



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

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NEWS RELEASE

FOR RELEASE _____ January 18, 2005 _____

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

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$8,984,114 for the year ended June 30, 2004. The receipts included \$1,887,552 in property tax, \$901,080 from tax increment financing collections, \$2,396,903 from charges for service, \$895,447 from operating grants, contributions and restricted interest, \$935,361 from capital grants, contributions and restricted interest, \$724,304 from local option sales tax, \$340,433 from unrestricted interest on investments, \$837,875 from bond proceeds and \$65,159 from other general receipts.

Disbursements for the year totaled \$8,614,424, and included \$1,467,813 for debt service, \$1,401,504 for capital projects and \$1,024,697 for culture and recreation. Also, disbursements for business type activities totaled \$2,580,770.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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

JUNE 30, 2004

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City of Nevada

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Patrick Sheets	Mayor	Jan 2006
Kathleen Strum	Mayor Pro tem	Jan 2004
Michael Neff	Council Member	Jan 2004
F. C. Parrish	Council Member	Jan 2004
Dean Handsaker	Council Member	Jan 2006
William Huls	Council Member	Jan 2006
Walt McDonald	Council Member	Jan 2006
(After January 2004)		
Patrick Sheets	Mayor	Jan 2006
Dean Handsaker	Mayor Pro tem	Jan 2006
William Huls	Council Member	Jan 2006
Walt McDonald	Council Member	Jan 2006
Elisa Gibson	Council Member	Jan 2008
Gearold E. Gull II	Council Member	Jan 2008
William Tufford	Council Member	Jan 2008
David Haugland	City Administrator	Indefinite
Teresa Peterson-Smith	City Clerk	Indefinite
Don Juhl	Attorney	Indefinite

City of Nevada



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Nevada's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Nevada as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 13, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2004 on our consideration of the City of Nevada's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 13, 2004

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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 3%, or approximately \$147,000, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$83,000, tax increment financing collections increased approximately \$135,000 and use of money and property decreased 55%, or approximately \$298,000. The City also received bond proceeds of \$837,875 in 2004 to finance the West Industrial Park Storm Sewer project.
- Governmental activities disbursements decreased 10%, or approximately \$704,000, in fiscal 2004 from fiscal 2003 due to capital project disbursements decreasing by approximately \$1,524,000 and debt service disbursements increasing by approximately \$802,000.
- The City's total cash basis net assets increased 3.4%, or approximately \$370,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased approximately \$806,000 and the assets of the business type activities decreased by approximately \$436,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

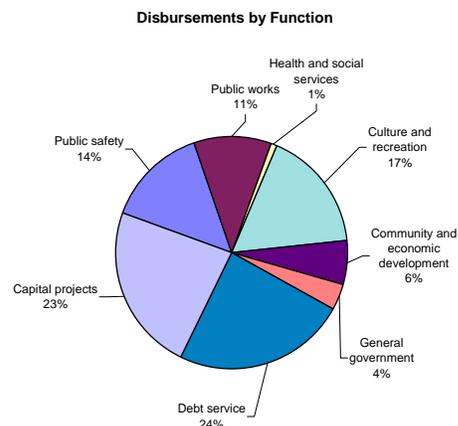
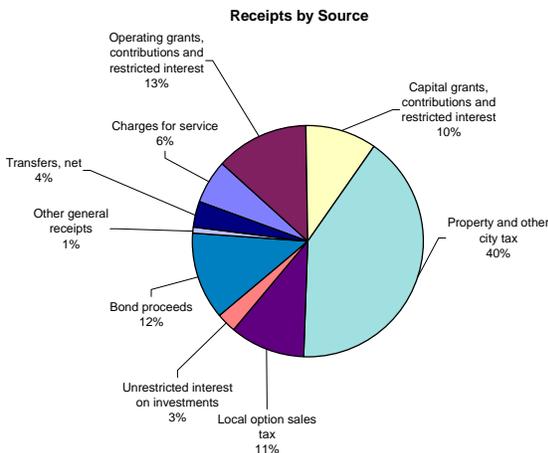
The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$4,820,660 to \$5,626,291. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2004
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 412,386
Operating grants, contributions and restricted interest	895,447
Capital grants, contributions and restricted interest	690,415
General receipts:	
Property and other city tax	2,788,632
Local option sales tax	724,304
Unrestricted interest on investments	185,108
Bond proceeds	837,875
Other general receipts	65,159
Transfers, net	239,959
Total receipts and transfers	<u>6,839,285</u>
Disbursements:	
Public safety	856,290
Public works	643,837
Health and social services	59,186
Culture and recreation	1,024,697
Community and economic development	367,876
General government	212,451
Debt service	1,467,813
Capital projects	1,401,504
Total disbursements	<u>6,033,654</u>
Increase in cash basis net assets	805,631
Cash basis net assets beginning of year	<u>4,820,660</u>
Cash basis net assets end of year	<u>\$ 5,626,291</u>



The City's total receipts for governmental activities increased slightly by 3%, or approximately \$147,000. The total cost of all programs and services decreased by approximately \$704,000, or 10%, with no new programs added this year. The significant decrease in disbursements was primarily the result of fewer capital project costs.

The City again held property tax rates for 2004 at \$14.87863. The City's property tax rates have not increased significantly in eight years – the average rate being \$14.46881 per \$1,000 of taxable valuation. The city's taxable valuation has been holding steady for the last six years with any growth in the tax base being offset by the rollback. The tax increment valuation has increased steadily for the last six years from \$15,797,290 to the current \$30,252,923.

The cost of all governmental activities this year was \$6,033,654. However, as shown in the Statement of Activities and Net Assets on pages 16-17, the amount taxpayers ultimately financed for these activities was only \$4,035,406 because some of the cost was paid by those directly benefited from the programs (\$412,386) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,585,862). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service were \$1,998,248. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4,035,406 in tax (some of which could only be used for certain programs) and other receipts, such as interest and general receipts.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2004
Receipts:	
Program receipts:	
Charges for service	\$ 1,984,517
Capital grants, contributions and restricted interest	244,946
General receipts:	
Unrestricted interest on investments	155,325
Total receipts	<u>2,384,788</u>
Disbursements and transfers:	
Water	766,479
Wastewater	1,814,291
Transfers, net	239,959
Total disbursements and transfers	<u>2,820,729</u>
Decrease in cash basis net assets	(435,941)
Cash basis net assets beginning of year	<u>6,025,492</u>
Cash basis net assets end of year	<u>\$ 5,589,551</u>

Total business type activities receipts for the 2004 fiscal year were \$2,384,788. Receipts were down from the previous year due to the refinancing of debt in the 2003 fiscal year. Total business type activities disbursements for the 2004 fiscal year were approximately \$2,581,000 compared to \$2,427,000 last year. This increase in disbursements was due to the wastewater treatment plant project and the water treatment plant project. The cash balance decreased by \$435,941 from the prior year because of the two projects.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$5,624,379.

- The General Fund cash balance decreased \$165,900 from the prior year to \$1,969,416. This decrease is primarily due to a decrease in intergovernmental receipts of \$153,000. The City reduced budgeted expenditures to offset this loss in revenues.
- The Road Use Tax Fund cash balance increased by \$44,228 to \$503,302 during the fiscal year. This increase was due to an increase in the amount of road use tax funds received of \$61,000. The City has planned expenditures in fiscal year 2005 for the purchase of a piece of heavy equipment which will decrease the cash balance substantially.
- The Local Option Sales and Services Tax Fund cash balance increased \$239,192 to \$568,297 during the fiscal year. The increase was primarily due to \$124,305 in additional revenues received.
- The Urban Renewal Tax Increment Fund cash balance was \$649,884 at the end of the fiscal year, an increase of \$397,668 from the previous year. During fiscal year 2005, a street project and the balance of the West Industrial Park Storm Sewer Project will be financed through TIF.
- The S.C.O.R.E. Undesignated Fund was established for the donations received for the development of the SCORE Park. The cash balance at the beginning of the year was \$831,579 and increased to \$908,914, an increase of \$77,335. There were no large projects completed during fiscal year 2004, in part by Council policy that the next project not be started until funding is available. The next project is expected to cost more than the \$908,000 available.
- The Debt Service Fund cash balance decreased by \$60,070 to \$276,801 during the fiscal year. This decrease was due to a decrease in state funding. Bond principal and interest payments increased by \$34,058 in fiscal 2004.
- The Capital Project Fund began the year with a cash balance of \$75,984 and ended with a balance of \$316,185, an increase of \$240,201. These fund balances fluctuate greatly between years due to projects and funding. At the end of the year, there were funds for three uncompleted projects (S-14 Street Improvements, West Industrial Park Storm Sewer Project and the Four-Plex Ball Fields) that will be completed in fiscal year 2005.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$97,981, from \$3,012,766 to \$3,110,747, due to the retention of operating funds to fund the future elevated storage facility and water treatment plant (includes \$1,943,539 for the water plant and elevated storage facility, \$45,195 in deposits and \$91,265 for capital revolving at year end).
- The Sewer Fund cash balance decreased by \$534,681 to \$2,477,583, primarily due to construction of the wastewater treatment plant expansion (funded from operating funds and major customer to the plant).

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on December 8, 2003 and resulted in an increase in operating disbursements of \$456,412 for a CEBA grant pass-through, TIF payments, debt payments for the West Industrial Park Storm Sewer and for projects. The second amendment was approved on May 24, 2004 to provide for additional disbursements for a CEBA grant pass-through, TIF agreement payments, projects and building/equipment maintenance. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$5,680,000 in outstanding bonds and other long-term debt, compared to approximately \$6,290,000 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2004	2003
General obligation notes:		
5/1/1999-Refunding - \$1,300,000	\$ 610,000	795,000
4/1/2002-Gates Corporate Purpose - \$770,000	690,000	735,000
4/1/2003-Street Improvement - \$1,200,000	720,000	1,200,000
Revenue bonds:		
12/1/1994-Sewer Revolving - \$1,114,000	680,000	735,000
12/1/2002-Sewer Refunding - \$640,000	330,000	490,000
Urban renewal tax increment financing revenue bonds:		
10/1/1999-Nevada Business Park - \$1,130,000	745,000	845,000
4/1/2002-Lincoln Highway II - \$720,000	605,000	665,000
11/1/2003-W. Industrial Park Storm Sewer - \$850,000	565,000	-
Local option sales and services tax revenue bonds:		
8/1/2001-SCORE Park Grading/Maint Bldg. - \$1,000,000	735,000	825,000
Total	<u>\$5,680,000</u>	<u>6,290,000</u>

Debt decreased as a result of principal payments on all debt issues. The City refinanced the 5/1/1999 refunding notes in full on August 1, 2004. The new issue 8/1/2004-WWT and Airport RD 5th Addition-\$1,035,000 will be partially funded by the Wastewater Utility and Tax Increment Finance Revenue for the portion used to fund the Airport Road 5th Addition Public Improvements. The City pursues 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 debt of \$2,020,000 is significantly below its constitutional debt limit of \$12,116,780.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Nevada's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various City activities.

The City lost \$5,425,395 of taxable valuation between fiscal years 2004 and 2005, resulting in a reduction of general fund revenues by \$43,855. This reduction of taxable property valuation was a result of the increased roll back, not a reduction in the valuations of the property in the City, which actually increased from \$243,101,041 in Fiscal Year 2004 (January 1, 2002) to \$248,093,815 in Fiscal Year 2005 (January 1, 2003).

The City also had to budget during an uncertain period for state funding issues. During fiscal year 2004, all departments were asked to decrease spending by ten percent so beginning balances would not be reduced for the next year. The City is attempting to fund this loss in revenue with additional user fees and has also decreased the use of part-time and seasonal staff.

Tax increment financing collections are budgeted to increase in fiscal year 2005 to \$941,341 from \$880,046. This increase in funds will be used to pay for additional debt incurred by the issuance of the GO bonds for the Airport Road 5th Addition Public Improvements.

The City's expected revenues and unspent bond proceeds for fiscal year 2005 are \$10,208,964, including proposed debt to be issued for the new water treatment plant through the State Revolving Fund of approximately \$8,438,000, as opposed to fiscal year 2004 budgeted revenues and unspent bond proceeds of \$8,563,042, including \$1,000,000 of debt issued.

The City's budgeted expenditures are expected to increase from \$10,437,288 in fiscal year 2004 to \$11,182,647 in fiscal year 2005, primarily due to the construction of a water treatment plant and elevated storage facility. This project has already been bid out and the total construction costs are expected to be \$8,751,000 over the next two fiscal years. State Revolving funds are being used to finance the water plant part of this project. The City has been saving funds from the Water Utility for several years and now has the funds to finance the elevated storage facility without additional debt. The City will also be using existing fund balances in the Water Utility to complete some minor upgrades to the water distribution system during the next two years prior to the new water treatment facility becoming operational. The City will also complete construction of an expansion project on the Wastewater Treatment Plant facility during fiscal year 2005. This project was financed by existing fund balances and participation by a local business that needed capacity from the facility.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$974,000 by the close of 2005.

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 Teresa Smith, City Clerk, 1209 6th Street, P.O. Box 530, Nevada, Iowa, 50201.

City of Nevada

Basic Financial Statements

City of Nevada

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

	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	\$ 856,290	65,827	74,776	65,498
Public works	643,837	2,740	565,712	2,180
Health and social services	59,186	-	-	-
Culture and recreation	1,024,697	328,522	244,154	26,276
Community and economic development	367,876	3,260	10,805	26,775
General government	212,451	10,366	-	3,471
Debt service	1,467,813	-	-	41,562
Capital projects	1,401,504	1,671	-	524,653
Total governmental activities	6,033,654	412,386	895,447	690,415
Business type activities:				
Water	766,479	982,827	-	22,404
Sewer	1,814,291	1,001,690	-	222,542
Total business type activities	2,580,770	1,984,517	-	244,946
Total Primary Government	\$ 8,614,424	2,396,903	895,447	935,361
Component Unit:				
Nevada Economic Development Council	\$ 449,614	64,552	106,178	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets				Component
Primary Government			Unit	
Governmental Activities	Business Type Activities	Total	Nevada Economic Development Council	
(650,189)	-	(650,189)	-	-
(73,205)	-	(73,205)	-	-
(59,186)	-	(59,186)	-	-
(425,745)	-	(425,745)	-	-
(327,036)	-	(327,036)	-	-
(198,614)	-	(198,614)	-	-
(1,426,251)	-	(1,426,251)	-	-
(875,180)	-	(875,180)	-	-
(4,035,406)	-	(4,035,406)	-	-
-	238,752	238,752	-	-
-	(590,059)	(590,059)	-	-
-	(351,307)	(351,307)	-	-
(4,035,406)	(351,307)	(4,386,713)	-	-
-	-	-	(278,884)	-
1,427,253	-	1,427,253	-	-
901,080	-	901,080	-	-
460,299	-	460,299	-	-
724,304	-	724,304	-	-
185,108	155,325	340,433	-	-
837,875	-	837,875	-	-
65,159	-	65,159	63,705	-
239,959	(239,959)	-	-	-
4,841,037	(84,634)	4,756,403	63,705	-
805,631	(435,941)	369,690	(215,179)	-
4,820,660	6,025,492	10,846,152	578,277	-
\$ 5,626,291	5,589,551	11,215,842	363,098	-
\$ 503,302	-	503,302	-	-
413,884	-	413,884	-	-
612,801	259,705	872,506	-	-
2,124,976	-	2,124,976	-	-
1,971,328	5,329,846	7,301,174	363,098	-
\$ 5,626,291	5,589,551	11,215,842	363,098	-

City of Nevada

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

As of and for the year ended June 30, 2004

	Special Revenue				
	General	Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment	S.C.O.R.E. Undesignated
Receipts:					
Property tax	\$1,064,981	-	-	-	-
Tax increment financing	-	-	-	901,080	-
Other city tax	63,636	-	724,304	-	-
Licenses and permits	59,477	-	-	-	-
Use of money and property	126,162	2,180	10,608	17,839	27,572
Intergovernmental	175,497	565,712	1,300	-	-
Charges for service	212,569	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	110,827	-	-	27,937	180,288
Total receipts	1,813,149	567,892	736,212	946,856	207,860
Disbursements:					
Operating:					
Public safety	784,637	27,642	5,655	-	-
Public works	-	547,922	95,915	-	-
Health and social services	-	-	59,186	-	-
Culture and recreation	993,402	-	4,698	-	534
Community and economic development	181,293	-	90,845	82,183	-
General government	212,549	-	-	-	-
Debt service	-	-	130,505	531,374	-
Capital projects	-	-	-	-	-
Total disbursements	2,171,881	575,564	386,804	613,557	534
Excess (deficiency) of receipts over (under) disbursements	(358,732)	(7,672)	349,408	333,299	207,326
Other financing sources (uses):					
Note proceeds (net of \$10,625 discount and management fee of \$1,500)	-	-	-	56,000	-
Sale of property	5,741	11,900	-	-	-
Operating transfers in	383,650	40,000	12,488	215,809	-
Operating transfers out	(196,559)	-	(122,704)	(207,440)	(129,991)
Total other financing sources (uses)	192,832	51,900	(110,216)	64,369	(129,991)
Net change in cash balances	(165,900)	44,228	239,192	397,668	77,335
Cash balances beginning of year, as restated	2,135,316	459,074	329,105	252,216	831,579
Cash balances end of year	\$1,969,416	503,302	568,297	649,884	908,914
Cash Basis Fund Balances					
Reserved:					
Debt service	\$ -	-	100,000	236,000	-
Unreserved:					
General fund	1,969,416	-	-	-	-
Special revenue funds	-	503,302	468,297	413,884	908,914
Capital projects fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	\$1,969,416	503,302	568,297	649,884	908,914

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
442,258	-	294,373	1,801,612
-	-	-	901,080
18,041	-	14,924	820,905
-	-	-	59,477
20,492	18,950	17,851	241,654
-	370,580	24,159	1,137,248
-	1,671	3,597	217,837
41,562	91,935	-	133,497
-	43,188	68,261	430,501
522,353	526,324	423,165	5,743,811
-	-	38,461	856,395
-	-	-	643,837
-	-	-	59,186
-	-	27,042	1,025,676
-	-	13,562	367,883
-	-	-	212,549
805,934	-	-	1,467,813
-	1,401,504	-	1,401,504
805,934	1,401,504	79,065	6,034,843
(283,581)	(875,180)	344,100	(291,032)
-	781,875	-	837,875
-	-	-	17,641
235,999	337,431	6,339	1,231,716
(12,488)	(3,925)	(318,650)	(991,757)
223,511	1,115,381	(312,311)	1,095,475
(60,070)	240,201	31,789	804,443
336,871	75,984	399,791	4,819,936
276,801	316,185	431,580	5,624,379
276,801	-	-	612,801
-	-	-	1,969,416
-	-	334,318	2,628,715
-	316,185	-	316,185
-	-	97,262	97,262
276,801	316,185	431,580	5,624,379

City of Nevada

City of Nevada

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

As of and for the year ended June 30, 2004

Total governmental funds cash balances (page 19) \$ 5,624,379

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

1,912

Cash basis net assets of governmental activities (page 17) \$ 5,626,291

Net change in cash balances (page 19) \$ 804,443

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

1,188

Change in cash balance of governmental activities (page 17) \$ 805,631

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, 2004

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	Flexible Benefits
Operating receipts:				
Use of money and property	\$ 8,640	-	8,640	-
Charges for service	896,055	982,595	1,878,650	24,646
Miscellaneous	78,132	19,095	97,227	-
Total operating receipts	<u>982,827</u>	<u>1,001,690</u>	<u>1,984,517</u>	<u>24,646</u>
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	1,225
Culture and recreation	-	-	-	11,402
Community and economic development	-	-	-	84
General government	-	-	-	1,138
Business type activities	766,968	1,551,440	2,318,408	8,850
Total operating disbursements	<u>766,968</u>	<u>1,551,440</u>	<u>2,318,408</u>	<u>22,699</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>215,859</u>	<u>(549,750)</u>	<u>(333,891)</u>	<u>1,947</u>
Non-operating receipts (disbursements):				
Contribution from customer	-	215,203	215,203	-
Interest on investments	94,006	91,062	185,068	-
Debt service	-	(263,121)	(263,121)	-
Total non-operating receipts (disbursements)	<u>94,006</u>	<u>43,144</u>	<u>137,150</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>309,865</u>	<u>(506,606)</u>	<u>(196,741)</u>	<u>1,947</u>
Operating transfers out	<u>(211,884)</u>	<u>(28,075)</u>	<u>(239,959)</u>	<u>-</u>
Net change in cash balances	97,981	(534,681)	(436,700)	1,947
Cash balances beginning of year	<u>3,012,766</u>	<u>3,012,264</u>	<u>6,025,030</u>	<u>1,186</u>
Cash balances end of year	<u>\$ 3,110,747</u>	<u>2,477,583</u>	<u>5,588,330</u>	<u>3,133</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	259,705	259,705	-
Unreserved	<u>3,110,747</u>	<u>2,217,878</u>	<u>5,328,625</u>	<u>3,133</u>
Total cash basis fund balances	<u>\$ 3,110,747</u>	<u>2,477,583</u>	<u>5,588,330</u>	<u>3,133</u>

See notes to financial statements.

City of Nevada

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

As of and for the year ended June 30, 2004

Total enterprise funds cash balances (page 22) \$ 5,588,330

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

1,221

Cash basis net assets of business type activities (page 17) \$ 5,589,551

Net change in cash balances (page 22) \$ (436,700)

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

759

Change in cash balance of business type activities (page 17) \$ (435,941)

See notes to financial statements.

City of Nevada

Notes to Financial Statements

June 30, 2004

(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 and sewer 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 whose 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 thirteen-member board. There are four standing board positions and nine members are elected at-large. The NEDC's operating budget is subject to the approval of the City Council.

Blended Component Units – The Nevada Firefighters Incorporated and Nevada First Responders are entities which are legally separate from the City but are so intertwined with the City that they are, in substance, the same as the City. They are reported as part of the City and blended into the nonmajor governmental funds.

Jointly Governed Organizations

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

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

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the 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 Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement

to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account 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 urban renewal projects financed by tax increment financing.

The S.C.O.R.E. Undesignated Fund is used to collect and manage donations to the City for construction of recreation buildings and athletic fields in the S.C.O.R.E.

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

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

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional 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 (administered by Wellmark).

C. Measurement Focus and Basis of Accounting

The City of Nevada 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.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the community and economic development function before the budget was amended.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes, urban renewal tax increment financing revenue bonds, local option sales and services tax revenue bonds and revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Local Option Sales and Services Tax Revenue Bonds		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2005	\$ 470,000	74,753	360,000	81,160	90,000	36,155	215,000	40,957	1,135,000
2006	490,000	60,906	370,000	69,370	95,000	32,015	230,000	33,900	1,185,000	196,191
2007	510,000	45,170	380,000	56,250	100,000	27,550	60,000	25,651	1,050,000	154,621
2008	50,000	27,635	200,000	41,695	105,000	22,750	65,000	22,927	420,000	115,007
2009	50,000	25,385	210,000	31,570	110,000	17,605	65,000	19,976	435,000	94,536
2010 - 2014	305,000	86,480	395,000	34,530	235,000	18,345	375,000	52,437	1,310,000	191,792
2015 - 2016	145,000	11,810	-	-	-	-	-	-	145,000	11,810
Total	\$ 2,020,000	332,139	1,915,000	314,575	735,000	154,420	1,010,000	195,848	5,680,000	996,982

The urban renewal tax increment financing revenue bonds were issued for the purpose of planning, undertaking and carrying out an urban renewal project within the Nevada Urban Renewal Area, consisting of the construction of the Nevada Business Park Project and the Lincoln Highway Phase II Project. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds can only be expended for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The local option sales and services tax revenue bonds were issued for the purpose of paying the costs associated with grading, storm sewer improvements and the construction of a maintenance facility at the Nevada Recreation/Athletic Complex. The bonds are payable solely from the income and proceeds of the Local Option Sales and Services Tax Fund and the taxes to be paid into the fund in accordance with Chapter 422B of the Code of Iowa. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

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

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

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$88,345, \$89,138 and \$78,745, respectively, equal to the required contributions for each year.

(5) 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 termination payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$100,000
Compensatory time	<u>15,000</u>
Total	<u>\$115,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

(6) Contractual Commitments

The City has entered into various construction contracts totaling approximately \$3,249,000. The unpaid contract balances as of June 30, 2004 totaled approximately \$1,676,000, which will be paid as work on the projects progresses.

The City has also entered into a contract with the Nevada Economic Development Council to provide financial assistance of \$80,000.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 65,000
	Employee Benefits	279,531
	Emergency	34,319
	Gates Hall Trust	4,800
		<u>383,650</u>
Special Revenue:	General	2,339
Cemetery Foundation Trust	Special Revenue:	
Road Use Tax	Local Option Sales and Services Tax	40,000
Local Option Sales and Services Tax	Debt Service	12,488
Trees Forever	Special Revenue:	
Urban Renewal Tax Increment	Local Option Sales and Services Tax	4,000
	Capital Projects	3,925
	Enterprise:	
	Water	211,884
		<u>274,636</u>
Debt Service	General	194,220
	Special Revenue:	
	Local Option Sales and Services Tax	13,704
	Enterprise:	
	Sewer	28,075
		<u>235,999</u>
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment	207,440
	S.C.O.R.E. Undesignated	129,991
		<u>337,431</u>
Total		<u>\$ 1,231,716</u>

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$15,090 during the year ended June 30, 2004.

(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 \$1,856,695 is outstanding at June 30, 2004. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(10) Landfill Contract

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

(11) Risk Management

The City is a member in 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 490 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing funding third-party liability claims against its member. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004 were \$6,315.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, 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 claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation coverages. 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) Subsequent Events

In August 2004, the City issued \$1,035,000 of general obligation bonds which will replace the general obligation refunding notes and finance the City's share of the public improvements for the Airport Road 5th Addition.

(13) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City's governmental and business type activities. Beginning net assets have been restated to include the allocation of the Internal Service Fund.

In addition, the financial transactions and balances of Nevada First Responders were not previously reported by the City. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, Nevada First Responders meets the criteria to be reported as a blended component unit of the City. Accordingly, the beginning balance of the governmental activities at July 1, 2003 has been restated to include Nevada First Responders. The effect of this restatement is to increase the beginning fund balance of the Special Revenue Funds by \$18,516.

	Governmental Activities	Business Type Activities
Cash basis net assets June 30, 2003, as previously reported	\$ 4,801,420	6,025,030
Internal Service Fund	724	462
Nevada First Responders (not previously reported)	<u>18,516</u>	<u>-</u>
Cash basis net assets July 1, 2003, as restated	<u>\$ 4,820,660</u>	<u>6,025,492</u>

The following major fund beginning balances were restated to more properly reflect the nature of the funds:

	General Fund	Road Use Tax Fund	Capital Projects Fund
Balances at June 30, 2003, as previously reported	\$ 1,242,618	389,042	81,413
Funds reclassified and now reported in the General Fund:			
Internal Service:			
Equipment Replacement	570,223	-	-
Insurance Reserve	105,295	-	-
Expendable Trust:			
Sick and Vacation	287,212	-	-
Reallocation of Equipment Replacement Fund to more properly reflect the nature of the fund	(70,032)	70,032	-
Fund reclassified and now reported as a nonmajor Special Revenue Fund:			
Capital Projects:			
Trees Forever	-	-	(5,429)
Balances at July 1, 2003, as restated	<u>\$ 2,135,316</u>	<u>459,074</u>	<u>75,984</u>

Required Supplementary 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

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,801,612	-	-
Tax increment financing	901,080	-	-
Other city tax	820,905	-	-
Licenses and permits	59,477	-	-
Use of money and property	241,654	193,708	846
Intergovernmental	1,137,248	-	18,195
Charges for service	217,837	1,903,296	24,646
Special assessments	133,497	-	-
Miscellaneous	430,501	312,430	43,386
Total receipts	5,743,811	2,409,434	87,073
Disbursements:			
Public safety	856,395	1,225	39,685
Public works	643,837	-	-
Health and social services	59,186	-	-
Culture and recreation	1,025,676	11,402	11,402
Community and economic development	367,883	84	84
General government	212,549	1,138	1,138
Debt service	1,467,813	-	-
Capital projects	1,401,504	-	-
Business type activities	-	2,590,379	8,850
Total disbursements	6,034,843	2,604,228	61,159
Excess (deficiency) of receipts over (under) disbursements	(291,032)	(194,794)	25,914
Other financing sources, net	1,095,475	(239,959)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	804,443	(434,753)	25,914
Balances beginning of year	4,819,936	6,026,216	32,133
Balances end of year	\$ 5,624,379	5,591,463	58,047

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,801,612	1,814,281	1,814,281	(12,669)
901,080	880,046	880,046	21,034
820,905	689,487	689,487	131,418
59,477	17,100	17,100	42,377
434,516	122,305	122,305	312,211
1,119,053	774,858	974,858	144,195
2,096,487	2,073,596	2,073,596	22,891
133,497	15,000	15,000	118,497
699,545	1,176,369	1,176,369	(476,824)
<u>8,066,172</u>	<u>7,563,042</u>	<u>7,763,042</u>	<u>303,130</u>
817,935	897,192	1,031,162	213,227
643,837	740,097	740,097	96,260
59,186	59,686	59,686	500
1,025,676	1,120,383	1,140,937	115,261
367,883	229,275	629,320	261,437
212,549	251,909	250,481	37,932
1,467,813	1,200,511	1,496,180	28,367
1,401,504	1,830,600	1,982,822	581,318
2,581,529	4,107,635	4,147,084	1,565,555
<u>8,577,912</u>	<u>10,437,288</u>	<u>11,477,769</u>	<u>2,899,857</u>
(511,740)	(2,874,246)	(3,714,727)	3,202,987
<u>855,516</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>(144,484)</u>
343,776	(1,874,246)	(2,714,727)	3,058,503
10,814,019	6,977,984	10,815,205	(1,186)
<u>11,157,795</u>	<u>5,103,738</u>	<u>8,100,478</u>	<u>3,057,317</u>

City of Nevada

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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 blended 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 ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Permanent Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,040,481. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the community and economic development function prior to amendment of the budget.

Other Supplementary Information

City of Nevada

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

As of and for the year ended June 30, 2004

	Special						
	Employee Benefits	Emergency	Cemetery Memorials	Cemetery Foundation Trust	Library Trust	S.C.O.R.E. Operation & Maintenance	Gates Hall Trust
Receipts:							
Property tax	\$ 262,184	32,189	-	-	-	-	-
Other city tax	13,292	1,632	-	-	-	-	-
Use of money and property	4,055	498	165	-	3,214	99	1,831
Intergovernmental	-	-	-	-	5,964	-	-
Charges for service	-	-	-	-	-	-	-
Miscellaneous	-	-	-	982	7,087	2,000	-
Total receipts	<u>279,531</u>	<u>34,319</u>	<u>165</u>	<u>982</u>	<u>16,265</u>	<u>2,099</u>	<u>1,831</u>
Disbursements:							
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	-	782	20,725	-	15
Community and economic development	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>782</u>	<u>20,725</u>	<u>-</u>	<u>15</u>
Excess (deficiency) of receipts over (under) disbursements	<u>279,531</u>	<u>34,319</u>	<u>165</u>	<u>200</u>	<u>(4,460)</u>	<u>2,099</u>	<u>1,816</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	2,339	-	-	-
Operating transfers out	(279,531)	(34,319)	-	-	-	-	(4,800)
Total other financing sources (uses)	<u>(279,531)</u>	<u>(34,319)</u>	<u>-</u>	<u>2,339</u>	<u>-</u>	<u>-</u>	<u>(4,800)</u>
Net change in cash balances	-	-	165	2,539	(4,460)	2,099	(2,984)
Cash balances beginning of year	-	-	5,454	(2,539)	109,110	2,264	88,537
Cash balances end of year	<u>\$ -</u>	<u>-</u>	<u>5,619</u>	<u>-</u>	<u>104,650</u>	<u>4,363</u>	<u>85,553</u>
Cash Basis Fund Balances							
Unreserved:							
Special revenue funds	\$ -	-	5,619	-	104,650	4,363	85,553
Permanent funds	-	-	-	-	-	-	-
Total cash basis fund balances	<u>\$ -</u>	<u>-</u>	<u>5,619</u>	<u>-</u>	<u>104,650</u>	<u>4,363</u>	<u>85,553</u>

See accompanying independent auditor's report.

Revenue								Permanent		
Gates Hall Piano	Parks and Recreation Open Space	Columbarium Maintenance	Trees Forever	Police Forfeiture	Nevada Firefighters Incorporated	Nevada First Responders	Cemetery Perpetual Care	Parks Planting (Hattery)	Total	
-	-	-	-	-	-	-	-	-	294,373	
-	-	-	-	-	-	-	-	-	14,924	
506	5,893	5	220	269	716	130	-	250	17,851	
-	-	-	-	-	8,225	9,970	-	-	24,159	
-	-	168	-	-	-	-	3,429	-	3,597	
-	4,000	-	10,805	-	31,367	12,020	-	-	68,261	
506	9,893	173	11,025	269	40,308	22,120	3,429	250	423,165	
-	-	-	-	-	24,721	13,740	-	-	38,461	
220	5,300	-	-	-	-	-	-	-	27,042	
-	-	-	13,562	-	-	-	-	-	13,562	
220	5,300	-	13,562	-	24,721	13,740	-	-	79,065	
286	4,593	173	(2,537)	269	15,587	8,380	3,429	250	344,100	
-	-	-	4,000	-	-	-	-	-	6,339	
-	-	-	-	-	-	-	-	-	(318,650)	
-	-	-	4,000	-	-	-	-	-	(312,311)	
286	4,593	173	1,463	269	15,587	8,380	3,429	250	31,789	
16,803	41,197	121	5,429	8,885	12,431	18,516	85,339	8,244	399,791	
17,089	45,790	294	6,892	9,154	28,018	26,896	88,768	8,494	431,580	
17,089	45,790	294	6,892	9,154	28,018	26,896	-	-	334,318	
-	-	-	-	-	-	-	88,768	8,494	97,262	
17,089	45,790	294	6,892	9,154	28,018	26,896	88,768	8,494	431,580	

City of Nevada
Schedule of Indebtedness
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Refunding	May 1, 1999	4.00-4.25 %	\$ 1,300,000
Corporate purpose	Apr 1, 2002	3.00-5.40	770,000
Street improvement	Apr 1, 2003	1.50-2.55	1,200,000
Total			
Urban renewal tax increment:			
Revenue bonds	Oct 1, 1999	4.80-5.40%	\$ 1,130,000
Revenue bonds	Apr 1, 2002	3.25-5.25	720,000
Revenue bonds	Nov 1, 2003	1.55-2.70	850,000
Total			
Local option sales and services tax:			
Revenue bonds	Aug 1, 2001	4.30-5.20%	\$ 1,000,000
Revenue bonds and notes:			
Sewer revolving bonds	Jan 3, 1995	4.54%	\$ 1,114,000
Sewer notes	Dec 1, 2002	2.25-3.25	640,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
795,000	-	185,000	610,000	33,218
735,000	-	45,000	690,000	34,982
1,200,000	-	480,000	720,000	26,784
<u>\$ 2,730,000</u>	<u>-</u>	<u>710,000</u>	<u>2,020,000</u>	<u>94,984</u>
845,000	-	100,000	745,000	44,050
665,000	-	60,000	605,000	31,405
-	850,000	285,000	565,000	10,169
<u>\$ 1,510,000</u>	<u>850,000</u>	<u>445,000</u>	<u>1,915,000</u>	<u>85,624</u>
<u>\$ 825,000</u>	<u>-</u>	<u>90,000</u>	<u>735,000</u>	<u>40,205</u>
735,000	-	55,000	680,000	33,369
490,000	-	160,000	330,000	14,085
<u>\$ 1,225,000</u>	<u>-</u>	<u>215,000</u>	<u>1,010,000</u>	<u>47,454</u>

Schedule 3

City of Nevada
Bond and Note Maturities
June 30, 2004

Year Ending June 30,	General Obligation Notes							Total
	Refunding Notes		Corporate Purpose		Street Improvement			
	Issued May 1, 1999		Issued April 1, 2002		Issued April 1, 2003			
	Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount		
2005	4.15%	\$190,000	3.85%	\$ 45,000	1.80%	\$ 235,000	\$ 470,000	
2006	4.20	205,000	4.10	45,000	2.20	240,000	490,000	
2007	4.25	215,000	4.30	50,000	2.55	245,000	510,000	
2008	-	-	4.50	50,000	-	-	50,000	
2009	-	-	4.70	50,000	-	-	50,000	
2010	-	-	4.80	55,000	-	-	55,000	
2011	-	-	4.90	60,000	-	-	60,000	
2012	-	-	5.00	60,000	-	-	60,000	
2013	-	-	5.10	65,000	-	-	65,000	
2014	-	-	5.20	65,000	-	-	65,000	
2015	-	-	5.30	70,000	-	-	70,000	
2016	-	-	5.40	75,000	-	-	75,000	
Total		<u>\$610,000</u>		<u>\$690,000</u>		<u>\$ 720,000</u>	<u>\$2,020,000</u>	

Year Ending June 30,	Urban Renewal Tax Increment Revenue Bonds							Total
	Issued Oct 1, 1999		Issued April 1, 2002		Issued Nov 1, 2003			
	Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount		
2005	5.10%	\$ 110,000	4.10%	\$ 65,000	1.90%	\$ 185,000	\$ 360,000	
2006	5.15	115,000	4.35	65,000	2.30	190,000	370,000	
2007	5.20	120,000	4.55	70,000	2.70	190,000	380,000	
2008	5.25	125,000	4.75	75,000	-	-	200,000	
2009	5.30	135,000	4.95	75,000	-	-	210,000	
2010	5.40	140,000	5.05	80,000	-	-	220,000	
2011	-	-	5.15	85,000	-	-	85,000	
2012	-	-	5.25	90,000	-	-	90,000	
Total		<u>\$ 745,000</u>		<u>\$ 605,000</u>		<u>\$ 565,000</u>	<u>\$ 1,915,000</u>	

Year Ending June 30,	Local Option		Sewer Revenue Bonds and Notes					Total
	Sales and Services		Revolving Bonds		Sewer Notes			
	Tax Revenue Bonds		Issued Jan 3, 1995		Issued Dec 1, 2002			
	Issued Aug 1, 2002		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount		
2005	4.50%	\$ 90,000	4.54%	\$ 55,000	2.85%	\$ 160,000	\$ 215,000	
2006	4.70	95,000	4.54	60,000	3.25	170,000	230,000	
2007	4.80	100,000	4.54	60,000	-	-	60,000	
2008	4.90	105,000	4.54	65,000	-	-	65,000	
2009	5.00	110,000	4.54	65,000	-	-	65,000	
2010	5.10	115,000	4.54	70,000	-	-	70,000	
2011	5.20	120,000	4.54	70,000	-	-	70,000	
2012	-	-	4.54	75,000	-	-	75,000	
2013	-	-	4.54	80,000	-	-	80,000	
2014	-	-	4.54	80,000	-	-	80,000	
Total		<u>\$735,000</u>		<u>\$ 680,000</u>		<u>\$ 330,000</u>	<u>\$ 1,010,000</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 Two Years

	2004	2003
Receipts:		
Property tax	\$ 1,801,612	1,718,176
Tax increment financing	901,080	766,134
Other city tax	820,905	742,649
Licenses and permits	59,477	21,901
Use of money and property	241,654	539,485
Intergovernmental	1,137,248	1,045,642
Charges for service	217,837	260,981
Special assessments	133,497	37,870
Miscellaneous	430,501	464,462
	<u>\$ 5,743,811</u>	<u>5,597,300</u>
Disbursements:		
Operating:		
Public safety	\$ 856,395	996,461
Public works	643,837	576,375
Health and social services	59,186	50,186
Culture and recreation	1,025,676	1,075,442
Community and economic development	367,883	210,711
General government	212,549	238,525
Debt service	1,467,813	665,562
Capital projects	1,401,504	2,925,419
	<u>\$ 6,034,843</u>	<u>6,738,681</u>

See accompanying independent auditor's report.

City of Nevada



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Nevada, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 13, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that 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, 2004 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. Prior year statutory comments have been resolved except for item (2).

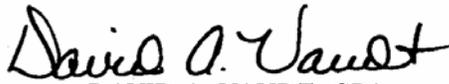
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Nevada's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Nevada's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

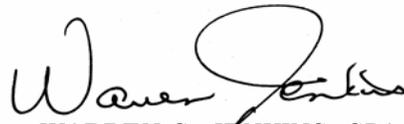
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described in the accompanying Schedule of Findings are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Nevada and other parties to whom the City of Nevada may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 13, 2004

City of Nevada
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Park and Recreation Receipts – The Parks and Recreation Department collects fees for various activities and facility rentals. The department deposits the receipts and forwards the deposit slip to the Clerk. Pre-numbered receipts are not issued and collections are not reconciled with original source documents.

Recommendation – The Parks and Recreation Department should issue pre-numbered receipts to support all collections. An individual independent of the collection, recording and depositing function should reconcile pre-numbered receipts to amounts deposited.

Response – The Parks and Recreation Department has ordered and is using pre-numbered receipts for all money received by the department.

Conclusion – Response accepted.

- (B) Nevada Economic Development Council – 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 employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Council's financial statement. Generally, one individual has control over the collecting, depositing, posting, disbursing and bank reconciliations for which no compensating controls exist.

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

Response – Regarding internal accounting controls, the Board of Directors is provided with a listing of all checks that have, or will be written, in the month in which the monthly Board meeting is held. Each month, this is part of the consent agenda and requires a motion, a second and approval by a vote of the board.

Regarding your recommendation for additional review of transactions and reconciliations, David Haugland, City Administrator will, on a monthly basis, review the bank cancelled checks and bank account reconciliation with the Executive Director and will initial or sign the bank statements.

The Board does not require that each transaction or check written be approved prior to the expenditure unless it is a large item that is not reflected in our annual budget, i.e.: a staff payroll raise that often takes place on the calendar year rather than the FY. In that event it will be brought to a vote of the Board and will be reflected in the Board minutes.

Conclusion – Response accepted.

City of Nevada

Schedule of Findings

Year ended June 30, 2004

- (C) Nevada Firefighters Incorporated – 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 employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the entity's financial statement. Generally, one individual has control over the collecting, depositing, posting, disbursing and bank reconciliations for which no compensating controls exist.

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

Response – We will start every month having the President and/or Vice-President go through the bank statement and the check register as a check and balance system for our accounts.

Conclusion – Response accepted.

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

It is the First Responders policy to require dual signatures on all checks for disbursements. We noted during our review of accounting records that several checks contained one signature in advance of the checks being written. In addition, supporting documentation was not maintained for all disbursements.

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. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Checks should not be signed in advance of disbursements being made. The purpose of dual signatures is to have the second signer review disbursements for propriety and accuracy. Supporting documentation should be maintained for all disbursements.

Response – It is the intent of the Nevada First Responders, Inc. to have an officer review transactions of all accounts on a monthly basis after our regular business meetings. This officer will sign the monthly bank statements after they have verified all transactions.

The Nevada First Responders, Inc. also agrees that there will no longer be any pre-signed checks at any time, on any account. The second signature will be obtained at the time of the transaction.

Conclusion – Response accepted.

City of Nevada

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the community and economic development function prior to budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – The City was in the process of amending the budget when the disbursement was made. The Council authorized the publication of the budget amendment for November 24, 2003, the notice was published on November 23, 2003. The amendment was passed December 8, 2003. The budget was exceeded in November when the Council approved expenditures that were unbudgeted at that time and payments were made on development agreements that were due in FY2002/2003 and application for payment was not made until FY2003/2004.

Conclusion – Response acknowledged. The budget should be amended before disbursements are allowed to exceed the budget.

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

Name, Title and Business Connection	Transaction Description	Amount
Rhett Faaborg, Parks and Recreation Board Member, Owner of Country Landscapes	Trees, landscaping, per bids Supplies, landscaping	\$ 13,107 776
Ken Huffaker, Cemetery Board Member, Owner of Nevada Monument	Cemetery markers	1,100
Jerry Mitchell, City employee, Owner of Mitchell Saw Sharpening	Chains	107

City of Nevada

Schedule of Findings

Year ended June 30, 2004

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Cemetery Board Member and City employee do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year. The transaction with the Parks and Recreation Board Member does not appear to represent a conflict of interest since it was entered into through competitive bidding.

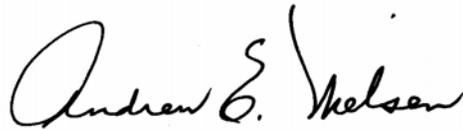
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (8) 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.
- (9) Revenue Bonds and Notes – The City has complied with the sewer revenue bond and note requirements for the year ended June 30, 2004.

City of Nevada

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II
Corinne M. Johnson, Assistant Auditor
Jessica L. Christensen, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State