

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 17, 2018

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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 \$18,080,900 for the year ended June 30, 2017, a 55% increase over the prior year. The receipts included \$2,948,170 of property tax, \$3,031,236 of tax increment financing, \$1,021,998 of local option sales and services tax, \$4,155,995 of charges for service, \$1,127,432 of operating grants, contributions and restricted interest, \$9,886 of capital grants, contributions and restricted interest, \$84,366 of unrestricted interest on investments, \$5,521,298 of bond proceeds and \$180,519 of other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$14,368,472, a 28% increase over the prior year, and included \$3,066,395 for debt service, \$2,142,178 for capital projects and \$1,621,641 for culture and recreation. Also, disbursements for business type activities totaled \$3,483,705.

The significant increase in receipts and disbursements is due primarily to the issuance of general obligation bonds and a corresponding increase in capital project disbursements in fiscal year 2017.

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 <https://auditor.iowa.gov/reports/1720-0820-B00F>.

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CITY OF NEVADA

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

JUNE 30, 2017

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City of Nevada

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lynn Lathrop	Mayor	Jan 2018
Brian Hanson	Council Member	Jan 2018
Andrew Kelly	Council Member	Jan 2018
Ray Schwichtenberg	Council Member	Jan 2018
Brett Barker	Council Member	Jan 2020
Barb Mittman	Council Member	Jan 2020
Jim Walker	Council Member	Jan 2020
Elizabeth Hansen	City Administrator	(Resigned Sep 2016)
Matthew Mardesen (Appointed Nov 2016)	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, 2017, 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, 2017, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 14 and 40 through 46, 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 December 5, 2017 on our consideration of the City of Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Nevada's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

December 5, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Nevada provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Receipts for governmental activities increased 74.7%, or approximately \$6,158,000, from fiscal year 2016 to fiscal year 2017 due primarily to the issuance of general obligation bonds for capital projects. Receipts for business type activities increased approximately \$250,000, or 7.3%, due primarily to increased user rates.
- Disbursements for governmental activities increased 31.9%, or approximately \$2,630,000, in fiscal year 2017 over fiscal year 2016. Capital projects function disbursements increased 50.1%, or approximately \$715,000, due to an increase in projects completed in fiscal year 2017. Public safety function disbursements decreased 15.9%, or approximately \$278,000, due to the purchase of a fire engine in the previous year. Debt service function disbursements increased 39.5%, or approximately \$868,000, as repayment on the newly issued general obligation bonds began in fiscal year 2017.
- Disbursements for business type activities increased approximately \$521,000, or 17.6%, with an approximately \$893,000 increase in disbursements in the Enterprise, Sewer Fund. This increase is mostly due to the purchase of land for a new wastewater treatment facility. Enterprise, Water Fund disbursements decreased 14.8%, primarily due to completion of a water meter project in the prior year.
- The City's total cash basis net position increased 24.5%, or approximately \$3,711,000, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities increased approximately \$3,602,000 and the cash basis net position of the business type activities increased approximately \$109,000.

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 and the City's proportionate share of the net pension liability and related contributions.

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system, the sanitary sewer system and sanitation and storm sewer utilities, including all capital projects associated with these activities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales and Services Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds, such as Cemetery Perpetual Care and Parks Planting (Hattery). The governmental fund financial statements provide a detailed, 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.

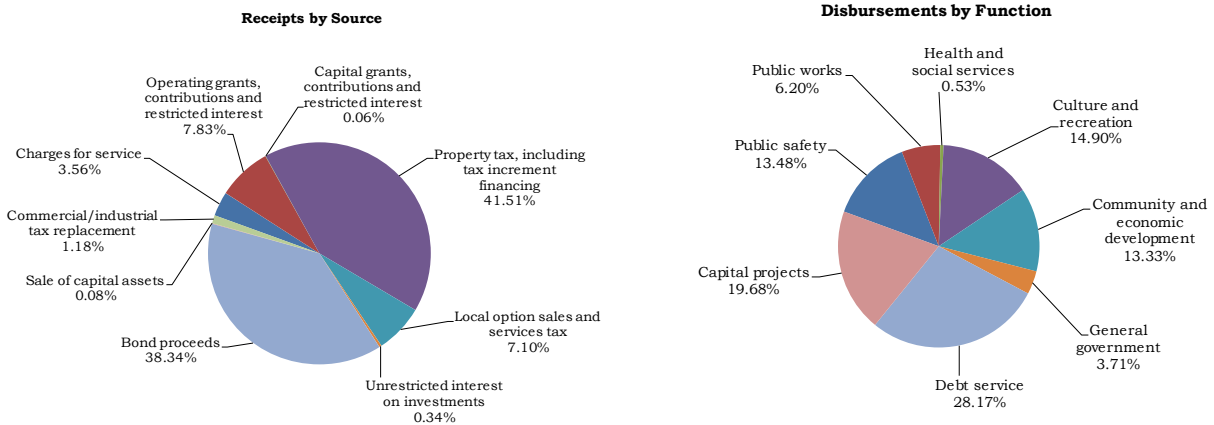
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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 sharply from a year ago, increasing from approximately \$9.659 million to approximately \$13.261 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,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 512	482
Operating grants, contributions and restricted interest	1,127	1,101
Capital grants, contributions and restricted interest	9	101
General receipts:		
Property tax, including tax increment financing	5,979	5,330
Local option sales and services tax	1,022	949
Commercial/industrial tax replacement	170	267
Unrestricted interest on investments	49	12
Bond proceeds	5,521	-
Sale of capital assets	11	-
Total receipts	<u>14,400</u>	<u>8,242</u>
Disbursements:		
Public safety	1,468	1,746
Public works	675	579
Health and social services	57	58
Culture and recreation	1,622	1,446
Community and economic development	1,451	392
General government	404	409
Debt service	3,066	2,198
Capital projects	2,142	1,427
Total disbursements	<u>10,885</u>	<u>8,255</u>
Change in cash basis net position before transfers	3,515	(13)
Transfers, net	87	602
Change in cash basis net position	3,602	589
Cash basis net position beginning of year	9,659	9,070
Cash basis net position end of year	<u>\$ 13,261</u>	<u>9,659</u>



The City’s total receipts for governmental activities increased 74.7%, or approximately \$6,158,000, over the prior year. This significant increase was due primarily to the receipt of \$5,521,000 of bond proceeds. Property tax and local option sales and services tax combined increased approximately \$722,000. General receipts overall increased approximately \$6,194,000.

The total cost of all governmental activities programs and services increased approximately \$2,630,000, or 31.9%. Community and economic development function disbursements increased 270.2%, or approximately \$1,059,000, due to developer rebate payments made in fiscal year 2017. In addition, debt service function disbursements increased approximately \$868,000 from fiscal year 2016 to fiscal year 2017 as the City began repaying the bonds issued during the year. Capital projects function disbursements increased approximately \$715,000 as the City continued to make capital improvements to streets and sidewalks.

The City’s property tax rate in fiscal year 2017 was \$14.61800 per \$1,000 of taxable valuation, which is no change from fiscal year 2016 which had a rate of \$14.61800 per \$1,000 of taxable valuation. The City’s property tax rate has not increased significantly in eighteen years, except for the voted capital improvements levies in fiscal years 2009 and 2011.

The cost of all governmental activities this year was approximately \$10.885 million compared to approximately \$8.255 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 \$9.236 million because some of the cost was paid by those directly benefiting from the programs (approximately \$512,000) or by other governments and organizations which subsidized certain programs with grants, contributions and unrestricted interest (approximately \$1.136 million). Overall, the City’s governmental activities program receipts, including intergovernmental aid and fees for service, decreased from approximately \$1.684 million in fiscal year 2016 to approximately \$1.648 million in fiscal year 2017. The City paid for the remaining “public benefit” portion of governmental activities with taxes (some of which could only be used for certain programs) and other receipts, such as interest and local option sales and services tax.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 2,093	1,927
Sewer	1,314	1,247
Other	236	236
Capital grants, contributions and restricted interest	1	1
General receipts:		
Unrestricted interest on investments	36	19
Total receipts	<u>3,680</u>	<u>3,430</u>
Disbursements:		
Water	1,778	2,086
Sewer	1,661	768
Other	45	109
Total disbursements	<u>3,484</u>	<u>2,963</u>
Change in cash basis net position before transfers	196	467
Transfers, net	<u>(87)</u>	<u>(602)</u>
Change in cash basis net position	109	(135)
Cash basis net position beginning of year	<u>5,470</u>	<u>5,605</u>
Cash basis net position end of year	<u>\$ 5,579</u>	<u>5,470</u>

Total business type activities receipts for fiscal year 2017 were approximately \$3.680 million compared to approximately \$3.430 million last year. Total business type activities disbursements for fiscal year 2017 were approximately \$3.484 million compared to approximately \$2.963 million last year. The significant increase in disbursements was primarily related to the purchase of land for a future wastewater treatment facility.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$13,224,230, an increase of \$3,595,334 above last year's total of \$9,628,896. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund (including the general, hotel/motel, emergency, general capital revolving, self insurance and sick and vacation accounts) cash balance increased \$152,435 to \$3,229,532, mostly because capital equipment purchases were less than resources credited to the reserve.
- The Special Revenue, Road Use Tax Fund cash balance increased \$47,630 to \$1,340,925. Road use tax receipts increased \$3,807 over the prior year and receipts exceeded disbursements for the year.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance increased \$254,468 to \$768,917. This increase can be partially attributed to more receipts than anticipated and expected disbursements not realized during the fiscal year.

- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$2,515,398 at the end of the fiscal year, a decrease of \$158,721 from the previous year. This decrease is attributed to an increase in developer rebate disbursements.
- The Debt Service Fund cash balance decreased \$238,729 to \$119,616. This was primarily due to using existing cash to begin repayment on the general obligation bond issued during the year.
- The Capital Projects Fund began the year with a cash balance of \$779,595 and ended with a balance of \$4,302,348, an increase of \$3,522,753. The balance increased due to receipt of bond proceeds for projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$411,554 from a balance of \$1,877,467 at the end of the prior year to \$2,289,021, primarily due to the increase in rates to plan for future expansion and a decrease in capital projects during the fiscal year offset by increases in expenses for needed maintenance and an increase in the allocation of accounting staff wages and benefits.
- The Enterprise, Sewer Fund cash balance decreased \$457,098 to \$2,588,176 due primarily to the purchase of land for a new wastewater treatment facility.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on March 13, 2017 and the second amendment was approved on June 26, 2017. These amendments resulted in an increase in budgeted disbursements of \$4,612,713. The largest increases were in the capital projects function for the 2017 streets project, the business type activities function to purchase land for a new wastewater treatment facility and the community and economic development function for dispersing rebate agreement payments. Disbursements in the public works, culture and recreation, general government and debt service functions also increased.

The City's receipts were \$305,019 more than budgeted. Charges for service were \$185,029 more than budgeted, which was primarily due to under estimating activities for which the City charges such as pool receipts. In addition, other city tax receipts were \$153,452 higher than budgeted, mainly due to higher than expected local option sales tax dollars received and tax increment financing receipts were less than budgeted by \$36,250 mainly due to the timing of deposits from the county.

Total disbursements were 2,690,296 less than budgeted, primarily due to the timing of capital equipment purchases and work on projects.

Disbursements during year ended June 30, 2017 exceeded the amount budgeted in the capital projects function prior to the budget amendment.

DEBT ADMINISTRATION

On June 30, 2017, the City had \$17,844,664 of outstanding bonds and other long term debt, compared to \$15,584,496 last year, as shown below. Debt increased as a result of the 2017 Bond issue for the upcoming projects scheduled.

	Outstanding Debt at Year-End	
	June 30,	
	2017	2016
General obligation bonds:		
9/13/12 - Library improvement and refunding bonds - \$7,320,000	\$ 4,185,000	4,875,000
7/25/13 - Street, water, sewer and refunding bonds - \$8,045,000	4,455,000	4,950,000
7/10/14 - Vehicle acquisition bonds - \$770,000	315,000	470,000
6/13/16 - Corporate purpose bonds - \$5,450,000	4,085,000	-
Revenue bonds:		
10/4/12 - Water refunding - \$7,090,000	4,785,000	5,260,000
Lease purchase agreements	19,664	29,496
Total	<u>\$ 17,844,664</u>	<u>15,584,496</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 and lease purchase debt of \$13,252,402 (including \$192,738 of development and rebate agreements) is significantly below its constitutional debt limit of approximately \$20,879,000. 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 2018 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Story County now stands at 2.6% versus 3.2% a year ago. This compares with the State's unemployment rate of 3.2% and 4.4% nationally.

Tax increment financing receipts are budgeted to increase \$72,276 in fiscal year 2018, from \$3,031,236 to \$3,103,512.

The City's budgeted receipts for fiscal year 2018 are \$12,523,385 (without transfers) compared to fiscal year 2017 final budgeted receipts of \$12,186,956 (without transfers).

The City's disbursements for fiscal year 2018 are budgeted to increase from a final budget of \$17,003,634 (without transfers) for fiscal year 2017 to \$18,221,403 for fiscal year 2018 (without transfers), primarily due to an increase in capital projects.

If these estimates are realized, the City's budgeted cash balance is expected to increase to \$14,651,082 at the close of fiscal year 2018.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of Nevada

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,467,464	84,114	159,023	2,363
Public works	674,475	453	843,929	-
Health and social services	57,422	-	-	-
Culture and recreation	1,621,641	365,178	123,790	364
Community and economic development	1,450,957	500	690	-
General government	404,233	47,919	-	-
Debt service	3,066,396	-	-	-
Capital projects	2,142,179	14,193	-	6,021
Total governmental activities	10,884,767	512,357	1,127,432	8,748
Business type activities:				
Water	1,778,520	2,093,193	-	684
Sewer	1,660,608	1,314,055	-	454
Other	44,577	236,390	-	-
Total business type activities	3,483,705	3,643,638	-	1,138
Total Primary Government	\$ 14,368,472	4,155,995	1,127,432	9,886
Component Unit:				
Nevada Economic Development Council	\$ 150,685	26,635	114,095	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Capital projects				
Tax increment financing				
Local option sales and services tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond proceeds, including premium of \$125,798 and net of \$54,500 discount				
Sale of capital assets				
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				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Permanent Funds				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Community betterment				
Library				
Parks				
Other purposes				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Primary Government Business Type Activities	Total	Nevada Economic Development Council
(1,221,964)	-	(1,221,964)	
169,907	-	169,907	
(57,422)	-	(57,422)	
(1,132,309)	-	(1,132,309)	
(1,449,767)	-	(1,449,767)	
(356,314)	-	(356,314)	
(3,066,396)	-	(3,066,396)	
(2,121,965)	-	(2,121,965)	
(9,236,230)	-	(9,236,230)	
-	315,357	315,357	
-	(346,099)	(346,099)	
-	191,813	191,813	
-	161,071	161,071	
(9,236,230)	161,071	(9,075,159)	
			(9,955)
2,305,599	-	2,305,599	-
514,735	-	514,735	-
127,836	-	127,836	-
3,031,236	-	3,031,236	-
1,021,998	-	1,021,998	-
169,903	-	169,903	-
48,825	35,541	84,366	-
5,521,298	-	5,521,298	-
10,616	-	10,616	-
87,229	(87,229)	-	-
12,839,275	(51,688)	12,787,587	-
3,603,045	109,383	3,712,428	(9,955)
9,658,301	5,470,065	15,128,366	603,496
\$ 13,261,346	5,579,448	18,840,794	593,541
\$ 144,295	-	144,295	-
1,340,925	-	1,340,925	-
2,515,398	-	2,515,398	-
119,616	629,240	748,856	-
4,302,348	1,223,356	5,525,704	-
1,547,940	-	1,547,940	-
399,508	-	399,508	-
125,045	-	125,045	-
278,646	67,368	346,014	-
2,487,625	3,659,484	6,147,109	593,541
\$ 13,261,346	5,579,448	18,840,794	593,541

City of Nevada

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

As of and for the year ended June 30, 2017

	Special Revenue			
	General	Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 1,753,059	-	-	-
Tax increment financing	-	-	-	3,031,236
Other city tax	51,855	-	1,021,998	-
Licenses and permits	76,183	-	-	-
Use of money and property	67,315	857	1,326	14,529
Intergovernmental	276,945	843,929	-	-
Charges for service	239,478	-	-	-
Miscellaneous	119,535	-	-	-
Total receipts	2,584,370	844,786	1,023,324	3,045,765
Disbursements:				
Operating:				
Public safety	1,349,774	26,390	44,872	-
Public works	274	580,831	93,510	-
Health and social services	-	-	57,422	-
Culture and recreation	1,513,635	-	31,384	-
Community and economic development	85,279	-	40,341	1,324,860
General government	387,789	-	17,327	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	3,336,751	607,221	284,856	1,324,860
Excess (deficiency) of receipts over (under) disbursements	(752,381)	237,565	738,468	1,720,905
Other financing sources (uses):				
Bond proceeds, including premium of \$125,798 and net of \$54,500 discount	-	-	-	-
Sale of capital assets	10,616	-	-	-
Transfers in	897,680	75,000	-	-
Transfers out	(3,480)	(264,935)	(484,000)	(1,879,626)
Total other financing sources (uses)	904,816	(189,935)	(484,000)	(1,879,626)
Change in cash balances	152,435	47,630	254,468	(158,721)
Cash balances beginning of year	3,077,097	1,293,295	514,449	2,674,119
Cash balances end of year	\$ 3,229,532	1,340,925	768,917	2,515,398
Cash Basis Fund Balances				
Nonspendable	\$ -	-	-	-
Restricted for:				
Streets	-	1,340,925	-	-
Urban renewal purposes	-	-	-	2,515,398
Debt service	-	-	-	-
Capital projects	-	-	-	-
Community betterment	779,023	-	768,917	-
Library	-	-	-	-
Parks	-	-	-	-
Other purposes	-	-	-	-
Unassigned	2,450,509	-	-	-
Total cash basis fund balances	\$ 3,229,532	1,340,925	768,917	2,515,398

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
506,650	124,872	489,073	2,873,654
-	-	-	3,031,236
8,085	2,964	11,612	1,096,514
-	-	-	76,183
1,177	17,321	30,698	133,223
21,452	7,845	53,680	1,203,851
-	14,193	4,646	258,317
-	3,485	72,671	195,691
537,364	170,680	662,380	8,868,669
-	-	50,176	1,471,212
-	-	-	674,615
-	-	-	57,422
-	-	79,539	1,624,558
-	-	500	1,450,980
-	-	-	405,116
3,066,396	-	-	3,066,396
-	2,142,179	-	2,142,179
3,066,396	2,142,179	130,215	10,892,478
(2,529,032)	(1,971,499)	532,165	(2,023,809)
-	5,521,298	-	5,521,298
-	-	-	10,616
2,290,303	70,467	10,000	3,343,450
-	(97,513)	(526,667)	(3,256,221)
2,290,303	5,494,252	(516,667)	5,619,143
(238,729)	3,522,753	15,498	3,595,334
358,345	779,595	931,996	9,628,896
119,616	4,302,348	947,494	13,224,230
-	-	144,295	144,295
-	-	-	1,340,925
-	-	-	2,515,398
119,616	-	-	119,616
-	4,302,348	-	4,302,348
-	-	-	1,547,940
-	-	399,508	399,508
-	-	125,045	125,045
-	-	278,646	278,646
-	-	-	2,450,509
119,616	4,302,348	947,494	13,224,230

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, 2017

Total governmental funds cash balances (page 19) \$ 13,224,230

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

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

37,116

Cash basis net position of governmental activities (page 17) \$ 13,261,346

Change in cash balances (page 19) \$ 3,595,334

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.

7,711

Change in cash basis net position of governmental activities (page 17) \$ 3,603,045

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, 2017

	Enterprise				Internal Service
	Water	Sewer	Nonmajor	Total	Flexible Benefits
Operating receipts:					
Use of money and property	\$ 17,111	-	-	17,111	-
Charges for service	2,052,571	1,313,437	236,390	3,602,398	36,887
Miscellaneous	23,511	618	-	24,129	-
Total operating receipts	<u>2,093,193</u>	<u>1,314,055</u>	<u>236,390</u>	<u>3,643,638</u>	<u>36,887</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	13,717
Public works	-	-	-	-	515
Culture and recreation	-	-	-	-	10,679
Community and economic development	-	-	-	-	88
General government	-	-	-	-	3,234
Business type activities	949,151	701,209	44,577	1,694,937	741
Total operating disbursements	<u>949,151</u>	<u>701,209</u>	<u>44,577</u>	<u>1,694,937</u>	<u>28,974</u>
Excess of operating receipts over operating disbursements	<u>1,144,042</u>	<u>612,846</u>	<u>191,813</u>	<u>1,948,701</u>	<u>7,913</u>
Non-operating receipts (disbursements):					
Interest on investments	17,587	17,180	1,912	36,679	-
Debt service	(581,703)	-	-	(581,703)	-
Capital projects	(247,837)	(959,430)	-	(1,207,267)	-
Net non-operating receipts (disbursements)	<u>(811,953)</u>	<u>(942,250)</u>	<u>1,912</u>	<u>(1,752,291)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>332,089</u>	<u>(329,404)</u>	<u>193,725</u>	<u>196,410</u>	<u>7,913</u>
Transfers in	290,330	252,563	-	542,893	-
Transfers out	(210,865)	(380,257)	(39,000)	(630,122)	-
Total transfers in (out):	<u>79,465</u>	<u>(127,694)</u>	<u>(39,000)</u>	<u>(87,229)</u>	<u>-</u>
Change in cash balances	411,554	(457,098)	154,725	109,181	7,913
Cash balances beginning of year	<u>1,877,467</u>	<u>3,045,274</u>	<u>545,336</u>	<u>5,468,077</u>	<u>31,393</u>
Cash balances end of year	<u>\$ 2,289,021</u>	<u>2,588,176</u>	<u>700,061</u>	<u>5,577,258</u>	<u>39,306</u>
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ 629,240	-	-	629,240	-
Sewer construction	-	1,073,356	-	1,073,356	-
Water improvement	150,000	-	-	150,000	-
Water deposits	67,368	-	-	67,368	-
Unrestricted	<u>1,442,413</u>	<u>1,514,820</u>	<u>700,061</u>	<u>3,657,294</u>	<u>39,306</u>
Total cash basis fund balances	<u>\$ 2,289,021</u>	<u>2,588,176</u>	<u>700,061</u>	<u>5,577,258</u>	<u>39,306</u>

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, 2017

Total enterprise funds cash balances (page 22) \$ 5,577,258

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

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

2,190

Cash basis net position of business type activities (page 17) \$ 5,579,448

Change in cash balances (page 22) \$ 109,181

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

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

202

Change in cash basis net position of business type activities (page 17) \$ 109,383

See notes to financial statements.

City of Nevada

City of Nevada

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

The City of Nevada is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, sanitation and storm water utilities for its citizens.

A. Reporting Entity

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

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

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 E-911 Service Board.

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

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/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. Enabling legislation did not result in any restricted net position.

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 to be used to finance community betterment in the City.

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

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

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

The City reports the following major proprietary funds:

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

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

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

D. 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, 2017, disbursements exceeded the amount budgeted in the capital projects function prior to the budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

During the year ended June 30, 2015, a local non-profit organization deposited \$51,213 to a local non-profit Foundation as a gift to the City. At June 30, 2017, the carrying amount and fair value of the amounts held by the Foundation were \$79,737 and \$78,670, respectively. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

Fair Value Measurement

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

City investments that do not have a readily determinable fair value, such as ownership interest in partner’s capital, are reported using Net Asset Value per share (NAV). Used as a practical expedient for the estimated fair value, NAV per share or its equivalent is provided by the fund manager and reviewed by the City. The recurring fair value of the investments held by the Foundation for the City was determined using NAV.

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 Payable

Annual debt service requirements to maturity for general obligation bonds and water revenue refunding bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Water Revenue Refunding Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 3,415,000	318,013	475,000	101,453	3,890,000	419,466
2019	3,470,000	249,713	480,000	95,515	3,950,000	345,228
2020	1,275,000	180,313	485,000	88,075	1,760,000	268,388
2021	1,305,000	154,813	495,000	79,103	1,800,000	233,916
2022	1,335,000	117,513	505,000	69,203	1,840,000	2,026,716
2023-2027	2,240,000	163,547	2,345,000	165,715	4,585,000	329,262
Total	\$ 13,040,000	1,183,912	4,785,000	599,064	17,825,000	1,782,976

General Obligation Corporate Purpose Bonds

The City issued \$5,450,000 of general obligation corporate purpose bonds in July 2016 for the purpose of constructing street, utility and sidewalk improvements. The bonds bear interest at 2.0% per annum and mature June 2019.

Water Revenue Refunding Bonds

On October 25, 2012, the City issued \$7,090,000 of water revenue refunding bonds for the current refunding 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 rates ranging from 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 51% of net receipts. The total principal and interest remaining to be paid on the bonds is \$5,384,064. For the current year, principal and interest paid and total customer net receipts were \$581,203 and \$1,144,042, respectively.

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

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

Lease-Purchase Agreement

On May 23, 2016, the City entered into a lease-purchase agreement to lease a mower. The lease term is for three years and is interest free.

The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2017:

Year Ending June 30,	Mower
2018	\$ 9,832
2019	9,832
Present value of net minimum lease payments	\$ 19,664

During the year ended June 30, 2017, the City made principal payments of \$9,832 on this lease purchase agreement.

(4) Interfund Loans

On June 8, 2015, the City disbursed \$252,563 from both the Enterprise, Water and Sewer Funds to pay a portion of the costs of carrying out an urban renewal project in the Nevada Urban Renewal Area of the City, consisting of paying the Central Iowa Water Association for the rights to supply water in the area. Repayment was made from the Special Revenue, Urban Renewal Tax Increment Fund in one installment during the year ended June 30, 2017, when TIF receipts became available. The interfund loan repaid from the Special Revenue, Urban Renewal Tax Increment Fund was interest free.

On June 8, 2015, the City advanced \$5,000 from the General Fund to pay a portion of the costs of carrying out an urban renewal project in the Nevada Urban Renewal Area of the City, consisting of funding the Nevada Home Assistance Program to assist families of low and moderate income with housing acquisition and rehabilitation. This interfund loan is interest free and is expected to be repaid during the year ending June 30, 2018 from the Special Revenue, Urban Renewal Tax Increment Fund.

(5) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member’s monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member’s highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$201,331.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017 the City reported a liability of \$1,401,524 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was 0.022270%, which was an increase of 0.002126% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$210,926, \$545,418 and \$263,458, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term Investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S TIPS	5	1.36
Other real assets	2	6.24
Cash	1	(0.26)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 2,554,964	1,401,524	428,376

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

(6) 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 23 active and 1 retired member 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 Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members ranged from \$402 to \$500 for single coverage, \$762 to \$947 for employee/children, \$824 to \$1024 for employee/spouse and \$1,236 to \$1,535 for family coverage, depending on the plan chosen. The same monthly premiums apply to retirees. For the year ended June 30, 2017, the City contributed \$177,700 and plan members eligible for benefits contributed \$32,047 to the plan.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. City employees may also accumulate earned but unused sick leave hours for subsequent use or for payment upon retirement or death, up to a maximum of \$1,500. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave hours payable to employees at June 30, 2017, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 189,000
Compensatory time	22,000
Sick leave	14,000
Total	<u>\$ 225,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2017.

(8) Contractual Commitments

The City has entered into various construction contracts totaling approximately \$6,364,000. The unpaid contract balance as of June 30, 2017 totaled approximately \$2,973,000, which will be paid as work on the projects progresses.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 379,000
	Employee Benefits	518,680
		<u>897,680</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales and Services Tax	75,000
		<u>75,000</u>
Special Revenue:	Special Revenue:	
Trail Maintenance	Local Option Sales and Services Tax	10,000
		<u>10,000</u>
Debt Service	Special Revenue:	
	Road Use Tax	264,935
	Urban Renewal Tax Increment	1,374,500
	Capital Projects	97,513
	Enterprise:	
	Water	210,865
	Sewer	342,490
		<u>2,290,303</u>
Capital Projects	General	3,480
	Special Revenue:	
	Local Option Sales and Services Tax	20,000
	Library Trust	5,340
	Library Building Trust	2,647
	Enterprise:	
	Storm Water	39,000
		<u>70,467</u>
Enterprise:		
Water	Special Revenue:	
	Urban Renewal Tax Increment	252,563
	Enterprise:	
	Sewer	37,767
		<u>290,330</u>
Sewer	Special Revenue:	
	Urban Renewal Tax Increment	252,563
		<u>252,563</u>
Total		<u>\$ 3,886,343</u>

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

(10) Industrial Development Revenue Bonds

The City has issued a total of \$2,363,229 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$678,560 is outstanding at June 30, 2017. 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.

(11) Landfill Contract

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The current contract began July 1, 2014 and terminates June 30, 2034. The cost is computed for each calendar year. On or before February 15 of each year, the City of Ames will notify the City of its proportionate share of the net costs of the system for the prior calendar year. The City will pay the City of Ames one-half of its share on July 15 and one-half on or before December 15 of each year. The annual rate of the contract is determined by multiplying the net per capita cost by the population of the City. For the year ended June 30, 2017, the City paid \$30,931 to the City of Ames.

(12) 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 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2017 were \$145,721.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation in the amount of \$1,000,000 per accident. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvement of buildings. Certain agreements also require the developer to certify specific employment requirements are met. The remaining total to be paid by the City under the agreements is not to exceed \$7,769,821.

The City rebated \$1,324,860 during fiscal year 2017, for a total of \$2,933,746 of incremental property tax rebated under the agreements. The outstanding balance of the agreements at June 30, 2017 with fixed dollar commitments was \$192,738. The outstanding balance of the agreements at June 30, 2017 subject to annual appropriation was \$7,577,083.

(14) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$501,619 of property tax under the urban renewal and economic development projects.

(15) Subsequent Event

In September 2017, the City authorized the issuance of \$2,850,000 of general obligation refunding bonds to currently refund the outstanding balance of the City's 2013 general obligation corporate purpose bonds.

In November 2017, the City was notified by Dow Du Pont they intend to close and seek a buyer for the cellulosic ethanol plant located in the City's urban renewal area. The City utilized tax increment financing and issued general obligation debt to fund water, sewer and road improvements associated with the plant. The City is evaluating the potential effects of this announcement.

(16) New Accounting Pronouncement

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements and tax abatements of other entities which impact the City.

(17) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

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, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,873,654	-	-
Tax increment financing	3,031,236	-	-
Other city tax	1,096,514	-	-
Licenses and permits	76,183	-	-
Use of money and property	133,223	53,790	314
Intergovernmental	1,203,851	-	17,638
Charges for service	258,317	3,639,285	36,887
Special assessments	-	-	-
Miscellaneous	195,691	24,129	39,059
Total receipts	8,868,669	3,717,204	93,898
Disbursements:			
Public safety	1,471,212	13,717	63,893
Public works	674,615	515	515
Health and social services	57,422	-	-
Culture and recreation	1,624,558	10,679	23,550
Community and economic development	1,450,980	88	88
General government	405,116	3,234	3,234
Debt service	3,066,396	-	-
Capital projects	2,142,179	-	-
Business type activities	-	3,484,648	741
Total disbursements	10,892,478	3,512,881	92,021
Excess (deficiency) of receipts over (under) disbursements	(2,023,809)	204,323	1,877
Other financing sources (uses), net	5,619,143	(87,229)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,595,334	117,094	1,877
Balances beginning of year	9,628,896	5,499,470	96,598
Balances end of year	\$ 13,224,230	5,616,564	98,475

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,873,654	2,869,694	2,869,694	3,960
3,031,236	3,067,486	3,067,486	(36,250)
1,096,514	943,062	943,062	153,452
76,183	86,700	86,700	(10,517)
186,699	151,540	151,540	35,159
1,186,213	1,106,803	1,106,803	79,410
3,860,715	3,675,686	3,675,686	185,029
-	2,000	2,000	(2,000)
180,761	283,985	283,985	(103,224)
12,491,975	12,186,956	12,186,956	305,019
1,421,036	1,656,230	1,656,230	235,194
674,615	820,192	860,192	185,577
57,422	58,439	58,439	1,017
1,611,687	1,797,546	1,798,546	186,859
1,450,980	986,031	1,996,111	545,131
405,116	404,027	431,527	26,411
3,066,396	3,013,513	3,066,396	-
2,142,179	870,000	3,251,250	1,109,071
3,483,907	2,784,943	3,884,943	401,036
14,313,338	12,390,921	17,003,634	2,690,296
(1,821,363)	(203,965)	(4,816,678)	2,995,315
5,531,914	-	-	5,531,914
3,710,551	(203,965)	(4,816,678)	8,527,229
15,031,768	12,399,612	12,399,612	2,632,156
18,742,319	12,195,647	7,582,934	11,159,385

City of Nevada

Notes to Other Information – Budgetary Reporting

June 30, 2017

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, two budget amendments increased budgeted disbursements by \$4,612,713. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the capital projects function prior to the budget amendment.

City of Nevada

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

Iowa Public Employees' Retirement System
For the Last Three Years*
(In Thousands)

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.022270%	0.20144%	0.019623%
City's proportionate share of the net pension liability	\$ 1,402	995	778
City's covered-employee payroll	\$ 2,135	2,005	2,004
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	65.67%	49.63%	38.82%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Nevada

Schedule of City Contributions

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

Other Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 201	196	185	182
Contributions in relation to the statutorily required contribution	<u>(201)</u>	<u>(196)</u>	<u>(185)</u>	<u>(182)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 2,197	2,135	2,005	2,004
Contributions as a percentage of covered-employee payroll	9.15%	9.18%	9.23%	9.08%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
165	165	142	138	124	113
(165)	(165)	(142)	(138)	(124)	(113)
-	-	-	-	-	-
1,951	1,926	1,841	1,898	1,804	1,688
8.46%	8.57%	7.71%	7.27%	6.87%	6.69%

City of Nevada

Notes to Other Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Supplementary Information

Schedule 1

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, 2017

	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
Receipts:							
Property tax	\$ 489,073	-	-	-	-	-	-
Other city tax	11,612	-	-	-	-	-	-
Use of money and property	1,025	8	19	186	48	16	1
Intergovernmental	30,702	-	-	5,340	-	-	-
Charges for service	-	-	-	-	-	-	-
Miscellaneous	-	-	25,000	1,640	-	974	-
Total receipts	532,412	8	25,019	7,166	48	990	1
Disbursements:							
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	-	16,704	-	551	-
Community and economic development	-	-	-	-	-	-	-
Total disbursements	-	-	-	16,704	-	551	-
Excess (deficiency) of receipts over (under) disbursements	532,412	8	25,019	(9,538)	48	439	1
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(518,680)	-	-	(5,340)	-	-	-
Total other financing sources (uses)	(518,680)	-	-	(5,340)	-	-	-
Change in cash balances	13,732	8	25,019	(14,878)	48	439	1
Cash balances beginning of year	79,566	2,740	325	73,357	16,455	5,214	250
Cash balances end of year	\$ 93,298	2,748	25,344	58,479	16,503	5,653	251
Cash Basis Fund Balances							
Nonspendable	\$ -	-	-	-	-	-	-
Restricted for:							
Library	-	-	-	58,479	-	-	-
Parks	-	-	-	-	-	-	-
Other purposes	93,298	2,748	25,344	-	16,503	5,653	251
Total cash basis fund balances	\$ 93,298	2,748	25,344	58,479	16,503	5,653	251

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	Community Band	Police Forfeiture	
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
14	53	19,365	7	115	9,478	2	13	-	1	33	
-	-	694	270	-	-	-	-	-	-	-	-
723	-	1,000	-	-	840	2,645	-	690	100	-	-
737	53	21,059	277	115	10,318	2,647	13	690	101	33	
-	-	-	-	-	-	-	-	-	-	-	-
139	260	35,752	-	5,260	7,139	-	-	-	863	-	-
-	-	-	-	-	-	-	-	500	-	-	-
139	260	35,752	-	5,260	7,139	-	-	500	863	-	-
598	(207)	(14,693)	277	(5,145)	3,179	2,647	13	190	(762)	33	
-	-	-	-	10,000	-	-	-	-	-	-	-
-	-	-	-	-	-	(2,647)	-	-	-	-	-
-	-	-	-	10,000	-	(2,647)	-	-	-	-	-
598	(207)	(14,693)	277	4,855	3,179	-	13	190	(762)	33	
4,875	18,607	139,738	2,293	32,263	333,583	-	4,301	67	1,053	11,491	
5,473	18,400	125,045	2,570	37,118	336,762	-	4,314	257	291	11,524	
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	336,762	-	-	-	-	-	-
-	-	125,045	-	-	-	-	-	-	-	-	-
5,473	18,400	-	2,570	37,118	-	-	4,314	257	291	11,524	
5,473	18,400	125,045	2,570	37,118	336,762	-	4,314	257	291	11,524	

(Continued on next page)

**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, 2017

	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	\$ -	-	-	-	-	-	489,073
Other city tax	-	-	-	-	-	-	11,612
Use of money and property	300	11	3	-	-	-	30,698
Intergovernmental	17,638	-	-	-	-	-	53,680
Charges for service	-	-	-	-	3,682	-	4,646
Miscellaneous	27,679	2,209	3,383	5,788	-	-	72,671
Total receipts	45,617	2,220	3,386	5,788	-	3,682	662,380
Disbursements:							
Public safety	46,594	3,582	-	-	-	-	50,176
Culture and recreation	-	-	2,948	9,923	-	-	79,539
Community and economic development	-	-	-	-	-	-	500
Total disbursements	46,594	3,582	2,948	9,923	-	-	130,215
Excess (deficiency) of receipts over (under) disbursements	(977)	(1,362)	438	(4,135)	-	3,682	532,165
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	10,000
Transfers out	-	-	-	-	-	-	(526,667)
Total other financing sources (uses)	-	-	-	-	-	-	(516,667)
Change in cash balances	(977)	(1,362)	438	(4,135)	-	3,682	15,498
Cash balances beginning of year	31,749	17,690	7,364	8,402	135,613	5,000	931,996
Cash balances end of year	30,772	16,328	7,802	4,267	139,295	5,000	947,494
Cash Basis Fund Balances							
Nonspendable	\$ -	-	-	-	139,295	5,000	144,295
Restricted for:							
Library	-	-	-	4,267	-	-	399,508
Parks	-	-	-	-	-	-	125,045
Other purposes	30,772	16,328	7,802	-	-	-	278,646
Total cash basis fund balances	\$ 30,772	16,328	7,802	4,267	139,295	5,000	947,494

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, 2017

	Enterprise		
	Sanitation	Storm Water	Total
Operating receipts:			
Charges for service	\$ 64,614	171,776	236,390
Operating disbursements:			
Business type activities	31,514	13,063	44,577
Excess of operating receipts over operating disbursements	33,100	158,713	191,813
Non-operating receipts:			
Interest on investments	2	1,910	1,912
Excess of receipts over disbursements	33,102	160,623	193,725
Transfers out	-	(39,000)	(39,000)
Change in cash balances	33,102	121,623	154,725
Cash balances beginning of year	(25,104)	570,440	545,336
Cash balances end of year	\$ 7,998	692,063	700,061
Cash Basis Fund Balances			
Unrestricted	\$ 7,998	692,063	700,061

See accompanying independent auditor's report.

City of Nevada
 Schedule of Indebtedness
 Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Urban renewal library improvement and refunding	Sep 13, 2012	2.00-2.15%	\$ 7,320,000
Streets, water, sewer and refunding	Jul 25, 2013	2.00-4.00	8,045,000
Vehicle acquisition bonds	Jul 10, 2014	2.00	770,000
Corporate purpose bonds	Jul 13, 2016	2.00	5,450,000
Total			
Revenue bonds:			
Water revenue refunding bonds	Oct 25, 2012	0.50-2.70	\$ 7,090,000
Lease-purchase agreement:			
Mower	May 23, 2016	0.00	\$ 29,496

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
4,875,000	-	690,000	4,185,000	97,913
4,950,000	-	495,000	4,455,000	155,800
470,000	-	155,000	315,000	9,400
	5,450,000	1,365,000	4,085,000	96,283
<u>\$ 10,295,000</u>	<u>5,450,000</u>	<u>2,705,000</u>	<u>13,040,000</u>	<u>359,396</u>
<u>5,260,000</u>	<u>-</u>	<u>475,000</u>	<u>4,785,000</u>	<u>106,203</u>
<u>29,496</u>	<u>-</u>	<u>9,832</u>	<u>19,664</u>	<u>-</u>

City of Nevada

Bond Maturities

June 30, 2017

General Obligation Bonds						
Corporate Purpose and Refunding						
Year Ending June 30,	Issued Sept 13, 2012		Issued July 25, 2013		Issued July 10, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2018	2.00%	\$ 705,000	2.00%	\$ 525,000	2.00%	\$ 155,000
2019	2.00	715,000	2.00	540,000	2.00	160,000
2020	2.00	725,000	2.00	550,000		-
2021	2.00	745,000	4.00	560,000		-
2022	2.00	755,000	4.00	580,000		-
2023	2.00	265,000	4.00	600,000		-
2024	2.15	90,000	4.00	630,000		-
2025	2.15	90,000	4.00	230,000		-
2026	2.15	95,000	4.00	240,000		-
2027		-		-		-
Total		<u>\$ 4,185,000</u>		<u>\$ 4,455,000</u>		<u>\$ 315,000</u>

See accompanying independent auditor's report.

<u>Issued July 13, 2016</u>			<u>Revenue Bonds</u>	
<u>Interest</u>			<u>Water Refunding</u>	
<u>Rates</u>	<u>Amount</u>	<u>Total</u>	<u>Issued Oct 25, 2012</u>	<u>Interest</u>
			<u>Rates</u>	<u>Amount</u>
2.00%	\$ 2,030,000	3,415,000	1.25%	\$ 475,000
2.00	2,055,000	3,470,000	1.55	480,000
	-	1,275,000	1.85	485,000
	-	1,305,000	2.00	495,000
	-	1,335,000	2.15	505,000
	-	865,000	2.25	515,000
	-	720,000	2.40	525,000
	-	320,000	2.55	535,000
	-	335,000	2.65	550,000
	-	-	2.70	220,000
	<u>\$ 4,085,000</u>	<u>13,040,000</u>		<u>\$ 4,785,000</u>

City of Nevada

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

For the Last Ten Years

	2017	2016	2015	2014
Receipts:				
Property tax	\$ 2,873,654	2,921,484	2,710,587	2,890,881
Tax increment financing	3,031,236	2,599,385	2,060,828	1,094,368
Other city tax	1,096,514	1,025,258	1,039,306	897,020
Licenses and permits	76,183	73,144	76,017	88,337
Use of money and property	133,223	116,086	201,226	238,708
Intergovernmental	1,203,851	1,004,948	2,031,920	851,730
Charges for service	258,317	226,684	207,924	314,391
Special assessments	-	-	-	2,365
Miscellaneous	195,691	275,076	313,520	1,078,127
Total	<u>\$ 8,868,669</u>	<u>8,242,065</u>	<u>8,641,328</u>	<u>7,455,927</u>
Disbursements:				
Operating:				
Public safety	\$ 1,471,212	1,749,323	1,249,199	1,303,316
Public works	674,615	579,001	595,935	812,228
Health and social services	57,422	58,289	55,384	50,060
Culture and recreation	1,624,558	1,449,666	1,397,167	1,510,170
Community and economic development	1,450,980	391,497	448,812	299,484
General government	405,116	411,777	369,875	414,304
Debt service	3,066,396	2,198,013	1,988,944	4,000,920
Capital projects	2,142,179	1,426,905	2,962,268	5,386,802
Total	<u>\$ 10,892,478</u>	<u>8,264,471</u>	<u>9,067,584</u>	<u>13,777,284</u>

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
2,706,999	2,515,062	2,390,310	2,203,777	2,001,007	1,974,976
1,207,521	1,396,120	1,403,236	1,608,637	1,712,528	1,690,937
932,717	914,345	896,047	879,528	954,164	879,359
79,243	85,311	97,724	79,754	68,272	109,162
172,706	203,263	241,686	196,309	178,998	441,545
824,654	868,542	884,249	1,072,579	984,654	833,181
215,664	244,406	252,505	295,664	307,607	273,067
4,971	3,572	4,393	7,673	17,743	22,336
246,027	168,579	276,454	290,632	436,042	358,416
6,390,502	6,399,200	6,446,604	6,634,553	6,661,015	6,582,979
1,145,587	1,182,484	1,127,061	1,125,704	1,058,708	1,085,431
637,909	631,574	664,466	660,064	684,043	732,940
53,915	76,205	66,568	73,044	77,900	77,400
1,389,735	1,395,047	1,367,576	1,276,238	1,317,201	1,316,512
346,987	330,621	370,341	230,845	2,625,884	309,060
450,028	305,942	280,430	287,015	360,764	234,998
2,319,728	1,649,493	1,886,046	1,945,808	2,123,130	1,663,077
3,135,224	503,398	1,677,280	1,061,197	2,524,989	5,500,082
9,479,113	6,074,764	7,439,768	6,659,915	10,772,619	10,919,500

City of Nevada



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

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Auditor of State

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

To the Honorable Mayor and Members of the City Council:

We have audited 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, 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, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2017. 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 have not been 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 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 (D) 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 deficiency described in the accompanying Schedule of Findings as item (E) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Nevada's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matter which is 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, 2017 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

December 5, 2017

City of Nevada
Schedule of Findings
Year ended June 30, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Nevada First Responders

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the First Responder’s financial statements.

Condition – Generally, one individual has control over collecting, depositing and posting. A bank reconciliation is prepared monthly, however review by an independent person is not documented.

Cause – The First Responders have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the First Responder’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, 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 documented by the signature or initials of the reviewer and the date of the review.

Response – As Treasurer of the First Responders, I am aware of and appreciative of the recommendations the auditors have provided. With the limited staffing on the Association and members also serving as volunteers for fire protection and EMS for the City of Nevada, it is difficult to segregate duties while working different work schedules. This can lead to a delay in the processing of transactions and in the preparation of monthly reports given to the Association.

We do one fundraiser a year (4th of July pancake breakfast). At the pancake breakfast, money is counted twice by three officers of the First Responders and placed in a deposit bag. A piece of paper is signed, dated and locked along with the collections, at the Fire Department until deposited. The person making the deposit obtains a receipt and attaches it to the monthly meeting report for review.

City of Nevada

Schedule of Findings

Year ended June 30, 2017

On the first Wednesday of each month the First Responders and the Nevada Firefighters, Inc. share a business meeting. A monthly report of all incoming bills, checks, donations and the end of the previous months account(s) balances is provided to each organization. The report, along with originals or copies of receipts and/or checks, is reviewed by the President or Vice President of the Associations then signed and dated.

The First Responders accounting ledger is kept in a locked filing cabinet at the Treasurer's residence. All incoming donations, checks and invoices are sent to a PO Box in Nevada. The contents are collected monthly by the Treasurer.

Conclusion – Response acknowledged. The monthly bank reconciliation should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review. Also, officials should be utilized to provide additional control through review of financial transactions and reconciliations.

(B) Nevada Fire Fighters

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same volunteer. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Fire Fighter's financial statement.

Condition – Generally, one individual has control over collecting, depositing and posting for which no compensating controls exist. In addition, bank reconciliations, including documenting reconciling items such as deposits in transit and outstanding checks, were not completed during the year.

Cause – The Fire Fighters have a limited number of employees and, during the year under audit, procedures had not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes. Procedures have not been designed and implemented to ensure bank reconciliations are completed and reviewed by an independent person.

Effect – Inadequate segregation of duties could adversely affect the Fire Fighter's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by volunteers in the normal course of performing their assigned duties. Lack of completing and independently reviewing bank reconciliations may result in potential errors.

Recommendation – We realize segregation of duties is difficult with a limited number of volunteers. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Fire Fighter Officers and/or members should be utilized to provide additional control through review of financial transactions and reconciliations. Bank reconciliations should be completed monthly and reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

City of Nevada

Schedule of Findings

Year ended June 30, 2017

Response – Adjustments are being done to correct the monthly Treasurer’s Report to include bank reconciliation items, including outstanding items, for fiscal year 2018. Continued dialogue with the Fire Fighters to segregate duties will be done.

Conclusion – Response acknowledged. Bank reconciliations should be completed monthly and reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

(C) Nevada Economic Development Council (NEDC)

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Council’s financial statements.

Condition – Generally, one individual has control over collecting and depositing for which no compensating controls exist.

Cause – The NEDC has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Council’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, 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 the financial transactions and reconciliations.

Response – The President will initial all deposit slips moving forward.

Conclusion – Response acknowledged. Officials should be utilized to provide additional control through review of financial transactions and reconciliations.

(D) Nevada Friends of the Library

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances on monthly basis.

Condition – Formal bank reconciliations are not performed.

Cause – Policies have not been established and procedures have not been implemented to ensure bank and book balances are reconciled monthly.

City of Nevada

Schedule of Findings

Year ended June 30, 2017

Effect – The lack of bank to book reconciliations can result in unrecorded transactions, undetected errors and the opportunity for unauthorized transactions.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Variances, if any, should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained. The bank to book reconciliations should be reviewed monthly by an independent person. Evidence of reviews of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – A number of policies, including one to address this recommendation, are being implemented. Computer records of all transactions have been kept since 2011; however, a formal reconciliation of every month's bank statement will be performed and reviewed and initialed by a Board member.

Conclusion – Response accepted.

(E) Nevada Economic Development Council (NEDC) Meeting Minutes

Criteria – Each month, the NEDC Board meets to discuss and vote on significant items. Meeting minutes should be maintained and retained to document approved actions of the NEDC.

Condition – Meeting minutes could not be located for two months.

Cause – Electronic files were not maintained for those months.

Effect – Approved actions for two months could not be verified.

Recommendation – The NEDC should ensure minutes are maintained to document actions approved at each meeting.

Response – We will ensure all minutes are filed and maintained in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Nevada
 Schedule of Findings
 Year ended June 30, 2017

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the capital projects function prior to the March 13, 2017 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 sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will make every effort to amend the budget before disbursements 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, Council Member, Owner of Kelly Laundry	Laundry service	\$ 600
Brian Hanson, Council Member, Owner of V & H Construction	Tarp repair	225

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since the total transactions with the 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.
- (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.

City of Nevada

Schedule of Findings

Year ended June 30, 2017

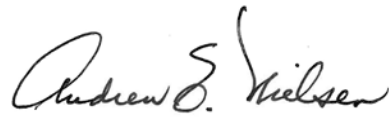
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond requirements for the year ended June 30, 2017 were noted.
- (9) Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2017 were noted.

City of Nevada

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Ashley J. Moser, Senior Auditor
Jenna M. Paysen, Senior Auditor
Malika Moutiq, Assistant Auditor
Terry J. Erlbacher, Intern Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State