



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

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NEWS RELEASE

FOR RELEASE

February 7, 2017

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

The City's receipts totaled \$11,672,249 for the year ended June 30, 2016, an 8.5% decrease from the prior year. The receipts included \$2,997,730 in property tax, \$2,599,385 from tax increment financing, \$949,012 from local option sales tax, \$3,892,538 from charges for service, \$1,100,656 from operating grants, contributions and restricted interest, \$102,073 from capital grants, contributions and restricted interest and \$30,855 from unrestricted interest on investments.

Disbursements for the year ended June 30, 2016 totaled \$11,218,521, a 10.2% decrease from the prior year, and included \$2,198,013 for debt service, \$1,745,866 for public safety and \$1,446,423 for culture and recreation. Also, disbursements for business type activities totaled \$2,963,037.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1620-0820-B00F>.

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CITY OF NEVADA

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

JUNE 30, 2016

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City of Nevada

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lynn Lathrop	Mayor	Jan 2018
Jim Walker	Council Member	Nov 2015
Christopher Clark	Council Member	Jan 2016
Jane Heintz	Council Member	Jan 2016
Brian Hanson	Council Member	Jan 2018
Andrew Kelly	Council Member	Jan 2018
Ray Schwichtenberg	Council Member	Jan 2018
Elizabeth Hansen	City Administrator	Indefinite
Kerin Wright	City Clerk	Indefinite
Brick, Gentry, Bowers, Swartz, Stolze, & Levis, P.C.	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lynn Lathrop	Mayor	Jan 2018
Brian Hanson	Council Member	Jan 2018
Andrew Kelly	Council Member	Jan 2018
Ray Schwichtenberg	Council Member	Jan 2018
Brett Barker	Council Member	Jan 2020
Barb Mittman	Council Member	Jan 2020
Jim Walker	Council Member	Jan 2020
Elizabeth Hansen	City Administrator	Indefinite
Kerin Wright	City Clerk	Indefinite
Brick, Gentry, Bowers, Swartz, Stolze, & Levis, P.C.	Attorney	Indefinite

City of Nevada



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Other Information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 13 and 40 through 46, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2017 on our consideration of the City of Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Nevada's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

January 10, 2017

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, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts for governmental activities decreased 12.6%, or approximately \$1,192,000, from fiscal year 2015 to fiscal year 2016 due to the receipt of a RISE grant in the prior fiscal year. Receipts for business type activities increased approximately \$111,000, or 3.3%.
- Disbursements for governmental activities decreased 8.9%, or approximately \$802,000, in fiscal year 2016 from fiscal year 2015. Capital projects function disbursements decreased 51.8%, or approximately \$1,535,000, due to fewer capital projects. Public safety function disbursements increased 40%, or approximately \$499,000, due to the purchase of a new fire truck in fiscal year 2016. Debt service function disbursements increased 10.5%, or approximately \$209,000.
- Disbursements for business type activities decreased approximately \$466,000, or 13.6%, with a \$300,000 decrease in disbursements in the Enterprise, Water Fund. This decrease is mostly due to a well/lagoon project completed during fiscal year 2015 and a payment to the Central Iowa Water Association for water rights during the previous fiscal year. The Enterprise, Sewer Fund disbursements decreased 20.3%, primarily because of payments to the Central Iowa Water Association for the purchase of water rights during fiscal year 2015.
- The City's total cash basis net position increased 3.1%, or approximately \$454,000, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities increased approximately \$589,000 and the cash basis net position of the business type activities decreased approximately \$135,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system, the sanitary sewer system and sanitation and storm sewer utilities, including all capital projects associated with these activities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

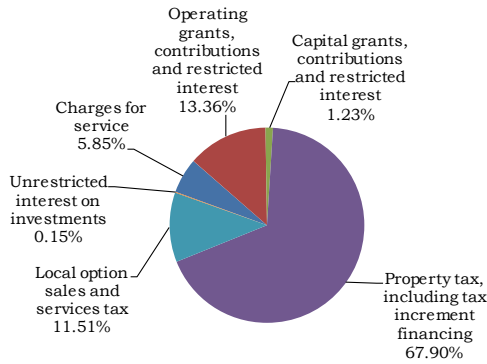
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

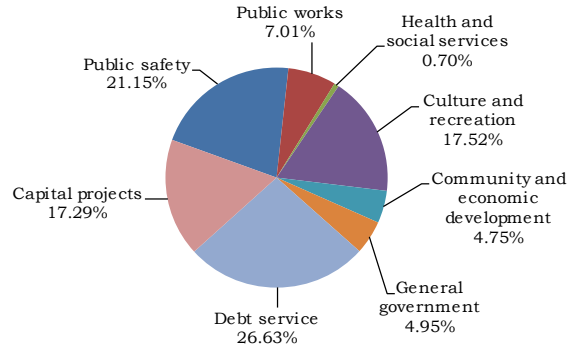
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$9.070 million to approximately \$9.659 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 482	475
Operating grants, contributions and restricted interest	1,101	1,061
Capital grants, contributions and restricted interest	101	1,260
General receipts:		
Property tax, including tax increment financing	5,597	4,851
Local option sales and services tax	949	960
Unrestricted interest on investments	12	34
Bond and note proceeds, net of discount/premium	-	784
Sale of capital assets	-	10
Total receipts	<u>8,242</u>	<u>9,435</u>
Disbursements:		
Public safety	1,746	1,247
Public works	579	596
Health and social services	58	55
Culture and recreation	1,446	1,392
Community and economic development	392	449
General government	409	367
Debt service	2,198	1,989
Capital projects	1,427	2,962
Total disbursements	<u>8,255</u>	<u>9,057</u>
Change in cash basis net position before transfers	(13)	378
Transfers, net	602	(458)
Change in cash basis net position	589	(80)
Cash basis net position beginning of year	<u>9,070</u>	<u>9,150</u>
Cash basis net position end of year	<u>\$ 9,659</u>	<u>9,070</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 12.6%, or approximately \$1,192,000, from the prior year. Capital grants, contributions and restricted interest decreased approximately \$1,159,000, primarily due to a receipt of a RISE grant during the prior fiscal year. Property tax and local option sales and services tax combined increased approximately \$735,000. General receipts overall decreased approximately \$81,000.

The total cost of all governmental activities programs and services decreased approximately \$802,000, or 8.9%. Capital projects function disbursements decreased 51.8%, or approximately \$1,535,000, due to fewer capital projects in the current year. Public safety function disbursements increased 40%, or approximately \$499,000, due to the purchase of a new fire truck. In addition, debt service function disbursements increased 10.5%, or approximately \$209,000, from fiscal year 2015 to fiscal year 2016.

The City's property tax rate in fiscal year 2016 was \$14.61800 per \$1,000 of taxable valuation, which is a decrease from fiscal year 2015 which had a rate of \$14.99653 per \$1,000 of taxable valuation. The City's property tax rate has not increased significantly in seventeen years, except for the voted capital improvements levies in fiscal years 2009 and 2011. Property valuations increased 9.0%, or approximately \$15,500,000, over fiscal year 2015.

The cost of all governmental activities this year was approximately \$8.255 million compared to approximately \$9.057 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$6.572 million because some of the cost was paid by those directly benefiting from the programs (approximately \$482,000) or by other governments and organizations which subsidized certain programs with grants, contributions and unrestricted interest (approximately \$1.202 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased from approximately \$2.796 million in fiscal year 2015 to approximately \$1.684 million in fiscal year 2016. The City paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and other receipts, such as interest and local option sales and services tax.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,927	1,814
Sewer	1,247	1,201
Other	236	239
Capital grants, contributions and restricted interest	1	3
General receipts:		
Unrestricted interest on investments	19	62
Total receipts	3,430	3,319
Disbursements:		
Water	2,086	2,386
Sewer	768	964
Other	109	79
Total disbursements	2,963	3,429
Change in cash basis net position before transfers	467	(110)
Transfers, net	(602)	458
Change in cash basis net position	(135)	348
Cash basis net position beginning of year	5,605	5,257
Cash basis net position end of year	\$ 5,470	5,605

Total business type activities receipts for fiscal year 2016 were approximately \$3.430 million compared to approximately \$3.319 million last year. Total business type activities disbursements for fiscal year 2016 were approximately \$2.963 million compared to approximately \$3.429 million last year, a decrease of approximately \$466,000, or 13.6%. The significant decrease is due to completion of the well/lagoon project and a payment to the Central Iowa Water Association to purchase water rights during the prior fiscal year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$9,628,896 an increase of approximately \$579,000 above last year's total of \$9,049,502. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund (including the general, hotel/motel, emergency, general capital revolving, self insurance and sick and vacation accounts) cash balance decreased \$80,162 to \$3,077,097, partially due to a large equipment purchase in fiscal year 2016.
- The Special Revenue, Road Use Tax Fund cash balance increased \$230,716 to \$1,293,295. Road use tax receipts increased approximately \$133,000, or 18.9%, while disbursements decreased approximately \$44,000, or 7.7%. The City is saving resources for future projects.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance increased \$184,135 to \$514,449. This increase is due to the City saving these resources for upcoming projects.

- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$2,674,119 at the end of the fiscal year, an increase of \$1,326,041 over the previous year. This increase can be partially attributed to anticipated rebate payments not made prior to year end.
- The Debt Service Fund cash balance increased \$19,001 to \$358,345.
- The Capital Projects Fund began the year with a cash balance of \$1,933,627 and ended with a balance of \$779,595, a decrease of \$1,154,032. The balance fluctuates greatly between years due to projects and the funding and timing of transfers.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$212,285 from a balance of \$2,089,752 at the end of the prior year to \$1,877,467, primarily due to additional capital project costs.
- The Enterprise, Sewer Fund cash balance decreased \$50,419 to \$3,045,274.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 9, 2016 and resulted in an increase in budgeted disbursements of \$664,820. The largest increase was in the business type activities function due to a water meter replacement project. Smaller increases were in the public works, health and social services, culture and recreation, community and economic development, general government and capital projects functions.

The City’s receipts were \$60,680 less than budgeted. Intergovernmental receipts alone were \$319,033 less than budgeted, primarily due to expected donations for a project which were not received. In addition, receipts from use of money and property were \$61,058 less than budgeted, due to lower interest rates in fiscal year 2016 compared to fiscal year 2015. Other city tax receipts were \$167,124 more than budgeted, mainly due to higher LOST receipts than were budgeted. Tax increment financing receipts were also more than budgeted by \$174,550, this was also due to property tax reimbursements.

Total disbursements were \$3,345,690 less than budgeted, primarily due to projects that were not completed and TIF rebate payments that were not made before year end.

Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the health and social services function prior to the budget amendment.

DEBT ADMINISTRATION

On June 30, 2016, the City had \$15,584,496 of outstanding bonds and other long and short term debt, compared to \$17,934,518 last year, as shown below. Debt decreased as a result of repayment of short term debt and regularly scheduled bond payments.

Outstanding Debt at Year-End		
	June 30,	
	2016	2015
General obligation bonds:		
9/13/12 - Library Improvement and Refunding Bonds - \$7,320,000	\$ 4,875,000	5,530,000
7/25/13 - Street, Water, Sewer and Refunding Bonds - \$8,045,000	4,950,000	6,040,000
7/10/14 - Vehicle Acquisition Bonds - \$770,000	470,000	620,000
Revenue bonds:		
10/25/12 - Water Refunding - \$7,090,000	5,260,000	5,730,000
Lease-purchase agreements	29,496	14,518
Total	<u>\$ 15,584,496</u>	<u>17,934,518</u>

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

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and lease-purchase debt of \$10,541,573 (including \$217,077 of development and rebate agreements) is significantly below its constitutional debt limit of approximately \$19,550,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Nevada's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Story County now stands at 3.2% versus 3.1% a year ago. This compares with the State's unemployment rate of 4.1% and 4.9% nationally.

Tax increment financing receipts are budgeted to increase \$468,101 in fiscal year 2017, from \$2,599,385 to \$3,067,486.

The City's budgeted receipts for fiscal year 2017 are \$12,186,956 (without transfers) compared to fiscal year 2016 final budgeted receipts of \$11,689,952 (without transfers).

The City's disbursements for fiscal year 2017 are budgeted to decrease from a final budget of \$14,527,552 (without transfers) for fiscal year 2016 to \$12,390,921 for fiscal year 2017 (without transfers), primarily due to a decrease in capital projects.

If these estimates are realized, the City's budgeted cash balance is expected to decrease to \$12,195,647 at the close of fiscal year 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kerin Wright, City Clerk, 1209 - 6th Street, PO Box 530, Nevada, Iowa 50201.

City of Nevada

Basic Financial Statements

City of Nevada

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,745,866	90,543	128,392	-
Public works	579,001	15,732	840,122	961
Health and social services	58,289	-	-	-
Culture and recreation	1,446,423	309,777	122,677	3,004
Community and economic development	391,497	175	1,057	-
General government	409,490	53,432	-	-
Debt service	2,198,013	-	8,408	-
Capital projects	1,426,905	12,628	-	96,833
Total governmental activities	8,255,484	482,287	1,100,656	100,798
Business type activities:				
Water	2,086,173	1,927,474	-	653
Sewer	767,543	1,247,211	-	622
Other	109,321	235,566	-	-
Total business type activities	2,963,037	3,410,251	-	1,275
Total Primary Government	\$ 11,218,521	3,892,538	1,100,656	102,073
Component Unit:				
Nevada Economic Development Council	\$ 140,442	26,144	345,412	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Capital projects				
Tax increment financing				
Local option sales and services tax				
Unrestricted interest on investments				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Permanent Funds				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Community betterment				
Library				
Parks				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component
Primary Government			Unit
Governmental Activities	Business Type Activities	Total	Nevada Economic Development Council
(1,526,931)	-	(1,526,931)	
277,814	-	277,814	
(58,289)	-	(58,289)	
(1,010,965)	-	(1,010,965)	
(390,265)	-	(390,265)	
(356,058)	-	(356,058)	
(2,189,605)	-	(2,189,605)	
(1,317,444)	-	(1,317,444)	
(6,571,743)	-	(6,571,743)	
-	(158,046)	(158,046)	
-	480,290	480,290	
-	126,245	126,245	
-	448,489	448,489	
(6,571,743)	448,489	(6,123,254)	
			231,114
2,509,708	-	2,509,708	-
354,788	-	354,788	-
133,234	-	133,234	-
2,599,385	-	2,599,385	-
949,012	-	949,012	-
12,197	18,658	30,855	-
601,800	(601,800)	-	-
7,160,124	(583,142)	6,576,982	-
588,381	(134,653)	453,728	231,114
9,069,920	5,604,718	14,674,638	372,382
\$ 9,658,301	5,470,065	15,128,366	603,496
\$ 140,613	-	140,613	-
1,293,295	-	1,293,295	-
2,674,119	-	2,674,119	-
358,345	617,162	975,507	-
779,595	2,040,932	2,820,527	-
1,218,954	-	1,218,954	-
406,940	-	406,940	-
139,738	-	139,738	-
244,705	61,511	306,216	-
2,401,997	2,750,460	5,152,457	603,496
\$ 9,658,301	5,470,065	15,128,366	603,496

City of Nevada

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

As of and for the year ended June 30, 2016

	Special Revenue			
	General	Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 1,850,333	-	-	-
Tax increment financing	-	-	-	2,599,385
Other city tax	53,298	-	949,012	-
Licenses and permits	73,144	-	-	-
Use of money and property	70,354	961	1,028	7,095
Intergovernmental	146,576	840,122	-	-
Charges for service	209,942	-	-	-
Miscellaneous	124,626	-	-	-
Total receipts	2,528,273	841,083	950,040	2,606,480
Disbursements:				
Operating:				
Public safety	1,651,671	20,149	39,808	-
Public works	3,518	502,488	72,995	-
Health and social services	-	-	58,289	-
Culture and recreation	1,393,515	-	3,649	-
Community and economic development	204,718	-	46,235	139,339
General government	398,218	-	13,559	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	3,651,640	522,637	234,535	139,339
Excess (deficiency) of receipts over (under) disbursements	(1,123,367)	318,446	715,505	2,467,141
Other financing sources (uses):				
Transfers in	1,053,205	75,433	-	-
Transfers out	(10,000)	(163,163)	(531,370)	(1,141,100)
Total other financing sources (uses)	1,043,205	(87,730)	(531,370)	(1,141,100)
Change in cash balances	(80,162)	230,716	184,135	1,326,041
Cash balances beginning of year	3,157,259	1,062,579	330,314	1,348,078
Cash balances end of year	\$ 3,077,097	1,293,295	514,449	2,674,119
Cash Basis Fund Balances				
Nonspendable	\$ -	-	-	-
Restricted for:				
Streets	-	1,293,295	-	-
Urban renewal purposes	-	-	-	2,674,119
Debt service	-	-	-	-
Capital projects	-	-	-	-
Community betterment	704,505	-	514,449	-
Library	-	-	-	-
Parks	-	-	-	-
Other purposes	-	-	-	-
Unassigned	2,372,592	-	-	-
Total cash basis fund balances	\$ 3,077,097	1,293,295	514,449	2,674,119

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
348,878	130,163	592,110	2,921,484
-	-	-	2,599,385
5,910	3,071	13,967	1,025,258
-	-	-	73,144
1,313	7,608	27,727	116,086
-	-	18,250	1,004,948
-	12,628	4,114	226,684
-	89,225	61,225	275,076
356,101	242,695	717,393	8,242,065
-	-	37,695	1,749,323
-	-	-	579,001
-	-	-	58,289
-	-	52,502	1,449,666
-	-	1,205	391,497
-	-	-	411,777
2,198,013	-	-	2,198,013
-	1,426,905	-	1,426,905
2,198,013	1,426,905	91,402	8,264,471
(1,841,912)	(1,184,210)	625,991	(22,406)
1,860,913	129,974	10,000	3,129,525
-	(99,796)	(582,296)	(2,527,725)
1,860,913	30,178	(572,296)	601,800
19,001	(1,154,032)	53,695	579,394
339,344	1,933,627	878,301	9,049,502
358,345	779,595	931,996	9,628,896
-	-	140,613	140,613
-	-	-	1,293,295
-	-	-	2,674,119
358,345	-	-	358,345
-	779,595	-	779,595
-	-	-	1,218,954
-	-	406,940	406,940
-	-	139,738	139,738
-	-	244,705	244,705
-	-	-	2,372,592
358,345	779,595	931,996	9,628,896

City of Nevada

City of Nevada

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

As of and for the year ended June 30, 2016

Total governmental funds cash balances (page 19)	\$ 9,628,896
<i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the cash basis net position of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.	29,405
Cash basis net position of governmental activities (page 17)	\$ 9,658,301
Change in cash balances (page 19)	\$ 579,394
<i>Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the change in cash basis net position of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.	8,987
Change in cash basis net position of governmental activities (page 17)	\$ 588,381

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, 2016

	Enterprise				Internal Service
	Water	Sewer	Nonmajor	Total	Flexible Benefits
Operating receipts:					
Use of money and property	\$ 16,042	-	-	16,042	-
Charges for service	1,881,442	1,214,967	234,109	3,330,518	41,966
Miscellaneous	29,990	32,244	1,457	63,691	-
Total operating receipts	1,927,474	1,247,211	235,566	3,410,251	41,966
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	12,537
Culture and recreation	-	-	-	-	11,760
General government	-	-	-	-	8,299
Business type activities	797,367	738,869	109,321	1,645,557	300
Total operating disbursements	797,367	738,869	109,321	1,645,557	32,896
Excess of operating receipts over operating disbursements	1,130,107	508,342	126,245	1,764,694	9,070
Non-operating receipts (disbursements):					
Interest on investments	7,313	10,897	1,723	19,933	-
Debt service	(580,463)	-	-	(580,463)	-
Capital projects	(708,426)	(28,674)	-	(737,100)	-
Net non-operating receipts (disbursements)	(1,281,576)	(17,777)	1,723	(1,297,630)	-
Excess (deficiency) of receipts over (under) disbursements	(151,469)	490,565	127,968	467,064	9,070
Transfers in	321,684	-	-	321,684	-
Transfers out	(382,500)	(540,984)	-	(923,484)	-
Total transfers in (out):	(60,816)	(540,984)	-	(601,800)	-
Change in cash balances	(212,285)	(50,419)	127,968	(134,736)	9,070
Cash balances beginning of year	2,089,752	3,095,693	417,368	5,602,813	22,323
Cash balances end of year	\$ 1,877,467	3,045,274	545,336	5,468,077	31,393
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ 617,162	-	-	617,162	-
Sewer construction	-	1,890,932	-	1,890,932	-
Water improvement	150,000	-	-	150,000	-
Water deposits	61,511	-	-	61,511	-
Unrestricted	1,048,794	1,154,342	545,336	2,748,472	31,393
Total cash basis fund balances	\$ 1,877,467	3,045,274	545,336	5,468,077	31,393

See notes to financial statements.

City of Nevada

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

As of and for the year ended June 30, 2016

Total enterprise funds cash balances (page 22) \$ 5,468,077

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

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

1,988

Cash basis net position of business type activities (page 17)

\$ 5,470,065

Change in cash balances (page 22)

\$ (134,736)

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

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

83

Change in cash basis net position of business type activities (page 17)

\$ (134,653)

See notes to financial statements.

City of Nevada

City of Nevada

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

The City of Nevada is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, sanitation and storm water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Nevada has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

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

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

Jointly Governed Organizations

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the health and social services function prior to the budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 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 ensure there will be no loss of public funds.

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

During the year ended June 30, 2015, a local non-profit organization deposited \$51,213 to the Foundation as a gift to the City. At June 30, 2016, the carrying amount and fair value of the amounts held by the Foundation for the City were \$72,589 and \$70,204, respectively. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

Fair Value Measurement

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

City investments that do not have a readily determinable fair value, such as ownership interest in partner's capital, are reported using Net Asset Value per share (NAV). Used as a practical expedient for the estimated fair value, NAV per share or its equivalent is provided by the fund manager and reviewed by the City. The recurring fair value of the investments held by the Foundation for the City was determined using NAV.

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

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

(3) Bonds Payable

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

Year Ending June 30,	General Obligation Bonds		Water Revenue Refunding Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,340,000	263,113	475,000	106,203	1,815,000	369,316
2018	1,385,000	236,313	475,000	101,453	1,860,000	337,766
2019	1,415,000	208,613	480,000	95,515	1,895,000	304,128
2020	1,275,000	180,313	485,000	88,075	1,760,000	268,388
2021	1,305,000	154,813	495,000	79,103	1,800,000	2,033,916
2022-2026	3,575,000	281,060	2,630,000	228,979	6,205,000	510,039
2027	-	-	220,000	5,940	220,000	5,940
Total	\$ 10,295,000	1,324,225	5,260,000	705,268	15,555,000	2,029,493

Water Revenue Refunding Bonds

On October 25, 2012, the City issued \$7,090,000 of water revenue refunding bonds for the current refunding of the water revenue bonds issued January 14, 2005. As a condition of the refunding, the City was required to place \$581,203 of the \$7,090,000 proceeds into a debt service reserve fund. The bonds bear interest at rates ranging from 0.50% to 2.70% per annum and mature June 1, 2019.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$7,090,000 of water revenue refunding bonds issued in October 2012. The bonds are payable solely from water customer net receipts and are payable through 2027. Annual principal and interest payments on the bonds are expected to require less than 52% of net receipts. The total principal and interest remaining to be paid on the bonds is \$5,965,268. For the current year, principal and interest paid and total customer net receipts were \$579,963 and \$1,130,107, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (d) A principal and interest reserve account shall be created into which \$581,203 shall be set apart and paid from proceeds of the sale of the bonds at the time of delivery.

Lease-Purchase Agreements

On June 21, 2013, the City entered into a lease-purchase agreement to lease a tractor and accessories. The lease term is for three years, with interest at 4.30% per annum. The City paid the remaining \$14,570 on the lease during the year ended June 30, 2016.

On May 23, 2016, the City entered into a lease-purchase agreement to lease a mower. The lease term is for three years and is interest free.

The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2016:

Year Ending June 30,	Mower
2017	\$ 9,832
2018	9,832
2019	9,832
Present value of net minimum lease payments	\$ 29,496

During the year ended June 30, 2016, the City made principal payments of \$14,518 and interest payments of \$52 on these lease-purchase agreements.

(4) Interfund Loans

On March 24, 2014, the City advanced \$33,000 from the General Fund to provide a grant to the Nevada Economic Development Corporation (NEDC). The NEDC disbursed the grant as a forgivable loan to a developer in the urban renewal area to serve as a local match in support of incentives provided to the developer from the Iowa Economic Development Authority. This interfund loan is interest free and the Special Revenue, Urban Renewal Tax Increment Fund repaid the General Fund \$33,000 during the year ended June 30, 2016.

On June 8, 2015, the City disbursed \$252,563 from both the Enterprise, Water and Sewer Funds to pay a portion of the costs of carrying out an urban renewal project in the Nevada Urban Renewal Area of the City, consisting of paying the Central Iowa Water Association for the rights to supply water in the area. Repayment is to be made from the Special Revenue, Urban Renewal Tax Increment Fund in one installment at a future date when TIF receipts are available. The interfund loan to be repaid from the Special Revenue, Urban Renewal Tax Increment Fund is interest free.

On June 8, 2015, the City approved an advance of \$211,250 from the General Fund to provide an incentive to the NEDC for projects in the Nevada Urban Renewal Area of the City. During the year ended June 30, 2015, the City disbursed \$100,000 from the General Fund as required by the agreement. A second advance in the amount of \$111,150 was made during the year ending June 30, 2016. The interfund loan is interest free and the Special Revenue, Urban Renewal Tax Increment Fund repaid the General Fund \$100,000 and \$111,250 during the years ended June 30, 2015 and June 30, 2016, respectively.

On June 8, 2015, the City advanced \$5,000 from the General Fund to pay a portion of the costs of carrying out an urban renewal project in the Nevada Urban Renewal Area of the City, consisting of funding the Nevada Home Assistance Program to assist families of low and moderate income with housing acquisition and rehabilitation. Repayment of this interfund loan is to be made without interest before June 30, 2017 from the Special Revenue, Urban Renewal Tax Increment Fund.

(5) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$195,955.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$995,185 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.020144%, which was an increase of 0.000521% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$108,582, \$266,171 and \$354,535, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term Investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of IPERS' investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 2,068,926	995,185	89,286

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 20 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members ranged from \$350 to \$478 for single coverage, \$663 to \$905 for employee/children, \$717 to \$979 for employee/spouse and \$1,075 to \$1,467 for family coverage, depending on the plan chosen. The same monthly premiums apply to retirees. For the year ended June 30, 2016, the City contributed \$176,044 and plan members eligible for benefits contributed \$34,402 to the plan.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. City employees may also accumulate earned but unused sick leave hours for subsequent use or for payment upon retirement or death, up to a maximum of \$1,500. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation, compensatory time and sick leave hours payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 179,000
Compensatory time	31,000
Sick leave	15,000
Total	<u>\$ 225,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

(8) Contractual Commitments

The City has entered into various construction contracts totaling approximately \$2,029,000. As of June 30, 2016, approximately \$1,365,000 has been paid on the contracts. The remaining \$664,000 will be paid as work on the projects progresses.

(9) Deficit Balance

The Enterprise, Sanitation Fund had a deficit balance of \$25,104 at June 30, 2016. The deficit balance was the result of a payment made in June 2016 which is typically made in July.

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 345,000
	Employee Benefits	563,955
	Urban Renewal Tax Increment	144,250
		<u>1,053,205</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales and Services Tax	75,000
	Capital Projects	433
		<u>75,433</u>
Special Revenue:	Special Revenue:	
Trail Maintenance	Local Option Sales and Services Tax	<u>10,000</u>
Debt Service	Special Revenue:	
	Road Use Tax	162,900
	Urban Renewal Tax Increment	996,850
	Capital Projects	99,363
	Enterprise:	
	Water	382,500
	Sewer	219,300
		<u>1,860,913</u>
Capital Projects	General	10,000
	Special Revenue:	
	Road Use Tax	263
	Local Option Sales and Services Tax	101,370
	Library Building Trust	18,341
		<u>129,974</u>
Enterprise:		
Water	Sewer	<u>321,684</u>
Total		<u>\$ 3,451,209</u>

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

(11) 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 \$708,740 is outstanding at June 30, 2016. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest does not constitute liabilities of the City.

(12) Landfill Contract

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The current contract began July 1, 2014 and terminates June 30, 2034. The cost is computed for each calendar year. On or before February 15 of each year, the City of Ames will notify the City of its proportionate share of the net costs of the system for the prior calendar year. The City will pay the City of Ames one-half of its share on July 15 and one-half on or before December 15 of each year. The annual rate of the contract is determined by multiplying the net per capita cost by the population of the City. For the year ended June 30, 2016, the City paid \$92,793 to the City of Ames.

(13) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2016 were \$147,195.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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

(14) Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvement of buildings. Certain agreements also require the developer to certify specific employment requirements are met. The remaining total to be paid by the City under the agreements is not to exceed \$9,027,682.

The City rebated \$139,339 during fiscal year 2016, for a total of \$1,608,885 of incremental property tax rebated under the agreements. The outstanding balance of the agreements at June 30, 2016 with fixed dollar commitments was \$217,077. The outstanding balance of the agreements at June 30, 2016 subject to annual appropriation was \$8,810,605.

(15) New Accounting Pronouncement

The City of Nevada adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

(16) Subsequent Event

In July 2016, the City authorized the issuance of \$5,450,000 of general obligation corporate purpose bonds for the purpose of constructing street improvements and improvements to the water, sanitary sewer and storm water drainage systems.

Other Information

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

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,921,484	-	-
Tax increment financing	2,599,385	-	-
Other city tax	1,025,258	-	-
Licenses and permits	73,144	-	-
Use of money and property	116,086	35,975	24
Intergovernmental	1,004,948	-	12,620
Charges for service	226,684	3,372,484	41,966
Special assessments	-	-	-
Miscellaneous	275,076	63,691	30,333
Total receipts	8,242,065	3,472,150	84,943
Disbursements:			
Public safety	1,749,323	12,537	50,232
Public works	579,001	-	-
Health and social services	58,289	-	-
Culture and recreation	1,449,666	11,760	19,794
Community and economic development	391,497	-	-
General government	411,777	8,299	8,299
Debt service	2,198,013	-	-
Capital projects	1,426,905	-	-
Business type activities	-	2,963,420	300
Total disbursements	8,264,471	2,996,016	78,625
Excess (deficiency) of receipts over (under) disbursements	(22,406)	476,134	6,318
Other financing sources (uses), net	601,800	(601,800)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	579,394	(125,666)	6,318
Balances beginning of year	9,049,502	5,625,136	90,280
Balances end of year	\$ 9,628,896	5,499,470	96,598

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total
			Variance
2,921,484	2,797,128	2,797,128	124,356
2,599,385	2,424,835	2,424,835	174,550
1,025,258	858,134	858,134	167,124
73,144	79,300	79,300	(6,156)
152,037	213,095	213,095	(61,058)
992,328	1,311,361	1,311,361	(319,033)
3,557,202	3,570,074	3,580,074	(22,872)
-	2,000	2,000	(2,000)
308,434	422,025	424,025	(115,591)
11,629,272	11,677,952	11,689,952	(60,680)
1,711,628	1,814,867	1,814,867	103,239
579,001	628,509	701,509	122,508
58,289	56,870	58,870	581
1,441,632	1,567,650	1,579,650	138,018
391,497	1,126,362	1,247,612	856,115
411,777	472,018	483,588	71,811
2,198,013	2,356,713	2,356,713	158,700
1,426,905	2,627,000	2,752,000	1,325,095
2,963,120	3,212,743	3,532,743	569,623
11,181,862	13,862,732	14,527,552	3,345,690
447,410	(2,184,780)	(2,837,600)	3,285,010
-	-	-	-
447,410	(2,184,780)	(2,837,600)	3,285,010
14,584,358	13,831,103	13,831,103	753,255
15,031,768	11,646,323	10,993,503	4,038,265

City of Nevada

Notes to Other Information – Budgetary Reporting

June 30, 2016

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$664,820. The budget amendment is reflected in the final budgeted amounts.

Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the health and social services function prior to the budget amendment.

City of Nevada

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Other Information

	2016	2015
City's proportion of the net pension liability	0.020144%	0.019623%
City's proportionate share of the net pension liability	\$ 995	778
City's covered-employee payroll	\$ 2,005	2,004
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.63%	38.82%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Nevada

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 196	185	182	165
Contributions in relation to the statutorily required contribution	<u>(196)</u>	<u>(185)</u>	<u>(182)</u>	<u>(165)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 2,135	2,005	2,004	1,951
Contributions as a percentage of covered-employee payroll	9.18%	9.23%	9.08%	8.46%

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
165	142	138	124	113	105
(165)	(142)	(138)	(124)	(113)	(105)
-	-	-	-	-	-
1,926	1,841	1,898	1,804	1,688	1,585
8.57%	7.71%	7.27%	6.87%	6.69%	6.62%

City of Nevada

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

Schedule 1

City of Nevada

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

As of and for the year ended June 30, 2016

	Employee Benefits	Cemetery Memorials	Cemetery Foundation Trust	Library Trust	Fire Trust	S.C.O.R.E. Undesignated	S.C.O.R.E. Operation & Maintenance
Receipts:							
Property tax	\$ 592,110	-	-	-	-	-	-
Other city tax	13,967	-	-	-	-	-	-
Use of money and property	971	10	1	272	59	10	1
Intergovernmental	-	-	-	5,630	-	-	-
Charges for service	-	-	-	-	-	-	-
Miscellaneous	-	-	-	2,854	-	4,160	-
Total receipts	607,048	10	1	8,756	59	4,170	1
Disbursements:							
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	-	14,491	-	-	-
Community and economic development	-	-	-	-	-	-	-
Total disbursements	-	-	-	14,491	-	-	-
Excess (deficiency) of receipts over (under) disbursements	607,048	10	1	(5,735)	59	4,170	1
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(563,955)	-	-	-	-	-	-
Total other financing sources (uses)	(563,955)	-	-	-	-	-	-
Change in cash balances	43,093	10	1	(5,735)	59	4,170	1
Cash balances beginning of year	36,473	2,730	324	79,092	16,396	1,044	249
Cash balances end of year	\$ 79,566	2,740	325	73,357	16,455	5,214	250
Cash Basis Fund Balances							
Nonspendable	\$ -	-	-	-	-	-	-
Restricted for:							
Library	-	-	-	73,357	-	-	-
Parks	-	-	-	-	-	-	-
Other purposes	79,566	2,740	325	-	16,455	5,214	250
Total cash basis fund balances	\$ 79,566	2,740	325	73,357	16,455	5,214	250

Special Revenue											
Senior Center Trust	Gates Hall Piano	Parks and Recreation Open Space	Columbarium Maintenance	Trail Maintenance	Danielson Trust	Library Building Trust	Trees Forever	4th of July Trust	Community Band	Police Forfeiture	
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
17	66	19,162	8	133	6,900	31	18	-	3	41	
-	-	-	-	-	-	-	-	-	-	-	-
-	-	664	120	-	-	-	-	-	-	-	-
310	-	4,204	-	-	-	18,310	-	4	1,050	-	
327	66	24,030	128	133	6,900	18,341	18	4	1,053	41	
-	-	-	-	-	-	-	-	-	-	-	-
-	90	12,531	-	10,559	6,797	-	-	-	-	-	-
-	-	-	-	-	-	-	1,205	-	-	-	-
-	90	12,531	-	10,559	6,797	-	1,205	-	-	-	-
327	(24)	11,499	128	(10,426)	103	18,341	(1,187)	4	1,053	41	
-	-	-	-	10,000	-	-	-	-	-	-	-
-	-	-	-	-	-	(18,341)	-	-	-	-	-
-	-	-	-	10,000	-	(18,341)	-	-	-	-	-
327	(24)	11,499	128	(426)	103	-	(1,187)	4	1,053	41	
4,548	18,631	128,239	2,165	32,689	333,480	-	5,488	63	-	11,450	
4,875	18,607	139,738	2,293	32,263	333,583	-	4,301	67	1,053	11,491	
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	333,583	-	-	-	-	-	-
-	-	139,738	-	-	-	-	-	-	-	-	-
4,875	18,607	-	2,293	32,263	-	-	4,301	67	1,053	11,491	
4,875	18,607	139,738	2,293	32,263	333,583	-	4,301	67	1,053	11,491	

(Continued on next page)

**Schedule 1
(Continued)**

City of Nevada

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

As of and for the year ended June 30, 2016

	Special Revenue				Permanent		Total
	Nevada Firefighters Incorporated	Nevada First Responders	Senior Citizen Center	Friends of the Library	Cemetery Perpetual Care	Parks Planting (Hattery)	
Receipts:							
Property tax	\$ -	-	-	-	-	-	592,110
Other city tax	-	-	-	-	-	-	13,967
Use of money and property	13	9	2	-	-	-	27,727
Intergovernmental	12,620	-	-	-	-	-	18,250
Charges for service	-	-	-	-	3,330	-	4,114
Miscellaneous	15,099	4,986	4,583	5,665	-	-	61,225
Total receipts	27,732	4,995	4,585	5,665	3,330	-	717,393
Disbursements:							
Public safety	34,136	3,559	-	-	-	-	37,695
Culture and recreation	-	-	4,163	3,871	-	-	52,502
Community and economic development	-	-	-	-	-	-	1,205
Total disbursements	34,136	3,559	4,163	3,871	-	-	91,402
Excess (deficiency) of receipts over (under) disbursements	(6,404)	1,436	422	1,794	3,330	-	625,991
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	10,000
Transfers out	-	-	-	-	-	-	(582,296)
Total other financing sources (uses)	-	-	-	-	-	-	(572,296)
Change in cash balances	(6,404)	1,436	422	1,794	3,330	-	53,695
Cash balances beginning of year	38,153	16,254	6,942	6,608	132,283	5,000	878,301
Cash balances end of year	\$ 31,749	17,690	7,364	8,402	135,613	5,000	931,996
Cash Basis Fund Balances							
Nonspendable	\$ -	-	-	-	135,613	5,000	140,613
Restricted for:							
Library	-	-	-	-	-	-	406,940
Parks	-	-	-	-	-	-	139,738
Other purposes	31,749	17,690	7,364	8,402	-	-	244,705
Total cash basis fund balances	\$ 31,749	17,690	7,364	8,402	135,613	5,000	931,996

See accompanying independent auditor's report.

City of Nevada

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

As of and for the year ended June 30, 2016

	Enterprise		
	Sanitation	Storm Water	Total
Operating receipts:			
Charges for service	\$ 62,488	171,621	234,109
Miscellaneous	577	880	1,457
Total operating receipts	63,065	172,501	235,566
Operating disbursements:			
Business type activities	93,377	15,944	109,321
Excess (deficiency) of operating receipts over (under) operating disbursements	(30,312)	156,557	126,245
Non-operating receipts:			
Interest on investments	-	1,723	1,723
Change in cash balances	(30,312)	158,280	127,968
Cash balances beginning of year	5,208	412,160	417,368
Cash balances end of year	\$ (25,104)	570,440	545,336
Cash Basis Fund Balances			
Unrestricted	\$ (25,104)	570,440	545,336

See accompanying independent auditor's report.

City of Nevada
 Schedule of Indebtedness
 Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Urban renewal library improvement and refunding	Sep 13, 2012	2.00-2.15%	\$ 7,320,000
Streets, water, sewer and refunding	Jul 25, 2013	2.00-4.00	8,045,000
Vehicle acquisition bonds	Jul 10, 2014	2.00	770,000
Total			
Revenue bonds:			
Water revenue refunding bonds	Oct 25, 2012	0.50-2.70%	\$ 7,090,000
Lease-purchase agreements:			
Tractor and accessories	Jun 21, 2013	4.30%	\$ 41,765
Mower	May 23, 2016	0.00	29,496
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
5,530,000	-	655,000	4,875,000	111,013
6,040,000	-	1,090,000	4,950,000	177,600
620,000	-	150,000	470,000	12,400
\$ 12,190,000	-	1,895,000	10,295,000	301,013
5,730,000	-	470,000	5,260,000	109,963
14,518	-	14,518	-	52
-	29,496	-	29,496	-
\$ 14,518	29,496	14,518	29,496	52

City of Nevada

City of Nevada

Bond Maturities

June 30, 2016

Year Ending June 30,	General Obligation Bonds						Revenue Bonds		
	Corporate Purpose and Refunding						Water Refunding		
	Issued Sept 13, 2012		Issued July 25, 2013		Issued July 10, 2014		Issued Oct 25, 2012		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount	
2017	2.00%	\$ 690,000	2.00%	\$ 495,000	2.00%	\$ 155,000	1,340,000	1.00%	\$ 475,000
2018	2.00	705,000	2.00	525,000	2.00	155,000	1,385,000	1.25	475,000
2019	2.00	715,000	2.00	540,000	2.00	160,000	1,415,000	1.55	480,000
2020	2.00	725,000	2.00	550,000	-	-	1,275,000	1.85	485,000
2021	2.00	745,000	4.00	560,000	-	-	1,305,000	2.00	495,000
2022	2.00	755,000	4.00	580,000	-	-	1,335,000	2.15	505,000
2023	2.00	265,000	4.00	600,000	-	-	865,000	2.25	515,000
2024	2.15	90,000	4.00	630,000	-	-	720,000	2.40	525,000
2025	2.15	90,000	4.00	230,000	-	-	320,000	2.55	535,000
2026	2.15	95,000	4.00	240,000	-	-	335,000	2.65	550,000
2027	-	-	-	-	-	-	-	2.70	220,000
Total		<u>\$ 4,875,000</u>		<u>\$ 4,950,000</u>		<u>\$ 470,000</u>	<u>10,295,000</u>		<u>\$ 5,260,000</u>

See accompanying independent auditor's report.

City of Nevada

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

For the Last Ten Years

	2016	2015	2014	2013
Receipts:				
Property tax	\$ 2,921,484	2,710,587	2,890,881	2,706,999
Tax increment financing	2,599,385	2,060,828	1,094,368	1,207,521
Other city tax	1,025,258	1,039,306	897,020	932,717
Licenses and permits	73,144	76,017	88,337	79,243
Use of money and property	116,086	201,226	238,708	172,706
Intergovernmental	1,004,948	2,031,920	851,730	824,654
Charges for service	226,684	207,924	314,391	215,664
Special assessments	-	-	2,365	4,971
Miscellaneous	275,076	313,520	1,078,127	246,027
Total	\$ 8,242,065	8,641,328	7,455,927	6,390,502
Disbursements:				
Operating:				
Public safety	\$ 1,749,323	1,249,199	1,303,316	1,145,587
Public works	579,001	595,935	812,228	637,909
Health and social services	58,289	55,384	50,060	53,915
Culture and recreation	1,449,666	1,397,167	1,510,170	1,389,735
Community and economic development	391,497	448,812	299,484	346,987
General government	411,777	369,875	414,304	450,028
Debt service	2,198,013	1,988,944	4,000,920	2,319,728
Capital projects	1,426,905	2,962,268	5,386,802	3,135,224
Total	\$ 8,264,471	9,067,584	13,777,284	9,479,113

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
2,515,062	2,390,310	2,203,777	2,001,007	1,974,976	1,945,558
1,396,120	1,403,236	1,608,637	1,712,528	1,690,937	1,284,881
914,345	896,047	879,528	954,164	879,359	850,186
85,311	97,724	79,754	68,272	109,162	95,505
203,263	241,686	196,309	178,998	441,545	343,833
868,542	884,249	1,072,579	984,654	833,181	1,224,798
244,406	252,505	295,664	307,607	273,067	249,255
3,572	4,393	7,673	17,743	22,336	33,229
168,579	276,454	290,632	436,042	358,416	696,210
6,399,200	6,446,604	6,634,553	6,661,015	6,582,979	6,723,455
1,182,484	1,127,061	1,125,704	1,058,708	1,085,431	1,454,443
631,574	664,466	660,064	684,043	732,940	561,308
76,205	66,568	73,044	77,900	77,400	81,400
1,395,047	1,367,576	1,276,238	1,317,201	1,316,512	1,211,953
330,621	370,341	230,845	2,625,884	309,060	417,823
305,942	280,430	287,015	360,764	234,998	258,858
1,649,493	1,886,046	1,945,808	2,123,130	1,663,077	1,430,663
503,398	1,677,280	1,061,197	2,524,989	5,500,082	2,851,275
6,074,764	7,439,768	6,659,915	10,772,619	10,919,500	8,267,723

City of Nevada



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

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Auditor of State

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 10, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Nevada's Responses to the Findings

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

January 10, 2017

City of Nevada
Schedule of Findings
Year ended June 30, 2016

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) NEVADA FIRST RESPONDERS

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the First Responder’s financial statement.

Condition – Generally, one individual has control over collecting, depositing and posting. A bank reconciliation is prepared monthly, however review by an independent person is not documented.

Cause – The First Responders have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the First Responder’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Response – I realize the importance of establishing controls for deposits, receipts and bill paying. With a limited number of members it will be difficult to put these into practice. As in the past and present both Association Treasures for the Firefighters and First Responders are Treasures for separate corporations. The monthly business meeting is both corporations meeting simultaneously and all balances are expressed orally at each meeting from their respected Treasures. No checks are written until a passing vote by majority of the Association approves the reason a check is written. All receipts, deposits and checks are copied in the Treasurer’s book. They are separated by month and reviewed by the President and or Vice President and are signed at the end of each meeting with exception to the month of audit due to the book being used.

Conclusion – Response acknowledged. The monthly bank reconciliation should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

City of Nevada

Schedule of Findings

Year ended June 30, 2016

(B) NEVADA FIRE FIGHTERS

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Fire Fighter's financial statement.

Condition – Generally, one individual has control over collecting, depositing and posting for which no compensating controls exist. In addition, formal bank reconciliations are not completed.

Cause – The Fire Fighters have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Fire Fighter's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Response – Segregation of duties is something the department is working on. Bank reconciliations are being done and signatures to document independent review will be added.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Nevada

Schedule of Findings

Year ended June 30, 2016

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the health and social services function prior to the May 9, 2016 budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – In the future, the budget will be amended so disbursements do not exceed the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond requirements for the year ended June 30, 2016 were noted.
- (9) Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2016 were noted.
- (10) Financial Condition – At June 30, 2016, the City had a deficit balance of \$25,104 in the Enterprise, Sanitation Fund.

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

City of Nevada

Schedule of Findings

Year ended June 30, 2016

Response – Payments to Ames Resource and Recovery are typically made in December and July. During fiscal year 2016, a payment was inadvertently made in June rather than July. The City will make every effort to make payments in the correct year.

Conclusion – Response accepted.

City of Nevada

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Ashley J. Moser, Senior Auditor
Carolina M. Aviles, Staff Auditor
Erin J. Sietstra, Staff Auditor
Malika Moutiq, Assistant Auditor
Tara H. Williams, 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