



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

Mary Mosiman, CPA  
Auditor of State

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NEWS RELEASE

FOR RELEASE

February 20, 2014

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released an audit report on the City of Nevada, Iowa.

The City's receipts totaled \$25,950,181 for the year ended June 30, 2013, a 174% increase over the prior year. The receipts included \$2,817,636 in property tax, \$1,207,521 from tax increment financing, \$813,352 from local option sales tax, \$3,491,310 from charges for service, \$930,891 from operating grants, contributions and restricted interest, \$94,475 from capital grants, contributions and restricted interest, \$111,513 from unrestricted interest on investments, \$15,861,472 of bond and note proceeds and \$622,011 from the sale of capital assets.

Disbursements for the year ended June 30, 2013 totaled \$24,661,082, a 195% increase over the prior year, and included \$6,296,215 for payments to the bond refunding agent, \$3,133,021 for capital projects and \$2,321,931 for debt service. Also, disbursements for business type activities totaled \$8,883,961.

The significant increase in both receipts and disbursements is due to refunding debt to take advantage of lower interest rates.

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/1320-0820-B00F.pdf>.

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**CITY OF NEVADA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2013**

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## City of Nevada

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gearold E. Gull, II Andrew Kelly (Appointed)	Mayor Mayor	(Resigned) Nov 2013
Richard Atwell (Appointed)	Council Member	Nov 2013
Brian Hanson	Council Member	Jan 2014
Ray Schwichtenberg	Council Member	Jan 2014
Brett Barker	Council Member	Jan 2016
Christopher Clark	Council Member	Jan 2016
Jane Heintz	Council Member	Jan 2016
Elizabeth Hansen	City Administrator	Indefinite
Kerin Wright	City Clerk	Indefinite
Brick, Gentry, Bowers, Swartz, Stolze, & Levis, P.C.	Attorney	Indefinite

**City of Nevada**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

*Supplementary and Other Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management’s Discussion and Analysis and the budgetary comparison information on pages 7 through 13 and 36 through 38, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2014 on our consideration of the City of Nevada’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 in considering the City of Nevada’s internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 14, 2014



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Nevada provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- Receipts for governmental activities increased 148%, or approximately \$9,458,000, from fiscal year 2012 to fiscal year 2013. A large portion of this increase is a result of bond and note proceeds. Receipts for business type activities increased approximately \$7,009,000, or 227%, also the result of revenue refunding bond proceeds.
- Disbursements for governmental activities increased 160%, or approximately \$9,708,000, in fiscal year 2013 over fiscal year 2012. Capital projects function disbursements increased 523%, or approximately \$2,630,000, due to more capital projects in the current year. Debt service function disbursements increased 41%, or approximately \$673,000, due to 3 new issuances with payments during the year (two of which were refunding.) Included in disbursements is a payment to the refunding bond agent of approximately \$6,296,000, which accounts for much of the increase in overall governmental activities disbursements.
- Disbursements for business type activities increased approximately \$6,597,000, or 288%, with nearly all of the increase coming from increased disbursements in the Enterprise, Water Fund, which increased \$6,592,458. This increase is due to a large debt service payment to advance refund the water revenue bond originally issued in 2008. Enterprise, Sewer Fund disbursements remained fairly consistent.
- The City's total cash basis net position increased 12%, or approximately \$1,289,000, from fiscal year 2012 to fiscal year 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$179,000 and the cash basis net position of the business type activities increased approximately \$1,110,000.

### USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed 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 financial statement by providing information about the most significant funds.

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

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

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system, 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. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales and Services Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds, such as Parks Planting (Hattery) and Cemetery Perpetual Care. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

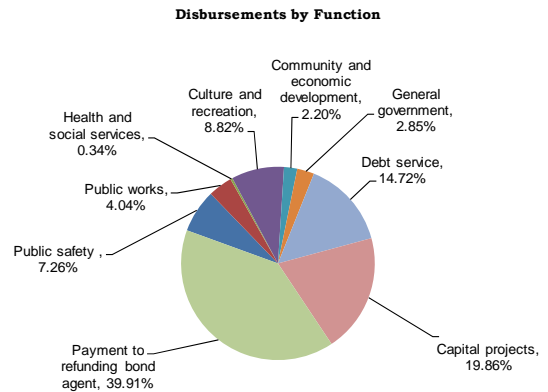
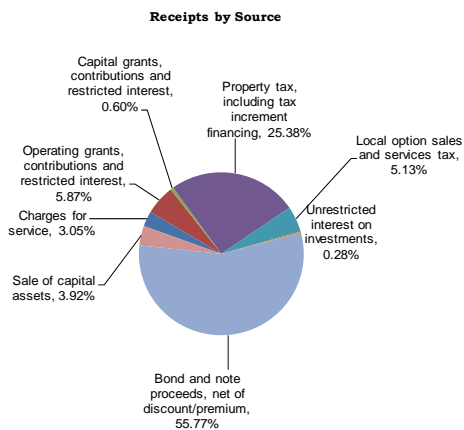
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities increased minimally from a year ago, increasing from approximately \$6.284 million to approximately \$6.464 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 483	\$ 576
Operating grants, contributions and restricted interest	931	837
Capital grants, contributions and restricted interest	95	120
General receipts:		
Property tax, including tax increment financing	4,025	3,969
Local option sales and services tax	813	856
Unrestricted interest on investments	44	41
Bond and note proceeds, net of discount/premium	8,844	-
Sale of capital assets	622	-
<b>Total receipts</b>	<b>15,857</b>	<b>6,399</b>
<b>Disbursements:</b>		
Public safety	1,146	1,182
Public works	638	631
Health and social services	54	76
Culture and recreation	1,391	1,393
Community and economic development	347	331
General government	450	304
Debt service	2,322	1,649
Capital projects	3,133	503
Payment to refunding bond agent	6,296	-
<b>Total disbursements</b>	<b>15,777</b>	<b>6,069</b>
Change in cash basis net position before transfers	80	330
Transfers, net	100	-
Change in cash basis net position	180	330
Cash basis net position beginning of year	6,284	5,954
Cash basis net position end of year	<b>\$ 6,464</b>	<b>\$ 6,284</b>



The City's total receipts for governmental activities increased 148%, or approximately \$9,458,000. Charges for service decreased approximately \$93,000. However, operating and capital grants, contributions and restricted interest increased approximately \$69,000. Property tax increased approximately \$56,000, but local option sales and services tax decreased approximately \$43,000. The greatest fluctuation occurred from the receipt of bond and note (including project anticipation note) proceeds of approximately \$8,844,000 and from the sale of capital assets of approximately \$622,000.

The total cost of all governmental activities programs and services increased approximately \$9,708,000, or 160%. Capital projects function disbursements increased 523%, or approximately \$2,630,000, due to more capital projects in the current year. Debt service function disbursements increased 41%, or approximately \$673,000, due to 3 new issuances with payments during the year (two of which were to refund debt.) Included in disbursements was a payment to the refunding bond agent of approximately \$6,296,000, which accounts for much of the increase in overall governmental activities disbursements.

The City's property tax rate in fiscal year 2013 was \$15.42934 per \$1,000 of taxable valuation, which is an increase from fiscal year 2012 which had a rate of \$15.04350 per \$1,000 of taxable valuation. The City's property tax rate has not increased significantly in fourteen years, except for the voted capital *improvements* levy in fiscal year 2009.

The cost of all governmental activities this year was approximately \$15.777 million compared to approximately \$6.069 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$7.973 million because some of the cost was paid by those directly benefiting from the programs (approximately \$483,000) or by other governments and organizations which subsidized certain programs with grants, contributions and unrestricted interest (approximately \$1.025 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased from approximately \$1.533 million in fiscal year 2012 to approximately \$1.508 million in fiscal year 2013. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4.8 million in taxes (some of which could only be used for certain programs), approximately \$8.8 million of bond and anticipation project note proceeds and with other receipts, such as interest, sale of capital assets and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,647	1,644
Sewer	1,135	1,156
Other	226	233
Capital grants, contributions and restricted interest	-	2
General receipts:		
Unrestricted interest on investments	68	50
Bond proceeds	7,017	-
Sale of capital assets	1	-
Total receipts	<u>10,094</u>	<u>3,085</u>
Disbursements:		
Water	7,994	1,401
Sewer	827	815
Other	63	71
Total disbursements	<u>8,884</u>	<u>2,287</u>
Change in cash basis net position before transfers	1,210	798
Transfers, net	(100)	-
Change in cash basis net position	<u>1,110</u>	<u>798</u>
Cash basis net position beginning of year	4,557	3,759
Cash basis net position end of year	<u>\$ 5,667</u>	<u>4,557</u>

Total business type activities receipts for fiscal year 2013 were approximately \$10.094 million compared to approximately \$3.085 million last year. Total business type activities disbursements for fiscal year 2013 were approximately \$8.884 million compared to approximately \$2.287 million last year. The primary reason for these increases is the receipt of bond proceeds and a large debt service payment to currently refund the 2008 water revenue bond. Sewer Fund receipts and disbursements remained fairly consistent.

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

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$6,454,983, an increase of more than \$181,000 above last year's total of \$6,273,776. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund (includes the general, hotel/motel, emergency, general capital revolving, self insurance and sick and vacation accounts) cash balance increased \$67,499 to \$2,717,179.
- The Special Revenue, Road Use Tax Fund cash balance increased \$182,389 to \$1,009,531, partially attributed to a \$75,000 transfer from the Special Revenue, Local Option Sales and Services Tax Fund.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance decreased \$336,216 to \$394,326. This decrease can be partially attributed to a 5% decrease in receipts and a 30% increase in disbursements and transfers, including an increase of over \$300,000 in transfers to pay for capital projects.

- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$225,584 at the end of the fiscal year, a decrease of \$664,546 from the previous year. Disbursements increased slightly and transfers to the Debt Service Fund increased \$262,764 over the prior year to service tax increment indebtedness.
- The Debt Service Fund cash balance increased \$27,240 to \$232,080 due to increased transfers in to service debt.
- The Capital Projects Fund began the year with a cash balance of \$184,178 and ended with a balance of \$949,848, an increase of \$765,670. The balance fluctuates greatly between years due to projects and funding and timing of transfers. Bond proceeds are being used to expand the library and project anticipation notes are funding water and sewer improvements.

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

- The Enterprise, Water Fund cash balance increased \$701,335 from a balance of \$1,782,349 at the end of the prior year to \$2,483,684, primarily due to refunding the 2008 water revenue bond with a Series 2012C revenue refunding bond. Proceeds from the refunding and available reserves were sufficient to repay the remaining 2008 water revenue bond balance.
- The Enterprise, Sewer Fund cash balance increased \$343,066 to \$2,932,594. This increase is consistent with the increase in the prior year.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 13, 2013 and resulted in an increase in budgeted disbursements of \$8,575,454. The largest increase was in the business type activities function to complete the 2008 water revenue bond refunding. Smaller increases were in the public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects functions.

The City's receipts were \$2,007,461 less than budgeted, a variance of 18%. Intergovernmental receipts alone were \$1,857,355 less than budgeted, which was primarily due to budgeting for a RISE grant that was not received in the current year due to a delay in project construction.

Total disbursements were \$4,978,651 less than budgeted, primarily from being under budget in the capital projects function due to delays in the construction of several projects.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the business type activities function prior to the budget amendment.

#### **DEBT ADMINISTRATION**

On June 30, 2013, the City had \$15,491,068 of outstanding bonds and other long and short term debt, compared to \$14,038,000 last year, as shown below. Debt increased as a result of issuing general obligation bonds for an urban renewal library improvement project for the advance refunding of the urban renewal tax increment financing revenue bonds. In addition, the City issued water revenue bonds for the purpose of refunding current water revenue bonds. The City also issued an anticipation project note for paying the costs of water and sewer improvements.

Outstanding Debt at Year-End		
	June 30,	
	2013	2012
General obligation bonds and notes:		
5/18/2010 - Street Improvement and Refunding Bonds - \$2,775,000	\$ 455,000	1,255,000
9/13/12 - Library Improvement and Refunding Bonds - \$7,320,000	6,750,000	-
9/18/12 - Anticipation Project Notes - \$1,390,000	1,390,000	-
Urban renewal tax increment revenue bonds:		
11/15/2008 - City Hall - \$6,500,000	-	5,950,000
5/6/2009 - Nevada Economic Development Council - \$475,000	100,000	265,000
Revenue bonds:		
1/3/1995 - Sewer Revolving - \$1,114,000	80,000	160,000
1/14/2005 - Water - \$8,438,000	-	6,408,000
10/4/12 - Water Refunding - \$7,090,000	6,660,000	-
Lease purchase agreement	56,068	-
Total	<u>\$ 15,491,068</u>	<u>14,038,000</u>

The City continues to pursue an aggressive payback schedule on most of the debt issues outstanding. This allows the City the flexibility to issue new debt to finance additional projects on a regular basis.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation, lease purchase and TIF debt of \$9,797,563 (including \$1,046,495 of development and rebate agreements) is significantly below its constitutional debt limit of approximately \$16,846,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

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

The City of Nevada's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities.

The City's taxable valuation increased \$11,253,015 between fiscal years 2013 and 2014 (\$185,289,272 compared to \$174,036,257), resulting in an increase in General Fund property tax of \$151,367.

Tax increment financing receipts are budgeted to decrease \$133,187 in fiscal year 2014, from \$1,233,187 to \$1,100,000.

The City's expected receipts for fiscal year 2014 are \$11,439,467 (without transfers) compared to fiscal year 2013 final budgeted receipts of \$11,438,574 (without transfers).

The City's disbursements for fiscal year 2014 are expected to decrease from a final budget of \$23,306,232 (without transfers) for fiscal year 2013 to \$15,615,047 for fiscal year 2014 (without transfers), primarily due to an increase in capital projects, offset by a decrease in debt service because of the 2008 water refunding payment during fiscal year 2013.

If these estimates are realized, the City's budgeted cash balance is expected to decrease to \$3,336,188 at the close of fiscal year 2014.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**City of Nevada**



## **Basic Financial Statements**

City of Nevada

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,146,015	86,986	72,218	51,700
Public works	638,057	5,117	651,016	18,346
Health and social services	53,915	-	-	-
Culture and recreation	1,390,900	333,502	188,036	-
Community and economic development	346,987	275	2,764	-
General government	450,080	46,367	-	-
Debt service	2,321,931	4,971	16,857	-
Capital projects	3,133,021	5,630	-	24,429
Total governmental activities	9,480,906	482,848	930,891	94,475
Business type activities:				
Water	7,993,873	1,647,368	-	-
Sewer	826,878	1,134,787	-	-
Other	63,210	226,307	-	-
Total business type activities	8,883,961	3,008,462	-	-
<b>Total Primary Government</b>	<b>\$ 18,364,867</b>	<b>3,491,310</b>	<b>930,891</b>	<b>94,475</b>
<b>Component Unit:</b>				
Nevada Economic Development Council	\$ 140,464	32,297	162,773	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Capital projects				
Tax increment financing				
Local option sales and services tax				
Unrestricted interest on investments				
Bond and note proceeds, net of \$72,650 of discount and \$134,122 of premium				
Sale of capital assets				
Payment to refunding bond agent				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Community betterment				
Library				
Parks				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Primary Government		Total	Nevada Economic Development Council
Governmental Activities	Business Type Activities		
(935,111)	-	(935,111)	
36,422	-	36,422	
(53,915)	-	(53,915)	
(869,362)	-	(869,362)	
(343,948)	-	(343,948)	
(403,713)	-	(403,713)	
(2,300,103)	-	(2,300,103)	
(3,102,962)	-	(3,102,962)	
(7,972,692)	-	(7,972,692)	
-	(6,346,505)	(6,346,505)	
-	307,909	307,909	
-	163,097	163,097	
-	(5,875,499)	(5,875,499)	
(7,972,692)	(5,875,499)	(13,848,191)	
			54,606
2,146,640	-	2,146,640	-
552,913	-	552,913	-
118,083	-	118,083	-
1,207,521	-	1,207,521	-
813,352	-	813,352	-
43,779	67,734	111,513	-
8,844,122	7,017,350	15,861,472	-
621,911	100	622,011	-
(6,296,215)	-	(6,296,215)	-
100,000	(100,000)	-	-
8,152,106	6,985,184	15,137,290	-
179,414	1,109,685	1,289,099	54,606
6,284,612	4,556,878	10,841,490	83,751
\$ 6,464,026	5,666,563	12,130,589	138,357
\$ 126,883	-	126,883	-
1,009,531	-	1,009,531	-
225,584	-	225,584	-
232,080	852,745	1,084,825	-
949,848	825,520	1,775,368	-
1,263,306	-	1,263,306	-
451,143	-	451,143	-
137,081	-	137,081	-
211,328	276,417	487,745	-
1,857,242	3,711,881	5,569,123	138,357
\$ 6,464,026	5,666,563	12,130,589	138,357

City of Nevada

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

As of and for the year ended June 30, 2013

	Special Revenue			
	General	Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 1,617,259	-	-	-
Tax increment financing	-	-	-	1,207,521
Other city tax	71,568	-	813,352	-
Licenses and permits	79,243	-	-	-
Use of money and property	90,676	5,183	2,336	8,727
Intergovernmental	144,644	664,179	-	-
Charges for service	210,034	-	-	-
Special assessments	-	-	-	-
Miscellaneous	102,634	-	-	-
Total receipts	<u>2,316,058</u>	<u>669,362</u>	<u>815,688</u>	<u>1,216,248</u>
Disbursements:				
Operating:				
Public safety	1,073,113	12,374	34,076	-
Public works	5,208	560,743	71,958	-
Health and social services	-	-	53,915	-
Culture and recreation	1,333,664	-	1,035	-
Community and economic development	65,196	-	41,500	235,946
General government	403,151	-	8,902	-
Debt service	-	-	-	825,729
Capital projects	-	-	-	-
Total disbursements	<u>2,880,332</u>	<u>573,117</u>	<u>211,386</u>	<u>1,061,675</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(564,274)</u>	<u>96,245</u>	<u>604,302</u>	<u>154,573</u>
Other financing sources (uses):				
Bond and note proceeds, net of \$134,122 of premium	-	-	-	-
Sale of capital assets	517	11,144	-	-
Payment to refunding bond agent	-	-	-	-
Operating transfers in	742,414	75,000	-	-
Operating transfers out	(111,158)	-	(940,518)	(819,119)
Total other financing sources (uses)	<u>631,773</u>	<u>86,144</u>	<u>(940,518)</u>	<u>(819,119)</u>
Change in cash balances	67,499	182,389	(336,216)	(664,546)
Cash balances beginning of year	2,649,680	827,142	730,542	890,130
Cash balances end of year	<u>\$ 2,717,179</u>	<u>1,009,531</u>	<u>394,326</u>	<u>225,584</u>
<b>Cash Basis Fund Balances</b>				
Nonspendable	\$ -	-	-	-
Restricted for:				
Streets	-	1,009,531	-	-
Urban renewal purposes	-	-	-	225,584
Debt service	-	-	-	-
Capital projects	-	-	-	-
Community betterment	868,980	-	394,326	-
Library	-	-	-	-
Parks	-	-	-	-
Other purposes	-	-	-	-
Unassigned	1,848,199	-	-	-
Total cash basis fund balances	<u>\$ 2,717,179</u>	<u>1,009,531</u>	<u>394,326</u>	<u>225,584</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
535,655	113,606	440,479	2,706,999
-	-	-	1,207,521
17,258	4,477	17,335	923,990
-	-	-	79,243
8,130	24,429	41,952	181,433
-	-	15,831	824,654
-	5,630	-	215,664
4,971	-	-	4,971
-	-	143,393	246,027
566,014	148,142	658,990	6,390,502
-	-	26,024	1,145,587
-	-	-	637,909
-	-	-	53,915
-	-	55,036	1,389,735
-	-	4,345	346,987
37,975	-	-	450,028
1,493,999	2,203	-	2,321,931
-	3,133,021	-	3,133,021
1,531,974	3,135,224	85,405	9,479,113
(965,960)	(2,987,082)	573,585	(3,088,611)
6,344,795	2,499,327	-	8,844,122
-	610,250	-	621,911
(6,296,215)	-	-	(6,296,215)
944,620	714,158	12,000	2,488,192
-	(70,983)	(446,414)	(2,388,192)
993,200	3,752,752	(434,414)	3,269,818
27,240	765,670	139,171	181,207
204,840	184,178	787,264	6,273,776
232,080	949,848	926,435	6,454,983
-	-	126,883	126,883
-	-	-	1,009,531
-	-	-	225,584
232,080	-	-	232,080
-	949,848	-	949,848
-	-	-	1,263,306
-	-	451,143	451,143
-	-	137,081	137,081
-	-	211,328	211,328
-	-	-	1,848,199
232,080	949,848	926,435	6,454,983

**City of Nevada**

City of Nevada

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

As of and for the year ended June 30, 2013

**Total governmental funds cash balances (page 19)** \$ 6,454,983

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the assets of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

9,043

**Cash basis net position of governmental activities (page 17)** \$ 6,464,026

**Change in cash balances (page 19)** \$ 181,207

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

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the change in cash basis net position of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

(1,793)

**Change in cash basis net position of governmental activities (page 17)** \$ 179,414

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, 2013

	Enterprise				Internal
	Water	Sewer	Nonmajor	Total	Service Flexible Benefits
Operating receipts:					
Use of money and property	\$ 15,742	-	-	15,742	-
Charges for service	1,517,721	1,109,815	224,927	2,852,463	35,944
Miscellaneous	113,905	24,972	1,380	140,257	560
Total operating receipts	1,647,368	1,134,787	226,307	3,008,462	36,504
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	6,927
Public works	-	-	-	-	2,398
Culture and recreation	-	-	-	-	18,864
General government	-	-	-	-	9,938
Business type activities	982,409	741,987	63,210	1,787,606	181
Total operating disbursements	982,409	741,987	63,210	1,787,606	38,308
Excess (deficiency) of operating receipts over (under) operating disbursements	664,959	392,800	163,097	1,220,856	(1,804)
Non-operating receipts (disbursements):					
Interest on investments	30,490	35,046	2,198	67,734	-
Revenue bond proceeds, net of \$72,650 of discount	7,017,350	-	-	7,017,350	-
Sale of vehicle/equipment	-	100	-	100	-
Debt service	(6,986,241)	(84,880)	-	(7,071,121)	-
Capital projects	(25,223)	-	-	(25,223)	-
Net non-operating receipts (disbursements)	36,376	(49,734)	2,198	(11,160)	-
Excess (deficiency) of receipts over (under) disbursements	701,335	343,066	165,295	1,209,696	(1,804)
Operating transfers out	-	-	(100,000)	(100,000)	-
Change in cash balances	701,335	343,066	65,295	1,109,696	(1,804)
Cash balances beginning of year	1,782,349	2,589,528	183,107	4,554,984	12,730
Cash balances end of year	\$ 2,483,684	2,932,594	248,402	5,664,680	10,926
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Debt service	\$ 614,370	238,375	-	852,745	-
Sewer construction	-	825,520	-	825,520	-
Water deposits	59,235	-	-	59,235	-
Sewer revolving	-	217,182	-	217,182	-
Unrestricted	1,810,079	1,651,517	248,402	3,709,998	10,926
Total cash basis fund balances	\$ 2,483,684	2,932,594	248,402	5,664,680	10,926

See notes to financial statements.



City of Nevada

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

As of and for the year ended June 30, 2013

<b>Total enterprise funds cash balances (page 22)</b>	\$ 5,664,680
<b><i>Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:</i></b>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the assets of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.	1,883
	\$ 5,666,563
<b>Change in cash balances (page 22)</b>	\$ 1,109,696
<b><i>Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:</i></b>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.	(11)
	\$ 1,109,685

See notes to financial statements.

City of Nevada

Notes to Financial Statements

June 30, 2013

**(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 fifteen-member Board. There are three standing Board positions and twelve members are elected at-large. The NEDC's operating budget is to be prepared and submitted to the City Council if public funds are requested from the City.

Blended Component Units – 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 Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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

The Urban Renewal Tax Increment Fund is used to account for tax increment financing receipts and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the contributions made to the flexible benefits and prescription plans 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 is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

D. Governmental Cash Basis Fund Balances

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

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

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the business type activities function prior to the budget amendment.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2013 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). During the year ended June 30, 2013, \$174,413, including accrued interest, was transferred from the Foundation to the City. At June 30, 2013, the carrying amount and fair value of the amounts held by the Foundation were \$12,302 and \$12,875, respectively. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

Concentration of credit risk – The City’s investment policy specifies no more than 5% of the City’s investments may be invested in any one issuer. The City did not invest more than 5% of the City’s investments in any one issuer. The City’s investments in funds held by the Foundation are 100% 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 and sewer and water revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Sewer and Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2014	\$ 2,210,000	147,551	100,000	4,000	545,000	118,408	2,855,000
2015	805,000	129,205	-	-	465,000	113,218	1,270,000	242,423
2016	705,000	112,388	-	-	470,000	109,963	1,175,000	222,351
2017	690,000	97,913	-	-	475,000	106,203	1,165,000	204,116
2018	705,000	84,113	-	-	475,000	101,453	1,180,000	185,566
2019-2023	3,205,000	204,465	-	-	2,480,000	390,241	5,685,000	594,706
2024-2027	275,000	11,934	-	-	1,830,000	107,371	2,105,000	119,305
<b>Total</b>	<b>\$ 8,595,000</b>	<b>787,569</b>	<b>100,000</b>	<b>4,000</b>	<b>6,740,000</b>	<b>1,046,857</b>	<b>15,435,000</b>	<b>1,838,426</b>

General Obligation Refunding Bonds

On September 13, 2012, the City issued \$7,320,000 of general obligation urban renewal library improvement and refunding bonds for the purpose of a library expansion and improvement project in the City’s urban renewal area and to advance refund \$5,950,000 of the urban renewal tax increment financing revenue bonds issued November 15, 2008. The bonds bear interest at 2.00% to 2.15% per annum and mature June 1, 2026.

The City entered into an escrow agreement whereby certain proceeds from general obligation refunding bonds and \$650,000 from the 2008 urban renewal tax increment financing revenue bonds reserve account were converted into U.S. government securities. These securities were placed in an irrevocable escrow account for the express purpose of paying the principal and interest on the refunded urban renewal tax increment financing revenue bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions, balances and liabilities of the escrow account are not recorded by the City. The amount of the refunded urban renewal tax increment financing revenue bonds considered extinguished and, therefore, excluded from long-term debt was \$5,950,000 at June 30, 2013.

The refunding was undertaken to reduce total debt service payments over the next twelve years by \$576,143 and resulted in an economic gain of \$419,289.

### Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$475,000 of urban renewal tax increment financing (TIF) 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 which are 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% 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 \$104,000. For the current year, principal and interest paid and total TIF receipts were \$175,729 and \$1,207,521, respectively.

### Sewer Revolving Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,114,000 of sewer revolving revenue bonds issued in January 1995. The bonds bear interest at 3.0% per annum. 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 22% of net receipts. The total principal and interest remaining to be paid on the bonds is \$82,400. For the current year, principal and interest paid and total customer net receipts were \$84,880 and \$392,800, respectively.

The resolution providing for the issuance of the sewer revolving 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 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 are insufficient.
- (d) All funds remaining in the sewer accounts after making the required transfers shall be placed in a sewer revenue surplus account. As long as the sinking and reserve accounts have the full amounts required to be deposited, the balance in the surplus account may be made available to the City as the City Council may direct.

### Water Revenue Bonds

On October 25, 2012, the City issued \$7,090,000 of water revenue refunding bonds for the current refunding of \$6,408,000 of the water revenue bonds issued January 14, 2005. As a condition of the refunding, the City was required to place \$581,203 of the \$7,090,000 proceeds into a debt service reserve fund. The bonds bear interest at 0.50% to 2.70% per annum and mature June 1, 2027.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$7,090,000 of water revenue refunding bonds issued in October 2012. The bonds are payable solely from water customer net receipts and are payable through 2027. Annual principal and interest payments on the bonds are expected to require less than 76% of net receipts. The total principal and interest remaining to be paid on the bonds is \$7,704,457. For the current year, principal and interest paid and total customer net receipts were \$500,895 and \$664,959, respectively.

The refunding was undertaken to reduce total debt service interest payments over the next fourteen years by \$463,107 and resulted in an economic gain of \$407,745.

The resolution providing for the issuance of the water revenue refunding bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (d) A principal and interest reserve account shall be created into which \$581,203 shall be set apart and paid from proceeds of the sale of the bonds at the time of delivery.

### Project Anticipation Note

On September 18, 2012, the City issued a \$1,390,000 general obligation corporate purpose project anticipation note as an interim measure for paying the costs of water and sewer improvements which will be repaid from the proceeds of a future general obligation corporate purpose bond. The anticipation project note bears interest at 0.35% per annum and matures on September 1, 2013.



### Lease-Purchase Agreements

On June 21, 2013, the City entered into a lease-purchase agreement to lease a tractor and accessories. The lease term is for three years, with interest at 4.30% per annum.

On March 30, 2012, the City entered into a lease-purchase agreement to lease a mower. The lease term is three years, with interest at 4.30% per annum.

The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2013:

<u>Year Ending</u> <u>June 30,</u>	<u>Tractor and</u> <u>Accessories</u>	<u>Mower</u>
2014	\$ 14,569	15,028
2015	14,569	-
2016	14,569	-
Total minimum lease payments	43,707	15,028
Less amount representing interest	(2,046)	(621)
Present value of net minimum lease payments	<u>\$ 41,661</u>	<u>14,407</u>

During the year ended June 30, 2013, the City paid \$15,028 on the mower lease.

#### **(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$177,341, \$164,633 and \$141,996, respectively, equal to the required contributions for each year.

#### **(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 38 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical drug benefits are provided through a fully-insured plan with Health Alliance. 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 \$418 for single coverage, \$817 for employee/spouse coverage, \$773 for employee/children coverage and \$1,337 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$195,319 and plan members eligible for benefits contributed \$35,324 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. City employees may also accumulate earned but unused sick leave hours for subsequent use or for payment upon retirement or death, up to a maximum of \$1,500. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave hours payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 161,000
Compensatory time	2,000
Sick leave	21,000
Total	<u>\$ 184,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

**(7) Contractual Commitments**

The City entered into various construction contracts totaling approximately \$4,656,000. The unpaid contract balances as of June 30, 2013 totaled approximately \$3,953,000, which will be paid as work on the projects progresses.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 296,000
	Employee Benefits	446,414
		<u>742,414</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales and Services Tax	<u>75,000</u>
Special Revenue:	Special Revenue:	
Trail Maintenance	Local Option Sales and Services Tax	<u>12,000</u>
Debt Service	Special Revenue:	
	Local Option Sales and Services Tax	54,518
	Urban Renewal Tax Increment	819,119
	Capital Projects	70,983
		<u>944,620</u>
Capital Projects	General	111,158
	Special Revenue:	
	Local Option Sales and Services Tax	503,000
	Enterprise:	
	Storm Water	100,000
		<u>714,158</u>
Total		<u>\$ 2,488,192</u>

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

**(9) Industrial Development Revenue Bonds**

The City has issued a total of \$2,363,229 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$792,800 is outstanding at June 30, 2013. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest does not constitute liabilities of the City.

**(10) Landfill Contract**

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15<sup>th</sup> of each year, the City of Ames will notify the City of its proportionate share of the net costs of the system for the prior calendar year. The City will pay the City of Ames one-half of its share on July 15<sup>th</sup> and one-half on or before December 15<sup>th</sup> of each year. The annual rate of the contract is determined by multiplying the net per capita cost by the population of the City. The amount paid for calendar year 2013 was \$62,458.

**(11) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of 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, 2013 were \$140,140.

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. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington 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, 2013, 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% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and 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.

## **(12) Development Agreements**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvement of buildings. Certain agreements also require the developer to certify specific employment requirements are met. The total to be paid by the City under the agreements is not to exceed \$9,698,011.

The City rebated \$162,288 during fiscal year 2013, for a total of \$1,117,076 of incremental property tax rebated under the agreements. The outstanding balance of the agreements at June 30, 2013 with fixed dollar commitments was \$1,046,495. The outstanding balance of the agreements at June 30, 2013 subject to annual appropriation was \$7,560,000.

## **(13) Subsequent Event**

In July 2013, the City authorized the issuance of \$8,045,000 of general obligation corporate purpose bonds for the purpose of retiring the general obligation project anticipation note issued on September 18, 2012 and to pay the costs of constructing street, water system, sanitary sewer system and storm sewer improvements.

## **Other 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

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 2,706,999	-	-
Tax increment financing	1,207,521	-	-
Other city tax	932,717	-	-
Licenses and permits	79,243	-	-
Use of money and property	172,706	83,476	508
Intergovernmental	824,654	-	8,793
Charges for service	215,664	2,888,407	35,944
Special assessments	4,971	-	-
Miscellaneous	246,027	140,917	26,944
Total receipts	6,390,502	3,112,800	72,189
<b>Disbursements:</b>			
Public safety	1,145,587	6,927	32,951
Public works	637,909	2,398	11,856
Health and social services	53,915	-	-
Culture and recreation	1,389,735	18,864	18,864
Community and economic development	346,987	-	-
General government	450,028	9,938	9,938
Debt service	2,321,931	-	-
Capital projects	3,133,021	-	-
Business type activities	-	8,884,131	181
Total disbursements	9,479,113	8,922,258	73,790
Excess (deficiency) of receipts over (under) disbursements	(3,088,611)	(5,809,458)	(1,601)
Other financing sources (uses), net	3,269,818	6,917,350	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	181,207	1,107,892	(1,601)
Balances beginning of year	6,273,776	4,567,714	92,596
Balances end of year	\$ 6,454,983	5,675,606	90,995

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,706,999	2,737,499	2,737,499	(30,500)
1,207,521	1,233,187	1,233,187	(25,666)
932,717	851,805	851,805	80,912
79,243	80,800	80,800	(1,557)
255,674	190,403	190,403	65,271
815,861	2,658,216	2,673,216	(1,857,355)
3,068,127	3,226,738	3,247,918	(179,791)
4,971	-	-	4,971
360,000	423,746	423,746	(63,746)
9,431,113	11,402,394	11,438,574	(2,007,461)
1,119,563	1,325,625	1,353,625	234,062
628,451	731,465	737,465	109,014
53,915	62,915	62,915	9,000
1,389,735	1,471,274	1,526,854	137,119
346,987	456,489	457,989	111,002
450,028	373,510	461,510	11,482
2,321,931	1,601,131	2,326,474	4,543
3,133,021	5,990,400	6,882,400	3,749,379
8,883,950	2,717,969	9,497,000	613,050
18,327,581	14,730,778	23,306,232	4,978,651
(8,896,468)	(3,328,384)	(11,867,658)	2,971,190
10,187,168	-	8,621,569	1,565,599
1,290,700	(3,328,384)	(3,246,089)	4,536,789
10,748,894	9,493,003	18,986,006	(8,237,112)
12,039,594	6,164,619	15,739,917	(3,700,323)

City of Nevada

Notes to Other Information – Budgetary Reporting

June 30, 2013

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$8,575,454. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the business type activities function prior to the budget amendment.



**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, 2013

	Employee Benefits	Cemetery Memorials	Cemetery Foundation Trust	Library Trust	Fire Trust	S.C.O.R.E. Undesignated	Special S.C.O.R.E. Operation & Maintenance
<b>Receipts:</b>							
Property tax	\$ 440,479	-	-	-	-	-	-
Other city tax	17,335	-	-	-	-	-	-
Use of money and property	3,627	33	3	1,026	130	330	3
Intergovernmental	-	-	-	6,096	-	-	-
Miscellaneous	-	-	-	8,849	460	-	-
Total receipts	461,441	33	3	15,971	590	330	3
<b>Disbursements:</b>							
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	-	18,046	-	12,258	-
Community and economic development	-	-	-	-	-	-	-
Total disbursements	-	-	-	18,046	-	12,258	-
Excess (deficiency) of receipts over (under) disbursements	461,441	33	3	(2,075)	590	(11,928)	3
<b>Other financing sources (uses):</b>							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	(446,414)	-	-	-	-	-	-
Total other financing sources (uses)	(446,414)	-	-	-	-	-	-
Change in cash balances	15,027	33	3	(2,075)	590	(11,928)	3
Cash balances beginning of year	19,710	2,635	215	85,475	10,288	34,024	240
Cash balances end of year	\$ 34,737	2,668	218	83,400	10,878	22,096	243
<b>Cash Basis Fund Balances</b>							
Nonspendable	\$ -	-	-	-	-	-	-
Restricted for:							
Library	-	-	-	83,400	-	-	-
Parks	-	-	-	-	-	-	-
Other purposes	34,737	2,668	218	-	10,878	22,096	243
Total cash basis fund balances	\$ 34,737	2,668	218	83,400	10,878	22,096	243

Revenue										
Senior Center Trust	Gates Hall Piano	Parks and Recreation Open Space	Columbarium Maintenance	Trail Maintenance	Danielson Trust	Library Building Trust	Trees Forever	4th of July Trust	Police Forfeiture	
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
75	223	18,368	18	211	13,813	326	52	49	137	
-	-	762	180	-	-	-	-	-	-	-
-	-	35,254	-	-	1,283	68,500	-	2,663	-	-
75	223	54,384	198	211	15,096	68,826	52	2,712	137	
-	-	-	-	-	-	-	-	-	-	-
298	-	8,417	-	2,969	3,590	-	-	-	-	-
-	-	-	-	-	-	-	-	4,345	-	-
298	-	8,417	-	2,969	3,590	-	-	4,345	-	-
(223)	223	45,967	198	(2,758)	11,506	68,826	52	(1,633)	137	
-	-	-	-	12,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	12,000	-	-	-	-	-	-
(223)	223	45,967	198	9,242	11,506	68,826	52	(1,633)	137	
6,213	17,988	91,114	1,322	8,402	276,851	10,560	4,184	3,260	11,054	
5,990	18,211	137,081	1,520	17,644	288,357	79,386	4,236	1,627	11,191	
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	288,357	79,386	-	-	-	-
-	-	137,081	-	-	-	-	-	-	-	-
5,990	18,211	-	1,520	17,644	-	-	4,236	1,627	11,191	
5,990	18,211	137,081	1,520	17,644	288,357	79,386	4,236	1,627	11,191	

(Continued)

**Schedule 1  
(Continued)**

City of Nevada

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

As of and for the year ended June 30, 2013

	Special Revenue				Permanent		Total
	Nevada Firefighters Incorporated	Nevada First Responders	Senior Citizen Center	Friends of the Library	Cemetery Perpetual Care	Parks Planting (Hattery)	
Receipts:							
Property tax	\$ -	-	-	-	-	-	440,479
Other city tax	-	-	-	-	-	-	17,335
Use of money and property	378	128	2	-	3,020	-	41,952
Intergovernmental	8,793	-	-	-	-	-	15,831
Miscellaneous	13,559	2,526	4,061	6,238	-	-	143,393
Total receipts	22,730	2,654	4,063	6,238	3,020	-	658,990
Disbursements:							
Public safety	24,555	1,469	-	-	-	-	26,024
Culture and recreation	-	-	3,074	6,384	-	-	55,036
Community and economic development	-	-	-	-	-	-	4,345
Total disbursements	24,555	1,469	3,074	6,384	-	-	85,405
Excess (deficiency) of receipts over (under) disbursements	(1,825)	1,185	989	(146)	3,020	-	573,585
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	-	12,000
Operating transfers out	-	-	-	-	-	-	(446,414)
Total other financing sources (uses)	-	-	-	-	-	-	(434,414)
Change in cash balances	(1,825)	1,185	989	(146)	3,020	-	139,171
Cash balances beginning of year	33,964	32,003	7,191	6,708	118,863	5,000	787,264
Cash balances end of year	\$ 32,139	33,188	8,180	6,562	121,883	5,000	926,435
<b>Cash Basis Fund Balances</b>							
Nonspendable	\$ -	-	-	-	121,883	5,000	126,883
Restricted for:							
Library	-	-	-	-	-	-	451,143
Parks	-	-	-	-	-	-	137,081
Other purposes	32,139	33,188	8,180	6,562	-	-	211,328
Total cash basis fund balances	\$ 32,139	33,188	8,180	6,562	121,883	5,000	926,435

See accompanying independent auditor's report.

## City of Nevada

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

As of and for the year ended June 30, 2013

	Enterprise		
	Sanitation	Storm Water	Total
Operating receipts:			
Charges for service	\$ 63,640	161,287	224,927
Miscellaneous	608	772	1,380
Total operating receipts	64,248	162,059	226,307
Operating disbursements:			
Business type activities	62,458	752	63,210
Excess of operating receipts over operating disbursements	1,790	161,307	163,097
Non-operating receipts:			
Interest on investments	3	2,195	2,198
Excess of receipts over disbursements	1,793	163,502	165,295
Operating transfers out	-	(100,000)	(100,000)
Net change in cash balances	1,793	63,502	65,295
Cash balances beginning of year	698	182,409	183,107
Cash balances end of year	\$ 2,491	245,911	248,402
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 2,491	245,911	248,402

See accompanying independent auditor's report.

City of Nevada  
Schedule of Indebtedness  
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Street improvement and refunding	May 18, 2010	0.85-2.75%	\$ 2,775,000
Urban renewal library improvement and refunding	Sep 13, 2012	2.00-2.15	7,320,000
Project anticipation note	Sep 18, 2012	0.35	1,390,000
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			
Revenue bonds:			
Sewer revolving	Jan 3, 1995	4.54-3.00%	\$ 1,114,000
Water	Jan 14, 2005 *	3.00	8,438,000
Water refunding	Oct 25, 2012	0.50-2.70	7,090,000
Total			
Lease-purchase agreements:			
Mower	Mar 30, 2012	4.30%	\$ 42,942
Tractor and accessories	Jun 21, 2013	4.30	56,068
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,255,000	-	800,000	455,000	23,793
-	7,320,000	570,000	6,750,000	99,506
-	1,390,000	-	1,390,000	2,203
<b>\$ 1,255,000</b>	<b>8,710,000</b>	<b>1,370,000</b>	<b>8,595,000</b>	<b>125,502</b>
5,950,000	-	5,950,000	-	73,934
265,000	-	165,000	100,000	10,729
<b>\$ 6,215,000</b>	<b>-</b>	<b>6,115,000</b>	<b>100,000</b>	<b>84,663</b>
160,000	-	80,000	80,000	4,800
6,408,000	-	6,408,000	-	76,896
-	7,090,000	430,000	6,660,000	70,895
<b>\$ 6,568,000</b>	<b>7,090,000</b>	<b>6,918,000</b>	<b>6,740,000</b>	<b>152,591</b>
28,219	-	13,812	14,407	1,216
-	56,068	-	56,068	-
<b>\$ 28,219</b>	<b>56,068</b>	<b>13,812</b>	<b>70,475</b>	<b>1,216</b>

City of Nevada  
Bond and Note Maturities  
June 30, 2013

Year Ending June 30,	General Obligation Bonds						
	Corporate Purpose and Refunding						Total
	Issued May 18, 2010		Issued Sept 13, 2012		Issued Sept 18, 2012		
	Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount		
2014	2.00%	\$ 200,000	2.00%	\$ 620,000	0.35%	\$ 1,390,000	2,210,000
2015	2.35	205,000	2.00	600,000	-	-	805,000
2016	2.75	50,000	2.00	655,000	-	-	705,000
2017	-	-	2.00	690,000	-	-	690,000
2018	-	-	2.00	705,000	-	-	705,000
2019	-	-	2.00	715,000	-	-	715,000
2020	-	-	2.00	725,000	-	-	725,000
2021	-	-	2.00	745,000	-	-	745,000
2022	-	-	2.00	755,000	-	-	755,000
2023	-	-	2.00	265,000	-	-	265,000
2024	-	-	2.15	90,000	-	-	90,000
2025	-	-	2.15	90,000	-	-	90,000
2026	-	-	2.15	95,000	-	-	95,000
Total		<u>\$ 455,000</u>		<u>\$ 6,750,000</u>		<u>\$ 1,390,000</u>	<u>8,595,000</u>

Year Ending June 30,	Revenue Bonds				
	Sewer Revolving		Water Refunding		Total
	Issued Jan 3, 1995		Issued Oct 25, 2012		
	Interest		Interest		
Rates	Amount	Rates	Amount		
2014	3.00%	\$ 80,000	0.60%	\$ 465,000	545,000
2015	-	-	0.70	465,000	465,000
2016	-	-	0.80	470,000	470,000
2017	-	-	1.00	475,000	475,000
2018	-	-	1.25	475,000	475,000
2019	-	-	1.55	480,000	480,000
2020	-	-	1.85	485,000	485,000
2021	-	-	2.00	495,000	495,000
2022	-	-	2.15	505,000	505,000
2023	-	-	2.25	515,000	515,000
2024	-	-	2.40	525,000	525,000
2025	-	-	2.55	535,000	535,000
2026	-	-	2.65	550,000	550,000
Total		<u>\$ 80,000</u>		<u>\$ 6,440,000</u>	<u>6,520,000</u>

See accompanying independent auditor's report.



Urban Renewal Tax Increment Financing Revenue Bonds		
Year	Issued May 6, 2009	
Ending June 30,	Interest Rates	Amount
2014	4.00%	\$ 100,000
2015		-
2016		-
2017		-
2018		-
2019		-
2020		-
2021		-
2022		-
2023		-
2024		-
2025		-
2026		-
Total		<u>\$ 100,000</u>

City of Nevada

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

For the Last Ten Years

	2013	2012	2011	2010
<b>Receipts:</b>				
Property tax	\$ 2,706,999	2,515,062	2,390,310	2,203,777
Tax increment financing	1,207,521	1,396,120	1,403,236	1,608,637
Other city tax	932,717	914,345	896,047	879,528
Licenses and permits	79,243	85,311	97,724	79,754
Use of money and property	172,706	203,263	241,686	196,309
Intergovernmental	824,654	868,542	884,249	1,072,579
Charges for service	215,664	244,406	252,505	295,664
Special assessments	4,971	3,572	4,393	7,673
Miscellaneous	246,027	168,579	276,454	290,632
<b>Total</b>	<b>\$ 6,390,502</b>	<b>6,399,200</b>	<b>6,446,604</b>	<b>6,634,553</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,145,587	1,182,484	1,127,061	1,125,704
Public works	637,909	631,574	664,466	660,064
Health and social services	53,915	76,205	66,568	73,044
Culture and recreation	1,389,735	1,395,047	1,367,576	1,276,238
Community and economic development	346,987	330,621	370,341	230,845
General government	450,028	305,942	280,430	287,015
Debt service	2,319,728	1,649,493	1,886,046	1,945,808
Capital projects	3,135,224	503,398	1,677,280	1,061,197
<b>Total</b>	<b>\$ 9,479,113</b>	<b>6,074,764</b>	<b>7,439,768</b>	<b>6,659,915</b>

See accompanying independent auditor's report.

2009	2008	2007	2006	2005	2004
2,001,007	1,974,976	1,945,558	1,882,187	1,814,633	1,801,612
1,712,528	1,690,937	1,284,881	1,132,882	1,022,084	901,080
954,164	879,359	850,186	854,838	795,059	820,905
68,272	109,162	95,505	115,617	55,050	59,477
178,998	441,545	343,833	292,670	227,267	241,654
984,654	833,181	1,224,798	988,672	905,229	1,137,248
307,607	273,067	249,255	273,637	249,297	217,837
17,743	22,336	33,229	27,728	38,760	133,497
436,042	358,416	696,210	230,768	380,396	430,501
6,661,015	6,582,979	6,723,455	5,798,999	5,487,775	5,743,811
1,058,708	1,085,431	1,454,443	1,134,005	905,856	856,395
684,043	732,940	561,308	619,657	738,155	643,837
77,900	77,400	81,400	78,300	74,300	59,186
1,317,201	1,316,512	1,211,953	1,121,741	1,135,262	1,025,676
2,625,884	309,060	417,823	315,862	448,862	367,883
360,764	234,998	258,858	237,015	237,445	212,549
2,123,130	1,663,077	1,430,663	1,382,022	1,165,018	1,467,813
2,524,989	5,500,082	2,851,275	3,282,679	1,129,387	1,401,504
10,772,619	10,919,500	8,267,723	8,171,281	5,834,285	6,034,843

**City of Nevada**



OFFICE OF AUDITOR OF STATE  
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Mary Mosiman, CPA  
Auditor of State

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

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 14, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Nevada's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Nevada's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Nevada's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and 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 in internal control described in the accompanying Schedule of Findings as items (A) through (E) 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 (F) through (I) 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 which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 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


The City of Nevada's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Nevada's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 14, 2014

City of Nevada  
Schedule of Findings  
Year ended June 30, 2013

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL 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 individual identified may have control over the following areas for which no compensating controls exist:
- (1) The same person collects and records cash receipts. Also, an initial listing of mail receipts is not prepared.
  - (2) The bank reconciliation is not reviewed by an independent person.

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 City should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Reviews should be performed by an independent person and the review should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – We will be implementing new operating procedures to coincide with the new software update.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified the following material reporting errors:
- Proceeds of \$10,605 from the general obligation project anticipation note were posted to the Capital Projects Fund instead of the Debt Service Fund as required by the anticipation note closing certificate.
  - During the year ended June 30, 2013, the City advance refunded the urban renewal tax increment financing revenue bonds issued in November 2008 by placing proceeds with an escrow agent. Net refunding proceeds of \$6,334,190, disbursements of \$6,296,215 and issuance costs of \$37,975 were not recorded in the general ledger.
  - Property tax receipts totaling \$144,416 were incorrectly classified as “other city tax” receipts rather than “property tax” receipts.

Adjustments were subsequently made by the City to properly reflect these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure financial transactions are properly recorded in the City’s financial records.

City of Nevada

Schedule of Findings

Year ended June 30, 2013

Response – We will implement procedures to ensure financial transactions are properly recorded.

Conclusion – Response accepted.

- (C) Nevada First Responders – During our review of internal control, the existing procedures 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 Responder’s financial statement. Generally, one individual has control over collecting, depositing and posting for which no compensating controls exist. In addition, no bank reconciliation is prepared.

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

Response – We will stress the importance of bank reconciliations and review by an independent person.

Conclusion – Response accepted.

- (D) Nevada Economic Development Council (NEDC) – During our review of internal control, the existing procedures 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 Council’s financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist.

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.

Response – We will stress the importance of a review of operating procedures, financial transactions and reconciliations by officials of the NEDC Board.

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 Fire Fighter’s financial statement. Generally, one individual has control over collecting, depositing and posting for which no compensating controls exist. In addition, there is no evidence bank reconciliations are reviewed by an independent person.



City of Nevada

Schedule of Findings

Year ended June 30, 2013

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

Response – We will stress the importance of bank reconciliations and review by an independent person.

Conclusion – Response accepted.

- (F) Nevada Economic Development Council (NEDC) – For certain receipts tested, there was no indication of the date collections were received. Therefore, we were not able to determine if receipts were deposited timely.

Recommendation – When collections are received, a receipt register should be prepared to indicate the date of receipt, the payer and the amount received.

Response – We will write the date we received the check on the check stub register.

Conclusion – Response accepted.

- (G) Nevada Fire Fighters Disbursements – Itemized invoices were not included with the monthly statement for all disbursements tested.

Recommendation – Supporting documentation, including itemized invoices, should be retained for all disbursements.

Response – Supporting documentation, including itemized invoices, will be retained for all disbursements.

Conclusion – Response accepted.

- (H) Nevada First Responders Disbursements – Supporting documentation was not retained for all disbursements tested.

Recommendation – Supporting documentation for all disbursements should be retained.

Response – Supporting documentation, including itemized invoices, will be retained for all disbursements.

Conclusion – Response accepted.

City of Nevada

Schedule of Findings

Year ended June 30, 2013

- (I) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies for:

- Requiring timeout or logoff functions be utilized when terminals are left unattended.
- Requiring password length of a minimum of 8 characters, including special characters.

Also, while the City has a written disaster recovery plan, the hardware inventory list is outdated. In addition, the plan does not outline the frequency and guidelines for testing the disaster recovery plan to identify issues and document the results of testing.

Recommendation – The City should develop written policies addressing the above items to improve the City’s control over its computer system.

Response – The City will develop a written policy addressing these items to improve the City’s control over its computer system.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Nevada  
 Schedule of Findings  
 Year ended June 30, 2013

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the business type activities function prior to the May 13, 2013 budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – In the future the budget will be amended so disbursements do not exceed the budget.

Conclusion – Response accepted.

- (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, Mayor, Owner of Kelly Laundry	Laundry services	\$ 600
David Donnelly, Volunteer Firefighter, Owner of Donnelly Electric	Fire department repairs	400

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

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, the publication did not always include the total disbursements from each fund, a list of all claims allowed, including the purpose of the claim, or a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should publish the total disbursements from each fund, a listing of all claims allowed, including the purpose of the claim, and a summary of all receipts, as required.

City of Nevada

Schedule of Findings

Year ended June 30, 2013

Response – We will publish total disbursements from each fund, a list of claims allowed and purpose and a summary of all receipts as required.

Conclusion – Response accepted.

- (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, 2013 were noted.
- (9) Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

The City's beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the December 1, 2012 Levy Authority Summary do not include the \$650,000 set aside required by the 2008 urban renewal financing revenue bonds.

Also, the amount reported by the City as TIF debt outstanding was overstated by \$459,000.

Recommendation – The City should ensure cash balances and TIF debt outstanding reported on the Levy Authority Summary agree with the City's records.

Response – We will ensure cash balances and TIF debt outstanding reported on the Levy Authority Summary agree with the City's records.

Conclusion - Response accepted.

- (10) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement as provided in the Code section. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

During the year ended June 30, 2012, the City transferred \$250,000 from the Special Revenue, Urban Renewal Tax Increment Fund to the Capital Projects Fund to reduce the deficit balance in a trail project account. Additionally, during the years ended June 30, 2012 and June 30, 2013, the City paid \$11,937 and \$10,915, respectively, for a total of \$22,852 of legal fees from the Special Revenue, Urban Renewal Tax Increment Fund. Since these costs were not previously certified as TIF debt, they are not eligible to be paid from tax increment financing receipts in accordance with Chapter 403.19 of the Code of Iowa.

City of Nevada

Schedule of Findings

Year ended June 30, 2013

Recommendation – The City should consult TIF legal counsel to determine the proper disposition of these matters.

Response – We will transfer these funds back to the Special Revenue, Urban Renewal Tax Increment Fund as suggested by our bond attorney.

Conclusion – Response accepted.

- (11) Payment of General Obligation Debt - Certain general obligation project anticipation note interest was paid from the Capital Projects Fund. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Capital Projects Fund to the Debt Service Fund for future funding contributions. Payments of the notes and interest should then be disbursed from the Debt Service Fund.

Response – We will transfer from the Capital Projects Fund to the Debt Service Fund for the payments of notes and interest for disbursement from the Debt Service Fund for general obligation debt.

Conclusion – Response accepted.

- (12) Lease-Purchase Agreement – The City did not hold a public hearing prior to entering into a lease-purchase agreement for a tractor and accessories as required by Chapter 364.4(4)(e) of the Code of Iowa.

Recommendation – The City should comply with public hearing requirements prior to entering into lease-purchase agreements.

Response – We will comply with public hearing requirements prior to entering into a lease-purchase agreement.

Conclusion – Response accepted.

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City of Nevada

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Janet K. Mortvedt, CPA, Senior Auditor  
Leanna J. Showman, Staff Auditor  
Tyler J. Guffy, Assistant Auditor  
Ryan A. Pick, Audit Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State