



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE _____ February 25, 2011

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$12,338,958 for the year ended June 30, 2010, a 28% decrease from the prior year. The receipts included \$2,286,259 in property tax, \$1,608,637 from tax increment financing, \$3,533,116 from charges for service, \$964,372 from operating grants, contributions and restricted interest, \$318,786 from capital grants, contributions and restricted interest, \$797,045 from local option sales tax, \$90,431 from unrestricted interest on investments and \$2,740,312 from bond proceeds.

Disbursements for the year totaled \$10,224,275, a 50 % decrease from the prior year, and included \$1,945,808 for debt service, \$1,276,595 for culture and recreation, \$1,125,904 for public safety and \$900,000 paid to the refunding bond agent. Also, disbursements for business type activities totaled \$2,663,628.

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/1020-0820-B00F.pdf>.

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CITY OF NEVADA

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

JUNE 30, 2010

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City of Nevada

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Gearold E. Gull, II	Mayor	Jan 2010
Walt McDonald	Mayor Pro tem	Jan 2010
Gary G. Gardner	Council Member	Jan 2010
Andrew Kelly	Council Member	Jan 2010
Thomas Haller	Council Member	Jan 2012
Jane Heintz	Council Member	Jan 2012
G. Michael Neff	Council Member	Jan 2012
Elizabeth Hanson	City Administrator	Indefinite
Teresa Peterson-Smith	City Clerk	Indefinite
Don Juhl	Attorney	Indefinite
(After January 2010)		
Gearold E. Gull, II	Mayor	Jan 2014
Andrew Kelly	Mayor Pro tem	Jan 2014
Brett Barker (Appointed)	Council Member	Nov 2011
Thomas Haller	Council Member	Jan 2012
Jane Heintz	Council Member	Jan 2012
G. Michael Neff	Council Member	(Resigned Jan 2010)
Brian Hanson	Council Member	Jan 2014
Ray Schwichtenberg	Council Member	Jan 2014
Elizabeth Hanson	City Administrator	Indefinite
Teresa Peterson-Smith	City Clerk	Indefinite
Brick, Gentry, Bowers, Swartz, Stolze, & Levis, P.C.	Attorney	Indefinite

City of Nevada



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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, 2010, 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.

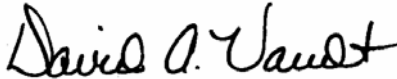
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2010, 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.

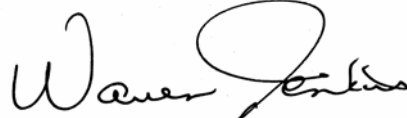
In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2011 on our consideration of the City of Nevada's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 the internal control over financial reporting or on 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 14 and 36 through 38 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 seven years ended June 30, 2009 (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 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

February 15, 2011

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts for governmental activities decreased 34.28%, or \$4,889,800, from fiscal year 2009 to fiscal year 2010. Operating grants decreased 12.09%, or \$132,673, from fiscal year 2009 to fiscal year 2010 due to a \$160,000 FEMA grant received in fiscal year 2009. Capital grants increased \$85,256, or 36.61%. Property tax increased 9.04%, or \$189,628, and tax increment financing (TIF) decreased 6.07%, or \$103,891, due to the release of some of the TIF increment. Local option sales tax (LOST) decreased 7.16%, or \$61,495. Bond proceeds decreased 63.96%, or \$4,863,338, from fiscal year 2009 to fiscal year 2010 because City Hall debt proceeds of \$6,500,000 were received in fiscal year 2009 and \$2,775,000 of general obligation debt (for streets and refunding the Gates Hall debt and Lincoln Highway/600th Avenue debt) was issued in fiscal year 2010. Receipts for business type activities decreased \$18,145, or .61%.
- Disbursements for governmental activities decreased 56.16%, or \$9,685,710, in fiscal year 2010 from fiscal year 2009. Public safety disbursements increased \$67,511, or 6.38%. Public works disbursements decreased \$23,838, or 3.49%. Culture and recreation disbursements decreased 3.03%, or \$39,846. Community and economic development disbursements decreased 91.21%, or \$2,395,039, due to the purchase of property to be used for economic development in fiscal year 2009. General government disbursements decreased \$73,528, or 20.39%, primarily due to the purchase, demolition and clean up of the site for the Senior Center in fiscal year 2009 and the Wellness payment for three years of service in fiscal year 2009. Debt service disbursements decreased 8.35%, or \$177,322. Capital projects disbursements decreased 57.97%, or \$1,463,792. The City paid \$6,475,000 to the refunding bond agent in fiscal year 2009 and \$900,000 in fiscal year 2010. Disbursements for business type activities decreased \$498,180, or 15.76%. Disbursements in the Water Fund decreased 35.78%, or \$797,455, due to completion of Well #8 installation and the 2008 Water Main Improvements during fiscal year 2009. The Sewer Fund disbursements increased \$298,974, or 34.66%, due to the completion of the Digester Covers in fiscal year 2009 and the start of the Trickling Filter Project in fiscal year 2010.
- Total cash basis net assets of the City increased 24.38 %, or \$2,114,683, from fiscal year 2009 to fiscal year 2010, primarily due to the receipt of \$1,600,000 of bond proceeds in May 2010 which will be used for street projects in fiscal year 2011 and approximately \$339,000 held in an escrow account for the payment of the remaining Gates Hall debt when called on June 1, 2011.

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 and proprietary funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that 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, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, road use tax, state and federal grants and user fees finance most of these activities.
- Business Type Activities include the water system, sanitary sewer system, sanitation and storm sewer utilities, including all capital projects associated with these activities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending in the next fiscal year. 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 increased or reduced 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 for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City and the Sanitation and Storm Water Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

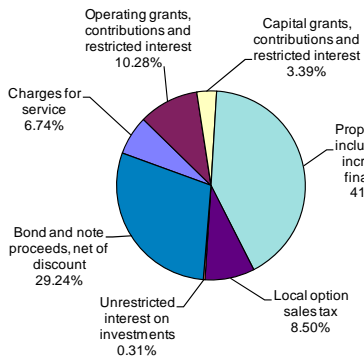
Governmental Activities

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 \$5,091,618 to \$6,755,836. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

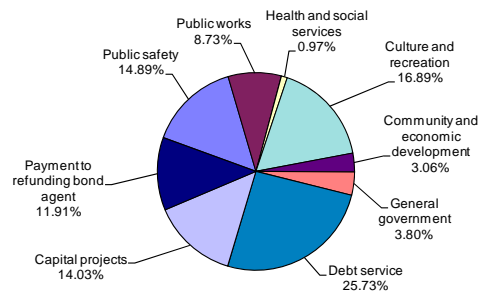
Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 632	615
Operating grants, contributions and restricted interest	964	1,097
Capital grants, contributions and restricted interest	318	233
General receipts:		
Property tax, including tax increment financing	3,895	3,809
Local option sales tax	797	858
Unrestricted interest on investments	29	42
Bond and note proceeds, net of discount	2,740	7,604
Miscellaneous	-	6
Total receipts	<u>9,375</u>	<u>14,264</u>
Disbursements:		
Public safety	1,126	1,058
Public works	660	684
Health and social services	73	78
Culture and recreation	1,277	1,316
Community and economic development	231	2,626
General government	287	361
Debt service	1,946	2,123
Capital projects	1,061	2,525
Payment to refunding bond agent	900	6,475
Total disbursements	<u>7,561</u>	<u>17,246</u>
Increase (decrease) in cash basis net assets before transfers	1,814	(2,982)
Transfers, net	(150)	434
Net change in cash basis net assets	1,664	(2,548)
Cash basis net assets beginning of year	5,092	7,640
Cash basis net assets end of year	<u>\$ 6,756</u>	<u>5,092</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 34.28%, or approximately \$4,889,000. Charges for service increased \$16,719, or 2.72%. Operating and capital grants decreased approximately \$48,000. Overall property tax increased approximately \$86,000. Local option sales tax decreased \$61,495, or 7.16%. Unrestricted interest on investments decreased 32.81%, or \$13,977. Bond proceeds decreased \$4,863,338 because the City refinanced the temporary debt for the City Hall/Public Safety Facility project in fiscal year 2009 and issued general obligation bonds in fiscal year 2010 for \$2,775,000.

The total cost of all governmental activities programs and services decreased approximately \$9,685,000, or 56.16%. Public safety disbursements increased \$67,511, or 6.38%. Culture and recreation disbursements decreased \$39,846, or 3.03%. Community and economic development disbursements decreased \$2,395,039 due to the purchase of property in fiscal year 2009. General governmental disbursements decreased \$73,528, or 20.39%. Debt service disbursements decreased \$177,322 or 8.35%. Capital projects disbursements decreased \$1,463,792, or 57.97%, primarily due to the completion of the City Hall project in fiscal year 2009.

The City's property tax rates in fiscal year 2010 remained at \$15.12870 per \$1,000 of taxable valuation. The property tax for fiscal year 2011 is consistent with the fiscal year 2010 levy. The City's property tax rates have not increased significantly in thirteen years, except for the voted capital improvements levy in fiscal year 2009.

The cost of all governmental activities this year was \$7,560,647. 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 \$4,746,656 because some of the cost was paid by those directly benefiting from the programs (\$631,498) or by other governments and organizations which subsidized certain programs with grants, contributions and unrestricted interest (\$1,282,493). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, were \$9,374,865. The City paid for the remaining "public benefit" portion of governmental activities with \$7,460,874 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Business Activities

Total business type activities receipts for fiscal year 2010 were \$2,964,093. Total business type activities disbursements for fiscal year 2010 were \$2,663,628, compared to \$3,161,808 last year. The transactions and cash balance of the sanitation utility, established in July 2005, did not change appreciably. The City created a storm water utility in fiscal year 2010.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 2,902	2,910
Capital grants, contributions and restricted interest	1	1
General receipts:		
Unrestricted interest on investments	62	66
Bond proceeds	-	5
Total receipts	<u>2,965</u>	<u>2,982</u>
Disbursements:		
Water	1,431	2,229
Sewer	1,162	862
Other	71	71
Total disbursements	<u>2,664</u>	<u>3,162</u>
Increase in cash basis net assets before transfers	301	(180)
Transfers, net	150	(434)
Change in cash basis net assets	451	(614)
Cash basis net assets beginning of year	<u>3,581</u>	<u>4,195</u>
Cash basis net assets end of year	<u>\$ 4,032</u>	<u>3,581</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$6,753,603.

- The General Fund (includes the general, hotel/motel, general capital revolving, self insurance and sick and vacation accounts) cash balance increased \$326,896 to \$2,101,949.
- The Special Revenue, Road Use Tax Fund cash balance increased \$125,050 to \$496,232 due to saving funds for capital disbursements for equipment in future years.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance decreased \$349,684 to \$485,326, primarily due to increased debt service disbursements and increased transfers to the General Fund.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$988,679 at the end of the fiscal year, an increase of \$139,727 over the previous year.
- The Debt Service Fund cash balance increased \$382,907 to \$650,285, primarily due to a portion of the debt proceeds placed in an escrow account to pay the call notice of the Gates Hall debt in June 2011.
- The Capital Projects Fund began the year with a cash balance of \$162,258 and ended with a balance of \$1,084,128, an increase of \$921,870. The balance fluctuates greatly between years due to projects and funding. The increase is primarily due to issuance of street improvement bonds which will be spent in subsequent years.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$410,253 from a balance of \$942,689 to \$1,352,942.
- The Sewer Fund cash balance decreased \$6,418 to \$2,629,663. The City is currently in the process of implementing a Trickling Filter upgrade at the plant.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on April 12, 2010 and resulted in an increase in operating disbursements of \$2,175,940 for culture and recreation, debt service and capital projects and an increase in receipts of \$1,671,420, primarily from the refunding of debt. The second amendment was approved on May 24, 2010 and resulted in an increase in operating disbursements of \$426,762 for public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities.

The City's receipts were \$148,186 less than budgeted, a variance of 1.53%. The City received \$192,578 less than budgeted for charges for service related to the utilities.

Total disbursements were \$5,279,829 less than budgeted, due primarily to the City's budget for debt service and capital projects. The City budgeted for the payment to the refunding bond agent as a disbursement. This payment should not be a budgeted disbursement and is reported as an other financing use. The City increased the capital projects budget to provide for projects, but did not disburse the funds during fiscal year 2010.

DEBT ADMINISTRATION

On June 30, 2010, the City had \$17,655,000 of outstanding bonds and other long and short term debt, compared to \$17,473,000 last year, as shown below. The local option sales and services tax revenue bonds for the SCORE Park Grading/Maintenance building were called and paid in full in June 2010. The general obligation street improvement bonds for the Lincoln Highway/600th Avenue Turn Lanes were refinanced with the 2010 Street Improvement and Refunding issue. This issuance will also call the remaining debt on the Gates Hall Remodeling in June 2011.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation notes:		
4/1/2002-Gates Hall Remodeling - \$770,000	\$ 395,000	450,000
7/1/2005-Lincoln Highway/600th Avenue Turn Lanes - \$1,545,000	-	1,085,000
4/1/2008-Street Improvement - \$1,700,000	-	475,000
11/15/2008 - Refunding - \$635,000	180,000	410,000
5/18/2010 - Street Improvement and Refunding - \$2,775,000	2,775,000	-
Urban renewal tax increment revenue bonds:		
11/15/2008 - City Hall - \$6,500,000	6,400,000	6,500,000
5/6/2009 - Nevada Economic Development Council - \$475,000	475,000	475,000
Local option sales and services tax revenue bonds:		
8/1/2001-SCORE Park Grading/Maint Bldg. - \$1,000,000	-	235,000
Revenue bonds:		
1/3/1995-Sewer Revolving - \$1,114,000	305,000	375,000
1/14/2005-Water - \$8,438,000	7,125,000	7,468,000
Total	\$ 17,655,000	17,473,000

Debt increased \$182,000 with the issuance of the new street improvement and refunding bonds of \$2,775,000. The City continues to pursue an aggressive payback schedule on most of the debt issues outstanding. This allows the City the flexibility to issue new debt to finance additional projects on a regular basis.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the actual value of all taxable property within the City's corporate limits (\$319,310,396 x 5% = \$15,965,520). The City's outstanding general obligation debt of \$10,225,000 (general, TIF and LOST debt) is significantly below its constitutional debt limit of \$15,965,520.

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 2011 budget, tax rates and fees charged for various City activities.

The City's taxable valuation increased \$14,973,655 between fiscal years 2011 and 2010 (\$154,627,158 - \$139,653,503), resulting in an increase in General Fund tax of \$124,296. This increase was due to the decreased request for tax increment financing for fiscal year 2010.

Tax increment financing receipts are budgeted to decrease \$200,408 in fiscal year 2011, from \$1,576,733 to \$1,376,325.

The City's expected receipts for fiscal year 2011 are \$8,992,737 (without transfers) as opposed to fiscal year 2010 budgeted receipts of \$9,379,080 (without transfers and proceeds of debt).

The City's disbursements for fiscal year 2011 are expected to increase from the original budget of \$11,928,004 (without transfers) for fiscal year 2010 to \$12,055,346 for fiscal year 2011 (without transfers), primarily due to capital projects.

If these estimates are realized, the City's budgeted cash balance is expected to decrease \$3,062,609 to \$5,042,874 at the close of fiscal year 2011.

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 Peterson-Smith, City Clerk, 1209 6th Street, P O Box 530, Nevada, Iowa.

Basic Financial Statements

City of Nevada

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	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	\$ 1,125,904	130,218	89,194	51,173
Public works	660,106	2,189	617,607	16,306
Health and social services	73,044	-	-	-
Culture and recreation	1,276,595	406,412	235,000	-
Community and economic development	230,845	954	2,877	-
General government	287,148	73,551	-	-
Debt service	1,945,808	7,673	19,694	-
Capital projects	1,061,197	10,501	-	250,642
Total governmental activities	6,660,647	631,498	964,372	318,121
Business type activities:				
Water	1,431,331	1,656,569	-	267
Sewer	1,161,458	1,127,690	-	398
Other	70,839	117,359	-	-
Total business type activities	2,663,628	2,901,618	-	665
Total Primary Government	\$ 9,324,275	3,533,116	964,372	318,786
Component Unit:				
Nevada Economic Development Council	\$ 140,123	8,513	85,464	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds, net of \$34,688 discount				
Payment to refunding bond agent				
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:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
Primary Government			Nevada Economic Development Council
Governmental Activities	Business Type Activities	Total	
(855,319)	-	(855,319)	-
(24,004)	-	(24,004)	-
(73,044)	-	(73,044)	-
(635,183)	-	(635,183)	-
(227,014)	-	(227,014)	-
(213,597)	-	(213,597)	-
(1,918,441)	-	(1,918,441)	-
(800,054)	-	(800,054)	-
<u>(4,746,656)</u>	<u>-</u>	<u>(4,746,656)</u>	<u>-</u>
-	225,505	225,505	-
-	(33,370)	(33,370)	-
-	46,520	46,520	-
-	238,655	238,655	-
<u>(4,746,656)</u>	<u>238,655</u>	<u>(4,508,001)</u>	<u>-</u>
-	-	-	<u>(46,146)</u>
1,769,874	-	1,769,874	-
516,385	-	516,385	-
1,608,637	-	1,608,637	-
797,045	-	797,045	-
28,621	61,810	90,431	-
2,740,312	-	2,740,312	-
(900,000)	-	(900,000)	-
(150,000)	150,000	-	-
<u>6,410,874</u>	<u>211,810</u>	<u>6,622,684</u>	<u>-</u>
1,664,218	450,465	2,114,683	(46,146)
5,091,618	3,581,349	8,672,967	52,767
<u>\$ 6,755,836</u>	<u>4,031,814</u>	<u>10,787,650</u>	<u>6,621</u>
\$ 119,363	-	119,363	-
496,232	-	496,232	-
338,679	-	338,679	-
1,300,285	445,469	1,745,754	-
1,084,128	-	1,084,128	-
1,312,967	792,295	2,105,262	-
2,104,182	2,794,050	4,898,232	6,621
<u>\$ 6,755,836</u>	<u>4,031,814</u>	<u>10,787,650</u>	<u>6,621</u>

City of Nevada

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

As of and for the year ended June 30, 2010

	Special Revenue			
	General	Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 1,273,707	-	-	-
Tax increment financing	-	-	-	1,608,637
Other city tax	53,048	-	797,045	-
Licenses and permits	79,754	-	-	-
Use of money and property	105,217	2,098	4,229	11,079
Intergovernmental	149,207	631,815	-	-
Charges for service	278,826	-	-	-
Special assessments	-	-	-	-
Miscellaneous	112,294	-	-	-
Total receipts	2,052,053	633,913	801,274	1,619,716
Disbursements:				
Operating:				
Public safety	973,120	33,897	56,659	-
Public works	1,226	584,966	73,872	-
Health and social services	-	-	73,044	-
Culture and recreation	1,198,944	-	22,869	-
Community and economic development	44,429	-	112,307	71,565
General government	202,023	-	84,992	-
Debt service	-	-	245,394	641,846
Capital projects	-	-	-	-
Total disbursements	2,419,742	618,863	669,137	713,411
Excess (deficiency) of receipts over (under) disbursements	(367,689)	15,050	132,137	906,305
Other financing sources (uses):				
Bond proceeds, net of \$34,688 discount	-	-	-	-
Payment to refunding bond agent	-	-	-	-
Operating transfers in	714,243	110,000	-	-
Operating transfers out	(19,658)	-	(481,821)	(766,578)
Total other financing sources (uses)	694,585	110,000	(481,821)	(766,578)
Net change in cash balances	326,896	125,050	(349,684)	139,727
Cash balances beginning of year	1,775,053	371,182	835,010	848,952
Cash balances end of year	\$ 2,101,949	496,232	485,326	988,679
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	650,000
Unreserved:				
General fund	2,101,949	-	-	-
Special revenue funds	-	496,232	485,326	338,679
Capital projects fund	-	-	-	-
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ 2,101,949	496,232	485,326	988,679

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
502,693	34,168	393,209	2,203,777
-	-	-	1,608,637
13,692	1,258	14,485	879,528
-	-	-	79,754
8,615	3,309	61,762	196,309
-	245,333	46,224	1,072,579
-	10,501	6,337	295,664
7,673	-	-	7,673
-	2,000	176,338	290,632
532,673	296,569	698,355	6,634,553
-	-	62,028	1,125,704
-	-	-	660,064
-	-	-	73,044
-	-	54,425	1,276,238
-	-	2,544	230,845
-	-	-	287,015
1,038,418	20,150	-	1,945,808
-	1,061,197	-	1,061,197
1,038,418	1,081,347	118,997	6,659,915
(505,745)	(784,778)	579,358	(25,362)
1,159,889	1,580,423	-	2,740,312
(900,000)	-	-	(900,000)
628,763	150,934	32,209	1,636,149
-	(24,709)	(493,383)	(1,786,149)
888,652	1,706,648	(461,174)	1,690,312
382,907	921,870	118,184	1,664,950
267,378	162,258	828,820	5,088,653
650,285	1,084,128	947,004	6,753,603
650,285	-	-	1,300,285
-	-	-	2,101,949
-	-	827,641	2,147,878
-	1,084,128	-	1,084,128
-	-	119,363	119,363
650,285	1,084,128	947,004	6,753,603

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, 2010

Total governmental funds cash balances (page 19) \$ 6,753,603

***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 flexible benefits plan to individual funds. A portion of the assets of the Internal Service Fund is included in governmental activities in the Statement of Net Assets.

2,233

Cash basis net assets of governmental activities (page 17) \$ 6,755,836

Net change in cash balances (page 19) \$ 1,664,950

***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 flexible benefits plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

(732)

Change in cash basis net assets of governmental activities (page 17) \$ 1,664,218

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, 2010

	Enterprise				Internal Service
	Water	Sewer	Nonmajor	Total	Flexible Benefits
Operating receipts:					
Use of money and property	\$ 10,368	-	-	10,368	-
Charges for service	1,537,717	1,099,087	116,467	2,753,271	30,851
Miscellaneous	108,484	28,603	892	137,979	-
Total operating receipts	<u>1,656,569</u>	<u>1,127,690</u>	<u>117,359</u>	<u>2,901,618</u>	<u>30,851</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	7,323
Public works	-	-	-	-	1,552
Culture and recreation	-	-	-	-	13,059
General government	-	-	-	-	4,849
Business type activities	845,496	676,889	70,839	1,593,224	4,935
Total operating disbursements	<u>845,496</u>	<u>676,889</u>	<u>70,839</u>	<u>1,593,224</u>	<u>31,718</u>
Excess (deficiency) of operating receipts over under operating disbursements	<u>811,073</u>	<u>450,801</u>	<u>46,520</u>	<u>1,308,394</u>	<u>(867)</u>
Non-operating receipts (disbursements):					
Interest on investments	34,883	27,347	245	62,475	-
Capital projects	-	(403,128)	-	(403,128)	-
Debt service	(585,703)	(81,438)	-	(667,141)	-
Total non-operating receipts (disbursements)	<u>(550,820)</u>	<u>(457,219)</u>	<u>245</u>	<u>(1,007,794)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>260,253</u>	<u>(6,418)</u>	<u>46,765</u>	<u>300,600</u>	<u>(867)</u>
Operating transfer in	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Net change in cash balances	410,253	(6,418)	46,765	450,600	(867)
Cash balances beginning of year	<u>942,689</u>	<u>2,636,081</u>	<u>1,667</u>	<u>3,580,437</u>	<u>3,877</u>
Cash balances end of year	<u>\$ 1,352,942</u>	<u>2,629,663</u>	<u>48,432</u>	<u>4,031,037</u>	<u>3,010</u>
Cash Basis Fund Balances					
Reserved for:					
Debt service	\$ -	445,469	-	445,469	-
Sewer construction	-	792,295	-	792,295	-
Unreserved	<u>1,352,942</u>	<u>1,391,899</u>	<u>48,432</u>	<u>2,793,273</u>	<u>3,010</u>
Total cash basis fund balances	<u>\$ 1,352,942</u>	<u>2,629,663</u>	<u>48,432</u>	<u>4,031,037</u>	<u>3,010</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, 2010

Total enterprise funds cash balances (page 22) \$ 4,031,037

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 flexible benefits plan to individual funds. A portion of the assets of the Internal Service Fund is included in business type activities in the Statement of Net Assets.

777

Cash basis net assets of business type activities (page 17) \$ 4,031,814

Net change in cash balances (page 22) \$ 450,600

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 flexible benefits plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

(135)

Change in cash basis net assets of business type activities (page 17) \$ 450,465

See notes to financial statements.

City of Nevada

Notes to Financial Statements

June 30, 2010

(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, sanitation and storm water utilities for its citizens.

A. Reporting Entity

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

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

Discretely Presented Component Unit – The Nevada Economic Development Council (NEDC) is presented in a separate column to emphasize it is legally separate from the City, but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The NEDC is governed by a 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, Nevada First Responders, the Senior Citizen Center and the Friends of the Library are entities which are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended into the nonmajor governmental funds.

Jointly Governed Organizations

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

Expendable 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. Net assets restricted through enabling legislation consist of \$ 792,295 for sewer construction.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. 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 and proprietary 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 tax increment financing collections and the repayment of tax increment financing indebtedness.

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 wastewater treatment and sanitary sewer 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.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 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.

During the year ended June 30, 2008, the City transferred \$180,000 received by the City through an estate bequest to a local non-profit organization (Foundation). At June 30, 2010, the carrying amount and fair value was \$165,706 and \$146,077, respectively. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash. Also at June 30, 2010, the City had a carrying amount and fair value of \$338,839 invested in U.S. Government Treasury Notes with a maturity of June 2011.

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. Although the City did not invest more than 5 percent of the City's investments in any one issuer, more than 5 percent of the City's investments are in funds held by the Foundation. The City's investments in funds held by the Foundation are 33 percent of the City's total investments.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2011	1,220,000	68,350	250,000	336,788	423,000	222,900	1,893,000
2012	875,000	37,450	410,000	324,988	439,000	210,210	1,724,000	572,648
2013	800,000	23,793	470,000	306,338	455,000	197,040	1,725,000	527,171
2014	200,000	10,193	480,000	284,792	466,000	183,390	1,146,000	478,375
2015	205,000	6,193	370,000	261,982	398,000	169,410	973,000	437,585
2016-2020	50,000	1,375	2,450,000	989,648	2,176,000	660,630	4,676,000	1,651,653
2021-2025	-	-	2,445,000	316,024	2,522,000	314,130	4,967,000	630,154
2026	-	-	-	-	551,000	16,530	551,000	16,530
Total	\$3,350,000	147,354	6,875,000	2,820,560	7,430,000	1,974,240	17,104,000	4,925,624

General Obligation Refunding Bonds

On May 18, 2010, the City issued \$2,775,000 of general obligation refunding bonds for the current refunding of \$920,000 of general obligation corporate purpose bonds issued July 1, 2005, a crossover advance refunding of \$255,000 of general obligation corporate purpose notes dated April 1, 2002 and for street improvements of \$1,600,000. The bonds bear interest at 0.85% to 2.75% per annum and mature June 1, 2016.

For the crossover advance refunding, the City entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. government securities. These securities, along with additional cash, were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

The refunding was undertaken to reduce total debt service payments over the next six years by \$143,256 and resulted in an economic gain of \$48,793.

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$6,500,000 of urban renewal tax increment financing (TIF) revenue bonds in November 2008 for the purpose of providing funds to pay a portion of the cost of carrying out a project in the Nevada Urban Renewal Area, consisting of constructing, equipping and furnishing the City Hall and Public Safety Facility, and redeeming the City's outstanding urban renewal tax increment financing revenue bond anticipation project notes dated June 2007. The bonds bear interest at 3.00% to 5.10% per annum and mature June 1, 2024.

The City also issued \$475,000 of urban renewal tax increment financing revenue bonds in May 2009 for the purpose of paying a portion of the costs of carrying out an urban renewal project in the Nevada Urban Renewal Area of the City, consisting of funding an economic development grant to the Nevada Economic Development Council in connection with the acquisition of certain real property for use in future business development initiatives. The bonds bear interest at 4.00% per annum and mature June 1, 2014.

The bonds are payable solely from TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the

bonds. 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. Total principal and interest remaining on the bonds is \$9,695,560. For the current year, principal and interest paid and total TIF receipts were \$618,692 and \$1,608,637, respectively.

Local Option Sales and Services Tax Revenue Bonds

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 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.

Sewer Revolving Revenue Bonds

The resolution providing for the issuance of the sewer revolving 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 a separate sewer revenue bond sinking account 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 account is 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.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,114,000 of sewer revenue bonds issued in January 1995. The bonds are payable solely from sewer customer net receipts and are payable through 2014. Annual principal and interest payments on the bonds are expected to require less than 19 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$328,400. For the current year, principal and interest paid and total customer net receipts were \$81,250 and \$450,801, respectively.

Water Revenue Bonds

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. 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, 2007.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$ 8,438,000 of water revenue bonds issued in January 2005. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 70 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$9,075,840. For the current year, principal and interest paid and total customer net receipts were \$567,033 and \$811,073, respectively.

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) Interfund Loan

On December 1, 2008, the City agreed to an interfund loan to advance \$ 433,786 from the Enterprise, Water Fund for the purpose of paying a portion of the costs of carrying out an urban renewal project in the Nevada Urban Renewal Area of the City, consisting of funding an economic development grant to the Nevada Economic Development Council in connection with the acquisition of certain real property for use in future business development initiatives. Payments are to be made on June 1 and December 1. The loan bears interest at 3.50% per annum and matures June 1, 2011 to the extent there are TIF receipts available. During the year ended June 30, 2010, principal and interest of \$150,000 and \$22,753, respectively were paid.

(5) 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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$138,290, \$124,170 and \$112,807, respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 39 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members

are \$314 for single coverage, \$615 for employee/spouse coverage, \$581 for employee/children coverage and \$1,005 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$200,472 and plan members eligible for benefits contributed \$30,253 to the plan.

(7) 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 payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 160,000
Compensatory time	28,000
Sick leave	4,800
Total	<u>\$ 192,800</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

(8) Contractual Commitments

The City entered into various construction contracts totaling approximately \$7,553,000. The unpaid contract balances as of June 30, 2010 totaled approximately \$2,200,000, 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 2011.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 304,560
	Employee Benefits	371,236
	Emergency	38,447
		<u>714,243</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales and Services Tax	110,000
S.C.O.R.E. - Undesignated	Capital Projects	24,709
Trail Maintenance	Special Revenue:	
	Local Option Sales and Services Tax	7,500
Debt Service	General	19,658
	Special Revenue:	
	Local Option Sales and Services Tax	58,778
	Urban Renewal Tax Increment	466,627
	Gates Hall Trust	83,700
		<u>628,763</u>
Capital Projects	Special Revenue:	
	Local Option Sales and Services Tax	983
	Urban Renewal Tax Increment	149,951
		<u>150,934</u>
Enterprise:	Special Revenue:	
Water	Urban Renewal Tax Increment	150,000
Total		<u>\$ 1,786,149</u>

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

(10) 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 \$1,419,842 is outstanding at June 30, 2010. 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.

(11) 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 by the population of the City of Nevada.

(12) 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 634 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 official's 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 200 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, 2010 were \$131,485 .

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 \$10,000,000 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 \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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, 2010, 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 casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty 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. 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.

(13) Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or 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 \$ 2,130,821.

The City rebated \$ 57,438 during fiscal year 2010 for a total of \$ 638,684 of incremental property tax under the agreements. The outstanding balance of the agreements at June 30, 2010 was \$ 1,492,137.

City of Nevada

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, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,203,777	-	-
Tax increment financing	1,608,637	-	-
Other city tax	879,528	-	-
Licenses and permits	79,754	-	-
Use of money and property	196,309	72,843	1,213
Intergovernmental	1,072,579	-	37,225
Charges for service	295,664	2,784,122	30,851
Special assessments	7,673	-	-
Miscellaneous	290,632	137,979	49,044
Total receipts	<u>6,634,553</u>	<u>2,994,944</u>	<u>118,333</u>
Disbursements:			
Public safety	1,125,704	7,323	69,351
Public works	660,064	1,552	1,552
Health and social services	73,044	-	-
Culture and recreation	1,276,238	13,059	23,562
Community and economic development	230,845	-	-
General government	287,015	4,849	4,849
Debt service	1,945,808	-	-
Capital projects	1,061,197	-	-
Business type activities	-	2,668,428	4,935
Total disbursements	<u>6,659,915</u>	<u>2,695,211</u>	<u>104,249</u>
Excess (deficiency) of receipts over (under) disbursements	(25,362)	299,733	14,084
Other financing sources (uses), net	<u>1,690,312</u>	<u>150,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,664,950	449,733	14,084
Balances beginning of year	<u>5,088,653</u>	<u>3,584,314</u>	<u>74,562</u>
Balances end of year	<u>\$ 6,753,603</u>	<u>4,034,047</u>	<u>88,646</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
2,203,777	2,191,543	2,191,543	12,234
1,608,637	1,576,733	1,576,733	31,904
879,528	842,854	842,854	36,674
79,754	85,900	85,900	(6,146)
267,939	278,941	279,967	(12,028)
1,035,354	914,095	1,023,508	11,846
3,048,935	3,201,207	3,241,513	(192,578)
7,673	-	7,540	133
379,567	287,807	409,792	(30,225)
<u>9,511,164</u>	<u>9,379,080</u>	<u>9,659,350</u>	<u>(148,186)</u>
1,063,676	1,123,173	1,123,173	59,497
660,064	808,087	869,087	209,023
73,044	74,300	74,300	1,256
1,265,735	1,492,005	1,525,968	260,233
230,845	290,985	293,353	62,508
287,015	293,862	329,612	42,597
1,945,808	1,932,694	3,427,041	1,481,233
1,061,197	1,675,000	2,356,189	1,294,992
2,663,493	4,237,898	4,531,983	1,868,490
<u>9,250,877</u>	<u>11,928,004</u>	<u>14,530,706</u>	<u>5,279,829</u>
260,287	(2,548,924)	(4,871,356)	5,131,643
<u>1,840,312</u>	<u>2,081,000</u>	<u>3,484,947</u>	<u>(1,644,635)</u>
2,100,599	(467,924)	(1,386,409)	3,487,008
8,598,405	9,604,876	8,598,407	(2)
<u>10,699,004</u>	<u>9,136,952</u>	<u>7,211,998</u>	<u>3,487,006</u>

City of Nevada

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 component units and the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,602,702. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

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, 2010

	Special Revenue											
	Employee Benefits	Emergency	Cemetery Memorials	Cemetery Foundation Trust	Library Trust	Fire Trust	S.C.O.R.E. Undesignated	S.C.O.R.E. Operation & Maintenance	Gates Hall Trust	Senior Center Trust	Gates Hall Piano	Parks and Recreation Open Space
Receipts:												
Property tax	\$ 356,308	36,901	-	-	-	-	-	-	-	-	-	-
Other city tax	13,126	1,359	-	-	-	-	-	-	-	-	-	-
Use of money and property	1,802	187	25	-	981	70	101	24	-	1,522	170	15,835
Intergovernmental	-	-	-	-	8,999	-	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-	-	-	-	-	549
Miscellaneous	-	-	-	-	5,138	600	-	-	-	111,579	-	7,107
Total receipts	371,236	38,447	25	-	15,118	670	101	24	-	113,101	170	23,491
Disbursements:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	19,378	-	-	-	-	2,503	200	15,508
Community and economic development	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	19,378	-	-	-	-	2,503	200	15,508
Excess (deficiency) of receipts over (under) disbursements	371,236	38,447	25	-	(4,260)	670	101	24	-	110,598	(30)	7,983
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	24,709	-	-	-	-	-
Operating transfers out	(371,236)	(38,447)	-	-	-	-	-	-	(83,700)	-	-	-
Total other financing sources (uses)	(371,236)	(38,447)	-	-	-	-	24,709	-	(83,700)	-	-	-
Net change in cash balances	-	-	25	-	(4,260)	670	24,810	24	(83,700)	110,598	(30)	7,983
Cash balances beginning of year	-	-	2,550	23	93,298	6,925	8,232	2,565	83,700	104,207	17,803	49,268
Cash balances end of year	\$ -	-	2,575	23	89,038	7,595	33,042	2,589	-	214,805	17,773	57,251
Cash Basis Fund Balances												
Unreserved:												
Special revenue funds	\$ -	-	2,575	23	89,038	7,595	33,042	2,589	-	214,805	17,773	57,251
Permanent funds	-	-	-	-	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ -	-	2,575	23	89,038	7,595	33,042	2,589	-	214,805	17,773	57,251

See accompanying independent auditor's report.

Columbarium Maintenance	Trail Maintenance	Danielson Trust	Trees Forever	4th of July Trust	Police Forfeiture	Nevada Firefighters Association	Nevada First Responders	Senior Citizen Center	Friends of the Library	Permanent		Total
										Cemetery Perpetual Care	Parks Planting (Hattery)	
-	-	-	-	-	-	-	-	-	-	-	-	393,209
-	-	-	-	-	-	-	-	-	-	-	-	14,485
9	256	39,409	38	18	102	587	624	2	-	-	-	61,762
-	-	-	-	-	-	20,320	16,905	-	-	-	-	46,224
60	-	-	-	-	-	-	-	-	-	5,728	-	6,337
-	-	50	-	2,820	-	29,961	2,023	5,054	12,006	-	-	176,338
69	256	39,459	38	2,838	102	50,868	19,552	5,056	12,006	5,728	-	698,355
-	-	-	-	-	-	39,715	22,313	-	-	-	-	62,028
-	913	5,420	-	-	-	-	-	4,179	6,324	-	-	54,425
-	-	-	-	2,544	-	-	-	-	-	-	-	2,544
-	913	5,420	-	2,544	-	39,715	22,313	4,179	6,324	-	-	118,997
69	(657)	34,039	38	294	102	11,153	(2,761)	877	5,682	5,728	-	579,358
-	7,500	-	-	-	-	-	-	-	-	-	-	32,209
-	-	-	-	-	-	-	-	-	-	-	-	(493,383)
-	7,500	-	-	-	-	-	-	-	-	-	-	(461,174)
69	6,843	34,039	38	294	102	11,153	(2,761)	877	5,682	5,728	-	118,184
928	19,511	239,515	4,050	1,227	10,698	32,522	35,447	2,716	-	108,635	5,000	828,820
997	26,354	273,554	4,088	1,521	10,800	43,675	32,686	3,593	5,682	114,363	5,000	947,004
997	26,354	273,554	4,088	1,521	10,800	43,675	32,686	3,593	5,682	-	-	827,641
-	-	-	-	-	-	-	-	-	-	114,363	5,000	119,363
997	26,354	273,554	4,088	1,521	10,800	43,675	32,686	3,593	5,682	114,363	5,000	947,004

Schedule 2

City of Nevada

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

As of and for the year ended June 30, 2010

	Sanitation	Storm Water	Total
Operating receipts:			
Charges for service	\$ 68,715	47,752	116,467
Miscellaneous	666	226	892
Total operating receipts	69,381	47,978	117,359
Operating disbursements:			
Business type activities	70,575	264	70,839
Excess (deficiency) of operating receipts over (under) operating disbursements	(1,194)	47,714	46,520
Non-operating receipts:			
Interest on investments	-	245	245
Net change in cash balances	(1,194)	47,959	46,765
Cash balances beginning of year	1,667	-	1,667
Cash balances end of year	\$ 473	47,959	48,432
Cash Basis Fund Balances			
Unreserved	\$ 473	47,959	48,432

See accompanying independent auditor's report.

City of Nevada

City of Nevada
Schedule of Indebtedness
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Corporate purpose	Apr 1, 2002	3.00-5.40%	\$ 770,000
Corporate purpose	Jul 1, 2005	2.95-3.75	1,545,000
Street improvement	Apr 1, 2008	2.50-2.80	1,700,000
Corporate purpose and refunding	Nov 15, 2008	2.65-3.40	635,000
Street improvement and refunding	May 18, 2010	0.85-2.75	2,775,000
Total			
Urban renewal tax increment financing:			
Revenue bonds	Nov 15, 2008	3.00-5.10%	\$ 6,500,000
Revenue bonds	May 6, 2009	4.00	475,000
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			

* 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
450,000	-	55,000	395,000	23,035
1,085,000	-	1,085,000	-	38,307
475,000	-	475,000	-	13,300
410,000	-	230,000	180,000	12,520
-	2,775,000	-	2,775,000	-
\$ 2,420,000	2,775,000	1,845,000	3,350,000	87,162
6,500,000	-	100,000	6,400,000	498,373
475,000	-	-	475,000	20,319
\$ 6,975,000	-	100,000	6,875,000	518,692
235,000	-	235,000	-	9,920
375,000	-	70,000	305,000	11,250
7,468,000	-	343,000	7,125,000	224,033
\$ 7,843,000	-	413,000	7,430,000	235,283

City of Nevada
Bond and Note Maturities
June 30, 2010

Year Ending June 30,	General Obligation Bonds and Notes							Total
	Corporate Purpose		Corporate Purpose and Refunding		Corporate Purpose and Refunding			
	Issued Apr 1, 2002		Issued Nov 15, 2008		Issued May 18, 2010			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2011	4.90%	\$ 395,000	3.10%	\$ 90,000	0.85%	\$ 735,000	1,220,000	
2012		-	3.40	90,000	1.35	785,000	875,000	
2013		-		-	1.70	800,000	800,000	
2014		-		-	2.00	200,000	200,000	
2015		-		-	2.35	205,000	205,000	
2016		-		-	2.75	50,000	50,000	
2017		-		-		-	-	
2018		-		-		-	-	
2019		-		-		-	-	
2020		-		-		-	-	
2021		-		-		-	-	
2022		-		-		-	-	
2023		-		-		-	-	
2024		-		-		-	-	
Total		<u>\$ 395,000</u>		<u>\$ 180,000</u>		<u>\$ 2,775,000</u>	<u>\$ 3,350,000</u>	

Year Ending June 30,	Revenue bonds					Total
	Sewer Revolving		Water			
	Issued Jan 3, 1995		Issued Jan 14, 2005			
Interest Rates	Amount	Interest Rates	Amount			
2011	3.00%	\$ 70,000	3.00%	\$ 353,000	423,000	
2012	3.00	75,000	3.00	364,000	439,000	
2013	3.00	80,000	3.00	375,000	455,000	
2014	3.00	80,000	3.00	386,000	466,000	
2015		-	3.00	398,000	398,000	
2016		-	3.00	410,000	410,000	
2017		-	3.00	422,000	422,000	
2018		-	3.00	435,000	435,000	
2019		-	3.00	448,000	448,000	
2020		-	3.00	461,000	461,000	
2021		-	3.00	475,000	475,000	
2022		-	3.00	489,000	489,000	
2023		-	3.00	504,000	504,000	
2024		-	3.00	519,000	519,000	
2025		-	3.00	535,000	535,000	
2026		-	3.00	551,000	551,000	
Total		<u>\$ 305,000</u>		<u>\$ 7,125,000</u>	<u>\$ 7,430,000</u>	

See accompanying independent auditor's report.

Urban Renewal Tax Increment				
Financing Revenue Bonds				
Issued Nov 15, 2008		Issued May 6, 2009		Total
Interest Rates	Amount	Interest Rates	Amount	
3.25%	\$ 200,000	4.00%	\$ 50,000	250,000
3.50	250,000	4.00	160,000	410,000
3.75	305,000	4.00	165,000	470,000
4.05	380,000	4.00	100,000	480,000
4.20	370,000		-	370,000
4.35	425,000		-	425,000
4.50	470,000		-	470,000
4.65	495,000		-	495,000
4.75	520,000		-	520,000
4.85	540,000		-	540,000
4.95	570,000		-	570,000
5.00	595,000		-	595,000
5.05	625,000		-	625,000
5.10	655,000		-	655,000
	<u>\$ 6,400,000</u>		<u>\$ 475,000</u>	<u>6,875,000</u>

City of Nevada

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

For the Last Eight Years

	2010	2009	2008	2007	2006
Receipts:					
Property tax	\$ 2,203,777	2,001,007	1,974,976	1,945,558	1,882,187
Tax increment financing	1,608,637	1,712,528	1,690,937	1,284,881	1,132,882
Other city tax	879,528	954,164	879,359	850,186	854,838
Licenses and permits	79,754	68,272	109,162	95,505	115,617
Use of money and property	196,309	178,998	441,545	343,833	292,670
Intergovernmental	1,072,579	984,654	833,181	1,224,798	988,672
Charges for service	295,664	307,607	273,067	249,255	273,637
Special assessments	7,673	17,743	22,336	33,229	27,728
Miscellaneous	290,632	436,042	358,416	696,210	230,768
Total	\$ 6,634,553	6,661,015	6,582,979	6,723,455	5,798,999
Disbursements:					
Operating:					
Public safety	\$ 1,125,704	1,058,708	1,085,431	1,454,443	1,134,005
Public works	660,064	684,043	732,940	561,308	619,657
Health and social services	73,044	77,900	77,400	81,400	78,300
Culture and recreation	1,276,238	1,317,201	1,316,512	1,211,953	1,121,741
Community and economic development	230,845	2,625,884	309,060	417,823	315,862
General government	287,015	360,764	234,998	258,858	237,015
Debt service	1,945,808	2,123,130	1,663,077	1,430,663	1,382,022
Capital projects	1,061,197	2,524,989	5,500,082	2,851,275	3,282,679
Total	\$ 6,659,915	10,772,619	10,919,500	8,267,723	8,171,281

See accompanying independent auditor's report.

2005	2004	2003
1,814,633	1,801,612	1,718,176
1,022,084	901,080	766,134
795,059	820,905	742,649
55,050	59,477	21,901
227,267	241,654	539,485
905,229	1,137,248	1,045,642
249,297	217,837	260,981
38,760	133,497	37,870
380,396	430,501	464,462
<u>5,487,775</u>	<u>5,743,811</u>	<u>5,597,300</u>
905,856	856,395	996,461
738,155	643,837	576,375
74,300	59,186	50,186
1,135,262	1,025,676	1,075,442
448,862	367,883	210,711
237,445	212,549	238,525
1,165,018	1,467,813	665,562
1,129,387	1,401,504	2,925,419
<u>5,834,285</u>	<u>6,034,843</u>	<u>6,738,681</u>

City of Nevada



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited 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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 15, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

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

Compliance and Other Matters

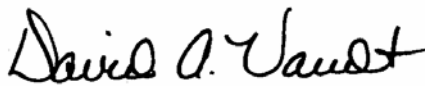
As part of obtaining reasonable assurance about whether the City of Nevada's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

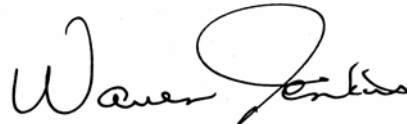
The City of Nevada's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit the City of Nevada's responses and, accordingly, we express no opinion on them.

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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 15, 2011

City of Nevada
Schedule of Findings
Year ended June 30, 2010

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

(A) Segregation of Duties – 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 City’s financial statements. One or two individuals identified may have control over the following areas for which no compensating controls exist:

- 1) Processing cash receipts, bank reconciliation, processing vouchers and opening mail.
- 2) The person who has access to petty cash also handles other cash receipts, approves reimbursement vouchers and reconciles the bank account.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, a review of the operating procedures of the office should be performed to obtain the maximum internal control possible under the circumstances. The officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Response – Staff will make an effort with existing personnel to segregate duties to a greater extent. The petty cash has been moved to the City Administrator’s office and she has no direct contact with cash receipts, deposit preparation and does not reconcile the bank account.

Conclusion – Response accepted.

(B) 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, there is no initial listing of receipts prepared and bank reconciliations are not reviewed.

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. A listing of receipts and formal bank reconciliations should be prepared. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Recommendation will be taken under advisement. We will do what we can with a low number of people.

Conclusion – Response accepted.

City of Nevada

Schedule of Findings

Year ended June 30, 2010

- (C) Nevada First Responders – Two blank checks were signed in advance.

Recommendation – Advance signing of checks should be prohibited.

Response – Recommendation will be taken under advisement. We agree and will do our best to see this does not happen again.

Conclusion – Response accepted.

- (D) Nevada Economic Development Council (NEDC) – 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, bank reconciliations are not reviewed.

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. Formal bank reconciliations should be prepared. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The President reviews and initials all bills and invoices upon payment. Another board member will begin signing the bank reconciliation and bank statement and review of balance sheet.

Conclusion – Response accepted.

- (E) Nevada Fire Fighters – 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, bank reconciliations are not reviewed.

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. Formal bank reconciliations should be prepared. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will work on segregation of duties.

Conclusion – Response accepted.

City of Nevada

Schedule of Findings

Year ended June 30, 2010

- (F) Nevada Firefighters – Supporting documentation for disbursements was not located for four of ten transactions tested.

Recommendation – Supporting documentation should be retained for all disbursements.

Response – We will review our procedures for supporting documentation and retention. We will work with City staff to achieve compliance.

Conclusion – Response accepted.

- (G) Nevada Senior Citizen Center – 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, bank reconciliations are not reviewed.

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. Formal bank reconciliations should be prepared. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The President has now begun to sign and date monthly Treasurers report and bank statement. Also, two people are now counting cash donations and dates are put on the deposit.

Conclusion – Response accepted.

- (H) Nevada Senior Citizen Center – Supporting documentation for disbursements was not located for four of five transactions tested and supporting documentation for receipts was not retained to determine whether receipts were deposited timely and intact.

Recommendation – Supporting documentation should be retained for all receipts and disbursements.

Response – We will begin retaining the receipts and disbursement supporting documentation.

Conclusion – Response accepted.

- (I) Nevada Friends of the Library – 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, bank reconciliations are not reviewed.

City of Nevada

Schedule of Findings

Year ended June 30, 2010

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. Formal bank reconciliations should be prepared. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will bring our invoices of the Friends of the Library to review with the Board. Also, we will have a second person verify the deposits and checks. We will initial the check and the invoice at our meetings.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Nevada
 Schedule of Findings
 Year ended June 30, 2010

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Andrew Kelly, Council Member, Owner of Kelly Laundry Service	Laundry service	\$ 600
Janice Milam, employee, Husband owns of Milam Concrete and Construction	2009 Sidewalk Repair Project, per bid	34,633

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 for the laundry service were less than \$1,500 during the fiscal year and the repair project was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond requirements for the year ended June 30, 2010 were noted.
- (9) Bequest to the Nevada Public Library – During the year ended June 30, 2008, the Nevada Public Library was named as a beneficiary in a last will and testament and had the proceeds (Bequest) remitted directly to the Greater Des Moines Community Foundation (Foundation). The Library signed an “Agency Endowed Fund Agreement” for \$170,000 and an “Agency Permanent Endowed Fund Agreement” for \$10,000 with the Foundation. Both agreements state, in part, “the Agency hereby irrevocably assigns, conveys, transfers and delivers to the GDMCF (Foundation) all of the Agency’s rights, title and interest in the property described.” As of June 30, 2010, these funds were still deposited with the Foundation.

City of Nevada

Schedule of Findings

Year ended June 30, 2010

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, "No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly." In addition, Chapter 392.5 of the Code of Iowa states, in part, "a library board may accept and control the expenditure of all gifts, devises, and bequests to the library."

Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person and which show the receipt, use, and disposition of all city property."

We previously requested a letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of a Library Board of Trustees giving proceeds from a gift to a private non-profit Foundation. The Iowa Attorney General issued a letter of advice (advice letter) dated April 22, 2009. The advice letter states, in part:

"... I do not believe that a city library board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the library board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be 'public funds,' subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking."

In addition, consistent with the Iowa Attorney General's letter of advice, the proceeds and related income are public funds and must be accounted for, deposited and invested pursuant to Chapters 12B and 12C of the Code of Iowa and rules of the City. According to financial reports of the Foundation, at August 31, 2010, the Foundation had investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash. These types of investments are not included in the list of allowable investments of public funds specified in Chapter 12B.10(5) of the Code of Iowa.

Also, the agreement with the Foundation does not require the Foundation to notify the City in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

Recommendation – A 28E agreement, as described in the advice letter, does not exist. We are not aware of any statutory authority for the Library Board and/or the City to relinquish its fiduciary responsibility over the public funds trust account to a separate non-profit organization.

City of Nevada

Schedule of Findings

Year ended June 30, 2010

The Nevada Library Board of Directors, through its action to give these public funds to the Foundation during the year ended June 30, 2008, has put these public funds at risk since the Library Board of Directors and the Foundation have not invested and accounted for the proceeds from the Bequest, including all income derived from the investment of the Bequest, as required by Chapter 12B.10(5) of the Code of Iowa and Chapter 384.20 of the Code of Iowa.

The City should consult legal counsel and recover the remaining proceeds of the Bequest held by the Foundation, including all income derived from the investment of the Bequest from the time it was remitted to the Foundation. In addition, the City should require an immediate accounting for these public funds from the date of the gift.

Until the City recovers the funds, it should seek to amend the agreement with the Foundation to require the Foundation to notify the City in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the types of services being provided under the agreement.

Response – The funds remain with the Story County Community Foundation (Community Foundation of Greater Des Moines) until the value of the fund reaches \$172,500 (\$180,000 original donation less two disbursements of \$2,500 and \$5,000). When the fund value reaches \$172,500, the Library will withdraw the funds and move them to investments allowed under the City's investment policy.

Conclusion – Response acknowledged. The City should continue working with legal counsel to recover the remaining proceeds of the Bequest.

City of Nevada

Staff

This audit was performed by:

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Janet K. Mortvedt, CPA, Staff Auditor
Michael D. Eckard, Staff Auditor
Melody M. Babcock, Assistant Auditor
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Andrew E. Nielsen, CPA
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