

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

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NEWS RELEASE

FOR RELEASE

March 29, 2019

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Auditor of State Rob Sand today released an audit report on the City of Nevada, Iowa.

The City's receipts totaled \$15,809,743 for the year ended June 30, 2018, a 12.6% decrease from the prior year. The receipts included \$3,007,802 of property tax, \$3,018,476 of tax increment financing, \$940,430 of local option sales and services tax, \$4,441,440 of charges for service, \$1,120,803 of operating grants, contributions and restricted interest, \$7,167 of capital grants, contributions and restricted interest, \$80,839 of unrestricted interest on investments, \$2,933,444 of bond proceeds and \$259,342 of other general receipts.

Disbursements for the year ended June 30, 2018 totaled \$14,945,714, a 4.0% increase over the prior year, and included \$4,267,045 for capital projects, \$3,785,327 for debt service and \$1,652,045 for culture and recreation. Also, disbursements for business type activities totaled \$2,349,948.

The significant decrease in receipts is due primarily to the issuance of general obligation bonds of over \$5,500,000 in fiscal year 2017.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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CITY OF NEVADA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2018

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City of Nevada

Officials

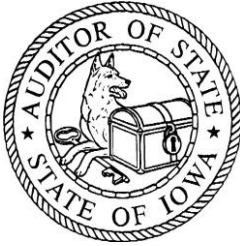
(Before January 2018)

<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
Matthew Mardesen	City Administrator	Indefinite
Kerin Wright	City Clerk	Indefinite
Brick, Gentry, Bowers, Swartz, Stolze, & Levis, P.C.	Attorney	Indefinite

(After January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brett Barker	Mayor	Jan 2022
Brian Hanson	Council Member	Jan 2020
Barb Mittman	Council Member	Jan 2020
Jason Sampson (Appointed Jan 2018)	Council Member	Nov 2019
Jim Walker	Council Member	Jan 2020
Dane Nealson	Council Member	Jan 2022
Luke Spence	Council Member	Jan 2022
Matthew Mardesen	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, 2018, 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, 2018, 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.

Emphasis of a Matter

As discussed in Note 5 to the financial statements, the City of Nevada adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. 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, 2017 (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 8 through 14 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 March 15, 2019 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 solely 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 effectiveness of the City's 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.



ROB SAND
Auditor of State

March 15, 2019

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, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- Receipts for governmental activities decreased 17.2%, or approximately \$2,482,000, from fiscal year 2017 to fiscal year 2018 due primarily to the issuance of fewer general obligation bonds in fiscal year 2018. Receipts for business type activities increased approximately \$211,000, or 5.7%, due primarily to increased user rates.
- Disbursements for governmental activities increased 15.7%, or approximately \$1,711,000, in fiscal year 2018 over fiscal year 2017. Capital projects function disbursements increased 99.2%, or approximately \$2,125,000, due to an increase in projects completed in fiscal year 2018. Community and economic development function disbursements decreased 79.2%, or approximately \$1,149,000, primarily due to fewer developer rebate payments made in fiscal year 2018 compared to fiscal year 2017. Debt service function disbursements increased 23.5%, or approximately \$719,000, as repayment on the newly issued general obligation bonds began part way through fiscal year 2017.
- Disbursements for business type activities decreased approximately \$1,135,000, or 32.5%, with an approximately \$1,017,000 decrease in disbursements in the Enterprise, Sewer Fund. This decrease is mostly due to the purchase of land for a new wastewater treatment facility in fiscal year 2017. Enterprise, Water Fund disbursements decreased 7.9%, or approximately \$141,000.
- The City's total cash basis net position increased 4.6%, or approximately \$864,000, from June 30, 2017 to June 30, 2018. Of this amount, the cash basis net position of the governmental activities increased approximately \$259,000 and the cash basis net position of the business type activities increased approximately \$605,000.

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 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 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.

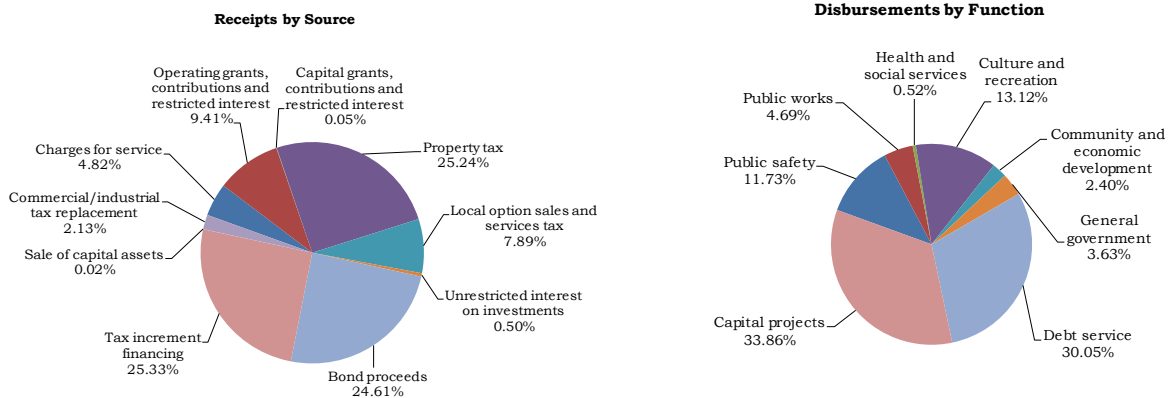
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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 \$13.261 million to approximately \$13.520 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,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service	\$ 575	512
Operating grants, contributions and restricted interest	1,121	1,127
Capital grants, contributions and restricted interest	6	9
General receipts:		
Property tax	3,008	2,948
Tax increment financing	3,019	3,031
Local option sales and services tax	940	1,022
Commercial/industrial tax replacement	254	170
Unrestricted interest on investments	60	49
Bond proceeds	2,933	5,521
Sale of capital assets	2	11
Total receipts	<u>11,918</u>	<u>14,400</u>
Disbursements:		
Public safety	1,477	1,468
Public works	591	675
Health and social services	65	57
Culture and recreation	1,652	1,622
Community and economic development	302	1,451
General government	457	404
Debt service	3,785	3,066
Capital projects	4,267	2,142
Total disbursements	<u>12,596</u>	<u>10,885</u>
Change in cash basis net position before transfers	(678)	3,515
Transfers, net	937	87
Change in cash basis net position	259	3,602
Cash basis net position beginning of year	13,261	9,659
Cash basis net position end of year	<u>\$ 13,520</u>	<u>13,261</u>



The City's total receipts for governmental activities decreased 17.2%, or approximately \$2,482,000, from the prior year. The total of all program receipts increased \$54,000, or 3.3%. General receipts decreased approximately \$2,536,000, or 19.9%. The significant decrease in receipts was primarily due to the receipt of fewer bond proceeds in fiscal year 2018.

The total cost of all governmental activities programs and services increased approximately \$1,711,000, or 15.7%. Capital projects function disbursements increased 99.2%, or approximately \$2,125,000, due to an increase in projects completed in fiscal year 2018. Community and economic development function disbursements decreased 79.2%, or approximately \$1,149,000, primarily due to fewer developer rebate payments made in fiscal year 2018 compared to fiscal year 2017. In addition, debt service function disbursements increased approximately \$719,000 from fiscal year 2017 to fiscal year 2018 as the City began repaying the newly issued bonds part way through fiscal year 2017.

The City's property tax rate in fiscal year 2018 was \$14.61800 per \$1,000 of taxable valuation, the same rate as fiscal year 2017. The City's property tax rate has not increased significantly in nineteen years, except for the voted capital improvements levies in fiscal years 2009 and 2011.

The cost of all governmental activities this year was approximately \$12.596 million compared to approximately \$10.885 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 \$10.894 million because some of the cost was paid by those directly benefiting from the programs (approximately \$575,000) or by other governments and organizations which subsidized certain programs with grants, contributions and unrestricted interest (approximately \$1.127 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased from approximately \$1.648 million in fiscal year 2017 to approximately \$1.702 million in fiscal year 2018. 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,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 2,253	2,093
Sewer	1,383	1,314
Other	231	236
Capital grants, contributions and restricted interest	1	1
General receipts:		
Unrestricted interest on investments	20	36
Sale of capital assets	3	-
Total receipts	<u>3,891</u>	<u>3,680</u>
Disbursements:		
Water	1,637	1,778
Sewer	644	1,661
Other	68	45
Total disbursements	<u>2,349</u>	<u>3,484</u>
Change in cash basis net position before transfers	1,542	196
Transfers, net	<u>(937)</u>	<u>(87)</u>
Change in cash basis net position	605	109
Cash basis net position beginning of year	<u>5,579</u>	<u>5,470</u>
Cash basis net position end of year	<u>\$ 6,184</u>	<u>5,579</u>

Total business type activities receipts for fiscal year 2018 were approximately \$3.891 million compared to approximately \$3.680 million last year. Total business type activities disbursements for fiscal year 2018 were approximately \$2.349 million compared to approximately \$3.484 million last year. The significant decrease in disbursements was primarily related to the purchase of land in fiscal year 2017 for a future wastewater treatment facility.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$13,481,645, an increase of \$257,415 over last year's total of \$13,224,230. 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 increased \$208,865 to \$3,438,397.
- The Special Revenue, Road Use Tax Fund cash balance increased \$286,950 to \$1,627,875. Road use tax receipts increased approximately \$23,000, or 2.8%, while disbursements decreased approximately \$73,000, or 12%. The City is saving resources for future projects.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance increased \$35,355 to \$804,272.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$3,199,316 at the end of the fiscal year, an increase of \$683,918 over the previous year. This increase is mostly attributed to a decrease in developer rebate disbursements.

- The Debt Service Fund cash balance increased \$2,973,045 to \$3,092,661 due to the issuance of general obligation refunding bonds. The proceeds will be used to retire the City's 2013 general obligation bonds on the June 1, 2020 crossover date.
- The Capital Projects Fund began the year with a cash balance of \$4,302,348 and ended with a balance of \$465,435, a decrease of \$3,836,913. The balance decreased due to spending down the bond proceeds received in fiscal year 2017 for projects during fiscal year 2018.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$415,410 from a balance of \$2,289,021 at the end of the prior year to \$2,704,431, primarily due to an increase in rates to plan for future expansion and a decrease in capital projects disbursements during the fiscal year.
- The Enterprise, Sewer Fund cash balance increased \$404,872 to \$2,993,048 due primarily to the City planning for the construction of a new waste water facility.

BUDGETARY HIGHLIGHTS

The City did not amend its budget during the year. The City's receipts were \$286,731 more than budgeted. Charges for service were \$220,720 more than budgeted, which was primarily due to under estimating activities for which the City charges such as pool receipts. In addition, intergovernmental receipts were \$138,306 higher than budgeted, mainly due to an increase in commercial/industrial replacement receipts received in fiscal year 2018. Miscellaneous receipts were less than budgeted by \$102,686.

Total disbursements were \$3,324,031 less than budgeted, primarily due to the timing of capital equipment purchases and work on projects.

Disbursements during the year ended June 30, 2018 exceeded the amount budgeted in the debt service function.

DEBT ADMINISTRATION

On June 30, 2018, the City had \$16,794,832 of outstanding bonds and other long term debt, compared to \$17,844,664 last year, as shown below. Debt decreased as a result of repayment on short term debt and regularly scheduled bond payments.

Outstanding Debt at Year-End		
	June 30,	
	2018	2017
General obligation bonds:		
9/13/12 - Library improvement and refunding bonds - \$7,320,000	\$ 3,480,000	4,185,000
7/25/13 - Street, water, sewer and refunding bonds - \$8,045,000	3,930,000	4,455,000
7/10/14 - Vehicle acquisition bonds - \$770,000	160,000	315,000
6/13/16 - Corporate purpose bonds - \$5,450,000	2,055,000	4,085,000
9/28/17 - Refunding series 2017 - \$2,850,000	2,850,000	-
Revenue bonds:		
10/4/12 - Water refunding - \$7,090,000	4,310,000	4,785,000
Lease purchase agreement	9,832	19,664
Total	\$ 16,794,832	17,844,664

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 \$12,653,231 (including \$168,399 of development and rebate agreements) is significantly below its constitutional debt limit of approximately \$21,406,239. 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 2019 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Story County now stands at 2.0% versus 2.6% a year ago. This compares with the State's unemployment rate of 2.5% and 4.2% nationally.

The City's budgeted receipts for fiscal year 2019 are \$18,632,301 (without transfers) compared to fiscal year 2018 final budgeted receipts of \$12,523,385 (without transfers). Other financing sources receipts are budgeted to increase \$4,499,500 in fiscal year 2019, due to the anticipated issuance of general obligation bonds in fiscal year 2019. Intergovernmental receipts are also budgeted to increase \$1,313,234 in fiscal year 2019.

The City's disbursements for fiscal year 2019 are budgeted to decrease from a final budget of \$18,221,403 (without transfers) for fiscal year 2018 to \$15,988,187 for fiscal year 2019 (without transfers), primarily due to a decrease in capital projects.

If these estimates are realized, the City's budgeted cash balance is expected to increase to \$15,688,416 at the close of fiscal year 2019.

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.

Basic Financial Statements

City of Nevada

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2018

	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	\$ 1,476,551	159,958	156,194	4,859
Public works	591,301	5,798	870,282	-
Health and social services	65,222	-	-	-
Culture and recreation	1,652,045	345,393	94,217	343
Community and economic development	301,660	297	110	-
General government	456,615	52,662	-	-
Debt service	3,785,327	-	-	-
Capital projects	4,267,045	10,392	-	775
Total governmental activities	12,595,766	574,500	1,120,803	5,977
Business type activities:				
Water	1,637,804	2,252,487	-	609
Sewer	644,476	1,383,377	-	581
Other	67,668	231,076	-	-
Total business type activities	2,349,948	3,866,940	-	1,190
Total Primary Government	\$ 14,945,714	4,441,440	1,120,803	7,167
Component Unit:				
Nevada Economic Development Council	\$ 166,799	24,750	115,156	-
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				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond proceeds, including premium of \$152,683 and net of \$69,239 issuance costs				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Permanent Funds				
Expendable:				
Streets				
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
(1,155,540)	-	(1,155,540)	
284,779	-	284,779	
(65,222)	-	(65,222)	
(1,212,092)	-	(1,212,092)	
(301,253)	-	(301,253)	
(403,953)	-	(403,953)	
(3,785,327)	-	(3,785,327)	
(4,255,878)	-	(4,255,878)	
(10,894,486)	-	(10,894,486)	
-	615,292	615,292	
-	739,482	739,482	
-	163,408	163,408	
-	1,518,182	1,518,182	
(10,894,486)	1,518,182	(9,376,304)	
			(26,893)
2,348,082	-	2,348,082	-
529,339	-	529,339	-
130,381	-	130,381	-
3,018,476	-	3,018,476	-
940,430	-	940,430	-
254,309	-	254,309	-
60,449	20,390	80,839	-
2,933,444	-	2,933,444	-
2,017	3,016	5,033	-
936,600	(936,600)	-	-
11,153,527	(913,194)	10,240,333	-
259,041	604,988	864,029	(26,893)
13,261,346	5,579,448	18,840,794	593,541
\$ 13,520,387	6,184,436	19,704,823	566,648
\$ 147,888	-	147,888	-
1,627,875	-	1,627,875	-
6,291,977	617,162	6,909,139	-
465,435	1,387,632	1,853,067	-
1,807,846	-	1,807,846	-
373,955	-	373,955	-
89,428	-	89,428	-
242,418	-	242,418	-
2,473,565	4,179,642	6,653,207	566,648
\$ 13,520,387	6,184,436	19,704,823	566,648

City of Nevada

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

As of and for the year ended June 30, 2018

	Special Revenue			
	General	Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 1,813,681	-	-	-
Tax increment financing	-	-	-	3,018,476
Other city tax	49,955	-	940,430	-
Licenses and permits	111,313	-	-	-
Use of money and property	77,341	675	1,578	8,408
Intergovernmental	243,368	867,358	-	146,374
Charges for service	217,998	-	-	-
Miscellaneous	124,863	-	-	-
Total receipts	2,638,519	868,033	942,008	3,173,258
Disbursements:				
Operating:				
Public safety	1,379,105	14,614	43,180	-
Public works	-	519,644	71,802	-
Health and social services	-	-	65,222	-
Culture and recreation	1,464,526	-	54,679	-
Community and economic development	70,384	-	42,039	189,240
General government	440,973	-	15,731	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	3,354,988	534,258	292,653	189,240
Excess (deficiency) of receipts over (under) disbursements	(716,469)	333,775	649,355	2,984,018
Other financing sources (uses):				
Bond proceeds, including premium of \$152,683 and net of \$69,239 issuance costs	-	-	-	-
Sale of capital assets	2,017	-	-	-
Transfers in	991,100	213,775	-	-
Transfers out	(67,783)	(260,600)	(614,000)	(2,300,100)
Total other financing sources (uses)	925,334	(46,825)	(614,000)	(2,300,100)
Change in cash balances	208,865	286,950	35,355	683,918
Cash balances beginning of year	3,229,532	1,340,925	768,917	2,515,398
Cash balances end of year	\$ 3,438,397	1,627,875	804,272	3,199,316
Cash Basis Fund Balances				
Nonspendable	\$ -	-	-	-
Restricted for:				
Streets	-	1,627,875	-	-
Debt service	-	-	-	3,199,316
Capital projects	-	-	-	-
Community betterment	1,003,574	-	804,272	-
Library	-	-	-	-
Parks	-	-	-	-
Other purposes	-	-	-	-
Unassigned	2,434,823	-	-	-
Total cash basis fund balances	\$ 3,438,397	1,627,875	804,272	3,199,316

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
521,458	127,502	473,746	2,936,387
-	-	-	3,018,476
7,881	2,879	10,700	1,011,845
-	-	-	111,313
30,912	6,172	24,531	149,617
20,967	4,597	51,660	1,334,324
-	10,392	28,533	256,923
-	-	38,998	163,861
581,218	151,542	628,168	8,982,746
-	-	40,377	1,477,276
-	-	-	591,446
-	-	-	65,222
-	-	133,504	1,652,709
-	-	-	301,663
-	-	-	456,704
3,785,327	-	-	3,785,327
-	4,267,045	-	4,267,045
3,785,327	4,267,045	173,881	12,597,392
(3,204,109)	(4,115,503)	454,287	(3,614,646)
2,933,444	-	-	2,933,444
-	-	-	2,017
3,243,710	410,000	10,000	4,868,585
-	(131,410)	(558,092)	(3,931,985)
6,177,154	278,590	(548,092)	3,872,061
2,973,045	(3,836,913)	(93,805)	257,415
119,616	4,302,348	947,494	13,224,230
3,092,661	465,435	853,689	13,481,645
-	-	147,888	147,888
-	-	-	1,627,875
3,092,661	-	-	6,291,977
-	465,435	-	465,435
-	-	-	1,807,846
-	-	373,955	373,955
-	-	89,428	89,428
-	-	242,418	242,418
-	-	-	2,434,823
3,092,661	465,435	853,689	13,481,645

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, 2018

Total governmental funds cash balances (page 19) \$ 13,481,645

Amounts reported for governmental 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 governmental activities in the Cash Basis Statement of Activities and Net Position.

38,742

Cash basis net position of governmental activities (page 17) \$ 13,520,387

Change in cash balances (page 19) \$ 257,415

Amounts reported for governmental 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 cash basis net position of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

1,626

Change in cash basis net position of governmental activities (page 17) \$ 259,041

See notes to financial statements.

City of Nevada

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

As of and for the year ended June 30, 2018

	Enterprise				Internal Service
	Water	Sewer	Nonmajor	Total	Flexible Benefits
Operating receipts:					
Use of money and property	\$ 19,859	-	-	19,859	-
Charges for service	2,208,853	1,382,993	231,076	3,822,922	40,316
Miscellaneous	24,384	384	-	24,768	-
Total operating receipts	<u>2,253,096</u>	<u>1,383,377</u>	<u>231,076</u>	<u>3,867,549</u>	<u>40,316</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	16,760
Public works	-	-	-	-	3,367
Culture and recreation	-	-	-	-	15,348
Community and economic development	-	-	-	-	76
General government	-	-	-	-	2,059
Business type activities	997,948	619,448	67,668	1,685,064	1,035
Total operating disbursements	<u>997,948</u>	<u>619,448</u>	<u>67,668</u>	<u>1,685,064</u>	<u>38,645</u>
Excess of operating receipts over operating disbursements	<u>1,255,148</u>	<u>763,929</u>	<u>163,408</u>	<u>2,182,485</u>	<u>1,671</u>
Non-operating receipts (disbursements):					
Interest on investments	5,307	14,411	1,253	20,971	-
Sale of capital assets	3,016	-	-	3,016	-
Debt service	(576,953)	-	-	(576,953)	-
Capital projects	(62,938)	(25,038)	-	(87,976)	-
Net non-operating receipts (disbursements)	<u>(631,568)</u>	<u>(10,627)</u>	<u>1,253</u>	<u>(640,942)</u>	<u>-</u>
Excess of receipts over disbursements	<u>623,580</u>	<u>753,302</u>	<u>164,661</u>	<u>1,541,543</u>	<u>1,671</u>
Transfers in	5,130	-	-	5,130	-
Transfers out	(213,300)	(348,430)	(380,000)	(941,730)	-
Total transfers in (out):	<u>(208,170)</u>	<u>(348,430)</u>	<u>(380,000)</u>	<u>(936,600)</u>	<u>-</u>
Change in cash balances	415,410	404,872	(215,339)	604,943	1,671
Cash balances beginning of year	<u>2,289,021</u>	<u>2,588,176</u>	<u>700,061</u>	<u>5,577,258</u>	<u>39,306</u>
Cash balances end of year	<u>\$ 2,704,431</u>	<u>2,993,048</u>	<u>484,722</u>	<u>6,182,201</u>	<u>40,977</u>
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ 617,162	-	-	617,162	-
Sewer construction	-	1,387,632	-	1,387,632	-
Water improvement	150,000	-	-	150,000	-
Water deposits	71,106	-	-	71,106	-
Unrestricted	<u>1,866,163</u>	<u>1,605,416</u>	<u>484,722</u>	<u>3,956,301</u>	<u>40,977</u>
Total cash basis fund balances	<u>\$ 2,704,431</u>	<u>2,993,048</u>	<u>484,722</u>	<u>6,182,201</u>	<u>40,977</u>

See notes to financial statements.

City of Nevada

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

As of and for the year ended June 30, 2018

Total enterprise funds cash balances (page 22) \$ 6,182,201

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.

2,235

Cash basis net position of business type activities (page 17) \$ 6,184,436

Change in cash balances (page 22) \$ 604,943

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.

45

Change in cash basis net position of business type activities (page 17) \$ 604,988

See notes to financial statements.

City of Nevada

City of Nevada

Notes to Financial Statements

June 30, 2018

(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 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, sanitation and storm water utilities for its citizens.

A. Reporting Entity

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

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

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

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Emergency Management Commission, and Story County Joint 911 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 receipts, 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 collections 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. During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2018 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 a local non-profit Foundation as a gift to the City. At June 30, 2018, the carrying amount and fair value of the amounts held by the Foundation were \$82,015 and \$83,982, respectively. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

At June 30, 2018, the City had the following investments not held by the Foundation:

Investment	Carrying Amount	Fair Value	Maturity
U.S. Treasury Notes	\$ 14,026	13,958	November 2018
U.S. Treasury Notes	16,060	15,879	May 2019
U.S. Treasury Notes	15,056	14,798	November 2019
U.S. Treasury Notes	2,863,476	2,799,899	May 2020
	\$ 2,908,618	2,844,534	

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.

The recurring fair value of the U.S. Treasury notes was determined using quoted market prices. (Level 1 inputs)

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.

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
2019	\$ 3,470,000	323,512	480,000	95,515	3,950,000	419,027
2020	1,275,000	254,113	485,000	88,075	1,760,000	342,188
2021	1,905,000	228,612	495,000	79,103	2,400,000	307,715
2022	1,945,000	176,313	505,000	69,202	2,450,000	245,515
2023	1,485,000	122,762	515,000	58,345	2,000,000	181,107
2024-2027	2,395,000	126,546	1,830,000	107,370	4,225,000	233,916
Total	\$ 12,475,000	1,231,858	4,310,000	497,610	16,785,000	1,729,468

General Obligation Refunding Bonds

On September 28, 2017, the City issued \$2,850,000 of general obligation refunding bonds with interest rates of 4.00% per annum for a crossover refunding of the general obligation bonds issued July 25, 2013. The City entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted to U.S. Treasury Securities. These securities were placed in an escrow account for the express purpose of paying the \$2,840,000 of principal on the refunded general obligation bonds when they become callable on June 1, 2020. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions, balances and liabilities of the escrow account are recorded by the City since the refunded debt is not considered extinguished. The City refunded the bonds to reduce its total debt service payments by \$116,838 and to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of \$101,677.

Water Revenue Refunding Bonds

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

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$7,090,000 of water revenue refunding bonds issued in October 2012. The bonds are payable solely from water customer net receipts and are payable through 2027. Annual principal and interest payments on the bonds are expected to require 46% of net receipts. The total principal and interest remaining to be paid on the bonds is \$4,807,610. For the current year, principal and interest paid and total customer net receipts were \$576,453 and \$1,255,148, 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 Agreement

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 agreement in effect at June 30, 2018:

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

During the year ended June 30, 2018, the City made principal payments of \$9,832 on this lease purchase agreement.

(4) 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 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, any time 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 2018, 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, 2018 totaled \$206,564.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018 the City reported a liability of \$1,489,538 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the City's proportion was 0.022361%, which was an increase of 0.000091% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$254,748, \$708,365 and \$405,999, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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 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
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 2,759,919	1,489,538	422,498

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.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$506 to \$595 for single coverage to \$1,552 to \$1,826 for family coverage. For the year ended June 30, 2018, the City contributed \$210,975 and plan members eligible for benefits contributed \$39,730 to the plan. At June 30, 2018, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Nevada and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	24
Total	<u>25</u>

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. City employees may also accumulate earned but unused sick leave hours for subsequent use or for payment upon retirement or death, up to a maximum of \$1,500. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave hours payable to employees at June 30, 2018, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 206,000
Compensatory time	24,000
Sick leave	18,000
Total	<u>\$ 248,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2018.

(7) Contractual Commitments

The City has entered into various construction contracts totaling approximately \$7,013,000. The unpaid contract balance as of June 30, 2018 totaled approximately \$1,376,000, which will be paid as work on the projects progresses.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 499,000
	Employee Benefits	487,100
	Urban Renewal Tax Increment	<u>5,000</u>
		<u>991,100</u>
Special Revenue:	General	67,783
Road Use Tax	Special Revenue:	
	Employee Benefits	70,992
	Local Option Sales and Services Tax	<u>75,000</u>
		<u>213,775</u>
Special Revenue:	Special Revenue:	
Trail Maintenance	Local Option Sales and Services Tax	<u>10,000</u>
Debt Service	Special Revenue:	
	Road Use Tax	260,600
	Urban Renewal Tax Increment	2,295,100
	Capital Projects	131,410
	Enterprise:	
	Water	213,300
	Sewer	<u>343,300</u>
		<u>3,243,710</u>
Capital Projects	Special Revenue:	
	Local Option Sales and Services Tax	30,000
	Enterprise:	
	Storm Water	<u>380,000</u>
		<u>410,000</u>
Enterprise:	Enterprise:	
Water	Sewer	<u>5,130</u>
Total		<u>\$ 4,873,715</u>

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

(9) Industrial Development Revenue Bonds

The City has issued a total of \$2,363,229 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$647,300 is outstanding at June 30, 2018. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest does not constitute liabilities of the City.

(10) Landfill Contract

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The current contract began 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, 2018, the City paid \$61,862 to the City of Ames.

(11) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 775 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, 2018 were \$150,516.

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 \$500,000 per claim. Claims exceeding \$500,000 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 in the amount of \$1,000,000 per accident. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvement of buildings. Certain agreements also require the developer to certify specific employment requirements are met. The remaining total to be paid by the City under the agreements is not to exceed \$1,736,693.

The City rebated \$185,574 during fiscal year 2018, for a total of \$3,119,320 of incremental property tax rebated under the agreements. The outstanding balance of the agreements at June 30, 2018 with fixed dollar commitments was \$168,399. The outstanding balance of the agreements at June 30, 2018 subject to annual appropriation was \$1,568,294.

(13) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2018, the City abated \$73,253 of property tax under the urban renewal and economic development agreements.

(14) Subsequent Event

On February 25, 2019, the City authorized a \$2,250,000 general obligation corporate purpose loan agreement to pay the costs of constructing street, sanitary sewer system, water system, storm water drainage and sidewalk improvements and installing street lighting and signs.

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, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,936,387	-	-
Tax increment financing	3,018,476	-	-
Other city tax	1,011,845	-	-
Licenses and permits	111,313	-	-
Use of money and property	149,617	40,830	197
Intergovernmental	1,334,324	-	29,163
Charges for service	256,923	3,863,238	40,316
Special assessments	-	-	-
Miscellaneous	163,861	24,768	32,790
Total receipts	8,982,746	3,928,836	102,466
Disbursements:			
Public safety	1,477,276	16,760	57,137
Public works	591,446	3,367	3,367
Health and social services	65,222	-	-
Culture and recreation	1,652,709	15,348	24,984
Community and economic development	301,663	76	76
General government	456,704	2,059	2,059
Debt service	3,785,327	-	-
Capital projects	4,267,045	-	-
Business type activities	-	2,351,028	1,035
Total disbursements	12,597,392	2,388,638	88,658
Excess (deficiency) of receipts over (under) disbursements	(3,614,646)	1,540,198	13,808
Other financing sources (uses), net	3,872,061	(933,584)	-
Excess of receipts and other financing sources over disbursements and other financing uses	257,415	606,614	13,808
Balances beginning of year	13,224,230	5,616,564	98,475
Balances end of year	\$ 13,481,645	6,223,178	112,283

See accompanying independent auditor's report.

Total	Budgeted	Budget to Total Variance
	Amounts Original and Final	
2,936,387	2,927,259	9,128
3,018,476	3,103,512	(85,036)
1,011,845	984,699	27,146
111,313	83,150	28,163
190,250	138,260	51,990
1,305,161	1,166,855	138,306
4,079,845	3,859,125	220,720
-	1,000	(1,000)
155,839	258,525	(102,686)
12,809,116	12,522,385	286,731
1,436,899	1,610,356	(173,457)
591,446	812,125	(220,679)
65,222	70,360	(5,138)
1,643,073	1,824,781	(181,708)
301,663	985,973	(684,310)
456,704	588,284	(131,580)
3,785,327	3,735,013	50,314
4,267,045	5,955,000	(1,687,955)
2,349,993	2,639,511	(289,518)
14,897,372	18,221,403	(3,324,031)
(2,088,256)	(5,699,018)	(3,037,300)
2,938,477	1,000	2,937,477
850,221	(5,698,018)	(99,823)
18,742,319	20,349,100	(1,606,781)
19,592,540	14,651,082	4,941,458

City of Nevada

Notes to Other Information – Budgetary Reporting

June 30, 2018

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. The City did not amend its budget during the year ended June 30, 2018.

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the debt service function.

City of Nevada

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

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

Other Information

	2018	2017	2016	2015
City's proportion of the net pension liability	0.022361%	0.022270%	0.20144%	0.019623%
City's proportionate share of the net pension liability	\$ 1,490	1,402	995	778
City's covered payroll	\$ 2,197	2,135	2,005	2,004
City's proportionate share of the net pension liability as a percentage of its covered payroll	67.82%	65.67%	49.63%	38.82%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 207	201	196	185
Contributions in relation to the statutorily required contribution	<u>(207)</u>	<u>(201)</u>	<u>(196)</u>	<u>(185)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 2,249	2,197	2,135	2,005
Contributions as a percentage of covered payroll	9.20%	9.15%	9.18%	9.23%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
182	165	165	142	138	124
(182)	(165)	(165)	(142)	(138)	(124)
-	-	-	-	-	-
2,004	1,951	1,926	1,841	1,898	1,804
9.08%	8.46%	8.57%	7.71%	7.27%	6.87%

City of Nevada

Notes to Other Information – Pension Liability

Year ended June 30, 2018

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.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 (unfunded actuarial liability) beginning June 30, 2015. 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.

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, 2018

	Employee Benefits	Cemetery Memorials	Cemetery Foundation Trust	Library Trust	Fire Trust	S.C.O.R.E. Undesignated	S.C.O.R.E. Operation & Maintenance	Special North Story Baseball
Receipts:								
Property tax	\$ 473,746	-	-	-	-	-	-	-
Other city tax	10,700	-	-	-	-	-	-	-
Use of money and property	1,089	7	74	128	47	17	-	11
Intergovernmental	17,077	-	-	5,420	-	-	-	-
Charges for service	-	-	-	-	-	-	-	23,716
Miscellaneous	-	-	-	3,563	-	-	-	-
Total receipts	502,612	7	74	9,111	47	17	-	23,727
Disbursements:								
Public safety	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	15,897	-	-	-	21,203
Total disbursements	-	-	-	15,897	-	-	-	21,203
Excess (deficiency) of receipts over (under) disbursements	502,612	7	74	(6,786)	47	17	-	2,524
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(558,092)	-	-	-	-	-	-	-
Total other financing sources (uses)	(558,092)	-	-	-	-	-	-	-
Change in cash balances	(55,480)	7	74	(6,786)	47	17	-	2,524
Cash balances beginning of year	93,298	2,748	25,344	58,479	16,503	5,653	251	-
Cash balances end of year	37,818	2,755	25,418	51,693	16,550	5,670	251	2,524
Cash Basis Fund Balances								
Nonspendable	\$ -	-	-	-	-	-	-	-
Restricted for:								
Library	-	-	-	51,693	-	-	-	-
Parks	-	-	-	-	-	-	-	-
Other purposes	37,818	2,755	25,418	-	16,550	5,670	251	2,524
Total cash basis fund balances	\$ 37,818	2,755	25,418	51,693	16,550	5,670	251	2,524

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	
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
16	53	19,677	8	119	3,041	1	12	1	-	33	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	1,015	209	-	-	-	-	-	-	-	-
795	-	1,210	-	-	221	184	-	110	125	-	-
811	53	21,902	217	119	3,262	185	12	111	125	33	-
-	-	-	-	-	-	-	-	-	-	-	-
-	280	57,519	-	7,492	21,367	-	-	-	110	-	-
-	280	57,519	-	7,492	21,367	-	-	-	110	-	-
811	(227)	(35,617)	217	(7,373)	(18,105)	185	12	111	15	33	-
-	-	-	-	10,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	10,000	-	-	-	-	-	-	-
811	(227)	(35,617)	217	2,627	(18,105)	185	12	111	15	33	-
5,473	18,400	125,045	2,570	37,118	336,762	-	4,314	257	291	11,524	-
6,284	18,173	89,428	2,787	39,745	318,657	185	4,326	368	306	11,557	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	318,657	-	-	-	-	-	-
-	-	89,428	-	-	-	-	-	-	-	-	-
6,284	18,173	-	2,787	39,745	-	185	4,326	368	306	11,557	-
6,284	18,173	89,428	2,787	39,745	318,657	185	4,326	368	306	11,557	-

(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, 2018

	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	\$ -	-	-	-	-	-	473,746
Other city tax	-	-	-	-	-	-	10,700
Use of money and property	176	13	8	-	-	-	24,531
Intergovernmental	29,163	-	-	-	-	-	51,660
Charges for service	-	-	-	-	3,593	-	28,533
Miscellaneous	19,374	3,138	6,750	3,528	-	-	38,998
Total receipts	48,713	3,151	6,758	3,528	3,593	-	628,168
Disbursements:							
Public safety	37,220	3,157	-	-	-	-	40,377
Culture and recreation	-	-	5,446	4,190	-	-	133,504
Total disbursements	37,220	3,157	5,446	4,190	-	-	173,881
Excess (deficiency) of receipts over (under) disbursements	11,493	(6)	1,312	(662)	3,593	-	454,287
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	10,000
Transfers out	-	-	-	-	-	-	(558,092)
Total other financing sources (uses)	-	-	-	-	-	-	(548,092)
Change in cash balances	11,493	(6)	1,312	(662)	3,593	-	(93,805)
Cash balances beginning of year	30,772	16,328	7,802	4,267	139,295	5,000	947,494
Cash balances end of year	42,265	16,322	9,114	3,605	142,888	5,000	853,689
Cash Basis Fund Balances							
Nonspendable	\$ -	-	-	-	142,888	5,000	147,888
Restricted for:							
Library	-	-	-	3,605	-	-	373,955
Parks	-	-	-	-	-	-	89,428
Other purposes	42,265	16,322	9,114	-	-	-	242,418
Total cash basis fund balances	\$ 42,265	16,322	9,114	3,605	142,888	5,000	853,689

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, 2018

	Enterprise		
	Sanitation	Storm Water	Total
Operating receipts:			
Charges for service	\$ 58,431	172,645	231,076
Operating disbursements:			
Business type activities	62,384	5,284	67,668
Excess (deficiency) of operating receipts over (under) operating disbursements	(3,953)	167,361	163,408
Non-operating receipts:			
Interest on investments	1	1,252	1,253
Excess (deficiency) of receipts over (under) disbursements	(3,952)	168,613	164,661
Transfers out	-	(380,000)	(380,000)
Change in cash balances	(3,952)	(211,387)	(215,339)
Cash balances beginning of year	7,998	692,063	700,061
Cash balances end of year	\$ 4,046	480,676	484,722
Cash Basis Fund Balances			
Unrestricted	\$ 4,046	480,676	484,722

See accompanying independent auditor's report.

City of Nevada
Schedule of Indebtedness
Year ended June 30, 2018

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
Street improvement bonds	Jul 13, 2016	2.00	5,450,000
Refunding series 2017	Sep 28, 2017	4.00	2,850,000
Total			
Revenue bonds:			
Water revenue refunding bonds	Oct 25, 2012	0.50-2.70%	\$ 7,090,000
Lease-purchase agreement:			
Mower	May 23, 2016	0.00%	\$ 29,496
See accompanying independent auditor's report.			

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
4,185,000	-	705,000	3,480,000	84,112
4,455,000	-	525,000	3,930,000	145,900
315,000	-	155,000	160,000	6,300
4,085,000	-	2,030,000	2,055,000	81,700
-	2,850,000	-	2,850,000	49,815
\$ 13,040,000	2,850,000	3,415,000	12,475,000	367,827
4,785,000	-	475,000	4,310,000	101,453
19,664	-	9,832	9,832	-

City of Nevada

Bond Maturities

June 30, 2018

Year Ending June 30,	General Obligation Bonds					
	Corporate Purpose and Refunding					
	Issued Sept 13, 2012		Issued July 25, 2013		Issued July 10, 2014	
	Interest Rates	Amount	Interest Rates		Interest Rates	Amount
2019	2.00%	\$ 715,000	2.00%	\$ 540,000	2.00%	\$ 160,000
2020	2.00	725,000	2.00	550,000		-
2021	2.00	745,000	4.00	560,000		-
2022	2.00	755,000	4.00	580,000		-
2023	2.00	265,000	4.00	600,000		-
2024	2.15	90,000	4.00	630,000		-
2025	2.15	90,000	4.00	230,000		-
2026	2.15	95,000	4.00	240,000		-
2027		-		-		-
Total		<u>\$ 3,480,000</u>		<u>\$ 3,930,000</u>		<u>\$ 160,000</u>

See accompanying independent auditor's report.

Issued July 13, 2016		Issued Sept 28, 2017		Total	Revenue Bonds Water Refunding Issued Oct 25, 2012	
Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2.00%	\$ 2,055,000	4.00%	\$ -	3,470,000	1.55%	\$ 480,000
-	-	4.00	-	1,275,000	1.85	485,000
-	-	4.00	600,000	1,905,000	2.00	495,000
-	-	4.00	610,000	1,945,000	2.15	505,000
-	-	4.00	620,000	1,485,000	2.25	515,000
-	-	4.00	645,000	1,365,000	2.40	525,000
-	-	4.00	235,000	555,000	2.55	535,000
-	-	4.00	140,000	475,000	2.65	550,000
-	-	-	-	-	2.70	220,000
	<u>\$ 2,055,000</u>		<u>\$ 2,850,000</u>	<u>12,475,000</u>		<u>\$ 4,310,000</u>

City of Nevada

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

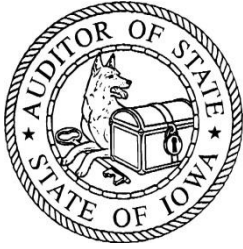
For the Last Ten Years

	2018	2017	2016	2015
Receipts:				
Property tax	\$ 2,936,387	2,873,654	2,921,484	2,710,587
Tax increment financing	3,018,476	3,031,236	2,599,385	2,060,828
Other city tax	1,011,845	1,096,514	1,025,258	1,039,306
Licenses and permits	111,313	76,183	73,144	76,017
Use of money and property	149,617	133,223	116,086	201,226
Intergovernmental	1,334,324	1,203,851	1,004,948	2,031,920
Charges for service	256,923	258,317	226,684	207,924
Special assessments	-	-	-	-
Miscellaneous	163,861	195,691	275,076	313,520
Total	\$ 8,982,746	8,868,669	8,242,065	8,641,328
Disbursements:				
Operating:				
Public safety	\$ 1,477,276	1,471,212	1,749,323	1,249,199
Public works	591,446	674,615	579,001	595,935
Health and social services	65,222	57,422	58,289	55,384
Culture and recreation	1,652,709	1,624,558	1,449,666	1,397,167
Community and economic development	301,663	1,450,980	391,497	448,812
General government	456,704	405,116	411,777	369,875
Debt service	3,785,327	3,066,396	2,198,013	1,988,944
Capital projects	4,267,045	2,142,179	1,426,905	2,962,268
Total	\$ 12,597,392	10,892,478	8,264,471	9,067,584

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
2,890,881	2,706,999	2,515,062	2,390,310	2,203,777	2,001,007
1,094,368	1,207,521	1,396,120	1,403,236	1,608,637	1,712,528
897,020	932,717	914,345	896,047	879,528	954,164
88,337	79,243	85,311	97,724	79,754	68,272
238,708	172,706	203,263	241,686	196,309	178,998
851,730	824,654	868,542	884,249	1,072,579	984,654
314,391	215,664	244,406	252,505	295,664	307,607
2,365	4,971	3,572	4,393	7,673	17,743
1,078,127	246,027	168,579	276,454	290,632	436,042
7,455,927	6,390,502	6,399,200	6,446,604	6,634,553	6,661,015
1,303,316	1,145,587	1,182,484	1,127,061	1,125,704	1,058,708
812,228	637,909	631,574	664,466	660,064	684,043
50,060	53,915	76,205	66,568	73,044	77,900
1,510,170	1,389,735	1,395,047	1,367,576	1,276,238	1,317,201
299,484	346,987	330,621	370,341	230,845	2,625,884
414,304	450,028	305,942	280,430	287,015	360,764
4,000,920	2,319,728	1,649,493	1,886,046	1,945,808	2,123,130
5,386,802	3,135,224	503,398	1,677,280	1,061,197	2,524,989
13,777,284	9,479,113	6,074,764	7,439,768	6,659,915	10,772,619

City of Nevada



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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, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2019. 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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (E) to be a significant deficiency.

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, 2018 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.



ROB SAND
Auditor of State

March 15, 2019

City of Nevada
Schedule of Findings
Year ended June 30, 2018

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 statements.

Condition – Generally, one individual has control over collecting, depositing and posting.

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.

Response – I understand the importance of segregation of duties, however due to the lack of staff, interests and other obligations the members have outside of the Association, I understand the risks that may occur. We will work on developing a system that will help split the duties so that one individual is not doing all of these duties.

Conclusion – Response accepted.

(B) Nevada Firefighters

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 volunteer. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Nevada Firefighter’s financial statement.

Condition – Generally, one individual has control over collecting, depositing and posting for which no compensating controls exist.

City of Nevada

Schedule of Findings

Year ended June 30, 2018

Cause – The Firefighters have a limited number of employees and, during the year under audit, procedures had 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 Firefighter’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by volunteers in the normal course of performing their assigned duties.

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

Response – Nevada Firefighters, Inc. (501c3) has taken steps to assist in segregation of financial duties. We now have two people, a Treasurer and an Assistant Treasurer, working directly with the Association’s finances. As our Association membership has increased, it has allowed us to expand oversight of financial practices and records. Two members regularly conduct monthly reconciliations of reports along with financial reports being provided to the entire membership at monthly business meetings. The City of Nevada is aware of this expanded practice and has welcomed this new addition.

While Nevada Firefighters, Inc. appreciates the recommendation of having an independent party to reconcile the Association’s financial records; however, the costs associated with type of practice through a licensed CPA or accounting firm would be very costly for this association. We do have the services of Kockler Company (CPA and Accountants) overseeing our 501C3 status, including financial and quarterly reporting. Documented in previous meeting minutes, Nevada Firefighters, Inc. welcomes and encourages open evaluation and communication of any and all financial records at any time from our Association membership, City officials and State Auditors. In fact, our two Treasurers caught an inadvertent error when a bank employee in another part of Iowa accidentally withdrew funds from our account because of an account number typo. The bank quickly remedied the error. We believe our system of tracking and recording funds is working much better than year’s past.

Conclusion – Response accepted.

(C) Nevada Economic Development Council (NEDC)

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 NEDC’s financial statements.

Condition – Generally, one individual has control over collecting and depositing for which no compensating controls exist.

City of Nevada

Schedule of Findings

Year ended June 30, 2018

Cause – The NEDC has 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 NEDC’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. NEDC officials should be utilized to provide additional control through review of the financial transactions and reconciliations.

Response – With a transition of leadership that was realized during April 2018, much of the financial policy and procedures were lost. Since that time the organization has worked to ensure there is a separation of duties when money comes in and is recorded, and when money is deposited. There is then a clear record of what has been received that can be readily compared to deposits from each month. During this transition, the Board of Directors has also been made aware of the new Financial Policy and Procedures which will be formally adopted by the Board of Directors in the fiscal year 2018-2019 to ensure that as leadership transitions occur, the Board of Directors is aware of the procedures that are to be followed.

Conclusion – Response accepted.

(D) Nevada Friends of the Library

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances on monthly basis.

Condition – Formal bank reconciliations are not performed.

Cause – Policies have not been established and procedures have not been implemented to ensure bank and book balances are reconciled monthly.

Effect – The lack of bank to book reconciliations can result in unrecorded transactions, undetected errors and the opportunity for unauthorized transactions.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Variances, if any, should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained. The bank to book reconciliations should be reviewed monthly by an independent person. Evidence of reviews of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – In the future, the Director and the Treasurer will meet to reconcile bank statements at the end of each month.

Conclusion – Response accepted.

City of Nevada
Schedule of Findings
Year ended June 30, 2018

(E) Nevada Economic Development Council (NEDC) Meeting Minutes

Criteria – Each month, the NEDC Board meets to discuss and vote on significant items. Meeting minutes should be maintained and retained to document actions approved by the NEDC.

Condition – Meeting minutes could not be located for fiscal year 2018.

Cause – Electronic files were not maintained for fiscal year 2018.

Effect – Approved actions for fiscal year 2018 could not be verified.

Recommendation – The NEDC should maintain minutes to document approved actions at each meeting.

Response – NEDC will make every effort in the future to keep and maintain minutes and retain them for future record.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Nevada

Schedule of Findings

Year ended June 30, 2018

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will make every effort to amend the budget before disbursements are expended.

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, 2018 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, 2018 were noted.
- (10) Firefighter Payroll – Firefighters perform work that is subject to the will and control of the City and, as such, are considered employees of the City. Payments to firefighters are considered wages and should be paid to the employee through payroll, subject to applicable taxes. Nevada Firefighters Incorporated (Nevada Firefighters) is a legally separate, non-profit entity established to raise funds in support of the City Fire Department. During the year ended June 30, 2018, the Nevada Firefighters paid \$19,545 to the firefighters for fire runs and the City reimbursed the Nevada Firefighters for these payments.

City of Nevada

Schedule of Findings

Year ended June 30, 2018

The Constitution of the State of Iowa prohibits governmental bodies from making payments to a non-profit corporation. Article III, Section 31 of the Constitution of the state of Iowa states, "... no public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the general assembly."

Recommendation – We are not aware of any statutory authority for the City to provide public funds to the Nevada Firefighters, Inc., a separate non-profit corporation. Since the firefighters work for the City, their wages should be paid by the City (i.e., their employer) through the City's payroll account.

Response – The City of Nevada will be reviewing our processes with legal counsel and plan to collectively meet with Department leaders as we evaluate our process and classification of firefighters as an employee.


Conclusion – Response accepted.

City of Nevada

Staff

This audit was performed by:

Jennifer L. Wall, CPA, Manager
Ashley J. Moser, Senior Auditor
Sarah K. Nissen, Staff Auditor
Coltin R. Collins, Assistant Auditor
Taran E. McCusker, Assistant Auditor


Marlys K. Gaston, CPA
Deputy Auditor of State