314,391	3,133,659	28,082
Special assessments	2,365	-	-
Miscellaneous	1,078,127	151,445	22,222
Total receipts	7,455,927	3,301,146	57,199
Disbursements:			
Public safety	1,303,316	5,036	50,220
Public works	812,228	1,016	1,016
Health and social services	50,060	-	-
Culture and recreation	1,510,170	14,186	21,564
Community and economic development	299,484	-	-
General government	414,304	7,057	7,057
Debt service	4,000,920	-	-
Capital projects	5,386,802	-	-
Business type activities	-	2,429,211	117
Total disbursements	13,777,284	2,456,506	79,974
Excess (deficiency) of receipts over (under) disbursements	(6,321,357)	844,640	(22,775)
Other financing sources (uses), net	9,005,677	(1,253,236)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,684,320	(408,596)	(22,775)
Balances beginning of year	6,454,983	5,675,606	90,995
Balances end of year	\$ 9,139,303	5,267,010	68,220

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,890,881	2,888,866	2,888,866	2,015
1,094,368	1,100,000	1,100,000	(5,632)
897,020	847,182	847,182	49,838
88,337	80,800	80,800	7,537
254,340	211,638	211,638	42,702
845,245	2,620,918	2,680,918	(1,835,673)
3,419,968	3,254,227	3,254,227	165,741
2,365	-	-	2,365
1,207,350	435,836	585,836	621,514
10,699,874	11,439,467	11,649,467	(949,593)
1,258,132	1,339,474	1,399,474	141,342
812,228	854,852	902,352	90,124
50,060	60,000	60,000	9,940
1,502,792	1,516,564	1,627,564	124,772
299,484	316,204	351,704	52,220
414,304	438,919	454,419	40,115
4,000,920	2,786,045	4,433,741	432,821
5,386,802	8,661,125	9,517,125	4,130,323
2,429,094	3,249,564	3,696,564	1,267,470
16,153,816	19,222,747	22,442,943	6,289,127
(5,453,942)	(7,783,280)	(10,793,476)	5,339,534
7,752,441	2,513,000	7,814,552	(62,111)
2,298,499	(5,270,280)	(2,978,924)	5,277,423
12,039,594	8,606,468	18,986,006	(6,946,412)
14,338,093	3,336,188	16,007,082	(1,668,989)

City of Nevada

Notes to Other Information – Budgetary Reporting

June 30, 2014

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the 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 \$3,220,196. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

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, 2014

	Employee Benefits	Cemetery Memorials	Cemetery Foundation Trust	Library Trust	Fire Trust	S.C.O.R.E. Undesignated	S.C.O.R.E. Operation & Maintenance
Receipts:							
Property tax	\$ 460,224	-	-	-	-	-	-
Other city tax	11,941	-	-	-	-	-	-
Use of money and property	3,841	33	3	1,022	147	231	3
Intergovernmental	-	-	-	6,638	-	-	-
Charges for service	-	-	-	-	-	-	-
Miscellaneous	-	-	-	5,832	1,850	-	-
Total receipts	476,006	33	3	13,492	1,997	231	3
Disbursements:							
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	-	13,920	-	21,413	-
Total disbursements	-	-	-	13,920	-	21,413	-
Excess (deficiency) of receipts over (under) disbursements	476,006	33	3	(428)	1,997	(21,182)	3
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(510,743)	-	-	-	-	-	-
Total other financing sources (uses)	(510,743)	-	-	-	-	-	-
Change in cash balances	(34,737)	33	3	(428)	1,997	(21,182)	3
Cash balances beginning of year	34,737	2,668	218	83,400	10,878	22,096	243
Cash balances end of year	\$ -	2,701	221	82,972	12,875	914	246
Cash Basis Fund Balances							
Nonspendable	\$ -	-	-	-	-	-	-
Restricted for:							
Library	-	-	-	82,972	-	-	-
Parks	-	-	-	-	-	-	-
Other purposes	-	2,701	221	-	12,875	914	246
Total cash basis fund balances	\$ -	2,701	221	82,972	12,875	914	246

Special 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	
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
70	224	18,724	22	310	3,309	1,922	52	23	138	
-	-	-	-	-	-	-	-	-	-	-
-	-	722	420	-	-	-	-	-	-	-
-	-	901	-	-	-	126,455	-	1,176	-	-
70	224	20,347	442	310	3,309	128,377	52	1,199	138	
-	-	-	-	-	-	-	-	-	-	-
325	-	43,972	-	2,413	13,992	-	-	-	-	-
325	-	43,972	-	2,413	13,992	-	-	-	-	-
(255)	224	(23,625)	442	(2,103)	(10,683)	128,377	52	1,199	138	
-	-	-	-	10,000	-	-	-	-	-	-
-	-	-	-	-	-	(207,763)	-	-	-	-
-	-	-	-	10,000	-	(207,763)	-	-	-	-
(255)	224	(23,625)	442	7,897	(10,683)	(79,386)	52	1,199	138	
5,990	18,211	137,081	1,520	17,644	288,357	79,386	4,236	1,627	11,191	
5,735	18,435	113,456	1,962	25,541	277,674	-	4,288	2,826	11,329	
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	277,674	-	-	-	-	-
-	-	113,456	-	-	-	-	-	-	-	-
5,735	18,435	-	1,962	25,541	-	-	4,288	2,826	11,329	
5,735	18,435	113,456	1,962	25,541	277,674	-	4,288	2,826	11,329	

(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, 2014

	Special Revenue				Permanent		Total
	Nevada Firefighters Incorporated	Nevada First Responders	Senior Citizen Center	Friends of the Library	Cemetery Perpetual Care	Parks Planting (Hattery)	
Receipts:							
Property tax	\$ -	-	-	-	-	-	460,224
Other city tax	-	-	-	-	-	-	11,941
Use of money and property	389	19	2	-	5,530	-	36,014
Intergovernmental	6,485	-	-	-	-	-	13,123
Charges for service	-	-	-	-	-	-	1,142
Miscellaneous	7,827	7,856	3,156	3,112	-	-	158,165
Total receipts	14,701	7,875	3,158	3,112	5,530	-	680,609
Disbursements:							
Public safety	18,312	26,872	-	-	-	-	45,184
Culture and recreation	-	-	3,062	4,316	-	-	103,413
Total disbursements	18,312	26,872	3,062	4,316	-	-	148,597
Excess (deficiency) of receipts over (under) disbursements	(3,611)	(18,997)	96	(1,204)	5,530	-	532,012
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	10,000
Transfers out	-	-	-	-	-	-	(718,506)
Total other financing sources (uses)	-	-	-	-	-	-	(708,506)
Change in cash balances	(3,611)	(18,997)	96	(1,204)	5,530	-	(176,494)
Cash balances beginning of year	32,139	33,188	8,180	6,562	121,883	5,000	926,435
Cash balances end of year	\$ 28,528	14,191	8,276	5,358	127,413	5,000	749,941
Cash Basis Fund Balances							
Nonspendable	\$ -	-	-	-	127,413	5,000	132,413
Restricted for:							
Library	-	-	-	-	-	-	360,646
Parks	-	-	-	-	-	-	113,456
Other purposes	28,528	14,191	8,276	5,358	-	-	143,426
Total cash basis fund balances	\$ 28,528	14,191	8,276	5,358	127,413	5,000	749,941

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, 2014

	Enterprise		
	Sanitation	Storm Water	Total
Operating receipts:			
Charges for service	\$ 63,202	163,329	226,531
Miscellaneous	599	770	1,369
Total operating receipts	<u>63,801</u>	<u>164,099</u>	<u>227,900</u>
Operating disbursements:			
Business type activities	62,482	5,450	67,932
Excess of operating receipts over operating disbursements	1,319	158,649	159,968
Non-operating receipts:			
Interest on investments	3	3,233	3,236
Excess of receipts over disbursements	1,322	161,882	163,204
Transfers out	-	(78,329)	(78,329)
Change in cash balances	1,322	83,553	84,875
Cash balances beginning of year	2,491	245,911	248,402
Cash balances end of year	<u>\$ 3,813</u>	<u>329,464</u>	<u>333,277</u>
Cash Basis Fund Balances			
Unrestricted	<u>\$ 3,813</u>	<u>329,464</u>	<u>333,277</u>

See accompanying independent auditor's report.

City of Nevada
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Street improvement and refunding	May 18, 2010	0.85-2.75%	\$ 2,775,000
Urban renewal library improvement and refunding	Sep 13, 2012	2.00-2.15	7,320,000
Project anticipation note	Sep 18, 2012	0.35	1,390,000
Streets, water, sewer and refunding	Jul 25, 2013	2.00-4.00	8,045,000
Total			
Revenue bonds:			
Sewer revolving	Jan 3, 1995	4.54-3.00%	\$ 1,114,000
Urban renewal tax increment financing	May 6, 2009	4.00	475,000
Water refunding	Oct 25, 2012	0.50-2.70	7,090,000
Total			
Lease-purchase agreements:			
Gators	Feb 17, 2011	4.55%	\$ 12,310
Mower	Mar 30, 2012	4.30	42,942
Tractor and accessories	Jun 21, 2013	4.30	41,765
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
455,000	-	455,000	-	10,210
6,750,000	-	620,000	6,130,000	135,412
1,390,000	-	1,390,000	-	1,946
-	8,045,000	1,100,000	6,945,000	185,045
\$ 8,595,000	8,045,000	3,565,000	13,075,000	332,613
80,000	-	80,000	-	2,400
100,000	-	100,000	-	1,257
6,660,000	-	465,000	6,195,000	116,007
\$ 6,840,000	-	645,000	6,195,000	119,664
5,106	-	2,495	2,611	195
14,407	-	14,407	-	621
41,765	-	13,340	28,425	1,230
\$ 61,278	\$ -	\$ 30,242	\$ 31,036	\$ 2,046

City of Nevada

City of Nevada

Bond Maturities

June 30, 2014

Year Ending June 30,	General Obligation Bonds					Revenue Bonds	
	Corporate Purpose and Refunding					Water Refunding	
	Issued Sept 13, 2012		Issued July 25, 2013			Issued Oct 25, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount
2015	2.00%	\$ 600,000	2.00%	\$ 905,000	1,505,000	0.70%	\$ 465,000
2016	2.00	655,000	2.00	1,090,000	1,745,000	0.80	470,000
2017	2.00	690,000	2.00	495,000	1,185,000	1.00	475,000
2018	2.00	705,000	2.00	525,000	1,230,000	1.25	475,000
2019	2.00	715,000	2.00	540,000	1,255,000	1.55	480,000
2020	2.00	725,000	2.00	550,000	1,275,000	1.85	485,000
2021	2.00	745,000	4.00	560,000	1,305,000	2.00	495,000
2022	2.00	755,000	4.00	580,000	1,335,000	2.15	505,000
2023	2.00	265,000	4.00	600,000	865,000	2.25	515,000
2024	2.15	90,000	4.00	630,000	720,000	2.40	525,000
2025	2.15	90,000	4.00	230,000	320,000	2.55	535,000
2026	2.15	95,000	4.00	240,000	335,000	2.65	550,000
2027		-		-	-	2.70	220,000
Total		<u>\$ 6,130,000</u>		<u>\$ 6,945,000</u>	<u>13,075,000</u>		<u>\$ 6,195,000</u>

See accompanying independent auditor's report.

City of Nevada

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

For the Last Ten Years

	2014	2013	2012	2011
Receipts:				
Property tax	\$ 2,890,881	2,706,999	2,515,062	2,390,310
Tax increment financing	1,094,368	1,207,521	1,396,120	1,403,236
Other city tax	897,020	932,717	914,345	896,047
Licenses and permits	88,337	79,243	85,311	97,724
Use of money and property	238,708	172,706	203,263	241,686
Intergovernmental	851,730	824,654	868,542	884,249
Charges for service	314,391	215,664	244,406	252,505
Special assessments	2,365	4,971	3,572	4,393
Miscellaneous	1,078,127	246,027	168,579	276,454
Total	\$ 7,455,927	6,390,502	6,399,200	6,446,604
Disbursements:				
Operating:				
Public safety	\$ 1,303,316	1,145,587	1,182,484	1,127,061
Public works	812,228	637,909	631,574	664,466
Health and social services	50,060	53,915	76,205	66,568
Culture and recreation	1,510,170	1,389,735	1,395,047	1,367,576
Community and economic development	299,484	346,987	330,621	370,341
General government	414,304	450,028	305,942	280,430
Debt service	4,000,920	2,319,728	1,649,493	1,886,046
Capital projects	5,386,802	3,135,224	503,398	1,677,280
Total	\$ 13,777,284	9,479,113	6,074,764	7,439,768

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
2,203,777	2,001,007	1,974,976	1,945,558	1,882,187	1,814,633
1,608,637	1,712,528	1,690,937	1,284,881	1,132,882	1,022,084
879,528	954,164	879,359	850,186	854,838	795,059
79,754	68,272	109,162	95,505	115,617	55,050
196,309	178,998	441,545	343,833	292,670	227,267
1,072,579	984,654	833,181	1,224,798	988,672	905,229
295,664	307,607	273,067	249,255	273,637	249,297
7,673	17,743	22,336	33,229	27,728	38,760
290,632	436,042	358,416	696,210	230,768	380,396
6,634,553	6,661,015	6,582,979	6,723,455	5,798,999	5,487,775
1,125,704	1,058,708	1,085,431	1,454,443	1,134,005	905,856
660,064	684,043	732,940	561,308	619,657	738,155
73,044	77,900	77,400	81,400	78,300	74,300
1,276,238	1,317,201	1,316,512	1,211,953	1,121,741	1,135,262
230,845	2,625,884	309,060	417,823	315,862	448,862
287,015	360,764	234,998	258,858	237,015	237,445
1,945,808	2,123,130	1,663,077	1,430,663	1,382,022	1,165,018
1,061,197	2,524,989	5,500,082	2,851,275	3,282,679	1,129,387
6,659,915	10,772,619	10,919,500	8,267,723	8,171,281	5,834,285

City of Nevada



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, 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, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Nevada's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (C) 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 (D) and (E) 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, 2014 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

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 24, 2014

City of Nevada

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Nevada First Responders – During our review of internal control, the existing procedures 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 and posting, although an independent individual reviews the bank statements. 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 bank reconciliation should be prepared monthly. The bank reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

Response – A written policy will be developed on how to handle collection, depositing and posting funds. A monthly audit of the financials will be included in the policy naming who should complete the audit.

Conclusion – Response accepted.

- (B) Nevada Economic Development Council (NEDC) – During our review of internal control, the existing procedures 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 and depositing 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. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – Operating procedures will be reviewed to plan for the maximum internal control possible, using officials where possible to review transactions and reconciliations.

Conclusion Response accepted.

- (C) 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, formal bank reconciliations are not completed.

As a result of not performing bank reconciliations during the year, a variance of \$830 was not discovered and resolved timely.

City of Nevada

Schedule of Findings

Year ended June 30, 2014

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. Bank reconciliations should be completed and reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

Response – A written policy will be developed on how to handle collection, depositing and posting funds. A monthly audit of the financials will be included in the policy naming who should complete the audit. In researching the \$830 deposit, it was found to be in error since it was entered twice into the financial program.

Conclusion – Response acknowledged. Bank reconciliations should be completed and reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

- (D) Nevada Fire Fighters – The signature cards held by the bank do not accurately reflect the current approved check signers. One individual currently on the signature card is no longer a member of the Association.

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

Response – Signature cards at the bank will be updated to reflect the current approved check signers.

Conclusion – Response accepted.

- (E) Computer System – The following weaknesses in the City's computer system were noted:

The City does not have written policies for:

- Requiring timeout or logoff functions be utilized when terminals are left unattended.
- Requiring password length of a minimum of 8 characters, including special characters.
- Requiring passwords to be changed every 60-90 days.

Although the City maintains a computer policy which instructs employees to keep passwords confidential, at least one employee has access to all users' passwords.

Also, while the City has a written disaster recovery plan, the hardware inventory list is outdated. In addition, the plan does not outline the frequency and guidelines for testing the disaster recovery plan to identify issues and document the results of testing.

Recommendation – The City should develop written policies addressing the above items to improve the City's control over its computer system and adhere to policies in place. The disaster recovery plan should be updated to maintain a current list of inventory items and should include a provision to test.

Response – Staff is currently working on policies for computer passwords and logoff functions and updating the disaster recovery plan.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Nevada

Schedule of Findings

Year ended June 30, 2014

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amount budgeted in any function prior to the budget amendment.
- (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
Brian Hanson, Council Member, Owner of V&H Construction	Construction of salt dome	\$ 7,849
Dave Harrison, City employee, Owner of Harrison Concrete	Sidewalk construction project	19,238

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions do not appear to represent conflicts of interest even though total transactions with each individual were more than \$1,500 during the fiscal year because each project was competitively bid.

- (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) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond requirements for the year ended June 30, 2014 were noted.
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.

The City’s beginning cash balance of the Special Revenue, Urban Renewal Tax Increment Fund reported on the December 1, 2013 Levy Authority Summary did not include the \$650,000 set aside required by the 2008 urban renewal tax increment financing revenue bonds.

Also, the amount reported by the City as TIF debt outstanding was overstated by \$1,317,000 and a debt refunding of \$7,041,909 should not have been reported as being made from tax increment financing receipts.

Recommendation – The City should ensure cash balances and TIF debt outstanding reported on the Levy Authority Summary agree with the City’s records.

Response – The City will verify the balances on the report with the City’s records.

Conclusion – Response accepted.

City of Nevada

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Janet K. Mortvedt, CPA, Senior Auditor II
Leanna J. Showman, Senior Auditor
Leslie M. Downing, Staff Auditor
Jessica R. Frisch, Assistant Auditor
Nicole L. Roethlisberger, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State