



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

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NEWS RELEASE

FOR RELEASE _____ January 18, 2005 _____

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515/281-5834

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

The City 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.

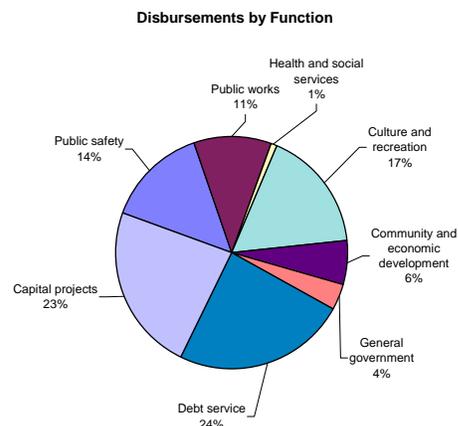
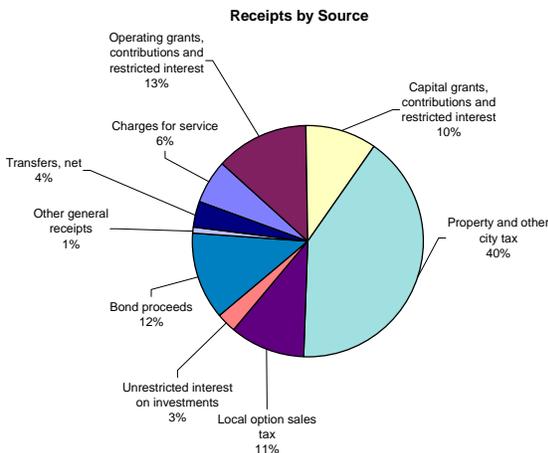
The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

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) |
| 8,066,172 | 7,563,042 | 7,763,042 | 303,130 |
| 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 |
| 8,577,912 | 10,437,288 | 11,477,769 | 2,899,857 |
| (511,740) | (2,874,246) | (3,714,727) | 3,202,987 |
| 855,516 | 1,000,000 | 1,000,000 | (144,484) |
| 343,776 | (1,874,246) | (2,714,727) | 3,058,503 |
| 10,814,019 | 6,977,984 | 10,815,205 | (1,186) |
| 11,157,795 | 5,103,738 | 8,100,478 | 3,057,317 |

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 | | |
| | Interest | | 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

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

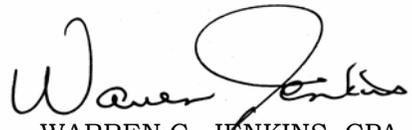
In planning and performing our audit, we considered the City of Nevada's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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.

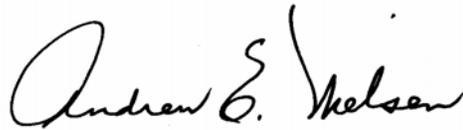
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should 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