## OR OF STATE OF TO

### 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**

		Contact:	Marlys Gaston
FOR RELEASE	June 30, 2021		515/281-5834

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

### FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$21,522,378 for the year ended June 30, 2020, an 8.19% increase over the prior year. Disbursements for the year ended June 30, 2020 totaled \$16,774,012, a 10.4% increase over the prior year. The increase in receipts is due primarily to the issuance of general obligation corporate purpose bond in April 2020. The significant increase in disbursements is due primarily to an increase in sewer disbursements for construction and engineering costs associated with the new wastewater treatment facility.

### **AUDIT FINDING:**

Sand reported three findings related to the receipt and disbursement of taxpayer funds. They are found on pages 64 through 66 of this report. The findings address exceeding the budget for one function and one fund with a deficit fund balance and the inappropriate transfer of public funds to various private non-profit organizations. Sand provided the City with recommendations to address each of the findings.

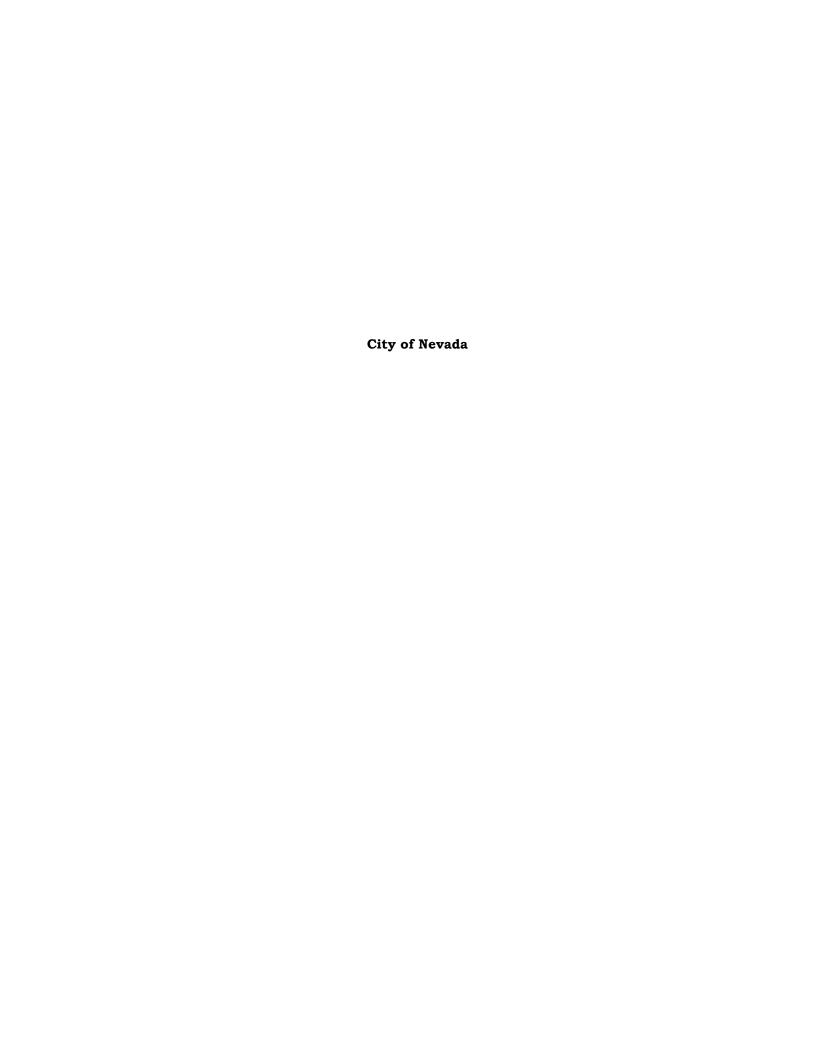
The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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, 2020** 





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STATE OF IOWA

Rob Sand Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

June 14, 2021

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, 2020. 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 <u>Government Auditing Standards</u>.

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,

Rob Sand Auditor of State

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### Officials

### (Before January 2020)

<u>Name</u>	<u>Title</u>	Term <u>Expires</u>
Brett Barker	Mayor	Jan 2022
Sandy Ehrig (Appointed July 2019) Jason Sampson (Appointed Jan 2018) Barb Mittman Brian Hanson Dane Nealson Luke Spence	Council Member Council Member Council Member Council Member Council Member Council Member	Nov 2019 Nov 2019 Jan 2020 Jan 2022 Jan 2022 Jan 2022
Matthew Mardesen	City Administrator	(Resigned Sep 2019)
Ricardo Martinez II (Appointed Dec 2019)	Interim Administrator	Jun 2020
Kerin Wright	City Clerk	Indefinite
Brick, Gentry, Bowers, Swartz, Stolze, & Levis, P.C.	Attorney	Indefinite
(After	January 2020)	
<u>Name</u>	<u>Title</u>	Term <u>Expires</u>
Brett Barker	Mayor	Jan 2022
Brian Hanson Dane Nealson Luke Spence Sandy Ehrig Barb Mittman Jason Sampson	Council Member Council Member Council Member Council Member Council Member Council Member	Jan 2022 Jan 2022 Jan 2022 Jan 2024 Jan 2024 Jan 2024
Ricardo Martinez II Jordan Cook (Appointed Jun 2020)	Interim Administrator City Administrator	Jun 2020 Indefinite
Kerin Wright	City Clerk	Indefinite
Brick, Gentry, Bowers, Swartz, Stolze, & Levis, P.C.	Attorney	Indefinite





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STATE OF IOWA

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Des Moines, Iowa 50319-0004

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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, 2020, 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 <u>Government Auditing Standards</u>, 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, 2020, 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, 2019 (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 16 and 42 through 50, 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 <u>Government Auditing Standards</u>, we have also issued our report dated June 14, 2021 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 <u>Government Auditing Standards</u> in considering the City of Nevada's internal control over financial reporting and compliance.

Marlys K. Gaston, CPA
Deputy Auditor of State

June 14, 2021

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Nevada provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2020 FINANCIAL HIGHLIGHTS

- Receipts for governmental activities increased 10.6%, or approximately \$1,698,000, from fiscal year 2019 to fiscal year 2020 due primarily to the net effect of the issuance of \$8,905,000 of general obligation corporate purpose bonds in April 2020 and the receipt of \$4,250,000 in fiscal year 2019 for a settlement payment from DuPont that did not occur in fiscal year 2020. Other significant factors include a decrease of \$2,211,000 due to less tax increment financing being requested in fiscal year 2020 as a result of the City paying off their 2016 bond and significantly reducing their 2012 bond in the prior year. Receipts for business type activities decreased approximately \$66,000, or 1.7%.
- Disbursements for governmental activities increased 2.7%, or approximately \$342,000, in fiscal year 2020 over fiscal year 2019. Debt Service function disbursements decreased 28.2%, or approximately \$1,676,000, due to early redemption of the City Hall portion of the 2012B bond in fiscal year 2019. Capital Projects function disbursements increased 153.9%, or approximately \$2,008,000, due to the start of construction for the Central Business District Downtown Improvement project in fiscal year 2020.
- Disbursements for business type activities increased approximately \$1,238,000, or 49.5%, with an approximately \$1,221,000 increase in disbursements in the Enterprise, Sewer Fund. This increase is mostly due to costs for the new wastewater treatment facility in fiscal year 2020.
- The City's total cash basis net position increased 19.5%, or approximately \$4,748,000, from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities increased approximately \$4,661,000 and the cash basis net position of the business type activities increased approximately \$89,000.

### 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 \$17.381 million to approximately \$22.042 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

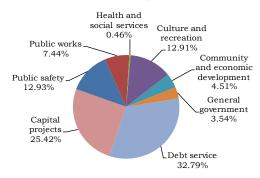
Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)

	Year ended June 30,		
		2020	2019
Receipts:			
Program receipts:			
Charges for service	\$	417	495
Operating grants, contributions and restricted interest		1,191	1,175
Capital grants, contributions and restricted interest		811	143
General receipts:			
Property tax		4,018	3,124
Tax increment financing		1,020	3,231
Local option sales and services tax		1,031	980
Commercial/industrial tax replacement		156	243
Unrestricted interest on investments		247	310
Bond proceeds		8,792	2,036
Other general revenues		11	4,259
Total receipts		17,694	15,996
Disbursements:			
Public safety		1,685	1,645
Public works		970	750
Health and social services		60	80
Culture and recreation		1,683	2,175
Community and economic development		588	330
General government		462	458
Debt service		4,272	5,948
Capital projects		3,313	1,305
Total disbursements		13,033	12,691
Change in cash basis net position before transfers		4,661	3,305
Transfers, net			556
Change in cash basis net position		4,661	3,861
Cash basis net position beginning of year		17,381	13,520
Cash basis net position end of year	\$	22,042	17,381

### Receipts by Source

# Capital grants, contributions and restricted interest 4.33% Contributions and restricted interest 6.36% Charges for service 2.23% Other general revenues 0.06% Bond proceeds 46.99% Commercial/industrial tax replacement 0.83%

### **Disbursements by Function**



Receipts for governmental activities increased 10.6%, or approximately \$1,698,000, from fiscal year 2019 to fiscal year 2020 due primarily to the net effect of the issuance of \$8,905,000 of general obligation corporate purpose bonds in April 2020 and the receipt of \$4,250,000 in fiscal year 2019 for a settlement payment from DuPont that did not occur in fiscal year 2020. Other significant factors include a decrease of \$2,211,000 due to less tax increment financing being requested in fiscal year 2020 as a result of the City paying off their 2016 bond and significantly reducing their 2012 bond in the prior year. The total of all program receipts increased \$606,000 and general receipts increased approximately \$1,092,000. Receipts for business type activities decreased approximately \$66,000, or 1.7%.

The total cost of all governmental activities programs and services increased approximately \$342,000, or 2.7%. Capital projects function disbursements increased 153.9%, or approximately \$2,008,000, due to the start of construction for the Central Business District Downtown Improvement project in fiscal year 2020. Debt service function disbursements decreased approximately \$1,676,000, or 28.2%, in fiscal year 2020 as a result of early redemption of the City Hall portion of the 2012B bonds and paying off the 2016 street improvement bonds in fiscal year 2019.

The City's property tax rate in fiscal year 2020 was \$14.61800 per \$1,000 of taxable valuation, the same rate as fiscal year 2019. The City's property tax rate has not increased significantly in twenty years, except for the voted capital improvements levies in fiscal years 2009 and 2011.

The cost of all governmental activities this year was approximately \$13.033 million compared to approximately \$12.691 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 \$10.600 million because some of the cost was paid by those directly benefiting from the programs (approximately \$417,000) or by other governments and organizations which subsidized certain programs with grants, contributions and unrestricted interest (approximately \$2.002 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased from approximately \$1.813 million in fiscal year 2019 to approximately \$2.419 million in fiscal year 2020, a 33% increase. This increase is primarily due to the receipt of the final reimbursement of \$742,144 from the Iowa Department of Transportation for the Lincoln Highway project. 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 Bus (Expressed in Thousand	Type Activities	
	Year ended Jun	e 30,
	 2020	2019
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 2,102	2,175
Sewer	1,329	1,327
Other	240	239
Capital grants, contributions and restricted interest	11	9
General receipts:		
Unrestricted interest on investments	148	138
Sale of capital assets	 -	8
Total receipts	3,830	3,896
Disbursements:		
Water	1,654	1,652
Sewer	2,002	781
Other	 85	70
Total disbursements	 3,741	2,503
Change in cash basis net position before transfers	89	1,393
Transfers, net	 -	(556)
Change in cash basis net position	89	837
Cash basis net position beginning of year	 7,021	6,184

Total business type activities receipts for fiscal year 2020 were approximately \$3.830 million compared to approximately \$3.896 million last year. Total business type activities disbursements for fiscal year 2020 were approximately \$3.741 million compared to approximately \$2.503 million last year, an increase of approximately \$1,238,000. This increase is primarily due to progress being made on the new wastewater treatment facility.

7,110

\$

7,021

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

Cash basis net position end of year

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$21,995,478, an increase of \$4,654,028 over last year's total of \$17,341,450. 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 \$458,388 to \$8,293,364. General Fund receipts decreased \$3,702,978, or 52.2%, while disbursements increased \$204,251, or 5.6%. The significant decrease in receipts is mostly attributed to a \$4,250,000 settlement payment from DuPont in fiscal year 2019 which did not occur in fiscal year 2020. 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 \$155,751 to \$1,875,704. Road Use Tax Fund receipts decreased approximately \$5,600, or .6%, while disbursements increased approximately \$216,000, or 31.1%, due to the purchase of new snowplow in fiscal year 2020.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance increased \$230,725 to \$739,600. Local Option Sales and Services Tax Fund receipts increased approximately \$50,600, or 5.1%, while disbursements decreased approximately \$420,600, or 60.6%. The significant decrease in disbursements is mostly attributed to project costs for the joint project with Nevada Community School's baseball field/concession stand project at SCORE and the trail maintenance project which occurred primarily in fiscal year 2019 and completed in fiscal year 2020.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$2,175,091 at the end of the fiscal year, an increase of \$165,029 over the previous year. Transfers from the Urban Renewal Tax Increment Fund to the Debt Service Fund decreased approximately \$3,766,000 to approximately \$675,000 in fiscal year 2020. This decrease in transfers is due to the early redemption of a portion of the 2012B bond issue pertaining to the City Hall in fiscal year 2019.
- The Debt Service Fund began the year with a cash balance of \$3,087,972 and ended with a balance of \$224,305, a decrease of \$2,863,667 to, or 93%. This decrease is due to paying off the 2013 and 2017 bonds during fiscal year 2020.
- The Capital Projects Fund cash balance increased \$6,395,116 to \$7,772,856. Disbursements increased by approximately \$2,008,000, or 153.8%. The significant increase in disbursement is due to an increase in engineering and project costs for the Central Business District Downtown Improvement project, the Lincoln Highway project and paving projects in fiscal year 2020.

### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$519,498 from a balance of \$3,093,798 at the end of the prior year to \$3,613,296. Unlike fiscal year 2019, no funds were transferred to the Debt Service Fund in fiscal year 2020 due to the final pay off of the 2016 street improvement bonds. The City also reduced spending for operating disbursements as they plan for a water plant expansion in the future.
- The Enterprise, Sewer Fund cash balance decreased \$599,993 to \$2,660,909. The decrease is primarily due to an increase in costs related to the new wastewater treatment facility.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 25, 2020 and resulted in a \$2,999,700 increase in disbursements related to the retirement of the 2013 general obligation bond and unanticipated repairs and equipment purchases.

The City's receipts were \$288,699 less than budgeted.

Total disbursements were \$6,532,584 less than budgeted, primarily due to the timing of capital equipment purchases and work on projects.

The City exceeded the amounts budgeted in the debt service function for the year ended June 30, 2020 due to more debt payments being made than budgeted.

### **DEBT ADMINISTRATION**

On June 30, 2020, the City had \$17,130,000 of outstanding bonds and other long-term debt, compared to \$12,700,000 last year, as shown below. Debt increased as a result of a \$8,905,000 general obligation bond issued during the year for the Central Business District Downtown Improvement project.

Outstanding Debt at Year-End						
		June 3	80,			
		2020	2019			
General obligation bonds:						
9/13/12 Library improvement and refunding bonds - \$7,320,000	\$	535,000	615,000			
7/25/13 Street, water, sewer and refunding bonds - \$8,045,000		-	3,390,000			
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		1,495,000	2,015,000			
4/29/20 Streets, sanitary sewer, water system, storm drainage, ally and sidewalk improvements - \$8,905,000		8,905,000				
sidewaik improvements - \$6,905,000		6,905,000	-			
Revenue bonds:						
10/4/12 Water refunding - \$7,090,000		3,345,000	3,830,000			
Total	\$	17,130,000	12,700,000			

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 \$13,904,721 (including \$119,721 of development and rebate agreements) is significantly below its constitutional debt limit of approximately \$23,449,000. 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 2021 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Story County now stands at 6.3% versus 2.3% a year ago. This compares with the State's unemployment rate of 8.3% and 11.1% nationally.

The City's budgeted receipts, including debt proceeds, for fiscal year 2021 are \$27,571,60 (without transfers) compared to fiscal year 2020 final budgeted receipts of \$17,954,629 including debt proceeds (without transfers). Intergovernmental revenues are budgeted to decrease \$1,224,011 in fiscal year 2021, primarily due to completion of streets projects which were federally funded. Taxes levied on property receipts are budgeted to decrease \$161,329 in fiscal year 2021, mainly due to a decrease in benefits, debt service and capital reserves requested. Other financing sources receipts are also budgeted to increase \$8,999,500 in fiscal year 2021, due to the upcoming downtown infrastructure project.

The City's disbursements for fiscal year 2021 are budgeted to increase from a final budget of \$23,263,122 (without transfers) for fiscal year 2020 to \$25,330,573 (without transfers) for fiscal year 2021, primarily due to increases in capital projects and business type activities function disbursements for the Central Business District Downtown Improvement project and the planning for the new wastewater treatment facility.

If these estimates are realized, the City's budgeted cash balance is expected to increase to \$25,649,813 at the close of fiscal year 2021.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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



### Cash Basis Statement of Activities and Net Position

### As of and for the year ended June 30, 2020

			Program Receipts			
	Di	sbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:						
Primary Government:						
Governmental activities:						
Public safety	\$	1,684,619	124,351	209,951	18,998	
Public works		970,372	6,083	879,738	-	
Health and social services		59,732	-	-	-	
Culture and recreation		1,683,163	227,323	95,335	23,231	
Community and economic development		588,171	1,825	5,974	-	
General government		461,944	46,674	389	-	
Debt service		4,271,926	-	-	-	
Capital projects		3,313,094	10,301	-	769,015	
Total governmental activities		13,033,021	416,557	1,191,387	811,244	
Business type activities:						
Water		1,654,633	2,101,767	-	5,711	
Sewer		2,001,775	1,329,341	-	4,880	
Other		84,583	239,570	-	-	
Total business type activities		3,740,991	3,670,678	-	10,591	
<b>Total Primary Government</b>	\$	16,774,012	4,087,235	1,191,387	821,835	
Component Unit:						
Nevada Economic Development Council	\$	132,106	43,250	120,418	-	

General Receipts:

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, net of \$113,381 issuance costs

Sale of capital assets

Miscellaneous

Total general receipts

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

### Cash Basis Net Position

Restricted:

Nonexpendable:

Permanent funds

Expendable:

Streets

Debt service

Capital projects

Community betterment Library

Parks

Other purposes

Unrestricted

### Total cash basis net position

	Net (Disbursements) Receipts and Changes in Cash Basis Net Position						
				Component			
	Pri	mary Governmen	t	Unit			
G	overnmental	Business Type		Nevada Economic			
	Activities	Activities	Total	Development Council			
	(1,331,319) (84,551) (59,732) (1,337,274) (580,372) (414,881) (4,271,926) (2,533,778) (10,613,833)	452,845	(1,331,319) (84,551) (59,732) (1,337,274) (580,372) (414,881) (4,271,926) (2,533,778) (10,613,833) 452,845				
	-	(667,554)	(667,554)				
		154,987	154,987				
_		(59,722)	(59,722)				
	(10,613,833)	(59,722)	(10,673,555)				
				31,562			
	3,279,882	-	3,279,882	-			
	578,657	-	578,657	-			
	159,582	-	159,582	-			
	1,020,109	-	1,020,109	-			
	1,030,528	-	1,030,528	-			
	156,304	-	156,304	-			
	246,627	147,694	394,321	-			
	8,791,619	-	8,791,619	-			
	8,665	-	8,665	-			
	2,254	<del>-</del> _	2,254	<u>-</u>			
	15,274,227	147,694	15,421,921				
	4,660,394	87,972	4,748,366	31,562			
	17,381,294	7,021,875	24,403,169	576,338			
\$	22,041,688	7,109,847	29,151,535	607,900			
_							
\$	156,862	-	156,862	-			
	1,875,704	-	1,875,704	-			
	2,399,396	617,213	3,016,609	-			
	7,772,856	2,072,081	9,844,937	-			
	1,782,620	-	1,782,620	-			
	372,204	-	372,204	-			
	90,173	- 006 047	90,173	-			
	298,905 7,292,968	226,947 4,193,606	525,852 11,486,574	607,900			
_							
\$	22,041,688	7,109,847	29,151,535	607,900			

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

As of and for the year ended June 30, 2020

			5	Special Revenue	<u> </u>	
				Local Option		
		_	Road	Sales and	Renewal	
Dit		General	Use Tax	Services Tax	Tax Increment	
Receipts: Property tax	\$	2,510,774	_	_	_	
Tax increment financing	Ψ	2,010,771	_	_	1,020,109	
Local Options Sales Tax		_		1,030,528	-,,	
Other city tax		50,280	-	-	-	
Licenses and permits		123,448	-	-	-	
Use of money and property		156,395	2,419	8,204	44,112	
Intergovernmental		319,345	873,804	-	-	
Charges for service		142,068	-	-	-	
Miscellaneous	-	91,519				
Total receipts		3,393,829	876,223	1,038,732	1,064,221	
Disbursements:						
Operating: Public safety		1,588,474	19,513	34,670		
Public works		6,463	890,486	74,904	-	
Health and social services		-	-	59,732	_	
Culture and recreation		1,530,127	_	18,766	_	
Community and economic development		294,937	-	67,677	224,092	
General government		444,533	-	18,258	-	
Debt service		-	-	-	-	
Capital projects		-	-	-		
Total disbursements		3,864,534	909,999	274,007	224,092	
Excess (deficiency) of receipts over						
(under) disbursements		(470,705)	(33,776)	764,725	840,129	
Other financing sources (uses):						
Bond proceeds, net of						
\$113,381 issuance costs Sale of capital assets		-	8,665	-	-	
Transfers in		929,093	180,862	_	_	
Transfers out		-	-	(534,000)	(675,100)	
Total other financing sources (uses)		929,093	189,527	(534,000)	(675,100)	
Change in cash balances		458,388	155,751	230,725	165,029	
Cash balances beginning of year		7,834,976	1,719,953	508,875	2,010,062	
Cash balances end of year	\$	8,293,364	1,875,704	739,600	2,175,091	
Cash Basis Fund Balances						
Nonspendable	\$	-	-	-	-	
Restricted for:						
Streets		-	1,875,704	-	- 177 001	
Debt service		-	-	-	2,175,091	
Capital projects Community betterment		1,043,020	-	739,600	-	
Library		1,043,020	-	739,000	-	
Parks		_	_	_	_	
Other purposes		-	-	-	-	
Unassigned		7,250,344	-	_	-	
Total cash basis fund balances	\$	8,293,364	1,875,704	739,600	2,175,091	
		.,,	, ,	,-50	.,,	

5.1.	0 1 1		
Debt Service	Capital Projects	Nonmajor	Total
Service	Frojects	Nominajor	Total
570,498	157,069	707,513	3,945,854
-	_	-	1,020,109
-	-	-	1,030,528
8,159	2,513	11,315	72,267
-	-	-	123,448
40,791	66,406	44,766	363,093
20,548	748,465	33,675	1,995,837
-	10,301	30,862	183,231
	-	67,320	158,839
639,996	984,754	895,451	8,893,206
-	-	44,804	1,687,461
-	-	-	971,853
-	-	-	59,732
-	-	135,506	1,684,399
-	-	1,500	588,206
-	-	-	462,791
4,271,926	-	-	4,271,926
	3,313,094	-	3,313,094
4,271,926	3,313,094	181,810	13,039,462
(3,631,930)	(2,328,340)	713,641	(4,146,256)
-	8,791,619	-	8,791,619
-	-	-	8,665
768,263	25,000	30,000	1,933,218
	(93,163)	(630,955)	(1,933,218)
768,263	8,723,456	(600,955)	8,800,284
(2,863,667)	6,395,116	112,686	4,654,028
3,087,972	1,377,740	801,872	17,341,450
224,305	7,772,856	914,558	21,995,478
-	-	156,862	156,862
-	-	-	1,875,704
224,305	-	-	2,399,396
-	7,772,856	-	7,772,856
-	-	-	1,782,620
-	-	372,204	372,204
-	-	90,173	90,173
-	-	298,905	298,905
	<u> </u>	(3,586)	7,246,758
224,305	7,772,856	914,558	21,995,478

### 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, 2020

Total governmental funds cash balances (page 21)	\$ 21,995,478
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.	 46,210
Cash basis net position of governmental activities (page 19)	\$ 22,041,688
Change in cash balances (page 21)	\$ 4,654,028
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.	5.055
reavides and net i ostaon.	 6,366
Change in cash basis net position of governmental activities (page 19)	\$ 4,660,394

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

As of and for the year ended June 30, 2020

Part   Part						
Operating receipts:         Water         Sewer         Nomajor         Total         Description           Use of money and property         \$ 20,08,017         1,328,938         239,570         3,626,525         37,095           Miscellaneous         23,721         403         23,950         3,626,525         37,095           Total operating receipts         2,101,767         1,329,341         239,570         3,670,678         37,095           Operating disbursements:         8         2,101,767         1,329,341         239,570         3,670,678         37,095           Public softly         6         2,01,767         1,329,341         239,570         3,670,678         37,095           Public works         5         8         2         1         2,020,000         1,32,294         1,020 <th></th> <th></th> <th>Enterp</th> <th>rise</th> <th></th> <th></th>			Enterp	rise		
Operating receipts:         20,029         -         20,029         -         20,029         -         20,029         -         20,029         3,626,525         37,095           Charges for service         2,058,017         1,328,938         239,570         3,626,525         37,095           Miscellaneous         23,721         403         -         24,124         -           Total operating receipts         2,101,767         1,329,341         239,570         3,670,678         37,095           Operating disbursements:         Governmental activities:         -         -         -         13,259           Public safety         -         -         -         -         -         6,906           Culture and recreation         -         -         -         -         6,906           Culture and recreation         -         -         -         -         15,80           General government         -         -         -         -         3,949           Business type activities         994,004         759,379         84,583         1,837,966         30,546           Excess of operating disbursements         1,107,763         569,962         154,987         1,832,712         6,549			•			Flexible
Use of money and property         \$20,029         -         -         20,029         -         -         20,029         -		Water	Sewer	Nonmajor	Total	Benefits
Charges for service         2,058,017         1,328,938         239,570         3,666,525         37,095           Miscellaneous         23,721         403         -         24,124         -           Total operating receipts         2,101,767         1,329,341         239,570         3,670,678         37,095           Operating disbursements:         Governmental activities:         -         -         -         13,259           Public works         -         -         -         -         6,906           Culture and recreation         -         -         -         5,420           Community and economic development         -         -         -         -         5,420           Community and economic development         -         -         -         -         5,420           Community and economic development         -         -         -         -         5,420           Community and economic development         -         -         -         -         5,420           Community and economic development         -         -         -         -         3,499           Business type activities         -         -         -         -         3,539         -         -	Operating receipts:					
Miscellaneous         23,721         403         24,124	Use of money and property	\$ 20,029	-	-	20,029	-
Total operating receipts         2,101,767         1,329,341         239,570         3,670,678         37,095           Operating disbursements:         Governmental activities:         Secondary Secondar	Charges for service	2,058,017	1,328,938	239,570	3,626,525	37,095
Operating disbursements:           Governmental activities:         13,259           Public safety         -         -         6,906           Public works         -         -         5,420           Culture and recreation         -         -         -         5,420           Community and economic development         -         -         -         5,420           Community and economic development         -         -         -         3,949           Business type activities         994,004         759,379         84,583         1,837,966         854           Total operating disbursements         994,004         759,379         84,583         1,837,966         30,546           Excess of operating receipts         over operating receipts (disbursements)         72,500         72,488         13,297         1,832,712         6,549           Non-operating receipts (disbursements)         (573,525)         -         -         (573,525)         -           Capital projects         (87,240)         (1,242,443)         (1,329,683)         -         -           Capital projects (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Change in cash balances <td>Miscellaneous</td> <td> 23,721</td> <td>403</td> <td>-</td> <td>24,124</td> <td></td>	Miscellaneous	 23,721	403	-	24,124	
Governmental activities:         Public safety         Common to the public works         Common to the	Total operating receipts	2,101,767	1,329,341	239,570	3,670,678	37,095
Public safety         -         -         -         13,259           Public works         -         -         -         6,906           Culture and recreation         -         -         -         5,420           Community and economic development         -         -         -         3,949           General government         994,004         759,379         84,583         1,837,966         854           Business type activities         994,004         759,379         84,583         1,837,966         854           Total operating disbursements         994,004         759,379         84,583         1,837,966         854           Excess of operating receipts         994,004         759,379         84,583         1,837,966         30,546           Excess of operating receipts (disbursements)         1,107,763         569,962         154,987         1,832,712         6,549           Non-operating receipts (disbursements)         72,500         72,488         13,297         158,285         -           Debt service         (573,525)         -         -         (573,525)         -           Retricted for:         (588,265)         (1,169,955)         13,297         (1,744,923)         -           <	Operating disbursements:					
Public works         -         -         -         -         6,906           Culture and recreation         -         -         -         5,420           Community and economic development         -         -         -         5,420           Community and economic development         -         -         -         158           General government         9-         -         -         -         3,949           Business type activities         994,004         759,379         84,583         1,837,966         854           Total operating disbursements         994,004         759,379         84,583         1,837,966         854           Excess of operating receipts         994,004         759,379         84,583         1,837,966         30,546           Excess of operating receipts (disbursements)         72,500         72,488         13,297         1,832,712         6,549           Non-operating receipts (disbursements)         72,500         72,488         13,297         158,285         -           Debt service         (573,525)         -         -         (573,525)         -         -         (573,525)         -           Public service (spit)         (588,265)         (1,169,955)         13,297	Governmental activities:					
Culture and recreation         -         -         -         5,420           Community and economic development         -         -         -         158           General government         994,004         759,379         84,583         1,837,966         854           Total operating disbursements         994,004         759,379         84,583         1,837,966         30,546           Excess of operating receipts         1,107,763         569,962         154,987         1,832,712         6,549           Non-operating receipts (disbursements)         72,500         72,488         13,297         158,285         -           Debt service         (573,525)         -         (573,525)         -         (573,525)         -           Capital projects         (87,240)         (1,242,443)         -         (1,329,683)         -         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -         -           Chair non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,92	Public safety	-	-	-	-	13,259
Community and economic development         -         -         -         158           General government         994,004         759,379         84,583         1,837,966         854           Business type activities         994,004         759,379         84,583         1,837,966         854           Total operating disbursements         994,004         759,379         84,583         1,837,966         30,546           Excess of operating receipts         over operating disbursements         1,107,763         569,962         154,987         1,832,712         6,549           Non-operating receipts (disbursements):         72,500         72,488         13,297         158,285         -           Debt service         (573,525)         -         -         (573,525)         -           Capital projects         (87,240)         (1,242,443)         -         (1,329,683)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Change in cash balances         519,498         (599,993)         168,284         87,789         6,549           Cash balances beginning of year         3,031,296         2,660,909         833,196         7,107,401         48,656	Public works	-	-	-	-	6,906
General government         94,004         759,379         84,583         1,837,966         854           Total operating disbursements         994,004         759,379         84,583         1,837,966         30,546           Excess of operating receipts         over operating disbursements         1,107,763         569,962         154,987         1,832,712         6,549           Non-operating receipts (disbursements):         Interest on investments         72,500         72,488         13,297         158,285         -           Debt service         (573,525)         -         -         (573,525)         -           Capital projects         (87,240)         (1,242,443)         -         (1,329,683)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Capital projects         (87,240)         (1,242,443)         -         (1,329,683)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Cash balances beginning of year         3,093,798         3,260,902         664,912         7,019,612         42,107           Cash Basis Fund Balances         <	Culture and recreation	-	-	-	-	5,420
Business type activities         994,004         759,379         84,583         1,837,966         854           Total operating disbursements         994,004         759,379         84,583         1,837,966         30,546           Excess of operating receipts         over operating disbursements         1,107,763         569,962         154,987         1,832,712         6,549           Non-operating receipts (disbursements):         Interest on investments         72,500         72,488         13,297         158,285         -           Debt service         (573,525)         -         -         (573,525)         -           Capital projects         (87,240)         (1,242,443)         -         (1,329,683)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Change in cash balances         519,498         (599,993)         168,284         87,789         6,549           Cash balances beginning of year         3,613,296         2,660,909         833,196         7,107,401         48,656           Cash Basis	Community and economic development	-	-	-	-	158
Total operating disbursements         994,004         759,379         84,583         1,837,966         30,546           Excess of operating receipts         over operating disbursements         1,107,763         569,962         154,987         1,832,712         6,549           Non-operating receipts (disbursements):         Interest on investments         72,500         72,488         13,297         158,285         -           Debt service         (573,525)         -         -         (573,525)         -           Capital projects         (87,240)         (1,242,443)         -         (1,329,683)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Change in cash balances         519,498         (599,993)         168,284         87,789         6,549           Cash balances beginning of year         3,093,798         3,260,902         664,912         7,019,612         42,107           Cash Basis Fund Balances         517,213         -         -         617,213         -           Sewer construction         -<	General government	-	-	-	-	3,949
Excess of operating receipts         1,107,763         569,962         154,987         1,832,712         6,549           Non-operating receipts (disbursements):         72,500         72,488         13,297         158,285         -           Debt service         (573,525)         -         -         (573,525)         -           Capital projects         (87,240)         (1,242,443)         -         (1,329,683)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Capital projects         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Capital projects         519,498         (599,993)         168,284         87,789         6,549           Change in cash balances         519,498         (599,993)         168,284         87,789         6,549           Cash balances beginning of year         3,613,296         2,660,909         833,196         7,107,401         48,656           Cash Basis Fund Balances           Restricted for:         5617,213         - <td< td=""><td>Business type activities</td><td> 994,004</td><td>759,379</td><td>84,583</td><td>1,837,966</td><td>854</td></td<>	Business type activities	 994,004	759,379	84,583	1,837,966	854
over operating disbursements         1,107,763         569,962         154,987         1,832,712         6,549           Non-operating receipts (disbursements):         T2,500         72,488         13,297         158,285         -           Debt service         (573,525)         -         -         (573,525)         -           Capital projects         (87,240)         (1,242,443)         -         (1,329,683)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Capital projects         519,498         (599,993)         168,284         87,789         6,549           Change in cash balances         519,498         (599,993)         168,284         87,789         6,549           Cash balances beginning of year         3,093,798         3,260,902         664,912         7,019,612         42,107           Cash Basis Fund Balances         8         617,213         -         -         617,213         -           Restricted for:         5         617,213         -         -         617,213         - <td>Total operating disbursements</td> <td> 994,004</td> <td>759,379</td> <td>84,583</td> <td>1,837,966</td> <td>30,546</td>	Total operating disbursements	 994,004	759,379	84,583	1,837,966	30,546
Non-operating receipts (disbursements):         72,500         72,488         13,297         158,285         -           Debt service         (573,525)         -         -         (573,525)         -           Capital projects         (87,240)         (1,242,443)         -         (1,329,683)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Change in cash balances         519,498         (599,993)         168,284         87,789         6,549           Cash balances beginning of year         3,093,798         3,260,902         664,912         7,019,612         42,107           Cash Basis Fund Balances         \$3,613,296         2,660,909         833,196         7,107,401         48,656           Cash Basis Fund Balances         \$617,213         -         -         617,213         -           Cash Basis Fund Balances         \$617,213         -         -         617,213         -           Sewer construction         -         2,072,081         -         2,072,081         -           Sewer construction         -         2,072,081         -         2,072,081         -           Water improvement         150,000 <td>Excess of operating receipts</td> <td></td> <td></td> <td></td> <td></td> <td></td>	Excess of operating receipts					
Interest on investments         72,500         72,488         13,297         158,285         -           Debt service         (573,525)         -         -         (573,525)         -           Capital projects         (87,240)         (1,242,443)         -         (1,329,683)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Change in cash balances         519,498         (599,993)         168,284         87,789         6,549           Cash balances beginning of year         3,093,798         3,260,902         664,912         7,019,612         42,107           Cash Basis Fund Balances         \$3,613,296         2,660,909         833,196         7,107,401         48,656           Cash Basis Fund Balances         \$617,213         -         -         617,213         -           Sewer construction         -         2,072,081         -         2,072,081         -           Sewer construction         -         2,072,081         -         2,072,081         -           Water improvement         150,000         -         -         76,947         -           Water deposits         76,947         -	over operating disbursements	 1,107,763	569,962	154,987	1,832,712	6,549
Debt service         (573,525)         -         -         (573,525)         -           Capital projects         (87,240)         (1,242,443)         -         (1,329,683)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Change in cash balances         519,498         (599,993)         168,284         87,789         6,549           Cash balances beginning of year         3,093,798         3,260,902         664,912         7,019,612         42,107           Cash Basis Fund Balances         8         3,613,296         2,660,909         833,196         7,107,401         48,656           Cash Basis Fund Balances           Restricted for:         5         5         617,213         -         -         617,213         -           Debt service         \$ 617,213         -         -         617,213         -           Sewer construction         -         2,072,081         -         2,072,081         -           Water improvement         150,000         -         -         76,947         -           Water deposits         76,947         -         76,947         -         76,947	Non-operating receipts (disbursements):					
Capital projects         (87,240)         (1,242,443)         - (1,329,683)         -           Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Change in cash balances         519,498         (599,993)         168,284         87,789         6,549           Cash balances beginning of year         3,093,798         3,260,902         664,912         7,019,612         42,107           Cash Basis Fund Balances         \$3,613,296         2,660,909         833,196         7,107,401         48,656           Cash Basis Fund Balances           Restricted for:         \$617,213         -         -         617,213         -           Debt service         \$617,213         -         -         617,213         -           Sewer construction         -         2,072,081         -         2,072,081         -           Water improvement         150,000         -         -         150,000         -           Water deposits         76,947         -         76,947         -           Unrestricted         2,769,136         588,828         833,196         4,191,160         48,656	Interest on investments	72,500	72,488	13,297	158,285	-
Net non-operating receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Change in cash balances         519,498         (599,993)         168,284         87,789         6,549           Cash balances beginning of year         3,093,798         3,260,902         664,912         7,019,612         42,107           Cash balances end of year         \$ 3,613,296         2,660,909         833,196         7,107,401         48,656           Cash Basis Fund Balances           Restricted for:         5 617,213         -         -         617,213         -           Debt service         \$ 617,213         -         -         617,213         -           Sewer construction         -         2,072,081         -         2,072,081         -           Water improvement         150,000         -         -         150,000         -           Water deposits         76,947         -         -         76,947         -           Unrestricted         2,769,136         588,828         833,196         4,191,160         48,656	Debt service	(573, 525)	-	-	(573, 525)	-
receipts (disbursements)         (588,265)         (1,169,955)         13,297         (1,744,923)         -           Change in cash balances         519,498         (599,993)         168,284         87,789         6,549           Cash balances beginning of year         3,093,798         3,260,902         664,912         7,019,612         42,107           Cash balances end of year         \$ 3,613,296         2,660,909         833,196         7,107,401         48,656           Cash Basis Fund Balances           Restricted for:           Debt service         \$ 617,213         -         -         617,213         -           Sewer construction         -         2,072,081         -         2,072,081         -           Water improvement         150,000         -         -         150,000         -           Water deposits         76,947         -         -         76,947         -           Unrestricted         2,769,136         588,828         833,196         4,191,160         48,656	Capital projects	 (87,240)	(1,242,443)	-	(1,329,683)	
Change in cash balances         519,498         (599,993)         168,284         87,789         6,549           Cash balances beginning of year         3,093,798         3,260,902         664,912         7,019,612         42,107           Cash balances end of year         \$ 3,613,296         2,660,909         833,196         7,107,401         48,656           Cash Basis Fund Balances           Restricted for:           Debt service         \$ 617,213         -         -         617,213         -           Sewer construction         -         2,072,081         -         2,072,081         -           Water improvement         150,000         -         -         150,000         -           Water deposits         76,947         -         -         76,947         -           Unrestricted         2,769,136         588,828         833,196         4,191,160         48,656	Net non-operating					
Cash balances beginning of year         3,093,798         3,260,902         664,912         7,019,612         42,107           Cash balances end of year         \$ 3,613,296         2,660,909         833,196         7,107,401         48,656           Cash Basis Fund Balances           Restricted for:           Debt service         \$ 617,213         -         -         617,213         -           Sewer construction         -         2,072,081         -         2,072,081         -           Water improvement         150,000         -         -         150,000         -           Water deposits         76,947         -         76,947         -           Unrestricted         2,769,136         588,828         833,196         4,191,160         48,656	receipts (disbursements)	(588,265)	(1,169,955)	13,297	(1,744,923)	
Cash balances end of year         \$ 3,613,296         2,660,909         833,196         7,107,401         48,656           Cash Basis Fund Balances           Restricted for:         Poblic service         \$ 617,213         -         <	Change in cash balances	519,498	(599,993)	168,284	87,789	6,549
Cash Basis Fund Balances         Restricted for:         Debt service       \$ 617,213       -       -       617,213       -         Sewer construction       -       2,072,081       -       2,072,081       -         Water improvement       150,000       -       -       150,000       -         Water deposits       76,947       -       -       76,947       -         Unrestricted       2,769,136       588,828       833,196       4,191,160       48,656	Cash balances beginning of year	 3,093,798	3,260,902	664,912	7,019,612	42,107
Restricted for:         Debt service       \$ 617,213       -       -       617,213       -         Sewer construction       -       2,072,081       -       2,072,081       -         Water improvement       150,000       -       -       -       150,000       -         Water deposits       76,947       -       -       76,947       -         Unrestricted       2,769,136       588,828       833,196       4,191,160       48,656	Cash balances end of year	\$ 3,613,296	2,660,909	833,196	7,107,401	48,656
Debt service         \$ 617,213         -         -         617,213         -           Sewer construction         -         2,072,081         -         2,072,081         -           Water improvement         150,000         -         -         150,000         -           Water deposits         76,947         -         -         76,947         -           Unrestricted         2,769,136         588,828         833,196         4,191,160         48,656	Cash Basis Fund Balances					
Sewer construction         -         2,072,081         -         2,072,081         -           Water improvement         150,000         -         -         150,000         -           Water deposits         76,947         -         -         76,947         -           Unrestricted         2,769,136         588,828         833,196         4,191,160         48,656	Restricted for:					
Water improvement       150,000       -       -       150,000       -         Water deposits       76,947       -       -       76,947       -         Unrestricted       2,769,136       588,828       833,196       4,191,160       48,656	Debt service	\$ 617,213	-	-	617,213	-
Water deposits         76,947         -         -         76,947         -           Unrestricted         2,769,136         588,828         833,196         4,191,160         48,656	Sewer construction	-	2,072,081	-	2,072,081	-
Unrestricted 2,769,136 588,828 833,196 4,191,160 48,656	Water improvement	150,000	-	-	150,000	-
	Water deposits	76,947	-	-	76,947	-
Total cash basis fund balances \$ 3,613,296 2,660,909 833,196 7,107,401 48,656	Unrestricted	 2,769,136	588,828	833,196	4,191,160	48,656
	Total cash basis fund balances	\$ 3,613,296	2,660,909	833,196	7,107,401	48,656

### 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, 2020

Total enterprise funds cash balances (page 24)	\$ 7,107,401
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.	 2,446
Cash basis net position of business type activities (page 19)	\$ 7,109,847
Change in cash balances (page 24)	\$ 87,789
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.	183
Change in cash basis net position of business type activities (page 19)	\$ 87,972

### Notes to Financial Statements

June 30, 2020

### (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.

<u>Discretely Presented Component Unit</u> – 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 retain 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.

<u>Blended Component Units</u> – 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. During fiscal year 2020, Nevada First Responders merged with the Nevada Firefighter's Incorporated.

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:

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.

<u>Fund Financial Statements</u> – 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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a  $1\frac{1}{2}$ % per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

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

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

<u>Restricted</u> – 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, 2020, disbursements exceeded the amount budgeted in the debt service function.

### (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 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, 2020, the carrying amount and fair value of the amounts held by the Foundation were \$81,601 and \$81,365, respectively. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

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.

<u>Concentration of credit risk</u> – 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.

<u>Interest rate risk</u> – 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:

					Due
	Beginning			Ending	Within
	Balances	Increases	Decreases	Balances	One Year
Governmental activities:					
General obligation bonds	\$ 8,870,000	8,905,000	3,990,000	13,785,000	1,210,000
Business type activities:					
Water revenue bonds	\$ 3,830,000	-	485,000	3,345,000	495,000

### **General Obligation Bonds**

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

	Library Improvement and Refunding			Refunding				
Year _	Issued Sep 13, 2012			Issued Sep 28, 2017			017	
Ending	Interest				Interest			
June 30,	Rates	F	Principal	Interest	Rates	I	Principal	Interest
2021	2.00%	\$	85,000	11,112	4.00%	\$	600,000	73,800
2022	2.00		85,000	9,413	4.00		610,000	58,800
2023	2.00		90,000	7,712	4.00		620,000	43,550
2024	2.15		90,000	5,913	4.00		645,000	28,050
2025	2.15		90,000	3,977	4.00		235,000	10,313
2026-2030	2.15		95,000	2,043	4.00		140,000	3,850
2031-2032			_				-	
Total		\$	535,000	40,170		\$ 2	2,850,000	218,363

_	Streets, Water, Sewer and Sidewalk			Central	Business Distr	ict Project
Year	Issued Apr 10, 2019			Issued Apr 29, 2020		
Ending	Interest			Interest		
June 30,	Rates	Principal	Interest	Rates	Principal	Interest
2021	3.00%	\$ 525,000	44,850	2.00%	\$ -	193,931
2022	3.00	540,000	29,100	2.00	-	178,100
2023	3.00	430,000	12,900	2.00	-	178,100
2024		-	_	2.00	-	178,100
2025		-	-	2.00	500,000	178,100
2026-2030		-	-	2.00	5,730,000	634,500
2031-2032				2.00	2,675,000	80,500
Total		\$ 1,495,000	86,850		\$ 8,905,000	1,621,331

Year				
Ending		Total		
June 30,	Principal	Interest	Total	
2021	\$ 1,210,000	323,693	1,533,693	
2022	1,235,000	275,413	1,510,413	
2023	1,140,000	242,262	1,382,262	
2024	735,000	212,063	947,063	
2025	825,000	192,390	1,017,390	
2026-2030	5,965,000	640,393	6,605,393	
2031-2032	 2,675,000	80,500	2,755,500	
	\$ 13,785,000	1,966,714	15,751,714	

On September 13, 2012, the City issued \$7,320,000 of general obligation urban renewal library improvement and refunding bonds for the purpose of a library expansion and improvement project in the City's urban renewal area and to advance refund \$5,950,000 of the urban renewal tax increment financing revenue bonds issued November 15, 2008. The bonds bear interest at 2.00% to 2.15% per annum and mature June 1, 2026. During the year ended, June 30, 2020, the City paid principal of \$80,000 and interest of \$12,712 on the bonds. As of June 30, 2020, the total principal remaining on the bonds is \$535,000.

On September 28, 2017, the City issued \$2,850,000 of general obligation refunding bonds with an interest rate of 4.00% per annum for a crossover refunding of the general obligation bonds issued July 25, 2013. The City entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted to U.S. Treasury Securities. These securities were placed in an escrow account for the express purpose of paying the \$2,840,000 of principal on the refunded 2013 general obligation bonds when they became callable on June 1, 2020. Prior to June 1, 2020, the City paid principal of \$550,000 and interest of \$124,600 on the 2013 general obligation bonds. On June 1, 2020, the City paid the remaining 2013 general obligation bond principal of \$2,840,000 using the funds place in the escrow account. During the year ended, June 30, 2020, the City paid interest of \$73,800 on the 2017 bonds. As of June 30, 2020, the total principal remaining on the 2017 general obligation bonds is \$2,850,000 and mature on June 1, 2026.

On April 10, 2019, the City issued \$2,015,000 of general obligation bonds for streets, water, sewer and sidewalk improvements. The bonds bear interest at 3.00% per annum and mature June 1, 2023. During the year ended, June 30, 2020, the City paid principal of \$520,000 and interest of \$69,014 on the bonds. As of June 30, 2020, the total principal remaining on the notes is \$1,495,000.

On April 29, 2020, the City issued \$8,905,000 of general obligation corporate purpose bonds for the purpose of constructing street, utility and sidewalk improvements related to the Central Business District Downtown Improvement project. The bonds bear interest at 2.0% per annum and mature June 2032. During the year ended June 30, 2020, no principal or interest was paid by the City on the bonds. As of June 30, 2020, the total principal remaining on the bonds is \$8,905,000.

### Water Revenue Refunding Bonds

A summary of the City's water revenue bonds payable is as follows:

	Water Revenue Refunding						
Year	Issi	Issued Oct 25, 2012					
Ending	Interest	·					
June 30,	Rates		Principal	Interest			
2021	2.00%	\$	495,000	79,103			
2022	2.15		505,000	69,202			
2023	2.25		515,000	58,345			
2024	2.40		525,000	46,758			
2025	2.55		535,000	34,157			
2026-2027	2.65-2.70		770,000	26,455			
Total		\$	3,345,000	314,020			

On October 25, 2012, the City issued \$7,090,000 of water revenue refunding bonds for the purpose of refunding the City's water revenue bonds issued January 14, 2005. The bonds bear interest at rates ranging from 0.05% to 2.70% per annum and are payable through 2027. During the year ended June 30, 2020, the City paid principal of \$485,000 and interest of \$88,075 on the bonds.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue refunding bonds issued in October 2012. The bonds are payable solely from water customer net receipts. Annual principal and interest payments on the bonds are expected to require 51% of net receipts. The total principal and interest remaining to be paid on the bonds is \$3,659,020. For the current year, principal and interest paid and total customer net receipts were \$573,075 and \$1,107,763, 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

<u>Plan Description</u> – 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 <u>www.ipers.org</u>.

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.

<u>Pension Benefits</u> – 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, expect 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.

<u>Disability and Death Benefits</u> – 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.

<u>Contributions</u> – 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 2020, 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 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$244,085.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020 the City reported a liability of \$1,313,398 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the City's proportion was 0.022681%, which was an increase of 0.001131% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$326,170, \$289,230 and \$361,924, respectively.

There were no non-employer contributing entities to IPERS.

<u>Actuarial Assumptions</u> – The total pension liability in the June 30, 2019 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	3.25 to 16.25% average, including inflation.
(effective June 30, 2017)	Rates vary by membership group.
Long-term investment rate of return	7.00% compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation.
Wage growth	3.25% per annum, based on 2.60% inflation
(effective June 30, 2017)	and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 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 2019 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%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

<u>Discount Rate</u> – 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%	Discount	1%
	Decrease	Rate	Increase
	(6.00%)	(7.00%)	(8.00%)
City's proportionate share of			
the net pension liability	\$ 2,772,834	1,313,398	89,788

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

# (5) Other Postemployment Benefits (OPEB)

<u>Plan Description</u> – 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 \$399 to \$526 for single coverage to \$1,164 to \$1,551 for family coverage. For the year ended June 30, 2020, the City contributed \$247,732 and plan members eligible for benefits contributed \$36,137 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

<u>OPEB Benefits</u> – 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	29
Total	29

#### (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, 2020, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 259,000
Compensatory time	33,000
Sick leave	12,000
Total	\$ 304,000

This liability has been computed based on rates of pay in effect at June 30, 2020.

#### (7) Contractual Commitments

The City has entered into various construction contracts totaling approximately \$10,953,602. The unpaid contract balance as of June 30, 2020 totaled approximately \$6,741,749, which will be paid as work on the projects progresses.

#### (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 404,000
	Employee Benefits	 525,093
		 929,093
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefits	105,862
	Local Option Sales and Services Tax	 75,000
		 180,862
Special Revenue:	Special Revenue:	
Trail Maintenance	Local Option Sales and Services Tax	 30,000
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	675,100
	Capital Projects	 93,163
		 768,263
Capital Projects	Special Revenue:	
	Local Option Sales and Services Tax	 25,000
Total		\$ 1,933,218

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 \$581,400 is outstanding at June 30, 2020. 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, 2020, the City paid \$71,379 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 779 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, 2020 were \$153,678.

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 \$1,514,073.

The City rebated \$220,425 during fiscal year 2020, for a total of \$3,541,940 of incremental property tax rebated under the agreements. The outstanding balance of the agreements at June 30, 2020 with fixed dollar commitments was \$119,721. The outstanding balance of the agreements at June 30, 2020 subject to annual appropriation was \$1,394,352.

#### (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, 2020, \$86,285 of property tax was diverted from the City under the urban renewal and economic development agreements.

# (14) Deficit Balance

The Special Revenue, Trail Maintenance Fund had a deficit balance of \$3,586 at June 30, 2020. The City made a transfer on August 27, 2020 correcting this deficit.

# (15) Subsequent Events

In January 2021, the City issued \$1,360,000 of Sewer Revenue Bonds for the purpose of planning, designing and constructing improvements and extensions to the City's wastewater treatment facilities. Also, in April 2021, the City approved a state revolving fund sewer revenue loan and disbursement agreement and the issuance of taxable sewer revenue bonds totaling \$10,000,000 for the purpose of financing construction of the City's wastewater treatment facilities.

# (16) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Nevada, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Nevada. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Nevada's operations and finances.

# (17) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, <u>Fiduciary Activities</u>. This statement will be implemented for the fiscal year ending June 30, 2021. 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.

Other Information

# 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, 2020

	0	. 1	D : .	Less
	G	overnmental	Proprietary	Funds not
		Funds	Funds	Required to
D		Actual	Actual	be Budgeted
Receipts:	ф	0.045.054		
Property tax	\$	3,945,854	-	-
Tax increment financing		1,020,109	-	-
Other city tax		1,102,795	-	-
Licenses and permits		123,448	=	-
Use of money and property		363,093	178,314	147
Intergovernmental		1,995,837	-	-
Charges for service		183,231	3,626,525	-
Special assessments		-	-	-
Miscellaneous		158,839	24,124	56,518
Total receipts		8,893,206	3,828,963	56,665
Disbursements:				
Public safety		1,687,461	-	44,804
Public works		971,853	-	-
Health and social services		59,732	_	-
Culture and recreation		1,684,399	_	5,220
Community and economic development		588,206	_	-
General government		462,791	_	-
Debt service		4,271,926	_	_
Capital projects		3,313,094	_	-
Business type activities		-	3,741,174	=
Total disbursements		13,039,462	3,741,174	50,024
Excess (deficiency) of receipts				
over (under) disbursements		(4,146,256)	87,789	6,641
Other financing sources (uses), net		8,800,284	-	_
Excess (deficiency) of receipts and other financing				
sources over (under) disbursements and				
other financing uses		4,654,028	87,789	6,641
Balances beginning of year		17,341,450	7,019,612	61,541
Balances end of year	\$	21,995,478	7,107,401	68,182

			D 1
	Budgeted A	Budget to Total	
Total	Original	Final	Variance
1000	Original	1 IIIai	variance
3,945,854	4,021,105	4,021,105	(75,251)
1,020,109	1,042,310	1,042,310	(22,201)
1,102,795	965,871	965,871	136,924
123,448	88,150	88,150	35,298
541,260	175,300	175,300	365,960
1,995,837	2,405,497	2,405,497	(409,660)
3,809,756	3,950,196	3,950,196	(140,440)
-	1,000	1,000	(1,000)
126,445	304,700	304,700	(178,255)
12,665,504	12,954,129	12,954,129	(288,625)
1,642,657	1,866,367	1,906,367	263,710
971,853	1,061,538	1,124,438	152,585
59,732	59,732	59,732	-
1,679,179	1,846,451	1,938,951	259,772
588,206	542,405	772,405	184,199
462,791	746,996	746,996	284,205
4,271,926	1,355,104	3,929,404	(342, 522)
3,313,094	7,727,000	7,727,000	4,413,906
3,741,174	5,057,829	5,057,829	1,316,655
16,730,612	20,263,422	23,263,122	6,532,510
(4,065,108)	(7,309,293)	(10,308,993)	6,243,885
8,800,284	5,000,500	5,000,500	3,799,784
4,735,176	(2,308,793)	(5,308,493)	10,043,669
24,299,521	16,441,509	16,441,509	7,858,012
29,034,697	14,132,716	11,133,016	17,901,681

# Notes to Other Information - Budgetary Reporting

June 30, 2020

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,999,700. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the debt service function.

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

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

# Other Information

		2020	2019	2018	2017
City's proportion of the net pension liability	0.0	022681%	0.021550%	0.022361%	0.022270%
City's proportionate share of the net pension liability	\$	1,313	1,364	1,490	1,402
City's covered payroll	\$	2,448	2,249	2,197	2,135
City's proportionate share of the net pension liability as a percentage of its covered payroll		53.64%	60.65%	67.82%	65.67%
IPERS' net position as a percentage of the total pension liability		85.45%	83.62%	82.21%	81.82%

<sup>\*</sup> 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.

2016	2015
0.20144%	0.019623%
995	778
2,005	2,004
49.63%	38.82%
85.19%	87.61%

# Schedule of City Contributions

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

# Other Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 244	236	207	201
Contributions in relation to the statutorily required contribution	(244)	(236)	(207)	(201)
Contribution deficiency (excess)	\$ -	-	-	_
City's covered payroll	\$ 2,549	2,448	2,249	2,197
Contributions as a percentage of covered payroll	9.57%	9.64%	9.20%	9.15%

201	6 2015	2014	2013	2012	2011
196	5 185	182	165	165	142
(196	5) (185)	(182)	(165)	(165)	(142)
		-	-	-	<u>-</u>
2,135	5 2,005	2,004	1,951	1,926	1,841
9.18%	% 9.23%	9.08%	8.46%	8.57%	7.71%

# Notes to Other Information – Pension Liability

Year ended June 30, 2020

#### *Changes of benefit terms:*

There are no significant changes in benefit terms.

# **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.



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

As of and for the year ended June 30, 2020

								Special
	Employee Benefits	Cemetery Memorials	Cemetery Foundation Trust	Library Trust	Fire Trust	S.C.O.R.E. Undesignated	S.C.O.R.E. Operation & Maintenance	North Story Baseball
Receipts:								
Property tax	\$ 707,513	-	-	-	-	-	-	-
Other city tax	11,315	-	-	-	-	-	-	-
Use of money and property	7,902	51	462	1,103	302	103	4	155
Intergovernmental	28,492	-	-	5,183	-	-	-	-
Charges for service	-	-	-	-	-	-	-	24,226
Miscellaneous		-	-	2,787	-	_	-	-
Total receipts	755,222	51	462	9,073	302	103	4	24,381
Disbursements:								
Public safety	-	-	-	-	-	-	-	-
Culture and recreation	-	-	330	18,158	-	-	-	27,861
Community and economic development		-	-	-	-	-	_	-
Total disbursements	-	_	330	18,158	-	-	_	27,861
Excess (deficiency) of receipts								
over (under) disbursements	755,222	51	132	(9,085)	302	103	4	(3,480)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(630,955)	-	-	-	-	-	-	
Total other financing								
sources (uses)	(630,955)	-	-	-	-	-	-	_
Change in cash balances	124,267	51	132	(9,085)	302	103	4	(3,480)
Cash balances beginning of year		2,808	25,907	47,366	16,869	5,779	256	8,270
Cash balances (deficit) end of year	\$ 124,267	2,859	26,039	38,281	17,171	5,882	260	4,790
Cash Basis Fund Balances								
Nonspendable	\$ -	-	-	-	-	-	-	-
Restricted for:								
Library	-	-	-	38,281	-	-	-	-
Parks	-	-	-	-	-	-	-	-
Other purposes	124,267	2,859	26,039	-	17,171	5,882	260	4,790
Unassigned		-	-	-	-	-	-	
Total cash basis fund balances (deficits)	\$ 124,267	2,859	26,039	38,281	17,171	5,882	260	4,790

Trust         Piano         Open Space         Maintenance         Trust         Trust         Forever         Trust         Band         Foreity           130         329         21,026         59         295         12,307         3         79         83         14         2           -         -         3,155         420         -         -         -         -         5,974         375           897         329         25,080         479         295         12,307         3         79         6,057         389         2           -         -         16,349         -         -         -         -         -         -         395           -         -         16,349         -         64,982         2,137         -         -         1,500         -           -         -         16,349         -         64,982         2,137         -         -         1,500         395           897         329         8,731         479         (64,687)         10,170         3         79         4,557         (6)         2           -         -         -         -         30,000         -	Revenue										
130 329 21,026 59 295 12,307 3 79 83 14 2	Center	Hall	Recreation				Building		July		Police
	Trust	Piano	Open Space	Maintenance	Maintenance	Trust	Trust	Forever	Trust	Band	Forfeiture
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
-         3,155         420         -         -         -         -         5,974         375           897         329         25,080         479         295         12,307         3         79         6,057         389         2           -		329	21,026	59	295	12,307	3	79	83	14	212
767         -         899         -         -         -         -         -         5,974         375           897         329         25,080         479         295         12,307         3         79         6,057         389         2           -		-	2 155	400	-	-	-	-	-	-	-
897         329         25,080         479         295         12,307         3         79         6,057         389         2           - </td <td></td> <td></td> <td>,</td> <td></td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>5 074</td> <td>375</td> <td>-</td>			,		-	-	-	-	5 074	375	-
- 16,349 - 64,982 2,137 1,500 16,349 - 64,982 2,137 1,500 1,500 395  16,349 - 64,982 2,137 1,500 395  897 329 8,731 479 (64,687) 10,170 3 79 4,557 (6) 2  30,000											
- 16,349	897	329	25,080	479	295	12,307	3	79	6,057	389	212
- 16,349											
	_	_		-	64 982		_	_	_		_
-       -       16,349       -       64,982       2,137       -       -       1,500       395         897       329       8,731       479       (64,687)       10,170       3       79       4,557       (6)       2         -	_			_			_	_	1.500		
30,000	_	-	16,349	-	64,982	2,137	_	-		395	_
-       -	897	329	8,731	479	(64,687)	10,170	3	79	4,557	(6)	212
-       -	_	_	_	_	30,000	_	_	_	_	_	_
897         329         8,731         479         (34,687)         10,170         3         79         4,557         (6)         2           7,095         18,372         81,442         3,083         31,101         320,415         189         4,409         475         841         11,77           7,992         18,701         90,173         3,562         (3,586)         330,585         192         4,488         5,032         835         11,99           - <td></td> <td>_</td> <td></td> <td></td> <td>-</td> <td>_</td> <td>_</td> <td>_</td> <td>_</td> <td>_</td> <td>_</td>		_			-	_	_	_	_	_	_
7,095         18,372         81,442         3,083         31,101         320,415         189         4,409         475         841         11,77           7,992         18,701         90,173         3,562         (3,586)         330,585         192         4,488         5,032         835         11,99           -	_	-	-	-	30,000	-	-	-	-	-	-
7,992       18,701       90,173       3,562       (3,586)       330,585       192       4,488       5,032       835       11,99         -	897	329	8,731	479	(34,687)	10,170	3	79	4,557	(6)	212
7,992       18,701       90,173       3,562       (3,586)       330,585       192       4,488       5,032       835       11,99         -	7,095	18,372	81,442	3,083	31,101	320,415	189	4,409	475	841	11,779
90,173 7,992 18,701 - 3,562 192 4,488 5,032 835 11,995	7,992	18,701	90,173		(3,586)	330,585	192	4,488	5,032	835	11,991
90,173 7,992 18,701 - 3,562 192 4,488 5,032 835 11,995	-	-	-	-	-	-	-	-	-	-	-
7,992 18,701 - 3,562 192 4,488 5,032 835 11,99 (3,586)	-	-	-	-	-	330,585	-	-	-	_	-
(3,586)	-	-	90,173	-	-	-	-	-	-	-	-
· · · ·	7,992	18,701		3,562	(3 586)	-		4,488	5,032		11,991
	7,992	18,701	90,173	3,562	(3,586)	330,585	192	4,488	5,032	835	11,991

(Continued on next page)

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

As of and for the year ended June 30, 2020

			Special Reve	nue		Perma	nent	
	Neva Firefigh Incorpo	iters	Nevada First Responders	Senior Citizen Center	Friends of the Library	Cemetery Perpetual Care	Parks Planting (Hattery)	Total
Receipts:								
Property tax	\$	-	-	-	-	-	-	707,513
Other city tax		-	-	-	-	-	-	11,315
Use of money and property		129	4	14	-	-	-	44,766
Intergovernmental		-	-	-	-	-	-	33,675
Charges for service		-	-	-	-	3,061	-	30,862
Miscellaneous	48	,158	3,833	2,500	2,027	-	-	67,320
Total receipts	48	,287	3,837	2,514	2,027	3,061	_	895,451
Disbursements:			•		,	,		
Public safety	27	,082	17,722	-	_	-	-	44,804
Culture and recreation		_	_	2,290	2,930	_	74	135,506
Community and economic development		-	-	-	-	-	-	1,500
Total disbursements	27	,082	17,722	2,290	2,930	-	74	181,810
Excess (deficiency) of receipts over (under) disbursements	21	,205	(13,885)	224	(903)	3,061	(74)	713,641
Other financing sources (uses):								
Transfers in		-	-	-	-	-	-	30,000
Transfers out		-	-	-	-	-	-	(630,955)
Total other financing								
sources (uses)		-	_	-	-	_	-	(600,955)
Change in cash balances	21	,205	(13,885)	224	(903)	3,061	(74)	112,686
Cash balances beginning of year	33	,801	13,885	9,614	4,241	148,801	5,074	801,872
Cash balances (deficit) end of year	\$ 55	,006	-	9,838	3,338	151,862	5,000	914,558
Cash Basis Fund Balances	•							
Nonspendable	\$	-	-	-	-	151,862	5,000	156,862
Restricted for:								
Library		-	-	-	3,338	-	-	372,204
Parks		-	-	-	-	-	-	90,173
Other purposes	55	,006	-	9,838	-	-	-	298,905
Unassigned		-	_	-	-	_	-	(3,586)
Total cash basis fund balances (deficits)	\$ 55	,006	-	9,838	3,338	151,862	5,000	914,558

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

As of and for the year ended June 30, 2020

			Enterprise	
			Storm	
	S	anitation	Water	Total
Operating receipts:				
Charges for service	\$	66,629	172,941	239,570
Operating disbursements:				
Business type activities		71,929	12,654	84,583
Excess (deficiency) of operating receipts over (under) operating disbursements Non-operating receipts:		(5,300)	160,287	154,987
Interest on investments		6	13,291	13,297
Change in cash balances		(5,294)	173,578	168,284
Cash balances beginning of year		7,697	657,215	664,912
Cash balances end of year	\$	2,403	830,793	833,196
Cash Basis Fund Balances				
Unrestricted	\$	2,403	830,793	833,196

# Schedule of Indebtedness

# Year ended June 30, 2020

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
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
Central business district project	Apr 29, 2020	2.00	8,905,000
Total			
Revenue bonds:			
Water revenue refunding bonds	Oct 25, 2012	0.50-2.70%	\$ 7,090,000
See accompanying independent auditor's report.			

	Balance	Issued	Redeemed	Balance	
]	Beginning	During	During	End of	Interest
	of Year	Year	Year	Year	Paid
	615,000	-	80,000	535,000	12,712
	3,390,000	-	3,390,000	-	124,600
	2,850,000	-	-	2,850,000	73,800
	2,015,000	-	520,000	1,495,000	69,014
	-	8,905,000	-	8,905,000	
\$	8,870,000	8,905,000	3,990,000	13,785,000	280,126
	3,830,000	-	485,000	3,345,000	88,075

City of Nevada

# **Bond Maturities**

June 30, 2020

							l Obligation ate Purpose
Year Ending	Issued Se	ept	13, 2012	<u>Issued</u> Interest	ot 28, 2017	<u>Issued</u> Interest	r 10, 2019
June 30,	Rates		Amount	Rates	Amount	Rates	Amount
2021	2.00%	\$	85,000	4.00%	\$ 600,000	3.00%	\$ 525,000
2022	2.00		85,000	4.00	610,000	3.00	540,000
2023	2.00		90,000	4.00	620,000	3.00	430,000
2024	2.15		90,000	4.00	645,000		
2025	2.15		90,000	4.00	235,000		
2026	2.15		95,000	4.00	140,000		
2027							
2028							
2029							
2030							
2031							
2032					 		 
Total		\$	535,000		\$ 2,850,000		\$ 1,495,000

Bonds				Reve	nu	e Bonds
and Refund	ling			Wate	r R	efunding
Issued A	Apr 2	29, 2020		Issued	Oc	t 25, 2012
Interest		_		Interest		
Rates		Amount	 Total	Rates		Amount
2.00%	\$	-	\$ 1,210,000	2.00%	\$	495,000
2.00		-	1,235,000	2.15		505,000
2.00		-	1,140,000	2.25		515,000
2.00		-	735,000	2.40		525,000
2.00		500,000	825,000	2.55		535,000
2.00		780,000	1,015,000	2.65		550,000
2.00		1,140,000	1,140,000	2.70		220,000
2.00		1,245,000	1,245,000			
2.00		1,270,000	1,270,000			
2.00		1,295,000	1,295,000			
2.00		1,325,000	1,325,000			
2.00		1,350,000	 1,350,000			
	\$	8,905,000	\$ 13,785,000		\$	3,345,000

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

# For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 3,945,854	3,049,825	2,936,387	2,873,654
Tax increment financing	1,020,109	3,231,475	3,018,476	3,031,236
Local Options Sales Tax	1,030,528	980,316	940,430	1,021,998
Other city tax	72,267	74,401	71,415	74,516
Licenses and permits	123,448	94,307	111,313	76,183
Use of money and property	363,093	413,411	149,617	133,223
Intergovernmental	1,995,837	1,415,472	1,334,324	1,203,851
Charges for service	183,231	246,119	256,923	258,317
Special assessments	-	-	-	-
Miscellaneous	 158,839	4,446,846	163,861	195,691
Total	\$ 8,893,206	13,952,172	8,982,746	8,868,669
Disbursements:				
Operating:				
Public safety	\$ 1,687,461	1,645,033	1,477,276	1,471,212
Public works	971,853	750,273	591,446	674,615
Health and social services	59,732	80,107	65,222	57,422
Culture and recreation	1,684,399	2,175,006	1,652,709	1,624,558
Community and economic development	588,206	330,017	301,663	1,450,980
General government	462,791	458,322	456,704	405,116
Debt service	4,271,926	5,948,096	3,785,327	3,066,396
Capital projects	 3,313,094	1,305,169	4,267,045	2,142,179
Total	\$ 13,039,462	12,692,023	12,597,392	10,892,478

2011	2012	2013	2014	2015	2016
2,390,310	2,515,062	2,706,999	2,890,881	2,710,587	2,921,484
1,403,236	1,396,120	1,207,521	1,094,368	2,060,828	2,599,385
817,285	856,125	813,352	815,112	959,885	949,012
78,762	58,220	119,365	81,908	79,421	76,246
97,724	85,311	79,243	88,337	76,017	73,144
241,686	203,263	172,706	238,708	201,226	116,086
884,249	868,542	824,654	851,730	2,031,920	1,004,948
252,505	244,406	215,664	314,391	207,924	226,684
4,393	3,572	4,971	2,365	-	-
276,454	168,579	246,027	1,078,127	313,520	275,076
6,446,604	6,399,200	6,390,502	7,455,927	8,641,328	8,242,065
1,127,061	1,182,484	1,145,587	1,303,316	1,249,199	1,749,323
664,466	631,574	637,909	812,228	595,935	579,001
66,568	76,205	53,915	50,060	55,384	58,289
1,367,576	1,395,047	1,389,735	1,510,170	1,397,167	1,449,666
370,341	330,621	346,987	299,484	448,812	391,497
280,430	305,942	450,028	414,304	369,875	411,777
1,886,046	1,649,493	2,319,728	4,000,920	1,988,944	2,198,013
1,677,280	503,398	3,135,224	5,386,802	2,962,268	1,426,905
7,439,768	6,074,764	9,479,113	13,777,284	9,067,584	8,264,471

# TOR OF STATE A

#### 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 <u>Government Auditing Standards</u>, 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, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 14, 2021. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified a deficiency in internal control, described as item (A) in the accompanying Schedule of Findings, we consider to be a significant deficiency.

# Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 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 <u>Government Auditing Standards</u> 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

Marly Daston

June 14, 2021

#### Schedule of Findings

Year ended June 30, 2020

#### Finding Related to the Financial Statements:

#### INTERNAL CONTROL DEFICIENCY:

#### (A) Nevada Fire Fighters - Debit Card

<u>Criteria</u> – Internal controls over safeguarding assets constitutes a process, effected by an entity's governing body, management and other personnel designated to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

<u>Condition</u> – Nevada Fire Fighters Inc. has a debit card available for use by officials or by volunteers. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. Although policies exist for individuals to request approval prior to use, significant risks exist with the mishandling or theft of debit cards, as they provide no additional safeguards or audit trail for purchases.

<u>Cause</u> – Officials are of the opinion that any misuse of funds or theft is the responsibility of the cardholder. However, a formal policy stating the card holder is personally liable for improper charges does not exist.

<u>Effect</u> – Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriations.

<u>Recommendation</u> – The Nevada Fire Fighters Inc. should prohibit the use of debit cards.

<u>Response</u> – We value this feedback and appreciate your position. However, as an Association, we are strongly against acquiring a credit card to replace our debit card. As stated during the audit, we have many safeguards in place, with sometimes triple and quadruple accountability. As such, we will remain in ownership of the debit card.

However, a formal policy stating the card holder is personally liable for improper charges does not exist. The Nevada Firefighters Inc's name is on the debit card. That automatically holds us accountable/liable with our bank for improper charges should they occur.

<u>Conclusion</u> – Response acknowledged. The Nevada Fire Fighters Inc. should prohibit the use of debit cards.

#### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

#### Schedule of Findings

Year ended June 30, 2020

# Findings Related to Required Statutory Reporting:

(1) <u>Certified Budget</u> – Disbursements during the year ended June 30, 2020 exceeded the amount budged in the debt service function. Chapter 384.20 of the Code of Iowa state, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

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

<u>Conclusion</u> – Response accepted.

- (2) <u>Questionable Disbursements</u> No disbursement that 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) <u>Travel Expense</u> No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) <u>Business Transactions</u> There were no business transactions between the City and City officials or employees.
- (5) Restricted Donor Activity No transactions were noted between the City, City officials, City employees and restricted donors in compliance with chapter 68B of the Code of Iowa.
- (6) <u>Bond Coverage</u> 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.
- (7) <u>City Council Minutes</u> No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) <u>Deposits and Investments</u> No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Revenue Bonds No instances of non-compliance with the revenue bond requirements for the year ended June 30, 2020 were noted.
- (10) <u>Annual Urban Renewal Report</u> No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2020 were noted.

#### Schedule of Findings

#### Year ended June 30, 2020

(11) <u>Financial Condition</u> – At June 30, 2020, the City had a deficit balance of \$3,586 in the Special Revenue, Trail Maintenance Fund.

<u>Recommendation</u> – The City should investigate alternative to eliminate this deficit in order to return the fund to a sound financial position.

Response - The City made a transfer on August 27, 2020 correcting this deficit.

<u>Conclusion</u> – Response accepted.

(12) <u>Transfer of Funds to Private Non-profit Entities</u> – During the year ended June 30, 2020, the City of Nevada donated \$49,732 from the Special Revenue, Local Option Sales Tax Fund to various private non-profit entities.

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

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that "a governmental body may not donate public funds to a private entity, even if the entity is established for charitable or educational purposes and performs work which the government could perform directly." The Opinions further state, "Even if the function of a private non-profit corporation fits within the scope of activities generally recognized as serving a public purpose a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes."

"Political subdivisions and municipalities, including cities, counties, schools, and townships are municipal - governmental - entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support 'public' services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities."

<u>Recommendation</u> – We are not aware of any statutory authority for the City to donate public funds to private non-profit organizations. The City should immediately cease making such donations in the future.

<u>Response</u> – The City will consult with legal counsel on the appropriate way to handle this issue.

<u>Conclusion</u> – Response acknowledged. The City should comply with the Iowa Constitution and the noted AGO opinions and cease making future donations to not-for-profit organizations.

# Staff

# This audit was performed by:

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