



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

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Warren G. Jenkins, CPA
Chief Deputy Auditor of State

NEWS RELEASE

FOR RELEASE _____

October 30, 2002

Contact: Andy Nielsen

515/281-5515

Auditor of State Richard Johnson today released an audit report on the City of Nevada, Iowa.

Johnson reported that the City's primary government receipts totaled \$8,599,811 for the year ended June 30, 2002, a ten percent decrease from 2001. The receipts included \$1,748,820 in property tax, \$617,660 in local option sales tax, \$754,855 in tax increment financing collections, \$653,037 from the state, \$25,759 from the federal government and \$300,615 in interest on investments. The City also received note and bond proceeds of \$2,621,354 that are reported as other financing sources. The decrease in receipts is primarily due to the substantial completion of the athletic/recreation complex fundraising campaign in the prior year.

The City's primary government disbursements for the year totaled \$8,976,498, a 30 percent decrease from the prior year, and included \$833,367 for community protection, \$2,996,239 for human development, \$3,345,493 for home and community environment, \$376,801 for policy and administration and \$1,424,598 for non-program. The decrease in disbursements is primarily due to the substantial completion of the aquatic center, recreation/athletic complex and Gates Hall projects in the prior year.

A copy of the audit report is available for review in the office of the Auditor of State and in the City Clerk's office.

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CITY OF NEVADA
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2002

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City of Nevada

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2002)		
Andrew Murphy	Mayor	Jan 2002
Patrick Sheets	Mayor Pro tem	Jan 2002
William Huls (Appointed)	Council Member	Nov 2001
Dean Handsaker	Council Member	Jan 2002
Michael Neff	Council Member	Jan 2004
F. C. Parrish (Appointed)	Council Member	Nov 2001
Kathleen Strum	Council Member	Jan 2004
David Haugland	City Administrator	Indefinite
Teresa Peterson-Smith	City Clerk	Indefinite
Don Juhl	Attorney	Indefinite
(After January 2002)		
Patrick Sheets	Mayor	Jan 2006
Kathleen Strum	Mayor Pro tem	Jan 2004
Michael Neff	Council Member	Jan 2004
F. C. Parrish	Council Member	Jan 2004
Dean Handsaker	Council Member	Jan 2006
William Huls	Council Member	Jan 2006
Walt McDonald	Council Member	Jan 2006
David Haugland	City Administrator	Indefinite
Teresa Peterson-Smith	City Clerk	Indefinite
Don Juhl	Attorney	Indefinite

City of Nevada



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Chief Deputy Auditor of State

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Nevada, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City of Nevada's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 that our audit provides a reasonable basis for our opinion.

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 aforementioned financial statements referred to above present fairly, in all material respects, the results of the cash transactions of the funds of the City of Nevada as of and for the year ended June 30, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 2002 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 and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 20, 2002

City of Nevada

Financial Statements

City of Nevada

Combined Statement of Cash Transactions

All Fund Types and the Discretely Presented Component Unit

Year ended June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Receipts:				
Property tax	\$1,041,163	292,708	414,949	-
Urban renewal tax increment financing	-	754,855	-	-
Other city tax	61,170	635,200	20,549	-
Licenses and permits	23,190	-	-	-
Use of money and property	61,030	32,406	5,648	17,846
Intergovernmental	208,130	545,290	-	-
Charges for service	263,499	-	-	-
Special assessments	41,116	-	-	-
Miscellaneous	103,491	20,334	-	51,371
Total receipts	1,802,789	2,280,793	441,146	69,217
Disbursements:				
Community Protection Program	558,584	114,663	-	-
Human Development Program	885,520	239,743	-	1,769,227
Home and Community Environment Program	89,866	1,009,225	508,905	106,798
Policy and Administration Program	343,723	18,244	-	-
Non-program	-	-	-	-
Total disbursements	1,877,693	1,381,875	508,905	1,876,025
Excess (deficiency) of receipts over (under) disbursements	(74,904)	898,918	(67,759)	(1,806,808)
Other financing sources (uses):				
General obligation corporate purpose note proceeds, net of \$13,475 discount	-	-	-	756,525
Urban renewal tax increment revenue bond proceeds, net of \$10,800 discount	-	-	-	709,200
Local option sales and services tax revenue bond proceeds, net of \$17,500 discount	-	-	-	982,500
Special obligation loan agreement anticipation project note proceeds	-	-	-	173,129
Operating transfers in	373,230	70,000	103,916	1,027,909
Operating transfers out	(81,409)	(1,589,640)	-	-
Total other financing sources (uses)	291,821	(1,519,640)	103,916	3,649,263
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	216,917	(620,722)	36,157	1,842,455
Balance beginning of year	701,783	1,562,163	122,309	(899,801)
Balance end of year	\$ 918,700	941,441	158,466	942,654

See notes to financial statements.

Proprietary Fund Types		Fiduciary	Total Primary	Component	Total
Enterprise	Internal Service	Fund Type Trust	Government (Memorandum Only)	Unit	Reporting Entity (Memorandum Only)
-	-	-	1,748,820	-	1,748,820
-	-	-	754,855	-	754,855
-	-	-	716,919	-	716,919
-	-	-	23,190	-	23,190
147,868	23,059	54,656	342,513	109,339	451,852
-	-	7,176	760,596	84,872	845,468
1,776,864	-	-	2,040,363	-	2,040,363
-	-	-	41,116	-	41,116
103,795	1,450,624	441,824	2,171,439	62,519	2,233,958
2,028,527	1,473,683	503,656	8,599,811	256,730	8,856,541
-	160,120	-	833,367	-	833,367
-	77,162	24,587	2,996,239	-	2,996,239
1,597,521	32,673	505	3,345,493	336,750	3,682,243
-	14,834	-	376,801	-	376,801
-	1,424,598	-	1,424,598	-	1,424,598
1,597,521	1,709,387	25,092	8,976,498	336,750	9,313,248
431,006	(235,704)	478,564	(376,687)	(80,020)	(456,707)
-	-	-	756,525	-	756,525
-	-	-	709,200	-	709,200
-	-	-	982,500	-	982,500
-	-	-	173,129	-	173,129
321,272	240,000	-	2,136,327	200,000	2,336,327
(377,909)	(23,840)	(63,529)	(2,136,327)	(200,000)	(2,336,327)
(56,637)	216,160	(63,529)	2,621,354	-	2,621,354
374,369	(19,544)	415,035	2,244,667	(80,020)	2,164,647
5,106,980	895,513	737,717	8,226,664	222,247	8,448,911
5,481,349	875,969	1,152,752	10,471,331	142,227	10,613,558

City of Nevada

Comparison of Receipts, Disbursements and Changes in Balances
Actual to Budget – Primary Government

Year ended June 30, 2002

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property tax	\$ 1,748,820	-
Urban renewal tax increment financing	754,855	-
Other city tax	716,919	-
Licenses and permits	23,190	-
Use of money and property	342,513	6,003
Intergovernmental	760,596	12,000
Charges for service	2,040,363	-
Special assessments	41,116	-
Miscellaneous	2,171,439	1,447,742
Total receipts	8,599,811	1,465,745
Disbursements:		
Community Protection Program	833,367	39,371
Human Development Program	2,996,239	7,050
Home and Community Environment Program	3,345,493	-
Policy and Administration Program	376,801	-
Non-program	1,424,598	1,424,598
Total disbursements	8,976,498	1,471,019
Deficiency of receipts under disbursements	(376,687)	(5,274)
Other financing sources, net	2,621,354	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,244,667	(5,274)
Balance beginning of year	8,226,664	211,206
Balance end of year	\$ 10,471,331	205,932

See notes to financial statements.

Net	Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
1,748,820	1,775,604	(26,784)	98%
754,855	663,562	91,293	114%
716,919	661,168	55,751	108%
23,190	12,650	10,540	183%
336,510	226,755	109,755	148%
748,596	718,354	30,242	104%
2,040,363	1,972,323	68,040	103%
41,116	25,000	16,116	164%
723,697	556,874	166,823	130%
<u>7,134,066</u>	<u>6,612,290</u>	<u>521,776</u>	<u>108%</u>
793,996	1,027,475	233,479	77%
2,989,189	3,644,462	655,273	82%
3,345,493	4,049,384	703,891	83%
376,801	489,058	112,257	77%
-	-	-	
<u>7,505,479</u>	<u>9,210,379</u>	<u>1,704,900</u>	<u>81%</u>
(371,413)	(2,598,089)		
<u>2,621,354</u>	<u>1,550,000</u>		
2,249,941	(1,048,089)		
<u>8,015,458</u>	<u>16,030,846</u>		
<u><u>10,265,399</u></u>	<u><u>14,982,757</u></u>		

City of Nevada
Statement of Indebtedness
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
General obligation corporate purpose notes	Jan 11, 1999	4.00%	\$ 1,200,000
General obligation refunding notes	May 1, 1999	4.00-4.25	1,300,000
General obligation corporate purpose notes	Apr 1, 2002	3.00-5.40	770,000
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
Local option sales and services tax revenue bond anticipation:			
Project notes	Aug 1, 2000	5.30%	\$ 1,000,000
Revenue bonds	Aug 1, 2001	4.30-5.20	1,000,000
Total			
Revenue bonds and notes:			
Sewer notes	Jul 1, 1994	5.40-5.80%	\$ 1,540,000
Sewer revolving bonds	Jan 3, 1995	4.54	1,114,000
Total			
Special obligation loan agreement:			
Anticipation project notes	Nov 13, 2001	4.50%	\$ 400,000

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
280,000	-	280,000	-	11,200
1,140,000	-	170,000	970,000	47,105
-	770,000	-	770,000	-
\$ 1,420,000	770,000	450,000	1,740,000	58,305
1,040,000	-	95,000	945,000	53,510
-	720,000	-	720,000	-
\$ 1,040,000	720,000	95,000	1,665,000	53,510
1,000,000	-	1,000,000	-	26,500
-	1,000,000	90,000	910,000	39,846
\$ 1,000,000	1,000,000	1,090,000	910,000	66,346
760,000	-	135,000	625,000	42,645
835,000	-	50,000	785,000	37,909
\$ 1,595,000	-	185,000	1,410,000	80,554
-	173,129	-	173,129	-

City of Nevada

Notes to Financial Statements

June 30, 2002

(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, culture, recreation, public improvements and general administrative services.

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 its 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 that it is legally separate from the City, but is financially accountable to the City, or whose 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 Unit - Nevada Firefighters Incorporated has been established to preserve life and property in Nevada in case of fire or other emergency and to promote fire prevention and fire safety. Although Nevada Firefighters Incorporated is legally separate from the City, its purpose is to benefit the City by providing the above services and by soliciting contributions and managing those 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 Joint E911 Service Board, and Story County Emergency Management Commission.

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. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balances. The various funds and their designated purposes are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are 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 that are not paid through other funds.

Special Revenue Funds - The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund - The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

Capital Projects Funds - The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

Proprietary Funds

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Internal Service Funds - The Internal Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Trust Funds - The Trust Funds are used to account for monies and properties received and held by the City in a trustee capacity. These include expendable trust funds and non-expendable trust funds.

Component Units - The purpose of the Nevada Economic Development Council, Inc. (NEDC) is to assist in the development and implementation of a plan to encourage and promote the establishment, development and retention of industrial, manufacturing, commercial and retail interests in the City of Nevada. The NEDC meets the requirements to be reported as a discretely presented component unit.

The purpose of Nevada Firefighters Incorporated is to preserve life and property in Nevada in case of fire or other emergency and to promote fire prevention and fire safety. Nevada Firefighters Incorporated meets the requirements to be reported as a blended component unit.

C. 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.

D. Budgets and Budgetary Accounting

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 for the blended component unit, Internal Service Fund, Payroll Revolving Account and non-expendable trust funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2002 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.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2002 are as follows:

Type	Carrying Amount	Fair Value
Common stock	\$ 717,280	771,076

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes, urban renewal tax increment revenue bonds, local option sales and services tax revenue bonds and revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Revenue Bonds		Revenue Bonds and Notes		Local Option Sales and Services Tax Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 210,000	82,342	155,000	87,675	195,000	70,994	85,000	43,945	645,000	284,956
2004	230,000	68,200	160,000	75,455	205,000	60,749	90,000	40,205	685,000	244,609
2005	235,000	58,995	175,000	68,145	215,000	49,852	90,000	36,155	715,000	213,147
2006	250,000	49,378	180,000	59,870	230,000	38,235	95,000	32,015	755,000	179,498
2007	265,000	38,923	190,000	51,121	60,000	25,651	100,000	27,550	615,000	143,245
2008	50,000	27,635	200,000	41,696	65,000	22,927	105,000	22,750	420,000	115,008
2009	50,000	25,385	210,000	31,570	65,000	19,976	110,000	17,605	435,000	94,536
2010	55,000	23,035	220,000	20,703	70,000	17,025	115,000	12,105	460,000	72,868
2011	60,000	20,395	85,000	9,102	70,000	13,847	120,000	6,240	335,000	49,584
2012	60,000	17,455	90,000	4,725	75,000	10,669	-	-	225,000	32,849
2013	65,000	14,455	-	-	80,000	7,264	-	-	145,000	21,719
2014	65,000	11,140	-	-	80,000	3,632	-	-	145,000	14,772
2015	70,000	7,760	-	-	-	-	-	-	70,000	7,760
2016	75,000	4,050	-	-	-	-	-	-	75,000	4,050
Total	\$ 1,740,000	449,148	1,665,000	450,062	1,410,000	340,821	910,000	238,570	5,725,000	1,478,601

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 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 financing revenue bonds shall be expended only 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 and 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 Local Option Sales 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 and notes include the following provisions:

- (a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate sewer revenue bond and note sinking accounts for the purpose of making the bond and note principal and interest payments when due.
- (c) A sum equal to \$238,375 shall be set aside in a sewer reserve account. This account is restricted for the purpose of paying the principal and interest on the bonds and notes whenever the funds in the sinking accounts are insufficient.
- (d) All funds remaining in the sewer accounts after making the required transfers to the sinking and reserve accounts shall be placed in a 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.

(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.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual payroll except for police employees, in which case the percentages are 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$78,745, \$82,988 and \$80,416 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 for subsequent use or for payment upon termination, retirement or death. City employees also accumulate earned but unused sick leave hours for subsequent use or for payment upon retirement or death. If sick leave is paid upon retirement or death, the maximum amount paid is \$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 termination payments payable to employees at June 30, 2002, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 90,600
Compensatory time	7,700
Sick leave	<u>1,600</u>
Total	<u>\$ 99,900</u>

This liability has been computed based on rates of pay in effect at June 30, 2002.

(6) Contractual Commitments

The City has entered into various construction contracts totaling approximately \$1,237,355. The unpaid contract balances as of June 30, 2002 totaled approximately \$572,136 which will be paid as work on the projects progresses.

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

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$68,672 during the year ended June 30, 2002.

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from 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 annual contributions to the Pool for the year ended June 30, 2002 were \$7,275.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also 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 that 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, 2002, settled claims have not exceeded the risk pool or reinsurance company 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.

(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 Nevada of its proportionate share of the net costs of the system for the prior calendar year. The City of Nevada 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) Deficit Balance

The City had deficit balances at June 30, 2002 as follows:

Capital Projects Funds:	
Railroad Crossings	\$ 2,888
Recreation/Athletic Buildings	4,860
2002 Street Reconstruction	21,874
Internal Service Fund:	
Payroll Revolving	23

The deficit balances in the Capital Projects Fund, 2002 Street Reconstruction, Recreation/Athletic Buildings and Railroad Crossings are the result of project costs incurred prior to availability of funds. The deficit balances will be eliminated upon receipt of state or federal grants and/or upon completion of the projects when notes will be issued, as necessary, to cover shortfalls.

The deficit balance in the Internal Service Fund, Payroll Revolving Account will be eliminated through appropriate transfers.

(11) Industrial Development Revenue Bonds

The City has issued a total of \$2,363,229 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,971,459 is outstanding at June 30, 2002. 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.

(12) Subsequent Events

In March 2002, the City authorized the issuance of \$1,200,000 of general obligation street improvement notes to pay the construction costs of street improvements. At June 30, 2002, the notes have not been issued; however, a property tax levy has been certified with the County Auditor and taxes will be collected commencing with the year ended June 30, 2003.

In July 2002, the City entered into construction contracts as follows: \$965,859 for the 2002 Street Reconstruction project to be financed by the sale of general obligation street improvement notes; \$139,276 for the Lincoln Highway turning lanes project to be financed from tax increment financing receipts; and \$557,500 for the 2002 Recreation/Athletic complex improvements which will be financed through a Vision Iowa grant and local contributions.

(13) Community Economic Betterment Account (CEBA) Loan Program

During the year ended June 30, 2001, the City was awarded \$91,000 from the Iowa Department of Economic Development under a CEBA loan agreement. A forgivable loan agreement has been executed among the Department, the City of Nevada and a local company. The City's liability for repayment is limited to its good faith enforcement of the security interest which secures its loan with the local company. The loan balance as of June 30, 2002 is \$25,480.

City of Nevada

Supplemental Information

City of Nevada

City of Nevada
 Schedule of Cash Transactions
 General Fund
 Year ended June 30, 2002

Receipts:	
Property tax	<u>\$ 1,041,163</u>
Other city tax:	
Mobile home tax	16,123
Utility tax replacement excise tax	45,047
	<u>61,170</u>
Licenses and permits:	
Beer and liquor	4,223
Cigarette	750
Building	17,802
Miscellaneous	415
	<u>23,190</u>
Use of money and property:	
Interest on investments	26,932
Rent	34,098
	<u>61,030</u>
Intergovernmental:	
State allocation	100,765
Bank franchise tax	12,471
County library allocation	40,125
Open access	3,131
FEMA assistance to firefighters grant	24,709
Fire contracts	25,744
Miscellaneous	1,185
	<u>208,130</u>
Charges for service:	
Police	1,038
Cemetery	18,907
Library	8,088
Pool	181,701
Parks and recreation	43,411
Planning and zoning	6,873
Animal control	3,431
Miscellaneous	50
	<u>263,499</u>

Schedule 1

City of Nevada
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

Receipts (continued):	
Special assessments	<u>41,116</u>
Miscellaneous:	
Court fines and fees	8,435
Donations and contributions	7,365
Franchise fees	37,383
Parking fines	2,515
Gas and sales tax refunds	8,107
Sale of cemetery lots	13,113
Sales tax collected	8,673
Refunds and reimbursements	2,961
Miscellaneous	<u>14,939</u>
	<u>103,491</u>
Total receipts	<u>1,802,789</u>
Disbursements:	
Community Protection Program:	
Police:	
Personal services	351,046
Contractual services	68,101
Commodities	<u>13,717</u>
	<u>432,864</u>
Fire:	
Personal services	64,682
Contractual services	35,716
Commodities	<u>10,848</u>
	<u>111,246</u>
Rescue:	
Personal services	246
Contractual services	10,251
Commodities	<u>3,352</u>
	<u>13,849</u>
Civil Defense:	
Contractual services	<u>625</u>
	<u>558,584</u>

City of Nevada
 Schedule of Cash Transactions
 General Fund
 Year ended June 30, 2002

Disbursements (continued):

Human Development Program:

Animal control:

Contractual services	7,655
Commodities	127
	<u>7,782</u>

Library:

Personal services	180,139
Contractual services	29,847
Commodities	24,817
Capital outlay	36,465
	<u>271,268</u>

Parks and Recreation:

Personal services	168,269
Contractual services	55,007
Commodities	25,267
	<u>248,543</u>

Swimming pool:

Personal services	112,334
Contractual services	35,992
Commodities	48,268
	<u>196,594</u>

Youth sports:

Personal services	7,846
Contractual services	303
Commodities	18,147
	<u>26,296</u>

Adult sports:

Personal services	3,191
Contractual services	173
Commodities	3,136
	<u>6,500</u>

Schedule 1

City of Nevada
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

Disbursements (continued):	
Human Development Program:	
Employee wellness:	
Contractual services	3,317
	<hr/>
Gates Hall:	
Personal services	84,418
Contractual services	31,134
Commodities	9,668
	<hr/>
	125,220
	<hr/>
	885,520
	<hr/>
Home and Community Environment Program:	
Cemetery:	
Personal services	50,408
Contractual services	32,269
Commodities	7,189
	<hr/>
	89,866
	<hr/>
Policy and Administration Program:	
City Council:	
Personal services	3,124
Contractual services	1,747
	<hr/>
	4,871
	<hr/>
Mayor/City Administrator:	
Personal services	7,253
Contractual services	7,475
Commodities	360
	<hr/>
	15,088
	<hr/>
City Clerk/Administration:	
Personal services	43,859
Contractual services	45,494
Commodities	6,647
	<hr/>
	96,000
	<hr/>
Planning and zoning:	
Personal services	83,308
Contractual services	63,739
Commodities	2,007
	<hr/>
	149,054
	<hr/>

City of Nevada
 Schedule of Cash Transactions
 General Fund
 Year ended June 30, 2002

Disbursements (continued):	
Policy and Administration Program:	
City Hall:	
Contractual services	12,184
Commodities	1,560
	<u>13,744</u>
Legal and professional:	
Contractual services	36,867
Commodities	1,531
	<u>38,398</u>
General and tort insurance:	
Contractual services	26,568
	<u>343,723</u>
Total disbursements	<u>1,877,693</u>
Deficiency of receipts under disbursements	<u>(74,904)</u>
Other financing sources (uses):	
Operating transfers in (out):	
Special Revenue:	
Employee Benefits	280,335
Emergency	33,689
Debt Service:	
General Obligation Bonds/Notes	(47,279)
Capital Projects:	
Gates Hall Remodeling	(34,130)
Internal Service:	
Insurance Reserve	23,840
Trust:	
Sick and Vacation	33,790
DARE Trust	1,576
Total other financing sources (uses)	<u>291,821</u>
Excess of receipts and other financing sources over disbursements and other financing uses	216,917
Balance beginning of year	<u>701,783</u>
Balance end of year	<u>\$ 918,700</u>

See accompanying independent auditor's report.

City of Nevada
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

	Road Use Tax	Local Option Sales Tax	Employee Benefits	Emergency
Receipts:				
Property tax	\$ -	-	261,305	31,403
Urban renewal tax increment financing	-		-	-
Other city tax:				
Mobile home tax	-	-	4,123	495
Utility tax replacement excise tax	-	-	11,536	1,386
Local option sales tax	-	617,660	-	-
	-	617,660	15,659	1,881
Use of money and property:				
Interest on investments	-	5,745	3,371	405
Intergovernmental:				
Road use tax allocation	533,290	-	-	-
City and rural fire allocation	-	-	-	-
	533,290	-	-	-
Miscellaneous:				
Donations and fundraisers	-	-	-	-
Miscellaneous	-	291	-	-
	-	291	-	-
Total receipts	533,290	623,696	280,335	33,689
Disbursements:				
Community Protection Program:				
Personal services	-	-	-	-
Contractual services	67,522	-	-	-
Commodities	7,770	-	-	-
Capital outlay	-	-	-	-
	75,292	-	-	-

Urban Renewal Tax Increment	Nevada Business Park TIF	Lincoln Highway Reserve TIF	Police Forfeiture Funds	Nevada Firefighters Incorporated	Total
-	-	-	-	-	292,708
754,855	-	-	-	-	754,855
-	-	-	-	-	4,618
-	-	-	-	-	12,922
-	-	-	-	-	617,660
-	-	-	-	-	635,200
21,842	-	-	153	890	32,406
-	-	-	-	-	533,290
-	-	-	-	12,000	12,000
-	-	-	-	12,000	545,290
-	-	-	-	18,831	18,831
1,212	-	-	-	-	1,503
1,212	-	-	-	18,831	20,334
777,909	-	-	153	31,721	2,280,793
-	-	-	-	12,340	12,340
-	-	-	-	14,496	82,018
-	-	-	-	8,772	16,542
-	-	-	-	3,763	3,763
-	-	-	-	39,371	114,663

City of Nevada
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

	Road Use Tax	Local Option Sales Tax	Employee Benefits	Emergency
Disbursements (continued):				
Human Development Program:				
Contractual services	-	107,627	-	-
Commodities	-	1,920	-	-
Debt Service:				
Principal payments	-	90,000	-	-
Interest payments	-	39,846	-	-
Professional fees	-	350	-	-
	-	239,743	-	-
Home and Community Environment Program:				
Personal services	259,348	-	-	-
Contractual services	79,926	293,686	-	-
Commodities	70,023	859	-	-
Debt Service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Professional fees	-	-	-	-
	409,297	294,545	-	-
Policy and Administration Program:				
Contractual services	-	18,244	-	-
Total disbursements	484,589	552,532	-	-
Excess (deficiency) of receipts over (under) disbursements	48,701	71,164	280,335	33,689

Urban Renewal Tax Increment	Nevada Business Park TIF	Lincoln Highway Reserve TIF	Police Forfeiture Funds	Nevada Firefighters Incorporated	Total
-	-	-	-	-	107,627
-	-	-	-	-	1,920
-	-	-	-	-	90,000
-	-	-	-	-	39,846
-	-	-	-	-	350
-	-	-	-	-	239,743
-	-	-	-	-	259,348
156,648	-	-	-	-	530,260
-	-	-	-	-	70,882
95,000	-	-	-	-	95,000
53,510	-	-	-	-	53,510
225	-	-	-	-	225
305,383	-	-	-	-	1,009,225
-	-	-	-	-	18,244
305,383	-	-	-	39,371	1,381,875
472,526	-	-	153	(7,650)	898,918

City of Nevada
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

	Road Use Tax	Local Option Sales Tax	Employee Benefits	Emergency
Other financing sources (uses):				
Operating transfers in (out):				
General	-	-	(280,335)	(33,689)
Special Revenue:				
Urban Renewal Tax Increment	-	-	-	-
Lincoln Highway Reserve TIF	-	-	-	-
Capital Projects:				
Trees Forever	-	(4,000)	-	-
2002 Street Overlay Projects	-	-	-	-
Lincoln Highway Resurfacing 2	-	-	-	-
Recreation/Athletic 2000 Improvements & Parking	-	-	-	-
Recreation/Athletic Complex	-	(26,699)	-	-
Internal Service:				
Equipment Replacement	-	(240,000)	-	-
Total other financing sources (uses)	-	(270,699)	(280,335)	(33,689)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	48,701	(199,535)	-	-
Balance beginning of year	298,081	457,909	-	-
Balance end of year	\$ 346,782	258,374	-	-

See accompanying independent auditor's report.

Urban Renewal Tax Increment	Nevada Business Park TIF	Lincoln Highway Reserve TIF	Police Forfeiture Funds	Nevada Firefighters Incorporated	Total
-	-	-	-	-	(314,024)
-	-	70,000	-	-	70,000
(70,000)	-	-	-	-	(70,000)
-	-	-	-	-	(4,000)
(141,060)	-	-	-	-	(141,060)
(3,412)	-	-	-	-	(3,412)
(790,445)	-	-	-	-	(790,445)
-	-	-	-	-	(26,699)
-	-	-	-	-	(240,000)
(1,004,917)	-	70,000	-	-	(1,519,640)
(532,391)	-	70,000	153	(7,650)	(620,722)
662,533	110,000	-	6,058	27,582	1,562,163
130,142	110,000	70,000	6,211	19,932	941,441

City of Nevada

City of Nevada
 Schedule of Cash Transactions
 Debt Service Fund
 Year ended June 30, 2002

	General Obligation Bonds/Notes
Receipts:	
Property tax	\$ 414,949
Other city tax:	
Mobile home tax	5,417
Utility tax replacement excise tax	15,132
	20,549
Use of money and property:	
Interest on investments	5,648
Total receipts	441,146
Disbursements:	
Home and Community Environment Program:	
Debt service:	
Principal redemption	450,000
Interest payments	58,305
Professional fees	600
Total disbursements	508,905
Deficiency of receipts under disbursements	(67,759)
Other financing sources:	
Operating transfers in:	
General	47,279
Enterprise:	
Sewer Rental	56,637
Total other financing sources	103,916
Excess of receipts and other financing sources over disbursements	36,157
Balance beginning of year	122,309
Balance end of year	\$ 158,466

See accompanying independent auditor's report.

City of Nevada
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2002

	Pool Project	Capital Improvement Reserve Fund	Trees Forever
Receipts:			
Use of money and property:			
Interest on investments	\$ -	3,756	230
Miscellaneous:			
Accrued interest on sale of bonds/notes	-	-	-
Refunds and reimbursements	-	-	-
Donations and contributions	-	-	9,035
	-	-	9,035
Total receipts	-	3,756	9,265
Disbursements:			
Human Development Program:			
Contractual services	3,093	868	-
Commodities	10	-	-
Capital outlay	119,754	-	-
Debt service:			
Principal payment	-	-	-
Interest payment	-	-	-
	122,857	868	-
Home and Community Environment Program:			
Contractual services	-	-	-
Commodities	-	-	13,244
Capital outlay	-	-	-
	-	-	13,244
Total disbursements	122,857	868	13,244
Excess (deficiency) of receipts over (under) disbursements	(122,857)	2,888	(3,979)

Railroad Crossings	Green- belt Project	2002 Street Overlay Projects	Street Improve- ment Projects	Recreation/ Athletic Buildings	Soccerfield/ Restroom
-	3,299	651	2,647	-	14
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	3,299	651	2,647	-	14
-	12,152	-	-	4,860	42,693
-	-	-	-	-	-
-	-	-	-	-	158,613
-	-	-	-	-	-
-	-	-	-	-	-
-	12,152	-	-	4,860	201,306
2,888	-	9,336	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,888	-	9,336	-	-	-
2,888	12,152	9,336	-	4,860	201,306
(2,888)	(8,853)	(8,685)	2,647	(4,860)	(201,292)

City of Nevada
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2002

	Lincoln Highway - Indian Ridge Turning Lanes	Lincoln Highway Bridge	2000 Water Improve- ments
Receipts:			
Use of money and property:			
Interest on investments	4,823	1,706	720
Miscellaneous:			
Accrued interest on sale of bonds/notes	-	-	-
Refunds and reimbursements	-	-	-
Donations and contributions	-	-	-
Total receipts	4,823	1,706	720
Disbursements:			
Human Development Program:			
Contractual services	-	-	-
Commodities	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal payment	-	-	-
Interest payment	-	-	-
Home and Community Environment Program:			
Contractual services	4,437	-	-
Commodities	-	-	-
Capital outlay	-	52,165	-
Total disbursements	4,437	52,165	-
Excess (deficiency) of receipts over (under) disbursements	386	(50,459)	720

Lincoln Highway Resurfacing 2	2002 Street Reconstruction	Recreation/Athletic 2000 Improvements/Parking	Recreation/Athletic Complex	Gates Hall Remodeling	Total
-	-	-	-	-	17,846
922	-	-	-	1,001	1,923
-	-	10,878	1,604	27,931	40,413
-	-	-	-	-	9,035
922	-	10,878	1,604	28,932	51,371
922	-	10,878	1,604	28,932	69,217
-	-	6,659	6,303	2,908	79,536
-	-	-	-	150	160
-	-	32,570	4,500	347,594	663,031
-	-	-	1,000,000	-	1,000,000
-	-	-	26,500	-	26,500
-	-	39,229	1,037,303	350,652	1,769,227
1,530	21,874	-	-	-	40,065
-	-	-	-	-	13,244
1,324	-	-	-	-	53,489
2,854	21,874	-	-	-	106,798
2,854	21,874	39,229	1,037,303	350,652	1,876,025
(1,932)	(21,874)	(28,351)	(1,035,699)	(321,720)	(1,806,808)

City of Nevada
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2002

	Pool Project	Capital Improvement Reserve Fund	Trees Forever
Other financing sources (uses):			
General obligation project note proceeds, net of \$13,475 discount	-	-	-
Urban renewal tax increment revenue bond proceeds, net of \$10,800 discount	-	-	-
Local option sales and services tax revenue bond proceeds, net of \$17,500 discount	-	-	-
Project anticipation note proceeds	-	-	-
Operating transfers in (out):			
General	-	-	-
Special Revenue:			
Local Option Sales Tax	-	-	4,000
Urban Renewal Tax Increment Financing	-	-	-
Trust:			
S.C.O.R.E. Undesignated Trust	-	-	-
S.C.O.R.E. Soccer	-	-	-
Total other financing sources (uses)	-	-	4,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(122,857)	2,888	21
Balance beginning of year	307,321	148,653	6,228
Balance end of year	\$ 184,464	151,541	6,249

Railroad Crossings	Green- belt Project	2002 Street Overlay Projects	Street Improve- ment Projects	Recreation/ Athletic Buildings	Soccerfield/ Restroom
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	173,129
-	-	-	-	-	-
-	-	-	-	-	-
-	-	141,060	-	-	-
-	-	-	-	-	10,000
-	-	-	-	-	18,163
-	-	141,060	-	-	201,292
(2,888)	(8,853)	132,375	2,647	(4,860)	-
-	135,594	-	104,647	-	-
(2,888)	126,741	132,375	107,294	(4,860)	-

City of Nevada
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2002

	Lincoln Highway - Indian Ridge Turning Lanes	Lincoln Highway Bridge	2000 Water Improve- ments
Other financing sources (uses):			
General Obligation project note proceeds, net of \$13,475 discount	-	-	-
Urban renewal tax increment revenue bond proceeds, net of \$10,800 discount	-	-	-
Local option sales and services tax revenue bond proceeds, net of \$17,500 discount	-	-	-
Project anticipation note proceeds	-	-	-
Operating transfers in (out):			
General	-	-	-
Special Revenue:			
Local Option Sales Tax	-	-	-
Urban Renewal Tax Increment Financing	-	-	-
Trust:			
S.C.O.R.E. Undesignated Trust	-	-	-
S.C.O.R.E. Soccer	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	386	(50,459)	720
Balance beginning of year	191,913	92,614	28,438
Balance end of year	192,299	42,155	29,158

See accompanying independent auditor's report.

Lincoln Highway Resurfacing 2	2002 Street Reconstruction	Recreation/Athletic 2000 Improvement Parking	Recreation/Athletic Complex	Gates Hall Remodeling	Total
-	-	-	-	756,525	756,525
709,200	-	-	-	-	709,200
-	-	-	982,500	-	982,500
-	-	-	-	-	173,129
-	-	-	-	34,130	34,130
-	-	-	26,699	-	30,699
3,412	-	790,445	-	-	934,917
-	-	-	-	-	10,000
-	-	-	-	-	18,163
712,612	-	790,445	1,009,199	790,655	3,649,263
710,680	(21,874)	762,094	(26,500)	468,935	1,842,455
(710,680)	-	(762,094)	26,500	(468,935)	(899,801)
-	(21,874)	-	-	-	942,654

City of Nevada
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Water	Water Reserve	Water Revenue Sinking	Water Improvement
Receipts:				
Use of money and property:				
Interest on investments	\$ 45,028	4,395	7,030	2,130
Rent	7,800	-	-	-
	<u>52,828</u>	<u>4,395</u>	<u>7,030</u>	<u>2,130</u>
Charges for service:				
Sale of water	850,660	-	-	-
Installations and connections	13,270	-	-	-
Sewer rental fees	-	-	-	-
Miscellaneous	2,826	-	-	-
	<u>866,756</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous:				
Gas tax refunds	1,285	-	-	-
Penalties	11,473	-	-	-
Sales tax collected	49,241	-	-	-
Customer deposits	-	-	-	-
	<u>61,999</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>981,583</u>	<u>4,395</u>	<u>7,030</u>	<u>2,130</u>
Disbursements:				
Home and Community Environment Program:				
Plant operation:				
Personal services	150,318	-	-	-
Contractual services	82,484	-	-	-
Commodities	22,177	-	-	-
Capital outlay	-	-	-	-
	<u>254,979</u>	<u>-</u>	<u>-</u>	<u>-</u>
Distribution operation:				
Personal services	36,320	-	-	-
Contractual services	28,756	-	-	-
Capital outlay	242,856	-	-	-
	<u>307,932</u>	<u>-</u>	<u>-</u>	<u>-</u>

Wastewater Treatment EPA	Sewer Rental	Sewer Sinking	Sewer Reserve	Sewer Revolving Loan Sinking	Sewer Construction Reserve	Water Deposits	Total
20,973	21,595	10,989	16,042	5,111	6,775	-	140,068
-	-	-	-	-	-	-	7,800
20,973	21,595	10,989	16,042	5,111	6,775	-	147,868
-	-	-	-	-	-	-	850,660
-	4,000	-	-	-	-	-	17,270
-	859,201	-	-	-	46,907	-	906,108
-	-	-	-	-	-	-	2,826
-	863,201	-	-	-	46,907	-	1,776,864
-	172	-	-	-	-	-	1,457
-	11,964	-	-	-	-	-	23,437
-	13,234	-	-	-	-	-	62,475
-	-	-	-	-	-	16,426	16,426
-	25,370	-	-	-	-	16,426	103,795
20,973	910,166	10,989	16,042	5,111	53,682	16,426	2,028,527
-	215,138	-	-	-	-	-	365,456
-	289,632	-	-	-	-	-	372,116
-	3,967	-	-	-	-	-	26,144
-	32,565	-	-	-	-	-	32,565
-	541,302	-	-	-	-	-	796,281
-	-	-	-	-	-	-	36,320
-	-	-	-	-	-	-	28,756
-	-	-	-	-	-	-	242,856
-	-	-	-	-	-	-	307,932

City of Nevada
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Water	Water Reserve	Water Revenue Sinking	Water Improve- ment
Disbursements (continued):				
Home and Community Environment Program:				
Distribution maintenance:				
Personal services	188	-	-	-
Contractual services	43,302	-	-	-
Commodities	15,629	-	-	-
	59,119	-	-	-
Accounting:				
Personal services	85,485	-	-	-
Contractual services	63,667	-	-	-
Commodities	610	-	-	-
	149,762	-	-	-
Debt service:				
Principal redemption	-	-	-	-
Interest payments	-	-	-	-
Professional fees	-	-	-	-
	-	-	-	-
Total disbursements	771,792	-	-	-
Excess (deficiency) of receipts over (under) disbursements	209,791	4,395	7,030	2,130

Wastewater Treatment EPA	Sewer Rental	Sewer Sinking	Sewer Reserve	Sewer Revolving Loan Sinking	Sewer Construction Reserve	Water Deposits	Total
-	-	-	-	-	-	-	188
-	-	-	-	-	-	-	43,302
-	-	-	-	-	-	-	15,629
-	-	-	-	-	-	-	59,119
-	-	-	-	-	-	-	85,485
-	-	-	-	-	-	18,155	81,822
-	-	-	-	-	-	-	610
-	-	-	-	-	-	18,155	167,917
-	-	135,000	-	50,000	-	-	185,000
-	-	42,645	-	37,909	-	-	80,554
-	-	300	-	418	-	-	718
-	-	177,945	-	88,327	-	-	266,272
-	541,302	177,945	-	88,327	-	18,155	1,597,521
20,973	368,864	(166,956)	16,042	(83,216)	53,682	(1,729)	431,006

City of Nevada
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Water	Water Reserve	Water Revenue Sinking	Water Improve- ment
Other financing sources (uses):				
Operating transfers in (out):				
Debt Service	-	-	-	-
Enterprise:				
Wastewater Treatment EPA	-	-	-	-
Sewer Rental	-	-	-	-
Sewer Sinking	-	-	-	-
Sewer Revolving Loan Sinking	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	209,791	4,395	7,030	2,130
Balance beginning of year	1,756,097	164,217	277,931	84,221
Balance end of year	<u>\$ 1,965,888</u>	<u>168,612</u>	<u>284,961</u>	<u>86,351</u>

See accompanying independent auditor's report.

Wastewater Treatment EPA	Sewer Rental	Sewer Sinking	Sewer Reserve	Sewer Revolving Loan Sinking	Sewer Construction Reserve	Water Deposits	Total
-	(56,637)	-	-	-	-	-	(56,637)
-	(55,000)	-	-	-	-	-	(55,000)
55,000	-	177,945	-	88,327	-	-	321,272
-	(177,945)	-	-	-	-	-	(177,945)
-	(88,327)	-	-	-	-	-	(88,327)
55,000	(377,909)	177,945	-	88,327	-	-	(56,637)
75,973	(9,045)	10,989	16,042	5,111	53,682	(1,729)	374,369
774,194	988,261	299,524	338,359	138,729	243,022	42,425	5,106,980
850,167	979,216	310,513	354,401	143,840	296,704	40,696	5,481,349

Schedule 6

City of Nevada
Combining Schedule of Cash Transactions
Internal Service Funds
Year ended June 30, 2002

	Equipment Replacement	Payroll Revolving	Insurance Reserve	Total
Receipts:				
Use of money and property:				
Interest on investments	\$ 19,720	-	3,339	23,059
Miscellaneous:				
Donations	12,695	-	-	12,695
Miscellaneous	13,314	-	-	13,314
Personal service costs from operating funds	-	1,424,615	-	1,424,615
	26,009	1,424,615	-	1,450,624
Total receipts	45,729	1,424,615	3,339	1,473,683
Disbursements:				
Community Protection Program:				
Capital outlay	160,120	-	-	160,120
Human Development Program:				
Capital outlay	77,162	-	-	77,162
Home and Community Environment Program:				
Capital outlay	32,673	-	-	32,673
Policy and Administration Program:				
Capital outlay	14,834	-	-	14,834
Non-program:				
Personal services	-	1,424,598	-	1,424,598
Total disbursements	284,789	1,424,598	-	1,709,387
Excess (deficiency) of receipts over (under) disbursements	(239,060)	17	3,339	(235,704)

City of Nevada
Combining Schedule of Cash Transactions
Internal Service Funds
Year ended June 30, 2002

	Equipment Replacement	Payroll Revolving	Insurance Reserve	Total
Other financing sources (uses):				
Operating transfers in (out):				
General	-	-	(23,840)	(23,840)
Special Revenue:				
Local Option Sales Tax	240,000	-	-	240,000
Total other financing sources (uses)	240,000	-	(23,840)	216,160
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	940	17	(20,501)	(19,544)
Balance beginning of year	739,711	(40)	155,842	895,513
Balance end of year	\$ 740,651	(23)	135,341	875,969

See accompanying independent auditor's report.

City of Nevada
Combining Schedule of Cash Transactions
Trust Funds
Year ended June 30, 2002

	Gates Hall Piano	Parks and Recreation Open Space	Cemetery Foundation Trust
Receipts:			
Use of money and property:			
Interest on investments	\$ 412	763	159
Intergovernmental:			
Enrich Iowa Grant	-	-	-
Open Access	-	-	-
Miscellaneous:			
Donations and contributions	-	661	126
Perpetual care	-	-	-
Total receipts	412	1,424	285
Disbursements:			
Human Development Program:			
Commodities	296	556	-
Capital outlay	-	-	-
Total disbursements	296	556	-
Home and Community Environment Program:			
Contractual services	-	-	-
Total disbursements	296	556	-
Excess (deficiency) of receipts over (under) disbursements	116	868	285
Other financing uses:			
Operating transfers out:			
General	-	-	-
Capital Project:			
Soccerfields/Restrooms	-	-	-
Total other financing uses	-	-	-
Excess (deficiency) of receipts over (under) disbursements and other financing uses	116	868	285
Balance beginning of year	16,399	29,803	6,267
Balance end of year	\$ 16,515	30,671	6,552

Expendable Trusts				
Sick and Vacation	DARE Trust	S.C.O.R.E. Pavilion	Library Trust	S.C.O.R.E. Undesignated Trust
8,430	40	40	3,275	36,181
-	-	-	3,380	-
-	-	-	3,796	-
-	-	-	7,176	-
-	-	18,000	4,570	407,671
-	-	-	-	-
-	-	18,000	4,570	407,671
8,430	40	18,040	15,021	443,852
-	-	-	1,946	-
-	-	-	14,739	-
-	-	-	16,685	-
505	-	-	-	-
505	-	-	16,685	-
7,925	40	18,040	(1,664)	443,852
(33,790)	(1,576)	-	-	-
-	-	-	-	(10,000)
(33,790)	(1,576)	-	-	(10,000)
(25,865)	(1,536)	18,040	(1,664)	433,852
367,281	1,614	-	119,065	-
341,416	78	18,040	117,401	433,852

City of Nevada
Combining Schedule of Cash Transactions
Trust Funds
Year ended June 30, 2002

	Expendable Trusts	
	Recreation/ Athletic Complex Operation/ Maintenance	S.C.O.R.E. Soccer
Receipts:		
Use of money and property:		
Interest on investments	54	189
Intergovernmental:		
Enrich Iowa Grant	-	-
Open access	-	-
Miscellaneous:		
Donations and contributions	-	6,500
Perpetual care	-	-
Total receipts	54	6,689
Disbursements:		
Human Development Program:		
Commodities	-	-
Capital outlay	-	-
Home and Community Environment Program:		
Contractual services	-	-
Total disbursements	-	-
Excess (deficiency) of receipts over (under) disbursements	54	6,689
Other financing uses:		
Operating transfers out:		
General	-	-
Capital Project:		
Soccerfields/Restrooms	-	(18,163)
Total other financing uses	-	(18,163)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	54	(11,474)
Balance beginning of year	2,150	11,474
Balance end of year	\$ 2,204	-

See accompanying independent auditor's report.

Non-Expendable Trusts				
Parks Planting (Hattery)	Cemetery Perpetual Care	Cemetery Memorials	Gates Hall Trust	Total
311	-	-	4,802	54,656
-	-	-	-	3,380
-	-	-	-	3,796
-	-	-	-	7,176
-	-	-	-	437,528
-	4,296	-	-	4,296
-	4,296	-	-	441,824
311	4,296	-	4,802	503,656
25	-	-	7,025	9,848
-	-	-	-	14,739
25	-	-	7,025	24,587
-	-	-	-	505
25	-	-	7,025	25,092
286	4,296	-	(2,223)	478,564
-	-	-	-	(35,366)
-	-	-	-	(28,163)
-	-	-	-	(63,529)
286	4,296	-	(2,223)	415,035
7,704	77,728	11,569	86,663	737,717
7,990	82,024	11,569	84,440	1,152,752

Schedule 8

City of Nevada
 Bond and Note Maturities
 June 30, 2002

Year Ending June 30,	General Obligation Notes					Urban Renewal Tax Increment Revenue Bonds		Urban Renewal Tax Increment Revenue Bonds		Total
	General Obligation Refunding Notes		General Obligation Gates Hall Notes		Total	Issued Oct 1, 1999		Issued April 1, 2002		
	Issued May 1, 1999		Issued April 1, 2002			Interest Rates	Amount	Interest Rates	Amount	
	Interest Rates	Amount	Interest Rates	Amount						
2003	4.05%	\$ 175,000	3.00%	\$ 35,000	\$ 210,000	4.90%	\$ 100,000	3.25%	\$ 55,000	\$ 155,000
2004	4.10	185,000	3.60	45,000	230,000	5.00	100,000	3.85	60,000	160,000
2005	4.15	190,000	3.85	45,000	235,000	5.10	110,000	4.10	65,000	175,000
2006	4.20	205,000	4.10	45,000	250,000	5.15	115,000	4.35	65,000	180,000
2007	4.25	215,000	4.30	50,000	265,000	5.20	120,000	4.55	70,000	190,000
2008	-	-	4.50	50,000	50,000	5.25	125,000	4.75	75,000	200,000
2009	-	-	4.70	50,000	50,000	5.30	135,000	4.95	75,000	210,000
2010	-	-	4.80	55,000	55,000	5.40	140,000	5.05	80,000	220,000
2011	-	-	4.90	60,000	60,000	-	-	5.15	85,000	85,000
2012	-	-	5.00	60,000	60,000	-	-	5.25	90,000	90,000
2013	-	-	5.10	65,000	65,000	-	-	-	-	-
2014	-	-	5.20	65,000	65,000	-	-	-	-	-
2015	-	-	5.30	70,000	70,000	-	-	-	-	-
2016	-	-	5.40	75,000	75,000	-	-	-	-	-
Total		<u>\$ 970,000</u>		<u>\$ 770,000</u>	<u>\$ 1,740,000</u>		<u>\$ 945,000</u>		<u>\$ 720,000</u>	<u>\$ 1,665,000</u>

Year Ending June 30,	Revenue Bonds and Notes				Local Option Sales and Services Tax Revenue Bonds		Total
	Sewer Notes		Sewer Revolving Bonds		Issued Aug 1, 2002		
	Issued Jul 1, 1994		Issued Jan 3, 1995		Interest Rates	Amount	
	Interest Rates	Amount	Interest Rates	Amount			
2003	5.50%	\$ 145,000	4.54%	\$ 50,000	4.40%	\$ 85,000	\$ 195,000
2004	5.60	150,000	4.54	55,000	4.50	90,000	205,000
2005	5.70	160,000	4.54	55,000	4.50	90,000	215,000
2006	5.80	170,000	4.54	60,000	4.70	95,000	230,000
2007	-	-	4.54	60,000	4.80	100,000	60,000
2008	-	-	4.54	65,000	4.90	105,000	65,000
2009	-	-	4.54	65,000	5.00	110,000	65,000
2010	-	-	4.54	70,000	5.10	115,000	70,000
2011	-	-	4.54	70,000	5.20	120,000	70,000
2012	-	-	4.54	75,000	-	-	75,000
2013	-	-	4.54	80,000	-	-	80,000
2014	-	-	4.54	80,000	-	-	80,000
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
Total		<u>\$ 625,000</u>		<u>\$ 785,000</u>		<u>\$ 910,000</u>	<u>\$ 1,410,000</u>

See accompanying independent auditor's report.

City of Nevada

Comparison of Taxes and Intergovernmental Receipts

Primary Government

	Years ended June 30,			
	2002	2001	2000	1999
Property tax	\$ 1,748,820	1,756,625	1,685,102	1,660,072
Urban renewal tax increment financing	754,855	634,674	476,079	457,780
Other city tax:				
Mobile home tax	26,158	23,686	22,648	19,453
Utility tax replacement excise tax	73,101	72,099	-	-
Local option sales tax	617,660	546,018	696,869	577,240
	716,919	641,803	719,517	596,693
Intergovernmental:				
State allocation	100,765	101,399	101,697	101,617
Road use tax allocation	533,290	494,249	487,420	460,910
Grants	25,759	432,625	11,461	118,371
Bank franchise tax	12,471	20,772	33,242	17,914
Other	88,311	112,013	53,974	141,425
	760,596	1,161,058	687,794	840,237
Total	\$ 3,981,190	4,194,160	3,568,492	3,554,782

See accompanying independent auditor's report.

City of Nevada



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

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Auditor of State

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Warren G. Jenkins, CPA
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Nevada, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 20, 2002. Our report expressed an unqualified opinion 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 and contracts, 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 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, 2002 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 prior year's statutory comment has not been wholly resolved and is repeated as item (11).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Nevada's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Nevada's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described in the accompanying Schedule of Findings is a material weakness. Prior year reportable conditions have been resolved except for item (A).

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. 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.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 20, 2002

City of Nevada
Schedule of Findings
Year ended June 30, 2002

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Accounting personnel open mail but an initial listing of receipts is not prepared. The individual who prepares bank reconciliations also handles receipt and disbursement functions.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City Clerk now sorts and open all incoming administrative mail and prepares a sampling audit of receipts on a daily basis. Incoming invoices are also opened and processed by the City Clerk. Interviewing for another staff person is planned to be added in the administrative offices to divide the duties of receipts and accounts payable from the person who handles the bank reconciliations.

Conclusion - Response accepted.

Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (2) Certified Budget - Disbursements during the year ended June 30, 2002 did not exceed the amounts budgeted.
- (3) Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Nevada
Schedule of Findings
Year ended June 30, 2002

- (5) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rhett Faaborg, Parks and Recreation Board Member Owner of Country Landscapes	Trees, landscaping, per bids Supplies, landscaping	\$ 33,699 9,236
Ken Huffaker, Cemetery Board Member, Owner of Nevada Monument	Columbarium, per bid Supplies	24,880 663
Michael Neff, Council Member, Owner of Nevada Vision Center	Safety glasses, exam	110
Jerry Mitchell, City employee, Owner of Mitchell Saw Sharpening	Chains	84

In accordance with Chapter 362.5 of the Code of Iowa, the non-bid transaction with the Parks and Recreation Board Member Faaborg appears to represent a conflict of interest since total transactions with the individual exceeds the \$1,500 limit during the fiscal year. The other non-bid transactions do not appear to represent conflicts of interest since the total non-bid transactions with each individual were less than \$1,500 during the year.

The remaining transactions do not appear to represent conflicts of interest since they were entered into through competitive bidding.

Recommendation - The City should comply with the requirements of the Code of Iowa. The City should ensure that bids are solicited for purchases that may benefit a city employee or officer, directly or indirectly, which exceed the \$1,500 limit within the fiscal year.

Response - The City of Nevada received an "In-Kind" donation from Country Landscapes for \$50,000 for the Aquatic Center landscaping. The landscaping needed \$5,000 more to complete the project and the Park & Recreation Board did not feel comfortable bidding this balance of the project out.

Conclusion - Response acknowledged. The City should comply with the Code of Iowa.

- (6) 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 that the coverage is adequate for current operations.
- (7) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Nevada

Schedule of Findings

Year ended June 30, 2002

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 372.13(6) of the Code of Iowa by publishing minutes within the required fifteen days.

Response - Since October when the problem was discovered, staff has been reviewing the Nevada Journal (a weekly publication) for the legal publications as soon as published when we would still have adequate time to publish in the Ames Tribune (a daily publication).

Conclusion - Response accepted.

- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Revenue Notes - The City has complied with the sewer revenue bond and note requirements for the year ended June 30, 2002.
- (10) Local Option Sales and Services Tax Revenue Bonds - The City has not established the sinking and reserve accounts required by the bond resolution.

Recommendation - The City should establish these accounts and make the required transfers.

Response - The Nevada City Council approved a resolution creating the funds and authorizing the reserve account transfers at the meeting on August 26, 2002.

Conclusion - Response accepted.

- (11) Financial Condition - The Capital Projects Funds, Railroad Crossings, Recreation/Athletic Buildings and 2002 Street Reconstruction had deficit balances of \$2,888, \$4,860 and \$21,874 respectively, at June 30, 2002. The Internal Service Fund, Payroll Revolving, had a deficit balance of \$23 at June 30, 2002.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response - The Railroad Crossings Project will be funded by a 90% federal match if any part of the project goes to construction. The Recreation/Athletic Buildings (Pavilion) project has received a grant appropriation from the State of Iowa Vision Iowa Community Attractions and Tourism Grant for \$36,000. The balance of the project will be covered by SCORE donations/pledges. The 2002 Street Reconstruction project will be funded by a combination of a general obligation debt (which has been pre-levied for), special assessments, and water and wastewater operating funds. These general obligation bonds will be sold when the project is completed or by June 30, 2003. Staff will correct the Payroll Revolving fund to close the deficit balance through journal entries.

Conclusion - Response accepted.

City of Nevada

Staff

This audit was performed by:

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