



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 7, 2008

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

The City's receipts totaled \$16,488,244 for the year ended June 30, 2007, a 9% decrease from the prior year. The receipts included \$2,044,265 in property tax, \$1,284,881 from tax increment financing, \$3,367,178 from charges for service, \$842,784 from operating grants, contributions and restricted interest, \$1,204,395 from capital grants, contributions and restricted interest, \$751,479 from local option sales tax, \$309,117 from unrestricted interest on investments, \$6,677,145 from bond and note proceeds and \$7,000 from other general receipts. The decrease in receipts is primarily due to a decrease in bond proceeds.

Disbursements for the year totaled \$11,510,495, a 23% decrease from the prior year, and included \$2,851,275 for capital projects, \$1,454,032 for public safety and \$1,430,663 for debt service. Also, disbursements for business type activities totaled \$3,244,660. The decrease in disbursements is due primarily to the completion of the water treatment plant and elevated storage facility construction project in fiscal year 2006.

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

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CITY OF NEVADA

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

JUNE 30, 2007

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City of Nevada

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------------|--------------------|---------------------|
| Gearold E. Gull, II | Mayor | Jan 2010 |
| Walt McDonald | Mayor Pro tem | Jan 2010 |
| Brian Hanson (appointed) | Council Member | Nov 2007 |
| Gary Makovec (appointed) | Council Member | Nov 2007 |
| William Tufford | Council Member | Jan 2008 |
| Gary G. Gardner | Council Member | Jan 2010 |
| Andrew Kelly | Council Member | Jan 2010 |
| David Haugland | City Administrator | Resigned, Aug 2007 |
| Teresa Peterson-Smith | City Clerk | Indefinite |
| Don Juhl | Attorney | Indefinite |

City of Nevada



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, 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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Nevada's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

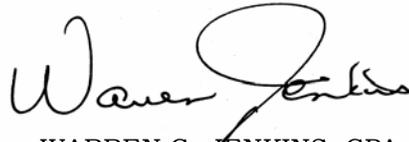
In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2007 on our consideration of the City of Nevada's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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 second paragraph of this report, the financial statements for the four years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 16, 2007

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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Total receipts of the City decreased 9.40%, or \$1,711,541, from fiscal year 2006 to fiscal year 2007. This was primarily due to the decrease in bond and note proceeds. In fiscal year 2006, the City borrowed \$8,234,032 from the State Revolving Fund for the construction of the water treatment plant and elevated storage facility. In fiscal year 2007, \$5,149,578 was borrowed for the City Hall/Public Safety Facility. Charges for service increased 9.8%, or \$302,000, primarily due to increased fees for the water utility. Capital grants increased \$806,000, or 202%, primarily due to \$417,579 of federal funds received for the 6th Street projects. Tax increment financing increased \$152,000, or 13.4%. Bond and note proceeds decreased \$3,085,000, or 31.6%. Unrestricted interest on investments increased 24.1%, or \$60,000.
- Disbursements decreased 22.9%, or \$3,418,000, in fiscal year 2007 from fiscal year 2006. Public safety disbursements increased \$320,000, or 28.2%, due to the delivery and payment on the new platform truck for the fire department. Public works disbursements decreased \$59,000, or 9.5%. Community and economic development disbursements increased 32.3%, or \$102,000, due to economic development agreement payments not requested timely. General government increased \$22,000, or 9.3%, due to an increase in legal fees, insurance premiums and the purchase of computers. Capital projects decreased 13.2%, or \$432,000. Water disbursements decreased 60.4%, or \$3,457,000, due to the completion of the water treatment plant construction. Sewer disbursements decreased 5.7%, or \$55,000.
- The City's total cash basis net assets increased 48.8%, or \$4,978,000, from June 30, 2006 to June 30, 2007. Of this amount, the net assets of the governmental activities increased \$5,129,000 and the net assets of the business type activities decreased \$151,000. This was primarily due to the receipt of short-term bond proceeds of \$6,436,150 received late in June for the construction of the City Hall/Public Safety Facility to be completed in 2008.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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 Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes, road use taxes, state and federal grants, and user fees finance most of these activities.
- Business Type Activities include the water system, sanitary sewer system and the sanitation utility, 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 Parks Planting (Hattery) and Cemetery Perpetual Care. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

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

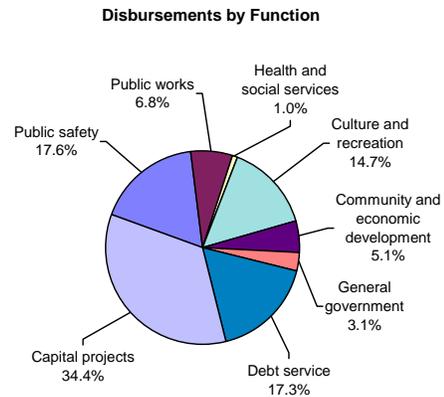
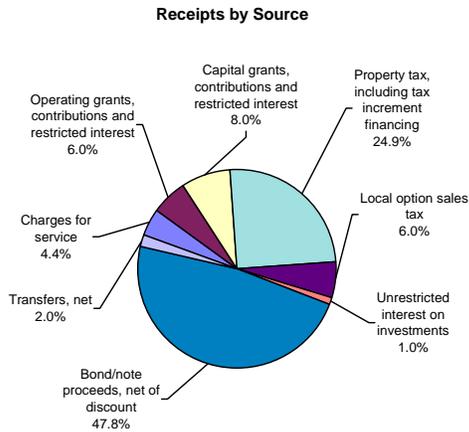
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from \$4,695,912 to \$9,824,698. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities | | |
|---|---------------------|---------|
| (Expressed in Thousands) | | |
| | Year ended June 30, | |
| | 2007 | 2006 |
| Receipts and transfers: | | |
| Program receipts: | | |
| Charges for service | \$ 593 | 646 |
| Operating grants, contributions and restricted interest | 843 | 854 |
| Capital grants, contributions and restricted interest | 1,103 | 333 |
| General receipts: | | |
| Property tax, including tax increment financing | 3,329 | 3,098 |
| Local option sales tax | 751 | 772 |
| Unrestricted interest on investments | 105 | 96 |
| Bond/note proceeds, net of discount | 6,436 | 1,287 |
| Sale of property | 7 | - |
| Transfers, net | 228 | 41 |
| Total receipts and transfers | 13,395 | 7,127 |
| Disbursements: | | |
| Public safety | 1,454 | 1,134 |
| Public works | 561 | 620 |
| Health and social services | 81 | 78 |
| Culture and recreation | 1,211 | 1,123 |
| Community and economic development | 418 | 316 |
| General government | 259 | 237 |
| Debt service | 1,431 | 1,382 |
| Capital projects | 2,851 | 3,283 |
| Total disbursements | 8,266 | 8,173 |
| Increase (decrease) in cash basis net assets | 5,129 | (1,046) |
| Cash basis net assets beginning of year | 4,696 | 5,742 |
| Cash basis net assets end of year | \$ 9,825 | 4,696 |



The City's total receipts and transfers for governmental activities increased 87.95%, or approximately \$6,268,000. Charges for services decreased \$53,749. Capital grants increased \$770,000, primarily due to federal funds received for the 6th Street projects, and bond/note proceeds increased \$5,149,000 for the City Hall/Public Safety Facility. The total cost of all programs and services increased approximately \$93,000, or 1.14%. Capital project disbursements decreased \$432,000 and public safety disbursements increased \$320,000, primarily due to the final payment on the platform truck. Community and economic development disbursements increased \$102,000 due to development agreements.

The City held property tax rates for fiscal year 2007 at \$14.87874 per \$1,000 of taxable valuation compared to the 2006 rate of \$14.88108 per \$1,000 of taxable valuation. The City's property tax rates have not increased significantly in eleven years. The tax increment valuation has increased steadily for the last nine years, from \$15,797,290 to the current \$49,845,673.

The cost of all governmental activities this year was \$8,265,835. However, as shown in the Statement of Activities and Net Assets on pages 16-17, the amount taxpayers ultimately financed for these activities was only \$5,727,929 because some of the cost was paid by those directly benefiting from the programs (\$592,541) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,945,365). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service were \$2,537,906. The City paid for the remaining "public benefit" portion of governmental activities with \$5,727,929 in tax (some of which could only be used for certain programs) and with other receipts, such as interest, general entitlements and note proceeds.

Business Activities

Total business type activities receipts for fiscal year 2007 were \$3,621,639. Receipts decreased from the previous year due to receiving less State Revolving Loan Funds since the construction of the water treatment plant was completed. Total business type activities disbursements for the 2007 fiscal year were \$3,244,660, compared to \$6,756,213 last year. The disbursements decreased in the water utility due to the completion of the water treatment plant and decreased in the sewer utility as fewer repairs were needed. The Sanitation Utility, established in July 2005, showed no appreciable change in balance. The total cash balance decreased \$151,037 from the prior year.

| Changes in Cash Basis Net Assets of Business Type Activities | | |
|--|---------------------|---------------|
| (Expressed in Thousands) | | |
| | Year ended June 30, | |
| | 2007 | 2006 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service | \$ 2,775 | 2,420 |
| Capital grants, contributions and restricted interest | 102 | 66 |
| Unrestricted interest on investments | 204 | 153 |
| Bond proceeds | 241 | 8,475 |
| Total receipts | <u>3,322</u> | <u>11,114</u> |
| Disbursements and transfers: | | |
| Water | 2,263 | 5,720 |
| Sewer | 911 | 966 |
| Sanitation | 71 | 70 |
| Transfers, net | 228 | 41 |
| Total disbursements and transfers | <u>3,473</u> | <u>6,797</u> |
| Increase (decrease) in cash basis net assets | (151) | 4,317 |
| Cash basis net assets beginning of year | <u>5,502</u> | <u>1,185</u> |
| Cash basis net assets end of year | <u>\$ 5,351</u> | <u>5,502</u> |

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$9,824,390.

- The General Fund (General, Hotel/Motel and General Capital Revolving) cash balance decreased \$82,425 from the prior year to \$1,761,483.
- The Special Revenue, Road Use Tax Fund cash balance increased \$26,128 to \$515,376 during the fiscal year, primarily due to a transfer from the Special Revenue, Local Option Sales and Services Tax Fund.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance decreased \$327,981 to \$495,850 during the fiscal year. The decrease was primarily due to transfers out for the Fire Department and Library.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$305,535 at the end of the fiscal year, a decrease of \$499,337 from the previous year. The decrease was primarily due to transfers out for certain capital projects.
- The Debt Service Fund cash balance increased \$274,391 to \$482,386 during the fiscal year. Several small street projects financed primarily by special assessments were completed and are scheduled for payment in fiscal year 2008.
- The Capital Projects Fund began the year with a cash balance of \$108,076 and ended with a balance of \$5,797,908, an increase of \$5,689,832. This fund balance fluctuates greatly between years due to projects and funding. The interim financing for the City Hall/Public Safety Facility was received in late June 2007 and will be used during fiscal year 2008.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$244,916, from \$3,139,490 to \$2,895,294.
- The Sewer Fund cash balance increased \$93,471 to \$2,454,723. Several large maintenance/repair projects are scheduled in fiscal year 2008.
- The Sanitation Fund cash balance decreased \$957 to \$652.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on November 13, 2006 and resulted in an increase in operating disbursements of \$2,090,362 for the City Hall/Public Safety Facility project and the completion of the water treatment plant. The second amendment was approved on May 14, 2007, increasing operating disbursements by \$1,223,163 to provide for projects such as the Library roof replacement, the 2007 pavement joint/crack seal project, the 2007 PCC full depth patch program and the City Hall asbestos removal, demolition and utilities installation.

The City’s receipts were \$1,266,233 less than budgeted, a variance of 12%. The most significant variance resulted from the City budgeting for more State Revolving Fund Loan proceeds than actually drawn down. The majority of these funds were received in fiscal year 2006.

Total disbursements were less than budgeted by \$2,469,686, due primarily to the City’s budget for capital projects. The City budgeted in anticipation of disbursing more for the City Hall/Public Safety Facility Project, the 2007 pavement joint/crack seal project and the 2007 PCC full depth patch program.

DEBT ADMINISTRATION

On June 30, 2007, the City had \$18,491,765 in outstanding bonds and other long term debt, compared to \$13,389,770 last year, as shown below.

| | Outstanding Debt at Year-End | |
|--|------------------------------|-------------------|
| | June 30, | |
| | 2007 | 2006 |
| General obligation notes: | | |
| 4/1/2002-Gates Hall Remodeling - \$770,000 | \$ 550,000 | 600,000 |
| 4/1/2003-Streets GO Corporate Purpose - \$1,200,000 | - | 245,000 |
| 8/15/2004-WWT and Airport Road - \$1,035,000 | 265,000 | 530,000 |
| 7/1/2005-Lincoln Highway/600th Avenue Turn Lanes - \$1,545,000 | 1,345,000 | 1,545,000 |
| Urban renewal tax increment revenue bonds: | | |
| 10/1/1999-Nevada Business Park - \$1,130,000 | 400,000 | 520,000 |
| 4/1/2002-Lincoln Highway II - \$720,000 | 405,000 | 475,000 |
| 11/1/2003-W. Industrial Park Storm Sewer - \$850,000 | - | 190,000 |
| Local option sales and services tax revenue bonds: | | |
| 8/1/2001-SCORE Park Grading/Maint Bldg. - \$1,000,000 | 450,000 | 550,000 |
| Revenue bonds and notes: | | |
| 1/3/1995-Sewer Revolving - \$1,114,000 | 505,000 | 565,000 |
| 1/14/2005-Water - \$8,438,000 | 8,096,765 | 8,169,770 |
| Anticipation project notes: | | |
| 6/26/2007-Urban renewal tax increment revenue bond - \$6,475,000 | 6,475,000 | - |
| Total | <u>\$ 18,491,765</u> | <u>13,389,770</u> |

On June 26, 2007, the City issued new debt of \$6,475,000. No principal payment will be made until 2009.

Debt increased by \$5,101,995 as a result of payments on principal of existing debt of \$1,614,000 and the issuance of the anticipation notes for the City Hall/Public Safety Facility of \$6,475,000 and the \$240,995 of bond proceeds drawn down to pay for the water plant and tower construction project. 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 (\$279,510,699 x 5% = \$13,975,535). The City's outstanding general obligation debt of \$9,897,668 is significantly below its constitutional debt limit of \$13,975,535.

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 2008 budget, tax rates and fees charged for various City activities.

The City's taxable valuation increased \$1,238,630 between fiscal years 2007 and 2008 (\$127,428,159 - \$126,189,529), resulting in an increase in General Fund tax of \$11,332. The actual assessed valuation increased from \$279,210,699 in fiscal year 2007 to \$297,793,005 in fiscal year 2008.

Tax increment financing collections are budgeted to increase in fiscal year 2008 by \$444,420 from \$1,271,137 in 2007 to \$1,715,557. This increase in funds will be used to pay for debt incurred by the issuance of the bonds for Lincoln Highway/600th Avenue Turn Lanes, Nevada Business Park Improvements and the City Hall/Public Safety Facility. Funds are also needed to pay for development agreements.

The City's expected receipts for fiscal year 2008 are \$16,373,353 as opposed to fiscal year 2007 amended budgeted receipts of \$10,988,591 (includes bond proceeds for the City Hall/Public Safety Facility).

The City's disbursements are expected to increase from \$13,903,142 in fiscal year 2007 to \$14,960,181 in fiscal year 2008, primarily due to the construction of the City Hall/Public Safety Facility.

If these estimates are realized, the City's budgeted cash balance is expected to increase by \$1,413,172 by the close of 2008.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City of Nevada

Basic Financial Statements

City of Nevada

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2007

| | Disbursements | Program Receipts | | |
|--|----------------------|---------------------|---|---|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Functions/Programs: | | | | |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 1,454,032 | 146,765 | 58,873 | 3,197 |
| Public works | 561,174 | 2,822 | 572,840 | 15,347 |
| Health and social services | 81,400 | - | - | - |
| Culture and recreation | 1,210,775 | 393,972 | 76,017 | 3,935 |
| Community and economic development | 417,800 | 3,726 | 39,493 | - |
| General government | 258,716 | 43,367 | 8,368 | 33,377 |
| Debt service | 1,430,663 | - | 84,912 | 33,229 |
| Capital projects | 2,851,275 | 1,889 | 2,281 | 1,013,496 |
| Total governmental activities | 8,265,835 | 592,541 | 842,784 | 1,102,581 |
| Business type activities: | | | | |
| Water | 2,263,363 | 1,628,034 | - | 51,474 |
| Sewer | 910,776 | 1,077,041 | - | 50,340 |
| Sanitation | 70,521 | 69,562 | - | - |
| Total business type activities | 3,244,660 | 2,774,637 | - | 101,814 |
| Total Primary Government | \$ 11,510,495 | 3,367,178 | 842,784 | 1,204,395 |
| Component Unit: | | | | |
| Nevada Economic Development Council | \$ 194,568 | 23,191 | 106,895 | - |
| General Receipts: | | | | |
| Property and other city tax levied for: | | | | |
| General purposes | | | | |
| Tax increment financing | | | | |
| Debt service | | | | |
| Local option sales tax | | | | |
| Unrestricted interest on investments | | | | |
| Bond and note proceeds, net of \$38,850 discount | | | | |
| Sale of property | | | | |
| Transfers | | | | |
| Total general receipts and transfers | | | | |
| Change in cash basis net assets | | | | |
| Cash basis net assets beginning of year | | | | |
| Cash basis net assets end of year | | | | |
| Cash Basis Net Assets | | | | |
| Restricted: | | | | |
| Streets | | | | |
| Urban renewal purposes | | | | |
| Debt service | | | | |
| Other purposes | | | | |
| Unrestricted | | | | |
| Total cash basis net assets | | | | |

See notes to financial statements.

| Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | | |
|--|-----------------------------|-------------|--|
| Primary Government | | | Component Unit |
| Governmental Activities | Business Type Activities | Total | Nevada Economic Development Council |
| (1,245,197) | - | (1,245,197) | - |
| 29,835 | - | 29,835 | - |
| (81,400) | - | (81,400) | - |
| (736,851) | - | (736,851) | - |
| (374,581) | - | (374,581) | - |
| (173,604) | - | (173,604) | - |
| (1,312,522) | - | (1,312,522) | - |
| (1,833,609) | - | (1,833,609) | - |
| (5,727,929) | - | (5,727,929) | - |
| - | (583,855) | (583,855) | - |
| - | 216,605 | 216,605 | - |
| - | (959) | (959) | - |
| - | (368,209) | (368,209) | - |
| (5,727,929) | (368,209) | (6,096,138) | - |
| - | - | - | (64,482) |
| 1,590,778 | - | 1,590,778 | - |
| 1,284,881 | - | 1,284,881 | - |
| 453,487 | - | 453,487 | - |
| 751,479 | - | 751,479 | - |
| 104,924 | 204,193 | 309,117 | - |
| 6,436,150 | 240,995 | 6,677,145 | - |
| 7,000 | - | 7,000 | 49,829 |
| 228,016 | (228,016) | - | - |
| 10,856,715 | 217,172 | 11,073,887 | 49,829 |
| 5,128,786 | (151,037) | 4,977,749 | (14,653) |
| 4,695,912 | 5,502,079 | 10,197,991 | 383,376 |
| \$ 9,824,698 | 5,351,042 | 15,175,740 | 368,723 |
| \$ 515,376 | - | 515,376 | - |
| 69,535 | - | 69,535 | - |
| 818,386 | 971,816 | 1,790,202 | - |
| 6,659,610 | - | 6,659,610 | - |
| 1,761,791 | 4,379,226 | 6,141,017 | 368,723 |
| \$ 9,824,698 | 5,351,042 | 15,175,740 | 368,723 |

City of Nevada

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

As of and for the year ended June 30, 2007

| | Special Revenue | | | |
|---|---------------------|--------------------|---|-----------------------------------|
| | General | Road Use Tax | Local Option Sales and Services Tax | Urban Renewal Tax Increment |
| Receipts: | | | | |
| Property tax | \$ 1,152,375 | - | - | - |
| Tax increment financing | - | - | - | 1,284,881 |
| Other city tax | 66,189 | - | 751,479 | - |
| Licenses and permits | 95,505 | - | - | - |
| Use of money and property | 187,564 | 3,140 | 20,890 | 45,691 |
| Intergovernmental | 119,950 | 567,117 | - | - |
| Charges for service | 242,949 | - | - | - |
| Special assessments | - | - | - | - |
| Miscellaneous | 112,022 | - | - | - |
| Total receipts | 1,976,554 | 570,257 | 772,369 | 1,330,572 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | 1,347,394 | 20,365 | 7,112 | - |
| Public works | 1,904 | 548,764 | 10,640 | - |
| Health and social services | - | - | 81,400 | - |
| Culture and recreation | 1,168,157 | - | 14,191 | - |
| Community and economic development | 106,154 | - | 88,706 | 209,912 |
| General government | 249,867 | - | 8,991 | - |
| Debt service | - | - | 127,950 | 437,350 |
| Capital projects | - | - | - | - |
| Total disbursements | 2,873,476 | 569,129 | 338,990 | 647,262 |
| Excess (deficiency) of receipts over (under) disbursements | (896,922) | 1,128 | 433,379 | 683,310 |
| Other financing sources (uses): | | | | |
| Note proceeds, net of \$38,850 discount | - | - | - | - |
| Sale of capital assets | 7,000 | - | - | - |
| Operating transfers in | 887,582 | 25,000 | - | 27,377 |
| Operating transfers out | (80,085) | - | (761,360) | (1,210,024) |
| Total other financing sources (uses) | 814,497 | 25,000 | (761,360) | (1,182,647) |
| Net change in cash balances | (82,425) | 26,128 | (327,981) | (499,337) |
| Cash balances beginning of year | 1,843,908 | 489,248 | 823,831 | 804,872 |
| Cash balances end of year | \$ 1,761,483 | 515,376 | 495,850 | 305,535 |
| Cash Basis Fund Balances | | | | |
| Reserved for debt service | \$ - | - | 100,000 | 236,000 |
| Unreserved: | | | | |
| General fund | 1,761,483 | - | - | - |
| Special revenue funds | - | 515,376 | 395,850 | 69,535 |
| Capital projects fund | - | - | - | - |
| Permanent funds | - | - | - | - |
| Total cash basis fund balances | \$ 1,761,483 | 515,376 | 495,850 | 305,535 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|-----------------|---------------------|-----------|-------------|
| 437,683 | - | 355,500 | 1,945,558 |
| - | - | - | 1,284,881 |
| 15,804 | - | 16,714 | 850,186 |
| - | - | - | 95,505 |
| 39,221 | 13,891 | 33,436 | 343,833 |
| - | 484,605 | 53,126 | 1,224,798 |
| - | 1,889 | 4,417 | 249,255 |
| 33,229 | - | - | 33,229 |
| - | 517,281 | 66,907 | 696,210 |
| 525,937 | 1,017,666 | 530,100 | 6,723,455 |
| - | - | 79,572 | 1,454,443 |
| - | - | - | 561,308 |
| - | - | - | 81,400 |
| - | - | 29,605 | 1,211,953 |
| - | - | 13,051 | 417,823 |
| - | - | - | 258,858 |
| 865,363 | - | - | 1,430,663 |
| - | 2,851,275 | - | 2,851,275 |
| 865,363 | 2,851,275 | 122,228 | 8,267,723 |
| (339,426) | (1,833,609) | 407,872 | (1,544,268) |
| - | 6,436,150 | - | 6,436,150 |
| - | - | - | 7,000 |
| 613,817 | 1,114,668 | 22,700 | 2,691,144 |
| - | (27,377) | (384,282) | (2,463,128) |
| 613,817 | 7,523,441 | (361,582) | 6,671,166 |
| 274,391 | 5,689,832 | 46,290 | 5,126,898 |
| 207,995 | 108,076 | 419,562 | 4,697,492 |
| 482,386 | 5,797,908 | 465,852 | 9,824,390 |
| 482,386 | - | - | 818,386 |
| - | - | - | 1,761,483 |
| - | - | 360,181 | 1,340,942 |
| - | 5,797,908 | - | 5,797,908 |
| - | - | 105,671 | 105,671 |
| 482,386 | 5,797,908 | 465,852 | 9,824,390 |

City of Nevada

City of Nevada

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

As of and for the year ended June 30, 2007

Total governmental funds cash balances (page 19) \$ 9,824,390

***Amounts reported for governmental activities in the Statement of
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

308

Cash basis net assets of governmental activities (page 17) \$ 9,824,698

Net change in cash balances (page 19) \$ 5,126,898

***Amounts reported for governmental activities in the Statement of
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

1,888

Change in cash basis net assets of governmental activities (page 17) \$ 5,128,786

See notes to financial statements.

Exhibit D

City of Nevada

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

As of and for the year ended June 30, 2007

| | Enterprise | | | | Internal Service |
|--|---------------------|------------------|---------------|--------------------|----------------------|
| | Water | Sewer | Sanitation | Total | Flexible Benefits |
| Operating receipts: | | | | | |
| Use of money and property | \$ 9,847 | - | - | 9,847 | - |
| Charges for service | 1,510,195 | 1,098,803 | 68,955 | 2,677,953 | 35,890 |
| Miscellaneous | 107,992 | 26,106 | 607 | 134,705 | - |
| Total operating receipts | <u>1,628,034</u> | <u>1,124,909</u> | <u>69,562</u> | <u>2,822,505</u> | <u>35,890</u> |
| Operating disbursements: | | | | | |
| Governmental activities: | | | | | |
| Public safety | - | - | - | - | 5,411 |
| Public works | - | - | - | - | 1,766 |
| Culture and recreation | - | - | - | - | 15,509 |
| Community and economic development | - | - | - | - | 300 |
| General government | - | - | - | - | 1,874 |
| Business type activities | 859,576 | 833,691 | 70,521 | 1,763,788 | 8,497 |
| Total operating disbursements | <u>859,576</u> | <u>833,691</u> | <u>70,521</u> | <u>1,763,788</u> | <u>33,357</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | <u>768,458</u> | <u>291,218</u> | <u>(959)</u> | <u>1,058,717</u> | <u>2,533</u> |
| Non-operating receipts (disbursements): | | | | | |
| Interest on investments | 150,636 | 107,501 | 2 | 258,139 | - |
| Construction of plant and tower | (819,696) | - | - | (819,696) | - |
| Debt service | (584,589) | (77,232) | - | (661,821) | - |
| Total non-operating receipts (disbursements) | <u>(1,253,649)</u> | <u>30,269</u> | <u>2</u> | <u>(1,223,378)</u> | <u>-</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(485,191)</u> | <u>321,487</u> | <u>(957)</u> | <u>(164,661)</u> | <u>2,533</u> |
| Other financing sources (uses): | | | | | |
| Bond proceeds | 240,995 | - | - | 240,995 | - |
| Operating transfers out | - | (228,016) | - | (228,016) | - |
| Total other financing sources (uses) | <u>240,995</u> | <u>(228,016)</u> | <u>-</u> | <u>12,979</u> | <u>-</u> |
| Net change in cash balances | (244,196) | 93,471 | (957) | (151,682) | 2,533 |
| Cash balances beginning of year | <u>3,139,490</u> | <u>2,361,252</u> | <u>1,609</u> | <u>5,502,351</u> | <u>(1,852)</u> |
| Cash balances end of year | <u>\$ 2,895,294</u> | <u>2,454,723</u> | <u>652</u> | <u>5,350,669</u> | <u>681</u> |
| Cash Basis Fund Balances | | | | | |
| Reserved for debt service | \$ - | 971,816 | - | 971,816 | - |
| Unreserved | <u>2,895,294</u> | <u>1,482,907</u> | <u>652</u> | <u>4,378,853</u> | <u>681</u> |
| Total cash basis fund balances | <u>\$ 2,895,294</u> | <u>2,454,723</u> | <u>652</u> | <u>5,350,669</u> | <u>681</u> |

See notes to financial statements.

City of Nevada

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

As of and for the year ended June 30, 2007

Total enterprise funds cash balances (page 22) \$ 5,350,669

***Amounts reported for business type activities in the Statement of
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

373

Cash basis net assets of business type activities (page 17) \$ 5,351,042

Net change in cash balances (page 22) \$ (151,682)

***Amounts reported for business type activities in the Statement of
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

645

Change in cash basis net assets of business type activities (page 17) \$ (151,037)

See notes to financial statements.

City of Nevada

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Discretely Presented Component Unit – The Nevada Economic Development Council (NEDC) is presented in a separate column to emphasize it is legally separate from the City, but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The NEDC is governed by a thirteen-member board. There are four standing board positions and nine members are elected at-large. The NEDC's operating budget is subject to the approval of the City Council.

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

Jointly Governed Organizations

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

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

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

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

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account 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 Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund is used to account for the solid waste collection fees and payments to the City of Ames under the Contract and Agreement for Use and Support of a Solid Waste Reclamation, Recycling and Disposal System.

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the contributions made to the flexible benefits plan by City employees and the subsequent reimbursement for eligible claims (administered by Wellmark).

C. Measurement Focus and Basis of Accounting

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

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 assets 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.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted by function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2007, the City's investments were common stock with a carrying amount and fair value of \$256,614. The stock was donated to the City during the year ended June 30, 2007 and the City has started selling the stock.

Concentration of credit risk. The City's investment policy specifies no more than 5 percent of the City's investments may be invested in any one issuer. More than 5 percent of the City's investments are in common stock. The City's investment in common stock is 100 percent of the City's total investments.

(3) Bonds and Notes Payable

On June 26, 2007, the City issued \$6,475,000 of urban renewal tax increment revenue bond anticipation project notes, with an interest rate of 4.00% per annum. The notes were issued for the purpose of paying the cost of planning, undertaking and carrying out an urban renewal project within the Nevada Urban Renewal Area, consisting of constructing, equipping and furnishing the City Hall and Public Safety Facility.

Annual debt service requirements to maturity for general obligation notes, urban renewal tax increment revenue bonds, local option sales and services tax revenue bonds, revenue bonds for which a final repayment schedule has been adopted and anticipation project notes are as follows:

| Year Ending June 30, | General Obligation Notes | | Urban Renewal Tax Increment Revenue Bonds | | Local Option Sales and Services | | | | Anticipation Project Notes | | Total | |
|----------------------------|-----------------------------|----------|---|----------|------------------------------------|----------|---------------|----------|-------------------------------|----------|------------|-----------|
| | | | | | Tax Revenue Bonds | | Revenue Bonds | | Principal | Interest | Principal | Interest |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | | | | |
| 2008 | \$ 260,000 | 82,510 | 200,000 | 41,696 | 105,000 | 22,750 | 65,000 | 15,150 | - | 370,514 | 630,000 | 532,620 |
| 2009 | 365,000 | 73,880 | 210,000 | 31,570 | 110,000 | 17,605 | 65,000 | 13,200 | 6,475,000 | 129,500 | 7,225,000 | 265,755 |
| 2010 | 240,000 | 61,342 | 220,000 | 20,703 | 115,000 | 12,105 | 70,000 | 11,250 | - | - | 645,000 | 105,400 |
| 2011 | 250,000 | 52,598 | 85,000 | 9,103 | 120,000 | 6,240 | 70,000 | 9,150 | - | - | 525,000 | 77,091 |
| 2012 | 260,000 | 43,197 | 90,000 | 4,725 | - | - | 75,000 | 7,050 | - | - | 425,000 | 54,972 |
| 2013 - 2016 | 785,000 | 73,323 | - | - | - | - | 160,000 | 7,200 | - | - | 945,000 | 80,523 |
| Total | \$2,160,000 | 386,850 | 805,000 | 107,797 | 450,000 | 58,700 | 505,000 | 63,000 | 6,475,000 | 500,014 | 10,395,000 | 1,116,361 |

The urban renewal tax increment revenue bonds were issued for the purpose of planning, undertaking and carrying out an urban renewal project within the Nevada Urban Renewal Area, consisting of the construction of the Nevada Business Park Project and the Lincoln Highway Phase II Project. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds can only be expended for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The local option sales and services tax revenue bonds were issued for the purpose of paying the costs associated with grading, storm sewer improvements and the construction of a maintenance facility at the Nevada Recreation/Athletic Complex. The bonds are payable solely from the income and proceeds of the Special Revenue, Local Option Sales and Services Tax Fund and the taxes to be paid into the fund in accordance with Chapter 422B of the Code of Iowa. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the revenue bonds include 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 funds.
- (b) Sufficient monthly transfers shall be made to separate sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) A total of \$238,375 shall be set aside in a sewer revenue reserve account. This account is restricted for the purpose of paying the principal and interest on the bonds whenever the funds in the sinking accounts are insufficient.
- (d) All funds remaining in the sewer accounts after making the required transfers shall be placed in a sewer revenue surplus account. As long as the sinking and reserve accounts have the full amounts required to be deposited, the balance in the surplus account may be made available to the City as the Council may direct.

On January 14, 2005, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$8,438,000 of water revenue bonds with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay the cost of constructing improvements and extensions to the water treatment plant. The City will draw down funds from the Trustee upon request to reimburse the City for costs as they are incurred. At June 30, 2007, the City had drawn \$8,326,465 of the authorized amount. An initiation fee of 1% of the authorized borrowing for the water revenue bonds was charged by Wells Fargo Bank Iowa, N.A. The total initiation fee was withheld by the bank from the first proceeds of the water revenue bonds drawn by the City during the year ended June 30, 2006. Since the City has not fully drawn funds on the water revenue bonds, a final repayment schedule has not yet been adopted. However, during fiscal year 2007, the City began making principal and interest payments under the preliminary repayment schedule. As of June 30, 2007, the City had paid \$314,000 of principal and \$249,494 of interest.

The resolution providing for the issuance of the water revenue 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 for the purpose of making the bond principal and interest payments when due.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$104,793, \$99,236 and \$92,972, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. City employees may also accumulate earned but unused sick leave hours for subsequent use or for payment upon retirement or death, up to a maximum of \$1,500. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

| Type of Benefit | Amount |
|-------------------|-------------------|
| Vacation | \$ 151,000 |
| Compensatory time | <u>26,000</u> |
| Total | <u>\$ 177,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2007.

(6) Contractual Commitments

The City entered into various construction contracts totaling approximately \$17,972,000. The unpaid contract balances as of June 30, 2007 totaled approximately \$6,492,000, which will be paid as work on the projects progresses.

The City also entered into a contract with the Nevada Economic Development Council to provide financial assistance of \$80,000 for fiscal year 2007.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

| Transfer to | Transfer from | Amount |
|-----------------------------|-------------------------------------|---------------------|
| General | Special Revenue: | |
| | Local Option Sales and Services Tax | \$ 507,000 |
| | Employee Benefits | 344,858 |
| | Emergency | 35,724 |
| | | <u>887,582</u> |
| Special Revenue: | Special Revenue: | |
| Road Use Tax | Local Option Sales and Services Tax | 25,000 |
| Urban Renewal Tax Increment | Capital Projects | 27,377 |
| | Special Revenue: | |
| Fire Trust | Local Option Sales and Services Tax | 5,000 |
| Gates Hall Trust | Cemetery Memorials | 3,700 |
| Trail Maintenance | Local Option Sales and Services Tax | 10,000 |
| Trees Forever | Local Option Sales and Services Tax | 4,000 |
| | | <u>75,077</u> |
| Debt Service | General | 80,085 |
| | Special Revenue: | |
| | Urban Renewal Tax Increment | 305,716 |
| | Enterprise: | |
| | Sewer | 228,016 |
| | | <u>613,817</u> |
| Capital Projects | Special Revenue: | |
| | Local Option Sales and Services Tax | 210,360 |
| | Urban Renewal Tax Increment | 904,308 |
| | | <u>1,114,668</u> |
| Total | | <u>\$ 2,691,144</u> |

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

(8) Industrial Development Revenue Bonds

The City has issued a total of \$2,363,229 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,654,349 is outstanding at June 30, 2007. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(9) Landfill Contract

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15th of each year, the City of Ames will notify the City of 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 15th and one-half on or before December 15th of each year. The annual rate of the contract is determined by multiplying the net per capita cost of the Ames solid waste disposal system by the population of the City of Nevada.

(10) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 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 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 due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2007 were \$118,449.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

(11) 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 tax paid by the developer in exchange for the construction or improvements of buildings. Certain agreements also require the developer to certify specific employment requirements are met. The total to be paid by the City under the agreements is not to exceed \$442,547.

The City rebated \$66,448 during fiscal year 2007 for a total of \$434,879 of incremental tax under the agreements. The outstanding balance of the agreements at June 30, 2007 was \$7,668.

Certain agreements state the City will rebate a percentage of property taxes owed by the business. These agreements are not reflected in the amount above due to property assessments changing each year.

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2007

| | Governmental Funds Actual | Proprietary Funds Actual | Less Funds not Required to be Budgeted |
|---|---------------------------------|--------------------------------|---|
| Receipts: | | | |
| Property tax | \$ 1,945,558 | - | - |
| Tax increment financing | 1,284,881 | - | - |
| Other city tax | 850,186 | - | - |
| Licenses and permits | 95,505 | - | - |
| Use of money and property | 343,833 | 267,986 | 1,312 |
| Intergovernmental | 1,224,798 | - | 40,280 |
| Charges for service | 249,255 | 2,713,843 | 35,890 |
| Special assessments | 33,229 | - | - |
| Miscellaneous | 696,210 | 134,705 | 40,149 |
| Total receipts | <u>6,723,455</u> | <u>3,116,534</u> | <u>117,631</u> |
| Disbursements: | | | |
| Public safety | 1,454,443 | 5,411 | 84,983 |
| Public works | 561,308 | 1,766 | 1,766 |
| Health and social services | 81,400 | - | - |
| Culture and recreation | 1,211,953 | 15,509 | 15,509 |
| Community and economic development | 417,823 | 300 | 300 |
| General government | 258,858 | 1,874 | 1,874 |
| Debt service | 1,430,663 | - | - |
| Capital projects | 2,851,275 | - | - |
| Business type activities | - | 3,253,802 | 8,497 |
| Total disbursements | <u>8,267,723</u> | <u>3,278,662</u> | <u>112,929</u> |
| Excess (deficiency) of receipts over (under) disbursements | (1,544,268) | (162,128) | 4,702 |
| Other financing sources, net | 6,671,166 | 12,979 | - |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 5,126,898 | (149,149) | 4,702 |
| Balances beginning of year | 4,697,492 | 5,500,499 | 54,973 |
| Balances end of year | <u>\$ 9,824,390</u> | <u>5,351,350</u> | <u>59,675</u> |

See accompanying independent auditor's report.

| Net | Budgeted Amounts | | Final to Net Variance |
|-------------------|-------------------|-------------------|-----------------------|
| | Original | Final | |
| 1,945,558 | 1,918,382 | 1,918,382 | 27,176 |
| 1,284,881 | 1,271,137 | 1,271,137 | 13,744 |
| 850,186 | 711,923 | 711,923 | 138,263 |
| 95,505 | 55,825 | 55,825 | 39,680 |
| 610,507 | 199,980 | 199,980 | 410,527 |
| 1,184,518 | 3,634,761 | 3,666,261 | (2,481,743) |
| 2,927,208 | 2,851,508 | 2,851,508 | 75,700 |
| 33,229 | - | - | 33,229 |
| 790,766 | 312,295 | 313,575 | 477,191 |
| <u>9,722,358</u> | <u>10,955,811</u> | <u>10,988,591</u> | <u>(1,266,233)</u> |
| 1,374,871 | 1,572,317 | 1,609,619 | 234,748 |
| 561,308 | 630,199 | 630,199 | 68,891 |
| 81,400 | 82,400 | 82,400 | 1,000 |
| 1,211,953 | 1,215,084 | 1,229,294 | 17,341 |
| 417,823 | 255,529 | 489,667 | 71,844 |
| 258,858 | 335,562 | 345,337 | 86,479 |
| 1,430,663 | 1,430,665 | 1,430,665 | 2 |
| 2,851,275 | 2,203,000 | 4,303,000 | 1,451,725 |
| 3,245,305 | 2,864,861 | 3,782,961 | 537,656 |
| <u>11,433,456</u> | <u>10,589,617</u> | <u>13,903,142</u> | <u>2,469,686</u> |
| (1,711,098) | 366,194 | (2,914,551) | 1,203,453 |
| <u>6,684,145</u> | <u>-</u> | <u>-</u> | <u>6,684,145</u> |
| 4,973,047 | 366,194 | (2,914,551) | 7,887,598 |
| <u>10,143,018</u> | <u>4,694,769</u> | <u>10,441,171</u> | <u>(298,153)</u> |
| <u>15,116,065</u> | <u>5,060,963</u> | <u>7,526,620</u> | <u>7,589,445</u> |

City of Nevada

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information 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 blended component units and the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$3,313,525. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements did not exceed the amount budgeted by function.

Other Supplementary Information

City of Nevada

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

As of and for the year ended June 30, 2007

| | Employee | | Cemetery | | Library | Fire | S.C.O.R.E. | Special |
|---|------------|-----------|-----------|------------|---------|-------|--------------|----------------------------|
| | Benefits | Emergency | Cemetery | Foundation | Trust | Trust | Undesignated | S.C.O.R.E. |
| | | | Memorials | Trust | | | | Operation & Maintenance |
| Receipts: | | | | | | | | |
| Property tax | \$ 322,130 | 33,370 | - | - | - | - | - | - |
| Other city tax | 15,145 | 1,569 | - | - | - | - | - | - |
| Use of money and property | 7,583 | 785 | 144 | 1 | 4,982 | 307 | 8 | 222 |
| Intergovernmental | - | - | - | - | 12,846 | - | - | - |
| Charges for service | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | 13,782 | 1,487 | 250 | - |
| Total receipts | 344,858 | 35,724 | 144 | 1 | 31,610 | 1,794 | 258 | 222 |
| Disbursements: | | | | | | | | |
| Public safety | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | 23,388 | - | - | - |
| Community and economic development | - | - | - | - | - | 1,235 | - | - |
| Total disbursements | - | - | - | - | 23,388 | 1,235 | - | - |
| Excess (deficiency) of receipts over (under) disbursements | 344,858 | 35,724 | 144 | 1 | 8,222 | 559 | 258 | 222 |
| Other financing sources (uses): | | | | | | | | |
| Operating transfers in | - | - | - | - | - | 5,000 | - | - |
| Operating transfers out | (344,858) | (35,724) | (3,700) | - | - | - | - | - |
| Total other financing sources (uses) | (344,858) | (35,724) | (3,700) | - | - | 5,000 | - | - |
| Net change in cash balances | - | - | (3,556) | 1 | 8,222 | 5,559 | 258 | 222 |
| Cash balances beginning of year | - | - | 5,995 | 21 | 108,051 | 1,707 | - | 4,655 |
| Cash balances end of year | \$ - | - | 2,439 | 22 | 116,273 | 7,266 | 258 | 4,877 |
| Cash Basis Fund Balances | | | | | | | | |
| Unreserved: | | | | | | | | |
| Special revenue funds | \$ - | - | 2,439 | 22 | 116,273 | 7,266 | 258 | 4,877 |
| Permanent funds | - | - | - | - | - | - | - | - |
| Total cash basis fund balances | \$ - | - | 2,439 | 22 | 116,273 | 7,266 | 258 | 4,877 |

See accompanying independent auditor's report.

| Revenue | | | | | | | | | | Permanent | | Total |
|------------------|------------------|---------------------------------|-------------------------|-------------------|---------------|-------------------|----------------------------------|-------------------------|-------------------------|--------------------------|---|-----------|
| Gates Hall Trust | Gates Hall Piano | Parks and Recreation Open Space | Columbarium Maintenance | Trail Maintenance | Trees Forever | Police Forfeiture | Nevada Firefighters Incorporated | Nevada First Responders | Cemetery Perpetual Care | Parks Planting (Hattery) | | |
| - | - | - | - | - | - | - | - | - | - | - | - | 355,500 |
| - | - | - | - | - | - | - | - | - | - | - | - | 16,714 |
| - | 823 | 16,003 | 31 | 364 | 406 | 465 | 526 | 786 | - | - | - | 33,436 |
| - | - | - | - | - | - | - | 23,075 | 17,205 | - | - | - | 53,126 |
| - | - | 554 | 120 | - | - | - | - | - | 3,743 | - | - | 4,417 |
| - | - | 39 | - | - | 11,200 | - | 14,729 | 25,420 | - | - | - | 66,907 |
| - | 823 | 16,596 | 151 | 364 | 11,606 | 465 | 38,330 | 43,411 | 3,743 | - | - | 530,100 |
| - | - | - | - | - | - | - | 41,728 | 37,844 | - | - | - | 79,572 |
| - | 432 | 3,165 | - | 2,620 | - | - | - | - | - | - | - | 29,605 |
| - | - | - | - | - | 11,816 | - | - | - | - | - | - | 13,051 |
| - | 432 | 3,165 | - | 2,620 | 11,816 | - | 41,728 | 37,844 | - | - | - | 122,228 |
| - | 391 | 13,431 | 151 | (2,256) | (210) | 465 | (3,398) | 5,567 | 3,743 | - | - | 407,872 |
| 3,700 | - | - | - | 10,000 | 4,000 | - | - | - | - | - | - | 22,700 |
| - | - | - | - | - | - | - | - | - | - | - | - | (384,282) |
| 3,700 | - | - | - | 10,000 | 4,000 | - | - | - | - | - | - | (361,582) |
| 3,700 | 391 | 13,431 | 151 | 7,744 | 3,790 | 465 | (3,398) | 5,567 | 3,743 | - | - | 46,290 |
| 80,000 | 17,383 | 28,489 | 561 | - | 4,180 | 9,767 | 23,372 | 33,453 | 96,928 | 5,000 | - | 419,562 |
| 83,700 | 17,774 | 41,920 | 712 | 7,744 | 7,970 | 10,232 | 19,974 | 39,020 | 100,671 | 5,000 | - | 465,852 |
| 83,700 | 17,774 | 41,920 | 712 | 7,744 | 7,970 | 10,232 | 19,974 | 39,020 | - | - | - | 360,181 |
| - | - | - | - | - | - | - | - | - | 100,671 | 5,000 | - | 105,671 |
| 83,700 | 17,774 | 41,920 | 712 | 7,744 | 7,970 | 10,232 | 19,974 | 39,020 | 100,671 | 5,000 | - | 465,852 |

City of Nevada
Schedule of Indebtedness
Year ended June 30, 2007

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|--|----------------|----------------|--------------------------|
| General obligation notes: | | | |
| Corporate purpose | Apr 1, 2002 | 3.00-5.40% | \$ 770,000 |
| Street improvement | Apr 1, 2003 | 1.50-2.55 | 1,200,000 |
| Corporate purpose and refunding | Aug 15, 2004 | 1.90-3.25 | 1,035,000 |
| Corporate purpose | Jul 1, 2005 | 2.95-3.75 | 1,545,000 |
| Total | | | |
| Urban renewal tax increment: | | | |
| Revenue bonds | Oct 1, 1999 | 4.80-5.40% | \$ 1,130,000 |
| Revenue bonds | Apr 1, 2002 | 3.25-5.25 | 720,000 |
| Revenue bonds | Nov 1, 2003 | 1.55-2.70 | 850,000 |
| Total | | | |
| Local option sales and services tax: | | | |
| Revenue bonds | Aug 1, 2001 | 4.30-5.20% | \$ 1,000,000 |
| Revenue bonds: | | | |
| Sewer revolving | Jan 3, 1995 | 3.00% | \$ 1,114,000 |
| Water | Jan 14, 2005 * | 3.00 | 8,438,000 |
| Total | | | |
| Anticipation project notes: | | | |
| Urban renewal tax increment revenue bond | Jun 26, 2007 | 4.00% | \$ 6,475,000 |

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 600,000 | - | 50,000 | 550,000 | 29,785 |
| 245,000 | - | 245,000 | - | 6,248 |
| 530,000 | - | 265,000 | 265,000 | 15,642 |
| 1,545,000 | - | 200,000 | 1,345,000 | 52,288 |
| \$ 2,920,000 | - | 760,000 | 2,160,000 | 103,963 |
| 520,000 | - | 120,000 | 400,000 | 27,518 |
| 475,000 | - | 70,000 | 405,000 | 23,602 |
| 190,000 | - | 190,000 | - | 5,130 |
| \$ 1,185,000 | - | 380,000 | 805,000 | 56,250 |
| 550,000 | - | 100,000 | 450,000 | 27,550 |
| 565,000 | - | 60,000 | 505,000 | 16,950 |
| 8,169,770 | 240,995 | 314,000 | 8,096,765 | 249,494 |
| \$ 8,734,770 | 240,995 | 374,000 | 8,601,765 | 266,444 |
| - | 6,475,000 | - | 6,475,000 | - |

City of Nevada
Bond and Note Maturities
June 30, 2007

| General Obligation Notes | | | | | | | |
|----------------------------|--------------------|-------------------|------------------------------------|-------------------|--------------------|---------------------|------------------|
| Year Ending June 30, | Corporate Purpose | | Corporate Purpose and Refunding | | Corporate Purpose | | Total |
| | Issued Apr 1, 2002 | | Issued Aug 15, 2004 | | Issued Jul 1, 2005 | | |
| | Interest | | Interest | | Interest | | |
| | Rates | Amount | Rates | Amount | Rates | Amount | |
| 2008 | 4.50% | \$ 50,000 | 3.00% | \$ 50,000 | 3.05% | \$ 160,000 | 260,000 |
| 2009 | 4.70 | 50,000 | 3.25 | 215,000 | 3.20 | 100,000 | 365,000 |
| 2010 | 4.80 | 55,000 | | - | 3.30 | 185,000 | 240,000 |
| 2011 | 4.90 | 60,000 | | - | 3.40 | 190,000 | 250,000 |
| 2012 | 5.00 | 60,000 | | - | 3.50 | 200,000 | 260,000 |
| 2013 | 5.10 | 65,000 | | - | 3.60 | 205,000 | 270,000 |
| 2014 | 5.20 | 65,000 | | - | 3.70 | 150,000 | 215,000 |
| 2015 | 5.30 | 70,000 | | - | 3.75 | 155,000 | 225,000 |
| 2016 | 5.40 | 75,000 | | - | | - | 75,000 |
| Total | | <u>\$ 550,000</u> | | <u>\$ 265,000</u> | | <u>\$ 1,345,000</u> | <u>2,160,000</u> |

| Year Ending June 30, | Local Option Sales and Services Tax Revenue Bonds | | Revenue Bonds Sewer Revolving Bonds | |
|----------------------------|---|-------------------|--|-------------------|
| | Issued Aug 1, 2001 | | Issued Jan 3, 1995 | |
| | Interest | | Interest | |
| | Rates | Amount | Rates | Amount |
| 2008 | 4.90% | \$ 105,000 | 3.00% | \$ 65,000 |
| 2009 | 5.00 | 110,000 | 3.00 | 65,000 |
| 2010 | 5.10 | 115,000 | 3.00 | 70,000 |
| 2011 | 5.20 | 120,000 | 3.00 | 70,000 |
| 2012 | | - | 3.00 | 75,000 |
| 2013 | | - | 3.00 | 80,000 |
| 2014 | | - | 3.00 | 80,000 |
| Total | | <u>\$ 450,000</u> | | <u>\$ 505,000</u> |

See accompanying independent auditor's report.

| Urban Renewal Tax Increment Revenue Bonds | | | | |
|---|-------------------|--------------------|-------------------|----------------|
| Issued Oct 1, 1999 | | Issued Apr 1, 2002 | | |
| Interest | | Interest | | |
| Rates | Amount | Rates | Amount | Total |
| 5.25% | \$ 125,000 | 4.75% | \$ 75,000 | 200,000 |
| 5.30 | 135,000 | 4.95 | 75,000 | 210,000 |
| 5.40 | 140,000 | 5.05 | 80,000 | 220,000 |
| | - | 5.15 | 85,000 | 85,000 |
| | - | 5.25 | 90,000 | 90,000 |
| | <u>\$ 400,000</u> | | <u>\$ 405,000</u> | <u>805,000</u> |

Schedule 4

City of Nevada

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

For the Last Five Years

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|------------------------------------|---------------------|------------------|------------------|------------------|------------------|
| Receipts: | | | | | |
| Property tax | \$ 1,945,558 | 1,882,187 | 1,814,633 | 1,801,612 | 1,718,176 |
| Tax increment financing | 1,284,881 | 1,132,882 | 1,022,084 | 901,080 | 766,134 |
| Other city tax | 850,186 | 854,838 | 795,059 | 820,905 | 742,649 |
| Licenses and permits | 95,505 | 115,617 | 55,050 | 59,477 | 21,901 |
| Use of money and property | 343,833 | 292,670 | 227,267 | 241,654 | 539,485 |
| Intergovernmental | 1,224,798 | 988,672 | 905,229 | 1,137,248 | 1,045,642 |
| Charges for service | 249,255 | 273,637 | 249,297 | 217,837 | 260,981 |
| Special assessments | 33,229 | 27,728 | 38,760 | 133,497 | 37,870 |
| Miscellaneous | 696,210 | 230,768 | 380,396 | 430,501 | 464,462 |
| Total | <u>\$ 6,723,455</u> | <u>5,798,999</u> | <u>5,487,775</u> | <u>5,743,811</u> | <u>5,597,300</u> |
| Disbursements: | | | | | |
| Operating: | | | | | |
| Public safety | \$ 1,454,443 | 1,134,005 | 905,856 | 856,395 | 996,461 |
| Public works | 561,308 | 619,657 | 738,155 | 643,837 | 576,375 |
| Health and social services | 81,400 | 78,300 | 74,300 | 59,186 | 50,186 |
| Culture and recreation | 1,211,953 | 1,121,741 | 1,135,262 | 1,025,676 | 1,075,442 |
| Community and economic development | 417,823 | 315,862 | 448,862 | 367,883 | 210,711 |
| General government | 258,858 | 237,015 | 237,445 | 212,549 | 238,525 |
| Debt service | 1,430,663 | 1,382,022 | 1,165,018 | 1,467,813 | 665,562 |
| Capital projects | 2,851,275 | 3,282,679 | 1,129,387 | 1,401,504 | 2,925,419 |
| Total | <u>\$ 8,267,723</u> | <u>8,171,281</u> | <u>5,834,285</u> | <u>6,034,843</u> | <u>6,738,681</u> |

See accompanying independent auditor's report.

City of Nevada
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2007

| Grantor/Program | CFDA Number | Agency Pass-through Number | Program Expendi- tures |
|--|----------------|----------------------------------|------------------------------|
| Indirect: | | | |
| U.S. Department of Housing and Urban Development: | | | |
| Iowa Department of Economic Development: | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 05-ED-005 | \$ 26,500 |
| U.S. Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | STP-U5405(604)--70-85 | 280,437 |
| | | STP-U5405(605)--70-85 | 150,205 |
| | | | <u>430,642</u> |
| Iowa Department of Public Safety: | | | |
| Safety Incentive Grants for Use of Seatbelts | 20.604 | PAP 07-157, Task 130 | 4,000 |
| Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons | 20.605 | PAP 06-163, Task 47 | 1,036 |
| | | PAP 07-163, Task 62 | 5,187 |
| | | | <u>6,223</u> |
| U.S. Environmental Protection Agency: | | | |
| Iowa Department of Natural Resources: | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | FS-85-4-DWSRF-022 | 189,468 |
| U.S. Department of Homeland Security: | | | |
| Iowa Department of Public Defense: | | | |
| Iowa Homeland Security and Emergency Management Division: | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DR-1688-IA | 15,976 |
| Total | | | <u>\$ 672,809</u> |

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Nevada and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

City of Nevada



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on 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 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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 16, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Nevada's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Nevada's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Nevada's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Nevada's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Nevada's financial statements that is more than inconsequential will not be prevented or detected by the City of Nevada's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Nevada's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 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.

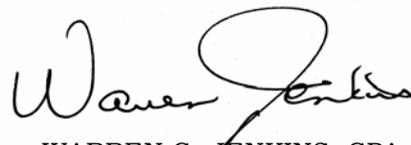
The City of Nevada's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's response, we did not audit the City of Nevada's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Nevada and other parties to whom the City of Nevada may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 16, 2007



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Nevada, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The City of Nevada's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Nevada's management. Our responsibility is to express an opinion on the City of Nevada's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Nevada's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Nevada's compliance with those requirements.

In our opinion, the City of Nevada complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Nevada is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Nevada's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Nevada's internal control over compliance.

A control deficiency in the City's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

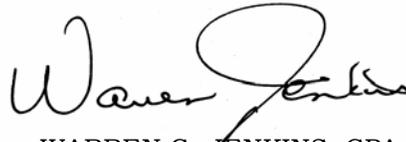
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Nevada and other parties to whom the City of Nevada may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 16, 2007

City of Nevada

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Nevada did qualify as a low-risk auditee.

City of Nevada

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

II-A-07 Nevada First Responders – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the entity's financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist. In addition, formal bank reconciliations are not prepared.

Also, supporting documentation was not maintained for all bank activity or disbursements and one individual who is no longer authorized to sign for the Nevada First Responders is still listed on the bank signature card.

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

Supporting documentation should be maintained for all bank activity and disbursements and bank signature cards should be kept up-to-date to ensure all individuals listed are authorized to make transactions on behalf of the Nevada First Responders.

Response – Donation letter checks are endorsed by the bank and deposited with a backup file recorded on a disc, and cash deposits are counted by at least two people before the deposit. The bank statement is reconciled monthly by both the treasurer and the vice president, and the bank statement is initialed by the vice president. All disbursements are made upon the vote and approval of the association and all checks must have two signatures.

The signature cards for the certificate of deposit are made current at the time of renewal as long as the people listed are still members in good standing. The checking and money market accounts are changed annually.

Conclusion – Response acknowledged. Support for donations received was maintained, but should be reviewed by another individual. Initials were observed on bank statements. However, a reconciliation to the book balance was not documented. This reconciliation should be prepared and reviewed. In addition, supporting documentation should be maintained for all disbursements.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Nevada
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over compliance were noted.

City of Nevada

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

IV-B-07 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|-------------------------|--------|
| Andrew Kelly, Council Member, Owner of Kelly Laundry Service | Laundry service | \$ 651 |
| Kristie Stensland, Park and Recreation employee, spouse is owner of Stensland Farms | Spraying services | 120 |

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

IV-E-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-07 Deposits and Investments – Except as noted below, 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.

The City has an investment in common stock which does not appear to be an investment permitted by Article VIII of the Constitution of the State of Iowa and Chapter 12B.10 of the Code of Iowa. The stock was donated to the City during the year ended June 30, 2007 and the City has started selling the stock.

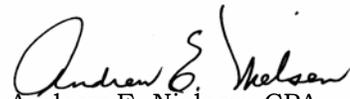
IV-H-07 Revenue Bonds – No instances of non-compliance with the revenue bond requirements for the year ended June 30, 2007 were noted.

City of Nevada

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Jennifer Campbell, CPA, Senior Auditor II
Corinne M. Johnson, CPA, Senior Auditor
Joshua B. Ludwig, Assistant Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State