



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

FOR RELEASE

March 31, 2020

Contact: Marlys Gaston  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$19,892,503 for the year ended June 30, 2019, a 25.8% increase over the prior year. Disbursements for the year ended June 30, 2019 totaled \$15,194,157, a 1.7% increase over the prior year. The significant increase in receipts is due primarily to a \$4,250,000 settlement payment from DuPont to resolve their commitments to the City.

**AUDIT FINDING:**

Sand reported one finding related to the Nevada First Responders, a private non-profit corporation and a component unit of the City. It is found on page 62 of this report. The finding addresses a lack of segregation of duties for the Nevada First Responders. Sand provided the City with a recommendation to address this finding.

The finding discussed above is repeated from the prior year. The City Council and First Responders' management have a fiduciary responsibility to provide oversight of the City's and the component unit's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

# # #

**CITY OF NEVADA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
  
**JUNE 30, 2019**

**City of Nevada**



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March 18, 2020

Officials of the City of Nevada  
Nevada, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Nevada for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Nevada throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

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**City of Nevada**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brett Barker	Mayor	Jan 2022
Barb Mittman	Council Member	Jan 2020
Jason Sampson (appointed Jan 2018)	Council Member	Nov 2019
Jim Walker	Council Member	Jan 2020
Brian Hanson	Council Member	Jan 2022
Dane Neelson	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, 2019, 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, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### *Supplementary and Other Information*

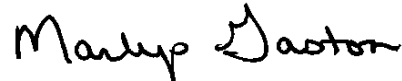
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (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 15 and 42 through 48, 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 18, 2020 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.



Marlys K. Gaston, CPA  
Deputy Auditor of State

March 18, 2020

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2019. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2019 FINANCIAL HIGHLIGHTS**

- Receipts for governmental activities increased 34.2%, or approximately \$4,078,000, from fiscal year 2018 to fiscal year 2019 due primarily to receipt of a \$4,250,000 settlement payment from DuPont to resolve their commitments to the City. Receipts for business type activities increased approximately \$5,000, or 0.1%.
- Disbursements for governmental activities increased 0.8%, or approximately \$95,000, in fiscal year 2019 over fiscal year 2018. Debt Service function disbursements increased 57.1%, or approximately \$2,163,000, due to early redemption of the City Hall portion of the 2012B bond. Capital Projects function disbursements decreased 69.4%, or approximately \$2,962,000, due to a decrease in projects completed in fiscal year 2019.
- Disbursements for business type activities increased approximately \$154,000, or 6.6%, with an approximately \$137,000 increase in disbursements in the Enterprise, Sewer Fund. This increase is mostly due to the purchase of land for a new wastewater treatment facility in fiscal year 2019.
- The City's total cash basis net position increased 23.8%, or approximately \$4,698,000, from June 30, 2018 to June 30, 2019. Of this amount, the cash basis net position of the governmental activities increased approximately \$3,861,000 and the cash basis net position of the business type activities increased approximately \$837,000.

### **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.

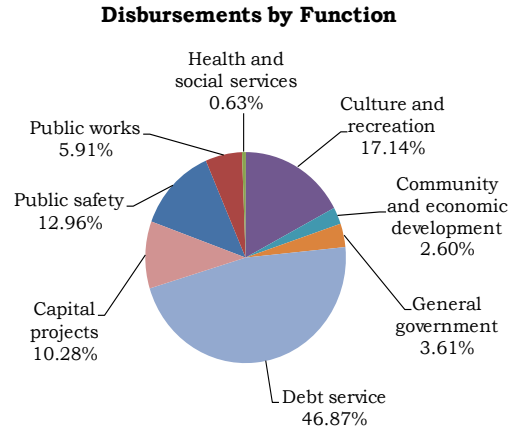
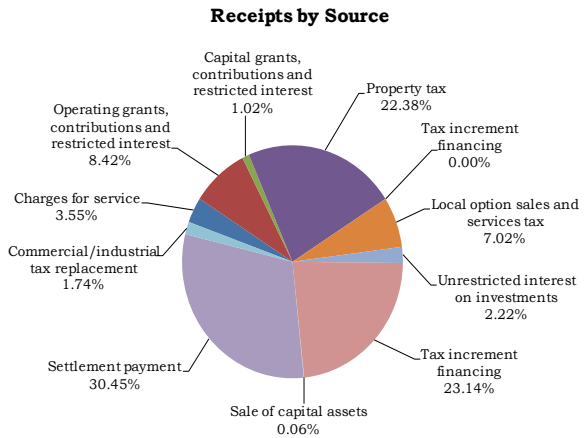
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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 \$13.520 million to approximately \$17.381 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,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service	\$ 495	575
Operating grants, contributions and restricted interest	1,175	1,121
Capital grants, contributions and restricted interest	143	6
General receipts:		
Property tax	3,124	3,008
Tax increment financing	3,231	3,019
Local option sales and services tax	980	940
Commercial/industrial tax replacement	243	254
Unrestricted interest on investments	310	60
Bond proceeds	2,036	2,933
Sale of capital assets	9	2
Settlement payment	4,250	-
Total receipts	<u>15,996</u>	<u>11,918</u>
Disbursements:		
Public safety	1,645	1,477
Public works	750	591
Health and social services	80	65
Culture and recreation	2,175	1,652
Community and economic development	330	302
General government	458	457
Debt service	5,948	3,785
Capital projects	1,305	4,267
Total disbursements	<u>12,691</u>	<u>12,596</u>
Change in cash basis net position before transfers	3,305	(678)
Transfers, net	<u>556</u>	<u>937</u>
Change in cash basis net position	3,861	259
Cash basis net position beginning of year	<u>13,520</u>	<u>13,261</u>
Cash basis net position end of year	<u>\$ 17,381</u>	<u>13,520</u>



The City's total receipts for governmental activities increased 34.2%, or approximately \$4,078,000, over the prior year. The total of all program receipts increased \$111,000, and general receipts increased approximately \$3,967,000. The significant increase in receipts was primarily due to a settlement payment from DuPont to resolve their commitments to the City.

The total cost of all governmental activities programs and services increased approximately \$95,000, or 0.8%. Capital projects function disbursements decreased 69.4%, or approximately \$2,962,000, due to a decrease in projects completed in fiscal year 2019. Debt service function disbursements increased approximately \$2,163,000, or 57.1%, due to early redemption of the City Hall portion of the 2012B bond. Culture and recreation function disbursements increased 31.7%, or approximately \$523,000, primarily due to the joint project with the Nevada Community School's Baseball Field/Concession stand project at SCORE and a trail maintenance project.

The City's property tax rate in fiscal year 2019 was \$14.61800 per \$1,000 of taxable valuation, the same rate as fiscal year 2018. 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 \$12.691 million compared to approximately \$12.596 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$10.878 million because some of the cost was paid by those directly benefiting from the programs (approximately \$495,000) or by other governments and organizations which subsidized certain programs with grants, contributions and unrestricted interest (approximately \$1.318 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased from approximately \$1.702 million in fiscal year 2018 to approximately \$1.813 million in fiscal year 2019. 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,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 2,175	2,253
Sewer	1,327	1,383
Other	239	231
Capital grants, contributions and restricted interest	9	1
General receipts:		
Unrestricted interest on investments	138	20
Sale of capital assets	8	3
Total receipts	<u>3,896</u>	<u>3,891</u>
Disbursements:		
Water	1,652	1,637
Sewer	781	644
Other	70	68
Total disbursements	<u>2,503</u>	<u>2,349</u>
Change in cash basis net position before transfers	1,393	1,542
Transfers, net	<u>(556)</u>	<u>(937)</u>
Change in cash basis net position	837	605
Cash basis net position beginning of year	<u>6,184</u>	<u>5,579</u>
Cash basis net position end of year	<u>\$ 7,021</u>	<u>6,184</u>

Total business type activities receipts for fiscal year 2019 were approximately \$3.896 million compared to approximately \$3.891 million last year. Total business type activities disbursements for fiscal year 2019 were approximately \$2.503 million compared to approximately \$2.349 million last year.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$17,341,450, an increase of \$3,859,805 over last year's total of \$13,481,645. 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 \$4,396,579 to \$7,834,976. General Fund receipts increased approximately \$4,458,000, or 169.0%, while disbursements increased approximately \$305,000, or 9.1%. The significant increase in receipts is mostly attributed to a \$4,250,000 settlement payment from DuPont to resolve their commitments to the City. In November 2017, the City was notified by DuPont they were closing the plant located in the City's urban renewal area. The City had utilized tax increment financing and issued general obligation debt to fund water, sewer and road improvement associated with the plant. A settlement was reached to help the City offset the financial impact of the plant closing.
- The Special Revenue, Road Use Tax Fund cash balance increased \$92,078 to \$1,719,953. Road use tax receipts increased approximately \$14,000, or 1.6%, while disbursements increased approximately \$160,000, or 29.9%, due to hiring a new Street Supervisor and additional hours needed for snow removal in fiscal year 2019.

- The Special Revenue, Local Option Sales and Services Tax Fund cash balance decreased \$295,397 to \$508,875. Local option sales and services tax receipts increased approximately \$46,000, or 4.9%, while disbursements increased approximately \$402,000, or 137.3%. The significant increase in disbursements is mostly attributed to the joint project with Nevada Community School's baseball field/concession stand project at SCORE and the Trail Maintenance project.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$2,010,062 at the end of the fiscal year, a decrease of \$1,189,254, or 37.2% from the previous year. Transfers from the Urban Renewal Tax Increment Fund to the Debt Service Fund increased approximately \$2,100,000 to \$4,441,000 in fiscal year 2019. This increase in transfers is due to the early redemption of a portion of the 2012B bond issue pertaining to City Hall.
- The Debt Service Fund began the year with a cash balance of \$3,092,661 and ended with a balance of \$3,087,972, a decrease of \$4,689 to, or 0.2%.
- The Capital Projects Fund cash balance increased \$912,305 to \$1,377,740. The City issued \$2,015,000 of general obligation bonds in fiscal year 2019. The significant decrease in disbursements is mostly attributed to completion of projects which started in the prior year.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased \$389,367 from a balance of \$2,704,431 at the end of the prior year to \$3,093,798, primarily due to the City reducing spending as they plan for a water plant expansion in the future.
- The Enterprise, Sewer Fund cash balance increased \$267,854 to \$3,260,902 due primarily to the City reducing spending as they plan for the construction of a new wastewater facility.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on October 22, 2018 and resulted in a \$490,000 increase in operating disbursements related to the joint project with the Nevada Community School for the baseball field/concessions and equipment purchases slated for FY18 but not expensed until FY19. The second amendment was approved on May 13, 2019 and increased budgeted operating receipts by \$34,396 and increased operating disbursements by \$2,561,000 due to the early redemption of a portion of debt, the increased costs for the Trail project and unanticipated hail damage costs.

The City's receipts were \$3,636,360 more than budgeted. Miscellaneous receipts were \$4,124,160 more than budgeted, which was primarily due to a settlement payment from DuPont to resolve their commitments to the City. Intergovernmental receipts were \$1,077,727 less than budgeted, primarily due to projects slated for FY19 were not completed so the RISE funds were not received. Use of money and property receipts were \$456,714 higher than budgeted, mainly due to the City entered into a new banking agreement with higher interest earned and excess reserves were used to purchase CDs to earn additional interest.

Total disbursements were \$3,891,693 less than budgeted, primarily due to the timing of capital equipment purchases and work on projects.



## DEBT ADMINISTRATION

On June 30, 2019, the City had \$12,700,000 of outstanding bonds and other long-term debt, compared to \$16,794,832 last year, as shown below. Debt decreased as a result of early repayment of the City Hall portion of the 2012B bonds and regularly scheduled bond payments.

	Outstanding Debt at Year-End	
	June 30,	
	2019	2018
General obligation bonds:		
9/13/12 - Library improvement and refunding bonds - \$7,320,000	\$ 615,000	3,480,000
7/25/13 - Street, water, sewer and refunding bonds - \$8,045,000	3,390,000	3,930,000
7/10/14 - Vehicle acquisition bonds - \$770,000	-	160,000
6/13/16 - Corporate purpose bonds - \$5,450,000	-	2,055,000
9/28/17 - Refunding series 2017 - \$2,850,000	2,850,000	2,850,000
4/10/19 - Streets, water, sewer and sidewalk improvements - \$2,015,000	2,015,000	-
Revenue bonds:		
10/4/12 - Water refunding - \$7,090,000	3,830,000	4,310,000
Lease purchase agreement	-	9,832
Total	\$ 12,700,000	16,794,832

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 debt of \$9,014,060 (including \$144,060 of development and rebate agreements) is significantly below its constitutional debt limit of approximately \$23,022,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Nevada's elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Story County now stands at 2.3% versus 2.0% a year ago. This compares with the State's unemployment rate of 2.6% and 3.7% nationally.

The City's budgeted receipts for fiscal year 2020 are \$17,954,629 (without transfers) compared to fiscal year 2019 final budgeted receipts of \$16,466,697 (without transfers). TIF revenues are budgeted to decrease \$2,168,006 in fiscal year 2020, primarily due to less outstanding debt and rebate payments needed. Taxes levied on property receipts are budgeted to increase \$966,600 in fiscal year 2020, mainly due to an increase in benefits, debt service and capital reserves requested. Other financing sources receipts are also budgeted to increase \$500,000 in fiscal year 2020, due to the upcoming downtown infrastructure project.

The City's disbursements for fiscal year 2020 are budgeted to increase from a final budget of \$19,039,187 (without transfers) for fiscal year 2019 to \$20,263,422 (without transfers) for fiscal year 2020, primarily due to increases in capital projects and business type activities function disbursements for the Central Business District infrastructure project and the planning for the new wastewater treatment facility.

If these estimates are realized, the City's budgeted cash balance is expected to decrease to \$14,132,716 at the close of fiscal year 2020.

## **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 6<sup>th</sup> Street, PO Box 530, Nevada, Iowa 50201.

**City of Nevada**

## **Basic Financial Statements**

City of Nevada

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,644,601	120,088	177,185	20,584
Public works	750,027	2,934	880,099	-
Health and social services	80,107	-	-	-
Culture and recreation	2,174,768	313,157	112,732	36,202
Community and economic development	330,017	700	1,050	-
General government	458,136	46,936	3,496	-
Debt service	5,948,096	-	-	-
Capital projects	1,305,169	11,238	-	86,595
Total governmental activities	12,690,921	495,053	1,174,562	143,381
Business type activities:				
Water	1,652,535	2,175,294	-	5,151
Sewer	780,983	1,326,713	-	4,158
Other	69,718	238,921	-	-
Total business type activities	2,503,236	3,740,928	-	9,309
<b>Total Primary Government</b>	<b>\$ 15,194,157</b>	<b>4,235,981</b>	<b>1,174,562</b>	<b>152,690</b>
<b>Component Unit:</b>				
Nevada Economic Development Council	\$ 140,825	29,000	121,515	-
<b>General Receipts and Transfers:</b>				
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 \$43,617 and net of \$22,150 discount				
Sale of capital assets				
Settlement payment				
Miscellaneous				
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				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Debt service				
Capital projects				
Community betterment				
Library				
Parks				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Primary Government		Total	Nevada Economic Development Council
Governmental Activities	Business Type Activities		
(1,326,744)	-	(1,326,744)	
133,006	-	133,006	
(80,107)	-	(80,107)	
(1,712,677)	-	(1,712,677)	
(328,267)	-	(328,267)	
(407,704)	-	(407,704)	
(5,948,096)	-	(5,948,096)	
<u>(1,207,336)</u>	<u>-</u>	<u>(1,207,336)</u>	
<u>(10,877,925)</u>	<u>-</u>	<u>(10,877,925)</u>	
-	527,910	527,910	
-	549,888	549,888	
-	169,203	169,203	
-	1,247,001	1,247,001	
<u>(10,877,925)</u>	<u>1,247,001</u>	<u>(9,630,924)</u>	
			9,690
2,466,027	-	2,466,027	-
522,625	-	522,625	-
135,574	-	135,574	-
3,231,475	-	3,231,475	-
980,316	-	980,316	-
242,559	-	242,559	-
309,640	138,176	447,816	-
2,036,467	-	2,036,467	-
8,149	8,162	16,311	-
4,250,000	-	4,250,000	-
100	-	100	-
555,900	(555,900)	-	-
<u>14,738,832</u>	<u>(409,562)</u>	<u>14,329,270</u>	<u>-</u>
3,860,907	837,439	4,698,346	9,690
<u>13,520,387</u>	<u>6,184,436</u>	<u>19,704,823</u>	<u>566,648</u>
<u>\$ 17,381,294</u>	<u>7,021,875</u>	<u>24,403,169</u>	<u>576,338</u>
\$ 153,875	-	153,875	-
1,719,953	-	1,719,953	-
5,098,034	625,722	5,723,756	-
1,377,740	1,724,670	3,102,410	-
1,559,329	-	1,559,329	-
372,022	-	372,022	-
81,442	-	81,442	-
194,533	-	194,533	-
<u>6,824,366</u>	<u>4,671,483</u>	<u>11,495,849</u>	<u>576,338</u>
<u>\$ 17,381,294</u>	<u>7,021,875</u>	<u>24,403,169</u>	<u>576,338</u>

City of Nevada

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

As of and for the year ended June 30, 2019

	Special Revenue			
	General	Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 1,886,847	-	-	-
Tax increment financing	-	-	-	3,231,475
Other city tax	53,238	-	980,316	-
Licenses and permits	94,307	-	-	-
Use of money and property	198,286	3,569	7,850	90,156
Intergovernmental	258,255	878,205	-	136,360
Charges for service	199,980	-	-	-
Miscellaneous	4,405,894	-	-	-
Total receipts	7,096,807	881,774	988,166	3,457,991
Disbursements:				
Operating:				
Public safety	1,551,487	16,460	37,995	-
Public works	1,100	677,565	71,608	-
Health and social services	-	-	80,107	-
Culture and recreation	1,586,877	-	443,195	-
Community and economic development	80,940	-	43,215	205,862
General government	439,879	-	18,443	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	3,660,283	694,025	694,563	205,862
Excess (deficiency) of receipts over (under) disbursements	3,436,524	187,749	293,603	3,252,129
Other financing sources (uses):				
Bond proceeds, including premium of \$43,617 and net of \$22,150 discount	-	-	-	-
Sale of capital assets	6,055	1,234	-	-
Transfers in	954,000	163,695	-	-
Transfers out	-	(260,600)	(589,000)	(4,441,383)
Total other financing sources (uses)	960,055	(95,671)	(589,000)	(4,441,383)
Change in cash balances	4,396,579	92,078	(295,397)	(1,189,254)
Cash balances beginning of year	3,438,397	1,627,875	804,272	3,199,316
Cash balances end of year	\$ 7,834,976	1,719,953	508,875	2,010,062
<b>Cash Basis Fund Balances</b>				
Nonspendable	\$ -	-	-	-
Restricted for:				
Streets	-	1,719,953	-	-
Debt service	-	-	-	2,010,062
Capital projects	-	-	-	-
Community betterment	1,050,454	-	508,875	-
Library	-	-	-	-
Parks	-	-	-	-
Other purposes	-	-	-	-
Unassigned	6,784,522	-	-	-
Total cash basis fund balances	\$ 7,834,976	1,719,953	508,875	2,010,062

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
515,299	132,737	514,942	3,049,825
-	-	-	3,231,475
7,326	2,837	11,000	1,054,717
-	-	-	94,307
49,246	21,471	42,833	413,411
19,090	87,287	36,275	1,415,472
-	11,238	34,901	246,119
-	-	40,952	4,446,846
590,961	255,570	680,903	13,952,172
-	-	39,091	1,645,033
-	-	-	750,273
-	-	-	80,107
-	-	144,934	2,175,006
-	-	-	330,017
-	-	-	458,322
5,948,096	-	-	5,948,096
-	1,305,169	-	1,305,169
5,948,096	1,305,169	184,025	12,692,023
(5,357,135)	(1,049,599)	496,878	1,260,149
-	2,036,467	-	2,036,467
-	-	-	7,289
5,352,446	20,000	40,000	6,530,141
-	(94,563)	(588,695)	(5,974,241)
5,352,446	1,961,904	(548,695)	2,599,656
(4,689)	912,305	(51,817)	3,859,805
3,092,661	465,435	853,689	13,481,645
3,087,972	1,377,740	801,872	17,341,450
-	-	153,875	153,875
-	-	-	1,719,953
3,087,972	-	-	5,098,034
-	1,377,740	-	1,377,740
-	-	-	1,559,329
-	-	372,022	372,022
-	-	81,442	81,442
-	-	194,533	194,533
-	-	-	6,784,522
3,087,972	1,377,740	801,872	17,341,450



**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, 2019

**Total governmental funds cash balances (page 21)** \$ 17,341,450

***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.

39,844

**Cash basis net position of governmental activities (page 19)** \$ 17,381,294

**Change in cash balances (page 21)** \$ 3,859,805

***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.

1,102

**Change in cash basis net position of governmental activities (page 19)** \$ 3,860,907

See notes to financial statements.

**Exhibit D**

## City of Nevada

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

As of and for the year ended June 30, 2019

	Enterprise				Internal Service
	Water	Sewer	Nonmajor	Total	Flexible Benefits
Operating receipts:					
Use of money and property	\$ 19,250	-	-	19,250	-
Charges for service	2,127,934	1,326,422	238,921	3,693,277	39,864
Miscellaneous	28,110	291	-	28,401	-
Total operating receipts	<u>2,175,294</u>	<u>1,326,713</u>	<u>238,921</u>	<u>3,740,928</u>	<u>39,864</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	14,818
Public works	-	-	-	-	8,421
Culture and recreation	-	-	-	-	8,153
General government	-	-	-	-	6,391
Business type activities	1,007,057	750,986	69,718	1,827,761	951
Total operating disbursements	<u>1,007,057</u>	<u>750,986</u>	<u>69,718</u>	<u>1,827,761</u>	<u>38,734</u>
Excess of operating receipts over operating disbursements	<u>1,168,237</u>	<u>575,727</u>	<u>169,203</u>	<u>1,913,167</u>	<u>1,130</u>
Non-operating receipts (disbursements):					
Interest on investments	72,667	63,831	10,987	147,485	-
Sale of capital assets	8,162	-	-	8,162	-
Debt service	(576,015)	-	-	(576,015)	-
Capital projects	(69,484)	(30,004)	-	(99,488)	-
Net non-operating receipts (disbursements)	<u>(564,670)</u>	<u>33,827</u>	<u>10,987</u>	<u>(519,856)</u>	<u>-</u>
Excess of receipts over disbursements	603,567	609,554	180,190	1,393,311	1,130
Transfers out	(214,200)	(341,700)	-	(555,900)	-
Change in cash balances	389,367	267,854	180,190	837,411	1,130
Cash balances beginning of year	2,704,431	2,993,048	484,722	6,182,201	40,977
Cash balances end of year	<u>\$ 3,093,798</u>	<u>3,260,902</u>	<u>664,912</u>	<u>7,019,612</u>	<u>42,107</u>
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Debt service	\$ 625,722	-	-	625,722	-
Sewer construction	-	1,724,670	-	1,724,670	-
Water improvement	152,209	-	-	152,209	-
Water deposits	74,259	-	-	74,259	-
Unrestricted	2,241,608	1,536,232	664,912	4,442,752	42,107
Total cash basis fund balances	<u>\$ 3,093,798</u>	<u>3,260,902</u>	<u>664,912</u>	<u>7,019,612</u>	<u>42,107</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, 2019

**Total enterprise funds cash balances (page 24)** \$ 7,019,612

***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.

2,263

**Cash basis net position of business type activities (page 19)** \$ 7,021,875

**Change in cash balances (page 24)** \$ 837,411

***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.

28

**Change in cash basis net position of business type activities (page 19)** \$ 837,439

See notes to financial statements.

**(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 purpose of the NEDC is to assist in the development and retention of industrial, manufacturing, housing, commercial and retail interests in the City of Nevada. The NEDC is governed by a fifteen-member Board. There are three standing Board positions and twelve members are elected at-large. The NEDC's operating budget is to be prepared and submitted to the City Council if public funds are requested from the City.

Blended Component Units – The Nevada Firefighter's Incorporated was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The purpose of the organization is to preserve life and property in Nevada and designated fire areas in case of fire or other emergency and promote fire safety education. The Nevada Firefighter's Incorporated is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City.

The Nevada First Responders was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The purpose of the organization is to collect funds for emergency service providers of the City of Nevada. The Nevada First Responders is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City.

The Senior Citizen Center was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The purpose of the organization is to provide programs and activities to enhance the lives of the senior citizens of the City of Nevada. The Senior Citizen Center is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City.

The Friends of the Library was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The purpose of the organization is to receive and encourage gifts, endowments and bequests to the library and to support the library in developing library services and facilities for the community. The Friends of the Library is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City.

The financial transactions of the Nevada Firefighter's Incorporated, Nevada First Responders, the Senior Citizen Center and the Friends of the Library are reported as Special Revenue 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. Net position restricted through enabling legislation consists of \$1,724,670 for future sewer improvements.

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, 2019, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2019 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, 2019, the carrying amount and fair value of the amounts held by the Foundation were \$80,232 and \$82,127, respectively. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

At June 30, 2019, the City had the following investments not held by the Foundation:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
U.S. Treasury Notes	\$ 15,056	14,961	November 2019
U.S. Treasury Notes	2,863,476	2,841,838	May 2020
	<u>\$ 2,878,532</u>	<u>2,856,799</u>	

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
2020	\$ 1,150,000	280,127	485,000	88,075	1,635,000	368,202
2021	1,770,000	243,362	495,000	79,103	2,265,000	322,465
2022	1,815,000	188,513	505,000	69,202	2,320,000	257,715
2023	1,740,000	132,162	515,000	58,345	2,255,000	190,507
2024	1,365,000	77,963	525,000	46,758	1,890,000	124,721
2025-2027	1,030,000	48,583	1,305,000	60,612	2,335,000	109,195
Total	\$ 8,870,000	970,710	3,830,000	402,095	12,700,000	1,372,805

#### General Obligation Corporate Purpose Bonds

The City issued \$2,015,000 of general obligation corporate purpose bonds in April 2019 for the purpose of constructing street, utility and sidewalk improvements. The bonds bear interest at 3.0% per annum and mature June 2023.

#### 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 49.3% of net receipts. The total principal and interest remaining to be paid on the bonds is \$4,232,095. For the current year, principal and interest paid and total customer net receipts were \$575,515 and \$1,168,237, 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.

#### **(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](http://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 and may retire any time after reaching age 50 with 22 or more years of covered employment.

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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City’s contributions to IPERS for the year ended June 30, 2019 totaled \$236,122.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019 the City reported a liability of \$1,363,725 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the City’s proportion was 0.021555%, which was a decrease of 0.000811% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$242,755, \$495,655 and \$322,355, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
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	\$ 2,698,249	1,363,725	244,831

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](http://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 \$531 to \$671 for single coverage to \$1,628 to \$2,058 for family coverage. For the year ended June 30, 2019, the City contributed \$235,426 and plan members eligible for benefits contributed \$50,682 to the plan. At June 30, 2019, 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>24</u>
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, 2019, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 234,000
Compensatory time	27,000
Sick leave	17,000
Total	<u>\$ 278,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

**(7) Contractual Commitments**

The City has entered into various construction contracts totaling approximately \$6,259,000. The unpaid contract balance as of June 30, 2019 totaled approximately \$604,000, which will be paid as work on the projects progresses.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 454,000
	Employee Benefits	500,000
		<u>954,000</u>
Special Revenue: Road Use Tax	Special Revenue:	
	Employee Benefits	88,695
	Local Option Sales and Services Tax	75,000
		<u>163,695</u>
Special Revenue: Trail Maintenance	Special Revenue:	
	Local Option Sales and Services Tax	40,000
Debt Service	Special Revenue:	
	Road Use Tax	260,600
	Urban Renewal Tax Increment	4,441,383
	Capital Projects	94,563
	Enterprise:	
	Water	214,200
	Sewer	341,700
		<u>5,352,446</u>
Capital Projects	Special Revenue:	
	Local Option Sales and Services Tax	20,000
Total		<u>\$ 6,530,141</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 \$614,900 is outstanding at June 30, 2019. 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, 2019, 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 778 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, 2019 were \$152,094.



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 \$1,771,354.

The City rebated \$202,195 during fiscal year 2019, for a total of \$3,321,515 of incremental property tax rebated under the agreements. The outstanding balance of the agreements at June 30, 2019 with fixed dollar commitments was \$144,060. The outstanding balance of the agreements at June 30, 2019 subject to annual appropriation was \$1,627,294.

## **(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, 2019, \$79,814 of property tax was diverted from the City under the urban renewal and economic development agreements.

#### **(14) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

**City of Nevada**

## **Other Information**

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

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 3,049,825	-	-
Tax increment financing	3,231,475	-	-
Other city tax	1,054,717	-	-
Licenses and permits	94,307	-	-
Use of money and property	413,411	166,735	177
Intergovernmental	1,415,472	-	13,110
Charges for service	246,119	3,733,141	39,864
Special assessments	-	-	-
Miscellaneous	4,446,846	28,401	24,741
Total receipts	<u>13,952,172</u>	<u>3,928,277</u>	<u>77,892</u>
Disbursements:			
Public safety	1,645,033	14,818	53,909
Public works	750,273	8,421	8,421
Health and social services	80,107	-	-
Culture and recreation	2,175,006	8,153	16,855
Community and economic development	330,017	-	-
General government	458,322	6,391	6,391
Debt service	5,948,096	-	-
Capital projects	1,305,169	-	-
Business type activities	-	2,504,215	951
Total disbursements	<u>12,692,023</u>	<u>2,541,998</u>	<u>86,527</u>
Excess (deficiency) of receipts over (under) disbursements	1,260,149	1,386,279	(8,635)
Other financing sources (uses), net	2,599,656	(547,738)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,859,805	838,541	(8,635)
Balances beginning of year	<u>13,481,645</u>	<u>6,223,178</u>	<u>112,283</u>
Balances end of year	<u>\$ 17,341,450</u>	<u>7,061,719</u>	<u>103,648</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Budget to
	Original	Final	Total Variance
3,049,825	3,054,505	3,054,505	(4,680)
3,231,475	3,210,316	3,210,316	21,159
1,054,717	985,021	985,021	69,696
94,307	89,300	89,300	5,007
579,969	123,255	123,255	456,714
1,402,362	2,480,089	2,480,089	(1,077,727)
3,939,396	3,896,365	3,896,365	43,031
-	1,000	1,000	(1,000)
4,450,506	291,950	326,346	4,124,160
17,802,557	14,131,801	14,166,197	3,636,360
1,605,942	1,640,301	1,760,301	154,359
750,273	832,722	832,722	82,449
80,107	72,655	80,155	48
2,166,304	2,055,023	2,466,223	299,919
330,017	982,518	1,002,518	672,501
458,322	559,104	581,104	122,782
5,948,096	3,721,713	5,997,013	48,917
1,305,169	3,331,000	3,446,000	2,140,831
2,503,264	2,793,151	2,873,151	369,887
15,147,494	15,988,187	19,039,187	3,891,693
2,655,063	(1,856,386)	(4,872,990)	7,528,053
2,051,918	4,500,500	2,300,500	(248,582)
4,706,981	2,644,114	(2,572,490)	7,279,471
19,592,540	13,044,302	13,044,302	6,548,238
24,299,521	15,688,416	10,471,812	13,827,709

City of Nevada

Notes to Other Information – Budgetary Reporting

June 30, 2019

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$3,051,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements did not exceed the amounts budgeted.

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City of Nevada

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

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

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.021550%	0.022361%	0.022270%	0.20144%	0.019623%
City's proportionate share of the net pension liability	\$ 1,364	1,490	1,402	995	778
City's covered payroll	\$ 2,249	2,197	2,135	2,005	2,004
City's proportionate share of the net pension liability as a percentage of its covered payroll	60.65%	67.82%	65.67%	49.63%	38.82%
IPERS' net position as a percentage of the total pension liability	83.62%	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.



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City of Nevada

Schedule of City Contributions

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

Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 236	207	201	196
Contributions in relation to the statutorily required contribution	<u>(236)</u>	<u>(207)</u>	<u>(201)</u>	<u>(196)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 2,448	2,249	2,197	2,135
Contributions as a percentage of covered payroll	9.64%	9.20%	9.15%	9.18%

See accompanying independent auditor's report.

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2015	2014	2013	2012	2011	2010
185	182	165	165	142	138
(185)	(182)	(165)	(165)	(142)	(138)
-	-	-	-	-	-
2,005	2,004	1,951	1,926	1,841	1,898
9.23%	9.08%	8.46%	8.57%	7.71%	7.27%

City of Nevada

Notes to Other Information – Pension Liability

Year ended June 30, 2019

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 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

## **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, 2019

	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
<b>Receipts:</b>								
Property tax	\$ 514,942	-	-	-	-	-	-	-
Other city tax	11,000	-	-	-	-	-	-	-
Use of money and property	7,217	53	489	1,034	319	109	5	109
Intergovernmental	17,718	-	-	5,447	-	-	-	-
Charges for service	-	-	-	-	-	-	-	27,476
Miscellaneous	-	-	-	7,422	-	-	-	7,032
<b>Total receipts</b>	<b>550,877</b>	<b>53</b>	<b>489</b>	<b>13,903</b>	<b>319</b>	<b>109</b>	<b>5</b>	<b>34,617</b>
<b>Disbursements:</b>								
Public safety	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	18,230	-	-	-	28,871
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,871</b>
Excess (deficiency) of receipts over (under) disbursements	550,877	53	489	(4,327)	319	109	5	5,746
<b>Other financing sources (uses):</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(588,695)	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(588,695)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Change in cash balances	(37,818)	53	489	(4,327)	319	109	5	5,746
Cash balances beginning of year	37,818	2,755	25,418	51,693	16,550	5,670	251	2,524
Cash balances end of year	\$ -	2,808	25,907	47,366	16,869	5,779	256	8,270
<b>Cash Basis Fund Balances</b>								
Nonspendable	\$ -	-	-	-	-	-	-	-
Restricted for:								
Library	-	-	-	47,366	-	-	-	-
Parks	-	-	-	-	-	-	-	-
Other purposes	-	2,808	25,907	-	16,869	5,779	256	8,270
<b>Total cash basis fund balances</b>	<b>\$ -</b>	<b>2,808</b>	<b>25,907</b>	<b>47,366</b>	<b>16,869</b>	<b>5,779</b>	<b>256</b>	<b>8,270</b>

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	
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
124	349	21,319	56	624	8,328	4	83	7	13	222	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	3,390	240	-	-	-	-	-	-	-	-
687	-	-	-	-	-	-	-	100	970	-	-
811	349	24,709	296	624	8,328	4	83	107	983	222	-
-	-	-	-	-	-	-	-	-	-	-	-
-	150	32,695	-	49,268	6,570	-	-	-	448	-	-
-	150	32,695	-	49,268	6,570	-	-	-	448	-	-
811	199	(7,986)	296	(48,644)	1,758	4	83	107	535	222	-
-	-	-	-	40,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	40,000	-	-	-	-	-	-	-
811	199	(7,986)	296	(8,644)	1,758	4	83	107	535	222	-
6,284	18,173	89,428	2,787	39,745	318,657	185	4,326	368	306	11,557	-
7,095	18,372	81,442	3,083	31,101	320,415	189	4,409	475	841	11,779	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	320,415	-	-	-	-	-	-
-	-	81,442	-	-	-	-	-	-	-	-	-
7,095	18,372	-	3,083	31,101	-	189	4,409	475	841	11,779	-
7,095	18,372	81,442	3,083	31,101	320,415	189	4,409	475	841	11,779	-

(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, 2019

	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	\$ -	-	-	-	-	-	514,942
Other city tax	-	-	-	-	-	-	11,000
Use of money and property	136	12	29	-	2,118	74	42,833
Intergovernmental	13,110	-	-	-	-	-	36,275
Charges for service	-	-	-	-	3,795	-	34,901
Miscellaneous	10,621	4,311	4,780	5,029	-	-	40,952
Total receipts	23,867	4,323	4,809	5,029	5,913	74	680,903
Disbursements:							
Public safety	32,331	6,760	-	-	-	-	39,091
Culture and recreation	-	-	4,309	4,393	-	-	144,934
Total disbursements	32,331	6,760	4,309	4,393	-	-	184,025
Excess (deficiency) of receipts over (under) disbursements	(8,464)	(2,437)	500	636	5,913	74	496,878
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	40,000
Transfers out	-	-	-	-	-	-	(588,695)
Total other financing sources (uses)	-	-	-	-	-	-	(548,695)
Change in cash balances	(8,464)	(2,437)	500	636	5,913	74	(51,817)
Cash balances beginning of year	42,265	16,322	9,114	3,605	142,888	5,000	853,689
Cash balances end of year	\$ 33,801	13,885	9,614	4,241	148,801	5,074	801,872
<b>Cash Basis Fund Balances</b>							
Nonspendable	\$ -	-	-	-	148,801	5,074	153,875
Restricted for:							
Library	-	-	-	4,241	-	-	372,022
Parks	-	-	-	-	-	-	81,442
Other purposes	33,801	13,885	9,614	-	-	-	194,533
Total cash basis fund balances	\$ 33,801	13,885	9,614	4,241	148,801	5,074	801,872

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, 2019

	Enterprise		
	Sanitation	Storm Water	Total
Operating receipts:			
Charges for service	\$ 66,087	172,834	238,921
Operating disbursements:			
Business type activities	62,452	7,266	69,718
Excess of operating receipts over operating disbursements	3,635	165,568	169,203
Non-operating receipts:			
Interest on investments	16	10,971	10,987
Change in cash balances	3,651	176,539	180,190
Cash balances beginning of year	4,046	480,676	484,722
Cash balances end of year	\$ 7,697	657,215	664,912
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 7,697	657,215	664,912

See accompanying independent auditor's report.



City of Nevada  
Schedule of Indebtedness  
Year ended June 30, 2019

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
Streets, water, sewer and sidewalk improvements	Apr 10, 2019	3.00	2,015,000
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
3,480,000	-	2,865,000	615,000	71,446
3,930,000	-	540,000	3,390,000	135,400
160,000	-	160,000	-	3,200
2,055,000	-	2,055,000	-	41,100
2,850,000	-	-	2,850,000	73,800
-	2,015,000	-	2,015,000	-
<b>\$ 12,475,000</b>	<b>2,015,000</b>	<b>5,620,000</b>	<b>8,870,000</b>	<b>324,946</b>
4,310,000	-	480,000	3,830,000	95,515
9,832	-	9,832	-	-

City of Nevada

Bond Maturities

June 30, 2019

Year Ending June 30,	General Obligation Corporate Purpose						
	Issued Sept 13, 2012		Issued July 25, 2013		Issued Sept 28, 2017		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2020	2.00%	\$ 80,000	2.00%	\$ 550,000	4.00%	\$ -	
2021	2.00	85,000	4.00	560,000	4.00	600,000	
2022	2.00	85,000	4.00	580,000	4.00	610,000	
2023	2.00	90,000	4.00	600,000	4.00	620,000	
2024	2.15	90,000	4.00	630,000	4.00	645,000	
2025	2.15	90,000	4.00	230,000	4.00	235,000	
2026	2.15	95,000	4.00	240,000	4.00	140,000	
2027		-		-		-	
Total		<u>\$ 615,000</u>		<u>\$ 3,390,000</u>		<u>\$ 2,850,000</u>	

See accompanying independent auditor's report.

Bonds and Refunding			Revenue Bonds Water Refunding	
Issued Apr 10, 2019			Issued Oct 25, 2012	
Interest			Interest	
Rates	Amount	Total	Rates	Amount
3.00%	\$ 520,000	\$ 1,150,000	1.85%	\$ 485,000
3.00	525,000	1,770,000	2.00	495,000
3.00	540,000	1,815,000	2.15	505,000
3.00	430,000	1,740,000	2.25	515,000
		1,365,000	2.40	525,000
		555,000	2.55	535,000
		475,000	2.65	550,000
		-	2.70	220,000
	<u>\$ 2,015,000</u>	<u>\$ 8,870,000</u>		<u>\$ 3,830,000</u>

City of Nevada

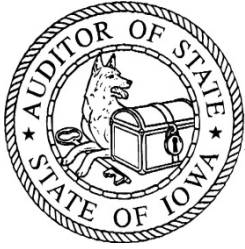
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Ten Years

	2019	2018	2017	2016
<b>Receipts:</b>				
Property tax	\$ 3,049,825	2,936,387	2,873,654	2,921,484
Tax increment financing	3,231,475	3,018,476	3,031,236	2,599,385
Other city tax	1,054,717	1,011,845	1,096,514	1,025,258
Licenses and permits	94,307	111,313	76,183	73,144
Use of money and property	413,411	149,617	133,223	116,086
Intergovernmental	1,415,472	1,334,324	1,203,851	1,004,948
Charges for service	246,119	256,923	258,317	226,684
Special assessments	-	-	-	-
Miscellaneous	4,446,846	163,861	195,691	275,076
<b>Total</b>	<b>\$ 13,952,172</b>	<b>8,982,746</b>	<b>8,868,669</b>	<b>8,242,065</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,645,033	1,477,276	1,471,212	1,749,323
Public works	750,273	591,446	674,615	579,001
Health and social services	80,107	65,222	57,422	58,289
Culture and recreation	2,175,006	1,652,709	1,624,558	1,449,666
Community and economic development	330,017	301,663	1,450,980	391,497
General government	458,322	456,704	405,116	411,777
Debt service	5,948,096	3,785,327	3,066,396	2,198,013
Capital projects	1,305,169	4,267,045	2,142,179	1,426,905
<b>Total</b>	<b>\$ 12,692,023</b>	<b>12,597,392</b>	<b>10,892,478</b>	<b>8,264,471</b>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
2,710,587	2,890,881	2,706,999	2,515,062	2,390,310	2,203,777
2,060,828	1,094,368	1,207,521	1,396,120	1,403,236	1,608,637
1,039,306	897,020	932,717	914,345	896,047	879,528
76,017	88,337	79,243	85,311	97,724	79,754
201,226	238,708	172,706	203,263	241,686	196,309
2,031,920	851,730	824,654	868,542	884,249	1,072,579
207,924	314,391	215,664	244,406	252,505	295,664
-	2,365	4,971	3,572	4,393	7,673
313,520	1,078,127	246,027	168,579	276,454	290,632
8,641,328	7,455,927	6,390,502	6,399,200	6,446,604	6,634,553
1,249,199	1,303,316	1,145,587	1,182,484	1,127,061	1,125,704
595,935	812,228	637,909	631,574	664,466	660,064
55,384	50,060	53,915	76,205	66,568	73,044
1,397,167	1,510,170	1,389,735	1,395,047	1,367,576	1,276,238
448,812	299,484	346,987	330,621	370,341	230,845
369,875	414,304	450,028	305,942	280,430	287,015
1,988,944	4,000,920	2,319,728	1,649,493	1,886,046	1,945,808
2,962,268	5,386,802	3,135,224	503,398	1,677,280	1,061,197
9,067,584	13,777,284	9,479,113	6,074,764	7,439,768	6,659,915



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

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, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 18, 2020. 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified a deficiency in internal control, described in the accompanying Schedule of Findings as item (A), we consider to be a material weakness.

### 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.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 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.

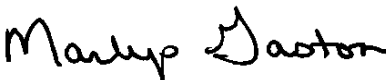
### The City of Nevada's Response to the Finding

The City of Nevada's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The City of Nevada's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

March 18, 2020



City of Nevada  
Schedule of Findings  
Year ended June 30, 2019

**Finding Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

(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.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Nevada  
 Schedule of Findings  
 Year ended June 30, 2019

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Brian Hanson, Council Member, Owner of V & H Construction	Tarp and door repairs	\$ 959
Dane Nealsen, Council Member and Brett Barker, Mayor, Employees of NuCara Pharmacy	Supplies and wellness exams	655

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since the total transactions with each individual were less than \$1,500 during the fiscal year.

- (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, 2019 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, 2019 were noted.

City of Nevada

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Jennifer L. Wall, CPA, Manager  
Ashley J. Moser, Senior Auditor  
Terry J. Erlbacher, Staff Auditor  
Ethan M. Snedigar, Assistant Auditor  
Nathan A. Dewit, Assistant Auditor