



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
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NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

September 2, 2022

Auditor of State Rob Sand today released an audit report on the City of Nevada, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$17,893,472 for the year ended June 30, 2021, a 16.9% decrease from the prior year. Disbursements for the year ended June 30, 2021 totaled \$16,257,968, a 3.1% decrease from the prior year. The significant decrease in receipts is due primarily to the issuance of a general obligation corporate purpose bond during the prior year.

AUDIT FINDING:

Sand reported three findings related to the receipt and disbursement of taxpayer funds. They are found on pages 62 through 66 of this report. The findings address proper financial reporting of the Internal Service, Flexible Benefits Fund, a questionable disbursement and the proper reporting of the debt outstanding on the Annual Urban Renewal Report. Sand provided the City with recommendations to address each of the findings.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at [Audit Reports – Auditor of State](#).

###

CITY OF NEVADA

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

JUNE 30, 2021

City of Nevada



**OFFICE OF AUDITOR OF STATE
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Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

August 10, 2022

Officials of the City of Nevada
Nevada, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Nevada for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Nevada throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand
Auditor of State

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City of Nevada

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brett Barker	Mayor	Jan 2022
Brian Hanson	Council Member	Jan 2022
Dane Nealson	Council Member	Jan 2022
Luke Spence	Council Member	Jan 2022
Sandy Ehrig	Council Member	Jan 2024
Barb Mittman	Council Member	Jan 2024
Jason Sampson	Council Member	Jan 2024
Jordan Cook	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, 2021, 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, 2021, 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

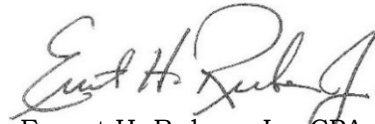
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (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 3 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 8 through 15 and 44 through 52, 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 August 10, 2022 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

August 10, 2022

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, 2021. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2021 FINANCIAL HIGHLIGHTS

- Receipts for governmental activities decreased 46.0%, or approximately \$8,145,000, from fiscal year 2020 to fiscal year 2021 due primarily to the issuance of \$8,905,000 of general obligation corporate purpose bonds in April 2020 which did not occur in fiscal year 2021. Receipts for business type activities increased approximately \$4,514,000 or 117.9%, from fiscal year 2020 to fiscal year 2021 due primarily to the issuance of a water revenue refunding bond in July 2020 and the issuance of sewer revenue bonds in January 2021 and April 2021.
- Disbursements for governmental activities decreased 18.8%, or approximately \$2,456,000, in fiscal year 2021 from fiscal year 2020. Debt Service function disbursements decreased 64.1%, or approximately \$2,737,000, due to the redemption of the 2013 general obligation bonds in the prior year that became callable on June 1, 2020. Capital Projects function disbursements increased 19.3%, or approximately \$638,000, due to increased construction costs for the Central Business District Downtown Improvement project in fiscal year 2021.
- Disbursements for business type activities increased approximately \$1,939,000, or 51.8%, with an approximately \$1,835,000 increase in disbursements in the Enterprise, Sewer Fund. This increase is mostly due to costs for the new wastewater treatment facility in fiscal year 2021.
- The City's total cash basis net position increased 5.6%, or approximately \$1,636,000, from June 30, 2020 to June 30, 2021. Of this amount, the cash basis net position of the governmental activities decreased approximately \$779,000 and the cash basis net position of the business type activities increased approximately \$2,414,000.

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 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 funds.

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 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.

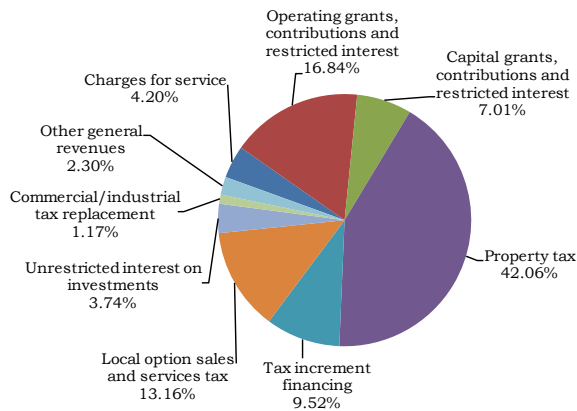
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

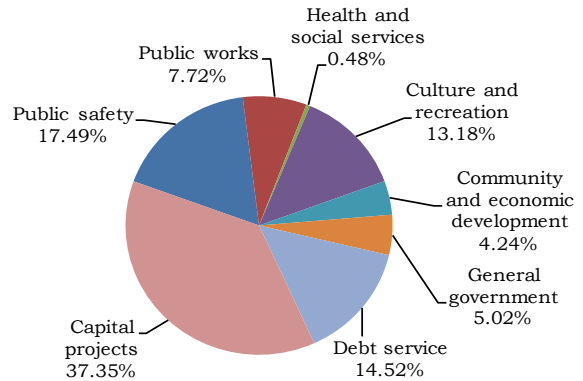
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$22.000 million to approximately \$21.222 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2021	2020
Receipts:		
Program receipts:		
Charges for service	\$ 401	417
Operating grants, contributions and restricted interest	1,608	1,191
Capital grants, contributions and restricted interest	669	811
General receipts:		
Property tax	4,016	4,018
Tax increment financing	909	1,020
Local option sales and services tax	1,257	1,031
Commercial/industrial tax replacement	112	156
Unrestricted interest on investments	357	247
Bond proceeds	-	8,792
Other general revenues	220	11
Total receipts	<u>9,549</u>	<u>17,694</u>
Disbursements:		
Public safety	1,850	1,685
Public works	817	970
Health and social services	51	60
Culture and recreation	1,394	1,683
Community and economic development	448	588
General government	531	462
Debt service	1,535	4,272
Capital projects	3,951	3,313
Total disbursements	<u>10,577</u>	<u>13,033</u>
Change in cash basis net position before transfers	(1,028)	4,661
Transfers, net	250	-
Change in cash basis net position	(778)	4,661
Cash basis net position beginning of year, as restated	22,000	17,339
Cash basis net position end of year	<u>\$ 21,222</u>	<u>22,000</u>

Receipts by Source



Disbursements by Function



Receipts for governmental activities decreased 46.0%, or approximately \$8,145,000, from fiscal year 2020 to fiscal year 2021 due primarily to the issuance of \$8,905,000 of general obligation corporate purpose bonds in April 2020 that did not occur in fiscal year 2021. Other significant factors include a decrease of \$111,000 due to less tax increment financing being requested in fiscal year 2021 than in the prior year. The total of all program receipts increased \$259,000 and general receipts decreased approximately \$8,404,000. Receipts for business type activities increased approximately \$4,514,000, or 117.9%, as a result of the receipt of revenue bond proceeds for the water and sewer utility.

The total cost of all governmental activities programs and services decreased approximately \$2,456,000, or 18.8%. Debt Service function disbursements decreased 64.1%, or approximately \$2,737,000, due to the redemption of the 2013 general obligation bonds in the prior year that became callable on June 1, 2020. Capital Projects function disbursements increased 19.3%, or approximately \$638,000, primarily due to increased construction costs for the Central Business District Downtown Improvement project in fiscal year 2021.

The City's property tax rate in fiscal year 2021 was \$14.61800 per \$1,000 of taxable valuation, the same rate as fiscal year 2020. The City's property tax rate has not increased significantly in twenty years, except for the voted capital improvements levies in fiscal years 2009 and 2011.

The cost of all governmental activities this year was approximately \$10.577 million compared to approximately \$13.033 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$7.900 million because some of the cost was paid by those directly benefiting from the programs (approximately \$401,000) or by other governments and organizations which subsidized certain programs with grants, contributions and unrestricted interest (approximately \$2.277 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased from approximately \$2.419 million in fiscal year 2020 to approximately \$2.678 million in fiscal year 2021, a 10.7% increase. This increase is primarily due to the receipt of FEMA funds of \$87,413 from the Iowa Department of Homeland Security for assistance with the derecho recovery, and the receipt of Local Government Relief funds of \$158,578 from the Iowa Department of Revenue for the reimbursement of costs related to COVID-19. 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,	
	2021	2020
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 2,645	2,102
Sewer	1,711	1,329
Other	249	240
Capital grants, contributions and restricted interest	11	11
General receipts:		
Unrestricted interest on investments	145	148
Revenue bond proceeds	6,928	-
Payment to refunding agent	(3,345)	-
Total receipts	<u>8,344</u>	<u>3,830</u>
Disbursements:		
Water	1,767	1,654
Sewer	3,837	2,002
Other	76	85
Total disbursements	<u>5,680</u>	<u>3,741</u>
Change in cash basis net position before transfers	2,664	89
Transfers, net	(250)	-
Change in cash basis net position	2,414	89
Cash basis net position beginning of year, as restated	<u>7,108</u>	<u>7,019</u>
Cash basis net position end of year	<u>\$ 9,522</u>	<u>7,108</u>

Total business type activities receipts for fiscal year 2021 were approximately \$8.344 million compared to approximately \$3.830 million last year. Total business type activities disbursements for fiscal year 2021 were approximately \$5.680 million compared to approximately \$3.741 million last year, an increase of approximately \$1,939,000. This increase is primarily due to progress being made on the new 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 \$21,204,414, a decrease of \$791,064 from last year's total of \$21,995,478. 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 \$1,335,013 to \$9,628,377. General Fund receipts increased \$614,161, or 18.1%, while disbursements decreased \$92,296, or 2.4%. The increase in receipts is mostly attributed to a reimbursement to the City from the Nevada Economic Development Council, Inc. (NEDC) totaling \$219,902 from the sale of land as required per a Nevada Business Park agreement and \$246,103 in FEMA grant money for COVID.
- The Special Revenue, Road Use Tax Fund cash balance increased \$300,102 to \$2,175,806. Road Use Tax Fund receipts increased approximately \$143,600, or 16.4%, while disbursements decreased approximately \$211,000, or 23.2%, due to the purchase of a snowplow in the prior fiscal year.

- The Special Revenue, Local Option Sales and Services Tax Fund cash balance increased \$457,601 to \$1,197,201. Local Option Sales and Services Tax Fund receipts increased approximately \$226,175, or 21.9%, while disbursements decreased approximately \$13,652, or 5.0%
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$1,856,447 at the end of the fiscal year, a decrease of \$318,644 from the previous year. Transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service Fund increased approximately \$194,000 due to new debt issued in the prior year for the Central Business District Project. In addition, the City transferred \$134,426 for the repayment of a portion of an internal loan resulting from a development agreement with Verbio North America's biorefinery operations within the City's urban renewal area.
- The Debt Service Fund began the year with a cash balance of \$224,305 and ended with a balance of \$262,907, an increase of \$38,602, or 17.2%. This increase is due primarily to an increase in transfers from the Special Revenue, Urban Renewal Tax Increment Fund during fiscal year 2021.
- The Capital Projects Fund cash balance decreased \$2,779,031 to \$4,993,825. The significant prior year fund balance was primarily the result of bond proceeds issued for the Central Business District Downtown Improvement Project in the prior year. During fiscal year 2021 disbursements increased by approximately \$638,000, or 19.3% as engineering and project costs continued on this project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$463,461 from a balance of \$3,613,296 at the end of the prior year to \$4,076,757. During fiscal year 2021, the City issued \$2,765,000 of water revenue refunding bonds and refunded the outstanding balance of the City's water revenue refunding bonds issued in October 2012. In addition, charges for service increased approximately \$543,000 primarily due to a significant increase in water consumption during fiscal year 2021 as a result of the Lincoln Way and Verbio construction projects.
- The Enterprise, Sewer Fund cash balance increased \$2,013,182 to \$4,674,091 at the end of fiscal year 2021. The increase is primarily due to the City initiating draw down funds during fiscal year 2021 from the Iowa Finance Authority totaling \$4,061,679 associated with two new sewer revenue bond issuances for the purpose of building a new wastewater treatment facility.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The amendments were approved on October 12, 2020 and on May 24, 2021 and resulted in an increase in disbursements in the amount of \$3,544,401 and \$2,946,987, respectively. The increases related to the water refunding bond which occurred after the original budget was finalized, incomplete repairs and equipment purchases budgeted in fiscal year 2020, expenses related to derecho storm damage and COVID-19, and miscellaneous unanticipated expenses.

The City's receipts were \$562,051 more than budgeted.

Total disbursements were \$12,246,194 less than budgeted, primarily due to the timing of capital equipment purchases and work on projects.

The City did not exceed the amount budgeted in any function for the year ended June 30, 2021.

DEBT ADMINISTRATION

On June 30, 2021, the City had \$19,028,479 of outstanding bonds and other long-term debt, compared to \$17,130,000 last year, as shown below. Debt increased as a result of the issuance of sewer revenue bonds during the year for the City’s sanitary sewer system project.

Outstanding Debt at Year-End		
	June 30,	
	2021	2020
General obligation bonds:		
9/13/2012 Library improvement and refunding bonds - \$7,320,000	\$ 450,000	535,000
9/28/2017 Refunding series 2017 - \$2,850,000	2,250,000	2,850,000
4/10/2019 Streets, water, sewer and sidewalk improvements - \$2,015,000	970,000	1,495,000
4/29/2020 Streets, sanitary sewer, water system, storm drainage, ally and sidewalk improvements - \$8,905,000	8,905,000	8,905,000
Revenue bonds:		
10/4/2012 Water refunding - \$7,090,000	-	3,345,000
7/29/2020 Water refunding - \$2,765,000	2,335,000	-
1/29/2021 Sewer revenue - \$1,360,000	1,188,397	-
4/30/2021 Sewer revenue - \$10,000,000	2,930,082	-
Total	<u>\$ 19,028,479</u>	<u>17,130,000</u>

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

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$12,670,382 (including \$95,382 of development and rebate agreements) is significantly below its constitutional debt limit of approximately \$23,588,000. 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 2022 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Story County stood at 3.6% in June 2021 versus 6.3% in June of 2020. This compares with the State’s unemployment rate of 4.0% and 5.9% nationally.

The City’s budgeted receipts, including debt proceeds, for fiscal year 2022 are \$41,362,677 (without transfers) compared to fiscal year 2021 final budgeted receipts of \$32,248,389 including debt proceeds (without transfers). Taxes levied on property receipts are budgeted to increase \$161,369 in fiscal year 2022, with no increase in the tax levy rate. Tax Increment Financing revenues are budgeted to increase \$263,839 as a result of additional rebates and debt payments. Charges for services are budgeted to increase \$489,424 as a result of rate increases necessary to pay for debt. Other financing sources receipts are also budgeted to increase \$9,450,846 in fiscal year 2022, due to the State Revolving Fund Reimbursement/Bonds for the wastewater treatment facility and fieldhouse projects.

The City’s disbursements for fiscal year 2022 are budgeted to increase from a final budget of \$31,821,961 (without transfers) for fiscal year 2021 to \$45,809,320 (without transfers) for fiscal year 2022, primarily due to increases in the business type activities function disbursements for the new wastewater treatment facility.

The City’s budgeted cash balance is estimated to increase to \$25,371,836 at the close of fiscal year 2022.

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.

City of Nevada

Basic Financial Statements

City of Nevada

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,850,377	93,874	478,776	33,009
Public works	817,342	1,431	1,020,313	480,180
Health and social services	50,770	-	-	-
Culture and recreation	1,394,142	258,644	106,471	24,511
Community and economic development	447,976	730	2,146	-
General government	530,677	43,278	197	-
Debt service	1,535,493	-	-	-
Capital projects	3,950,938	2,846	-	131,517
Total governmental activities	10,577,715	400,803	1,607,903	669,217
Business type activities:				
Water	1,768,024	2,644,870	-	5,798
Sewer	3,836,604	1,711,037	-	5,132
Other	75,699	248,781	-	-
Total business type activities	5,680,327	4,604,688	-	10,930
Total Primary Government	\$ 16,258,042	5,005,491	1,607,903	680,147
Component Unit:				
Nevada Economic Development Council	\$ 347,711	56,000	118,827	-
General Receipts:				
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				
Revenue bond proceeds, including premium of \$101,653				
Payment to refunding agent				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year, as restated				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
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
Primary Government		Total	Nevada Economic Development Council
Governmental Activities	Business Type Activities		
(1,244,718)	-	(1,244,718)	
684,582	-	684,582	
(50,770)	-	(50,770)	
(1,004,516)	-	(1,004,516)	
(445,100)	-	(445,100)	
(487,202)	-	(487,202)	
(1,535,493)	-	(1,535,493)	
(3,816,575)	-	(3,816,575)	
(7,899,792)	-	(7,899,792)	
-	882,644	882,644	
-	(2,120,435)	(2,120,435)	
-	173,082	173,082	
-	(1,064,709)	(1,064,709)	
(7,899,792)	(1,064,709)	(8,964,501)	
			(172,884)
3,263,824	-	3,263,824	-
585,954	-	585,954	-
166,667	-	166,667	-
909,423	-	909,423	-
1,256,703	-	1,256,703	-
111,957	-	111,957	-
356,513	145,394	501,907	-
-	6,928,332	6,928,332	-
	(3,345,000)	(3,345,000)	-
219,902	-	219,902	476,328
336	-	336	-
250,000	(250,000)	-	-
7,121,279	3,478,726	10,600,005	476,328
(778,513)	2,414,017	1,635,504	303,444
22,000,497	7,107,667	29,108,164	607,900
\$ 21,221,984	9,521,684	30,743,668	911,344
\$ 161,722	-	161,722	-
2,175,806	-	2,175,806	-
2,119,354	199,966	2,319,320	-
4,993,825	2,429,248	7,423,073	-
2,227,692	-	2,227,692	-
382,502	-	382,502	-
104,010	-	104,010	-
435,099	80,354	515,453	-
8,621,974	6,812,116	15,434,090	911,344
\$ 21,221,984	9,521,684	30,743,668	911,344

City of Nevada

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

As of and for the year ended June 30, 2021

	Special Revenue			
	General	Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 2,516,470	-	-	-
Tax increment financing	-	-	-	909,423
Local options sales tax	-	-	1,256,703	-
Other city tax	52,214	-	-	-
Licenses and permits	107,291	-	-	-
Use of money and property	291,031	2,590	13,600	45,812
Intergovernmental	524,062	1,017,404	-	-
Charges for service	139,314	-	-	-
Miscellaneous	377,608	-	1,653	-
Total receipts	4,007,990	1,019,994	1,271,956	955,235
Disbursements:				
Operating:				
Public safety	1,749,129	31,148	35,305	-
Public works	83,691	667,381	68,425	-
Health and social services	-	-	50,770	-
Culture and recreation	1,329,346	-	8,315	-
Community and economic development	104,506	-	71,224	270,822
General government	505,566	-	26,316	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	3,772,238	698,529	260,355	270,822
Excess (deficiency) of receipts over (under) disbursements	235,752	321,465	1,011,601	684,413
Other financing sources (uses):				
Transfers in	1,099,261	176,188	-	-
Transfers out	-	(197,551)	(554,000)	(1,003,057)
Total other financing sources (uses)	1,099,261	(21,363)	(554,000)	(1,003,057)
Change in cash balances	1,335,013	300,102	457,601	(318,644)
Cash balances beginning of year	8,293,364	1,875,704	739,600	2,175,091
Cash balances end of year	\$ 9,628,377	2,175,806	1,197,201	1,856,447
Cash Basis Fund Balances				
Nonspendable	\$ -	-	-	-
Restricted for:				
Streets	-	2,175,806	-	-
Debt service	-	-	-	1,856,447
Capital projects	-	-	-	-
Community betterment	1,030,491	-	1,197,201	-
Library	-	-	-	-
Parks	-	-	-	-
Other purposes	-	-	-	-
Unassigned	8,597,886	-	-	-
Total cash basis fund balances	\$ 9,628,377	2,175,806	1,197,201	1,856,447

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
576,776	163,766	683,045	3,940,057
-	-	-	909,423
-	-	-	1,256,703
9,178	2,901	12,095	76,388
-	-	-	107,291
7,980	120,868	47,613	529,494
14,967	530,818	25,378	2,112,629
-	2,846	31,881	174,041
-	-	63,915	443,176
608,901	821,199	863,927	9,549,202
-	-	40,456	1,856,038
-	-	-	819,497
-	-	-	50,770
-	-	59,655	1,397,316
-	-	1,500	448,052
-	280	-	532,162
1,535,493	-	-	1,535,493
-	3,950,938	-	3,950,938
1,535,493	3,951,218	101,611	10,590,266
(926,592)	(3,130,019)	762,316	(1,041,064)
965,194	447,551	10,000	2,698,194
-	(96,563)	(597,023)	(2,448,194)
965,194	350,988	(587,023)	250,000
38,602	(2,779,031)	175,293	(791,064)
224,305	7,772,856	914,558	21,995,478
262,907	4,993,825	1,089,851	21,204,414
-	-	161,722	161,722
-	-	-	2,175,806
262,907	-	-	2,119,354
-	4,993,825	-	4,993,825
-	-	-	2,227,692
-	-	382,502	382,502
-	-	104,010	104,010
-	-	435,099	435,099
-	-	6,518	8,604,404
262,907	4,993,825	1,089,851	21,204,414

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, 2021

Total governmental funds cash balances (page 21) \$ 21,204,414

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.

17,570

Cash basis net position of governmental activities (page 19) \$ 21,221,984

Change in cash balances (page 21) \$ (791,064)

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.

12,551

Change in cash basis net position of governmental activities (page 19) \$ (778,513)

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, 2021

	Enterprise				Internal Service
	Water	Sewer	Nonmajor	Total	Flexible Benefits
Operating receipts:					
Use of money and property	\$ 19,250	-	-	19,250	-
Charges for service	2,600,261	1,710,813	248,781	4,559,855	45,950
Miscellaneous	25,359	224	-	25,583	486
Total operating receipts	2,644,870	1,711,037	248,781	4,604,688	46,436
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	13,098
Public works	-	-	-	-	4,925
Culture and recreation	-	-	-	-	7,077
Community and economic development	-	-	-	-	174
General government	-	-	-	-	2,282
Business type activities	1,046,754	958,462	75,699	2,080,915	4,402
Total operating disbursements	1,046,754	958,462	75,699	2,080,915	31,958
Excess of operating receipts over operating disbursements	1,598,116	752,575	173,082	2,523,773	14,478
Non-operating receipts (disbursements):					
Interest on investments	66,051	77,908	12,365	156,324	-
Sewer revenue bond proceeds	-	4,061,679	-	4,061,679	-
Water revenue bond proceeds, including \$101,653 premium	2,866,653	-	-	2,866,653	-
Payment to refunding agent	(3,345,000)	-	-	(3,345,000)	-
Debt service	(565,289)	(6,231)	-	(571,520)	-
Capital projects	(157,070)	(2,872,749)	-	(3,029,819)	-
Net non-operating receipts (disbursements)	(1,134,655)	1,260,607	12,365	138,317	-
Excess of receipts over disbursements	463,461	2,013,182	185,447	2,662,090	14,478
Transfers out	-	-	(250,000)	(250,000)	-
Change in cash balances	463,461	2,013,182	(64,553)	2,412,090	14,478
Cash balances beginning of year, as restated	3,613,296	2,660,909	833,196	7,107,401	5,285
Cash balances end of year	\$ 4,076,757	4,674,091	768,643	9,519,491	19,763
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ 199,966	-	-	199,966	-
Sewer construction	-	2,429,248	-	2,429,248	-
Water deposits	80,354	-	-	80,354	-
Unrestricted	3,796,437	2,244,843	768,643	6,809,923	19,763
Total cash basis fund balances	\$ 4,076,757	4,674,091	768,643	9,519,491	19,763

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, 2021

Total enterprise funds cash balances (page 24) \$ 9,519,491

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.

2,193

Cash basis net position of business type activities (page 19) \$ 9,521,684

Change in cash balances (page 24) \$ 2,412,090

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.

1,927

Change in cash basis net position of business type activities (page 19) \$ 2,414,017

See notes to financial statements.

City of Nevada

Notes to Financial Statements

June 30, 2021

(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 purpose of the NEDC is to assist in the development and retention of industrial, manufacturing, housing, commercial and retain interests in the City of Nevada. 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 – The Nevada Firefighter's Incorporated was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The purpose of the organization is to preserve life and property in Nevada and designated fire areas in case of fire or other emergency and promote fire safety education. The Nevada Firefighter's Incorporated is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City.

The Nevada First Responders was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The purpose of the organization is to collect funds for emergency service providers of the City of Nevada. The Nevada First Responders is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. During fiscal year 2021, Nevada First Responders merged with the Nevada Firefighter's Incorporated.

The Senior Citizen Center was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The purpose of the organization is to provide programs and activities to enhance the lives of the senior citizens of the City of Nevada. The Senior Citizen Center is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City.

The Friends of the Library was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The purpose of the organization is to receive and encourage gifts, endowments and bequests to the library and to support the library in developing library services and facilities for the community. The Friends of the Library is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City.

The financial transactions of the Nevada Firefighter's Incorporated, Nevada First Responders, the Senior Citizen Center and the Friends of the Library are reported as Special Revenue 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 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:

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. Net position restricted through enabling legislation consists of \$2,429,248 for future sewer improvements.

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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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, 2021, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2021 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, 2021, the carrying amount and fair value of the amounts held by the Foundation were \$87,500 and \$105,334, respectively. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

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.

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:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 13,785,000		1,210,000	12,575,000	1,235,000
Business type activities:					
Sewer revenue notes-direct borrowing	-	4,118,479	-	4,118,479	2,000
Water revenue bonds	\$ 3,345,000	2,765,000	3,775,000	2,335,000	415,000
Business-type activities total	\$ 3,345,000	6,883,479	3,775,000	6,453,479	417,000

General Obligation Bonds

A summary of the City's June 30, 2021 general obligation bonds payable is as follows:

Year Ending June 30,	Library Improvement and Refunding Issued Sep 13, 2012			Refunding Issued Sep 28, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.00%	\$ 85,000	9,413	4.00%	\$ 610,000	58,800
2023	2.00	90,000	7,712	4.00	620,000	43,550
2024	2.15	90,000	5,913	4.00	645,000	28,050
2025	2.15	90,000	3,977	4.00	235,000	10,313
2026-2030	2.15	95,000	2,043	4.00	140,000	3,850
2031-2032		-	-		-	-
Total		\$ 450,000	29,058		\$ 2,250,000	144,563

Year Ending June 30,	Streets, Water, Sewer and Sidewalk Issued Apr 10, 2019			Central Business District Project Issued Apr 29, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	3.00%	\$ 540,000	29,100	2.00%	\$ -	178,100
2023	3.00	430,000	12,900	2.00	-	178,100
2024		-	-	2.00	-	178,100
2025		-	-	2.00	500,000	178,100
2026-2030		-	-	2.00	5,730,000	634,500
2031-2032		-	-	2.00	2,675,000	80,500
Total		\$ 970,000	42,000		\$ 8,905,000	1,427,400

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 1,235,000	275,413	1,510,413
2023	1,140,000	242,262	1,382,262
2024	735,000	212,063	947,063
2025	825,000	192,390	1,017,390
2026-2030	5,965,000	640,393	6,605,393
2031-2032	2,675,000	80,500	2,755,500
	\$ 12,575,000	1,643,021	14,218,021

On September 13, 2012, the City issued \$7,320,000 of general obligation urban renewal library improvement and refunding bonds for the purpose of a library expansion and improvement project in the City’s urban renewal area and to advance refund \$5,950,000 of the urban renewal tax increment financing revenue bonds issued November 15, 2008. The bonds bear interest at 2.00% to 2.15% per annum and mature June 1, 2026. During the year ended, June 30, 2021, the City paid principal of \$85,000 and interest of \$11,113 on the bonds. As of June 30, 2021, the total principal remaining on the bonds is \$450,000.

On September 28, 2017, the City issued \$2,850,000 of general obligation refunding bonds with an interest rate of 4.00% per annum for a crossover refunding of the general obligation bonds issued July 25, 2013. The City entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted to U.S. Treasury Securities. On June 1, 2020, the remaining 2013 general obligation bond principal of \$2,840,000 was redeemed using funds placed in the escrow account. During the year ended, June 30, 2021, the City paid principal of \$600,000 and interest of \$73,800 on the 2017 bonds. As of June 30, 2021, the total principal remaining on the 2017 general obligation bonds is \$2,250,000 and mature on June 1, 2026.

On April 10, 2019, the City issued \$2,015,000 of general obligation bonds for streets, water, sewer and sidewalk improvements. The bonds bear interest at 3.00% per annum and mature June 1, 2023. During the year ended, June 30, 2021, the City paid principal of \$525,000 and interest of \$44,850 on the bonds. As of June 30, 2021, the total principal remaining on the bonds is \$970,000.

On April 29, 2020, the City issued \$8,905,000 of general obligation corporate purpose bonds for the purpose of constructing street, utility and sidewalk improvements related to the Central Business District Downtown Improvement project. The bonds bear interest at 2.0% per annum and mature June 2032. During the year ended June 30, 2021, interest totaling \$193,931 was paid by the City on the bonds. As of June 30, 2021, the total principal remaining on the bonds is \$8,905,000.

Water Revenue Refunding Bonds

A summary of the City’s water revenue bonds payable is as follows:

Year Ending June 30,	Water Revenue Refunding Issued Jul 29, 2020		
	Interest Rates	Principal	Interest
2022	2.00%	\$ 415,000	46,800
2023	2.00	425,000	38,500
2024	2.00	430,000	30,000
2025	2.00	435,000	21,400
2026	2.00	445,000	12,700
2027	2.00	185,000	3,800
Total		\$ 2,335,000	153,200

On July 29, 2020, the City issued \$2,765,000 of water revenue refunding bonds for the purpose of refunding the \$3,345,000 outstanding balance of the City’s water revenue refunding bonds, taxable series 2012C. The bonds bear interest at a rate of 2.00% per annum and are payable through 2027. The City used \$101,653 of bond premium plus \$478,347 in available reserves to refund the bonds to reduce its total debt service payments by approximately \$695,000 and to obtain an economic gain (difference between the present value of debt services payments on the old and new debt) of approximately \$112,450. During the year ended June 30, 2021, the City paid principal of \$430,000 and interest of \$46,391 on the bonds.

Sewer Revenue Bonds – Direct Borrowing

On January 29, 2021, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds of up to \$1,360,000 with an interest of 1.75% per annum. The bonds were issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa for the purpose of paying the cost of planning, designing and construction improvements and extensions to the utility. An initiation fee of \$6,800 (0.5% of authorized borrowing for the sewer revenue bonds) was charged by the Iowa Finance Authority and was withheld from the first proceeds of the sewer revenue bonds drawn. The agreement also requires the City to pay a 0.25% servicing fee on the outstanding principal balance. During the year ended June 30, 2021, the City had drawn down a total of \$1,181,597 (\$1,188,397 less the \$6,800 initiation fee) and paid \$1,497 in interest on the bonds. A final repayment schedule will not be available until the City has finished making draws on the bonds.

On April 30, 2021, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds of up to \$10,000,000 with an interest of 1.75% per annum. The bonds were issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa for the purpose of paying the cost of planning, designing and construction improvements and extensions to the utility. An initiation fee of \$50,000 (0.5% Of authorized borrowing for the sewer revenue bonds) was charged by the Iowa Finance Authority and was withheld from the first proceeds of the sewer revenue bonds drawn. The agreement also requires the City to pay a 0.25% servicing fee on the outstanding principal balance. During the year ended June 30, 2021 the City had drawn down a total of \$2,880,082 (\$2,930,082 Less the \$50,000 initiation fee) and paid \$3,954 in interest on the bonds. A final repayment schedule will not be available until the City has finished making draws on the bonds.

The resolutions providing for the issuance of the water and sewer revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the 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 water reserve account shall be created into which \$286,665 shall be set apart and paid from proceeds of the sale of the bonds at the time of delivery. Alternatively, the City has chosen to fund the reserve through a surety bond, which is permitted by the resolution.

(4) 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 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 and may retire any time after reaching age 50 with 22 or more years of covered employment.

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 more than 22 years of service 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 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City’s contributions to IPERS for the year ended June 30, 2021 totaled \$241,823.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021 the City reported a liability of \$1,675,616 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City’s proportion was 0.023853%, which was an increase of 0.001172% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$340,452, \$447,730 and \$232,662, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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 geometric 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
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 3,197,631	1,675,616	399,952

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.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$405 to \$535 for single coverage to \$1,181 to \$1,579 for family coverage. For the year ended June 30, 2021, the City contributed \$254,322 and plan members eligible for benefits contributed \$30,535 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Nevada and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>32</u>
Total	<u><u>33</u></u>

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. City employees may also accumulate earned but unused sick leave hours for subsequent use or for payment upon retirement or death, up to a maximum of \$1,500. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave hours payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 243,000
Compensatory time	25,000
Sick leave	<u>20,000</u>
Total	<u><u>\$ 288,000</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

(7) Contractual Commitments

The City has entered into various construction contracts totaling approximately \$50,979,000. The unpaid contract balance as of June 30, 2021 totaled approximately \$41,222,000, which will be paid as work on the projects progresses. The City intends to pay the remaining construction contracts with a future debt issuance. See footnote 15.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 469,000
	Employee Benefits	495,835
	Urban Renewal Tax Increment	134,426
		<u>1,099,261</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefits	101,188
	Local Option Sales and Services Tax	75,000
		<u>176,188</u>
Special Revenue:	Special Revenue:	
Trail Maintenance	Local Option Sales and Services Tax	<u>10,000</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	868,631
	Capital Projects	<u>96,563</u>
		<u>965,194</u>
Capital Projects	Special Revenue:	
	Road Use Tax	197,551
	Enterprise:	
	Storm Water	<u>250,000</u>
		<u>447,551</u>
Total		<u>\$ 2,698,194</u>

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

(9) Industrial Development Revenue Bonds

The City has issued a total of \$2,363,229 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$580,600 is outstanding at June 30, 2021. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest does not constitute liabilities of the City.

(10) Landfill Contract

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The 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, 2021, the City paid \$72,088 to the City of Ames.

(11) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 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, 2021 were \$161,931.

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.

(12) Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvement of buildings. Certain agreements also require the developer to certify specific employment requirements are met. The remaining total to be paid by the City under the agreements is not to exceed \$1,637,491.

The City rebated \$267,156 during fiscal year 2021, for a total of \$3,809,096 of incremental property tax rebated under the agreements. The outstanding balance of the agreements at June 30, 2021 with fixed dollar commitments was \$95,382. The outstanding balance of the agreements at June 30, 2021 subject to annual appropriation was \$1,542,109.

(13) Internal Loan

During the year ended June 30, 2020, the City approved an internal loan of \$200,000 from the General Fund to the Special Revenue, Tax Increment Financing Fund for the purpose of providing an economic development grant to Verbio North America Corporation. During the year, the City repaid \$134,426 from the Special Revenue, Tax Increment Financing Fund to the General Fund, leaving a balance of \$65,574 as of June 30, 2021. The remaining balance will be repaid from available tax increment receipts.

(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 receipts 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, 2021, \$171,600 of property tax was diverted from the City under the urban renewal and economic development agreements.

(15) Subsequent Event

In January 2022, the City approved a state revolving fund sewer revenue loan and disbursement agreement and the issuance of a taxable sewer revenue bond in an amount not exceeding \$10,000,000 for the purpose of financing construction of the City's wastewater treatment facility.

(16) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Nevada, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Nevada. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Nevada's operations and finances.

(17) Restatement

Beginning net position for governmental activities, business type activities and the beginning fund balance for the Internal Service, Flexible Benefits Fund were restated to correctly report the beginning balances as shown below:

	Governmental Activities	Business Type Activities	Internal Service Flexible Benefits
Balance June 30, 2020, as previously reported	\$ 22,041,688	7,109,847	48,656
Correction to report fund balances previously overstated	(41,191)	(2,180)	(43,371)
Balance July 1, 2020, as restated	\$ 22,000,497	7,107,667	5,285

(18) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

City of Nevada

Other Information

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

Other Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 3,940,057	-	-
Tax increment financing	909,423	-	-
Other city tax	1,333,091	-	-
Licenses and permits	107,291	-	-
Use of money and property	529,494	175,574	31
Intergovernmental	2,112,629	-	-
Charges for service	174,041	4,559,855	-
Special assessments	-	-	-
Miscellaneous	443,176	25,583	48,897
Total receipts	9,549,202	4,761,012	48,928
Disbursements:			
Public safety	1,856,038	-	40,456
Public works	819,497	-	-
Health and social services	50,770	-	-
Culture and recreation	1,397,316	-	1,297
Community and economic development	448,052	-	-
General government	532,162	-	-
Debt service	1,535,493	-	-
Capital projects	3,950,938	-	-
Business type activities	-	9,027,254	-
Total disbursements	10,590,266	9,027,254	41,753
Excess (deficiency) of receipts over (under) disbursements	(1,041,064)	(4,266,242)	7,175
Other financing sources (uses), net	250,000	6,678,332	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(791,064)	2,412,090	7,175
Balances beginning of year	21,995,478	7,107,401	68,182
Balances end of year	\$ 21,204,414	9,519,491	75,357

See accompanying independent auditor's report.

Total	Budgeted Amounts		Budget to
	Original	Final	Total Variance
3,940,057	3,859,776	3,859,776	80,281
909,423	949,646	949,646	(40,223)
1,333,091	989,911	989,911	343,180
107,291	102,750	102,750	4,541
705,037	293,600	293,600	411,437
2,112,629	1,181,486	1,294,161	818,468
4,733,896	3,911,141	3,911,141	822,755
-	1,000	1,000	(1,000)
419,862	2,282,250	2,297,250	(1,877,388)
14,261,286	13,571,560	13,699,235	562,051
1,815,582	1,818,312	1,982,113	166,531
819,497	1,075,480	1,168,964	349,467
50,770	64,550	64,550	13,780
1,396,019	1,832,752	1,910,815	514,796
448,052	678,634	678,634	230,582
532,162	670,889	772,696	240,534
1,535,493	1,341,263	1,535,695	202
3,950,938	12,943,000	13,543,000	9,592,062
9,027,254	4,905,693	10,165,494	1,138,240
19,575,767	25,330,573	31,821,961	12,246,194
(5,314,481)	(11,759,013)	(18,122,726)	12,808,245
6,928,332	14,000,000	18,549,154	(11,620,822)
1,613,851	2,240,987	426,428	1,187,423
29,034,697	23,408,826	23,408,826	5,625,871
30,648,548	25,649,813	23,835,254	6,813,294

City of Nevada

City of Nevada

Notes to Other Information – Budgetary Reporting

June 30, 2021

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 \$6,491,388. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements did not exceed the amounts budgeted.

City of Nevada

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

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

Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.023853%	0.022681%	0.021550%	0.022361%
City's proportionate share of the net pension liability	\$ 1,676	1,313	1,364	1,490
City's covered payroll	\$ 2,549	2,448	2,249	2,197
City's proportionate share of the net pension liability as a percentage of its covered payroll	65.75%	53.64%	60.65%	67.82%
IPERS' net position as a percentage of the total pension liability	76.47%	85.45%	83.62%	82.21%

* 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.

2017	2016	2015
0.022270%	0.20144%	0.019623%
1,402	995	778
2,135	2,005	2,004
65.67%	49.63%	38.82%
81.82%	85.19%	87.61%

City of Nevada

Schedule of City Contributions

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

Other Information

	2021	2020	2019	2018
Statutorily required contribution	\$ 242	244	236	207
Contributions in relation to the statutorily required contribution	(242)	(244)	(236)	(207)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 2,550	2,549	2,448	2,249
Contributions as a percentage of covered payroll	9.49%	9.57%	9.64%	9.20%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
201	196	185	182	165	165
(201)	(196)	(185)	(182)	(165)	(165)
-	-	-	-	-	-
2,197	2,135	2,005	2,004	1,951	1,926
9.15%	9.18%	9.23%	9.08%	8.46%	8.57%

City of Nevada

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.
- 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.

Supplementary Information

City of Nevada

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

As of and for the year ended June 30, 2021

	Employee Benefits	Cemetery Memorials	Cemetery Foundation Trust	Library Trust	Fire Trust	S.C.O.R.E. Undesignated	S.C.O.R.E. Operation & Maintenance	Special North Story Baseball
Receipts:								
Property tax	\$ 683,045	-	-	-	-	-	-	-
Other city tax	12,095	-	-	-	-	-	-	-
Use of money and property	8,925	51	462	652	305	101	5	139
Intergovernmental	19,708	-	-	5,670	-	-	-	-
Charges for service	-	-	-	-	-	-	-	27,009
Miscellaneous	-	-	-	13,733	-	-	-	-
Total receipts	723,773	51	462	20,055	305	101	5	27,148
Disbursements:								
Public safety	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	19,149	-	286	-	25,860
Community and economic development	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	19,149	-	286	-	25,860
Excess (deficiency) of receipts over (under) disbursements	723,773	51	462	906	305	(185)	5	1,288
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(597,023)	-	-	-	-	-	-	-
Total other financing sources (uses)	(597,023)	-	-	-	-	-	-	-
Change in cash balances	126,750	51	462	906	305	(185)	5	1,288
Cash balances beginning of year	124,267	2,859	26,039	38,281	17,171	5,882	260	4,790
Cash balances end of year	\$ 251,017	2,910	26,501	39,187	17,476	5,697	265	6,078
Cash Basis Fund Balances								
Nonspendable	\$ -	-	-	-	-	-	-	-
Restricted for:								
Library	-	-	-	39,187	-	-	-	-
Parks	-	-	-	-	-	-	-	-
Other purposes	251,017	2,910	26,501	-	17,476	5,697	265	6,078
Unassigned	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 251,017	2,910	26,501	39,187	17,476	5,697	265	6,078

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
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
144	332	22,474	64	104	11,231	3	80	90	15	213
-	-	-	-	-	-	-	-	-	-	-
-	-	1,890	240	-	-	-	-	-	-	-
792	-	-	-	-	-	-	-	493	-	-
936	332	24,364	304	104	11,231	3	80	583	15	213
-	-	-	-	-	-	-	-	-	-	-
-	-	10,527	-	-	2,462	-	-	-	-	-
-	-	-	-	-	-	-	-	1,500	-	-
-	-	10,527	-	-	2,462	-	-	1,500	-	-
936	332	13,837	304	104	8,769	3	80	(917)	15	213
-	-	-	-	10,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	10,000	-	-	-	-	-	-
936	332	13,837	304	10,104	8,769	3	80	(917)	15	213
7,992	18,701	90,173	3,562	(3,586)	330,585	192	4,488	5,032	835	11,991
8,928	19,033	104,010	3,866	6,518	339,354	195	4,568	4,115	850	12,204
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	339,354	195	-	-	-	-
-	-	104,010	-	-	-	-	-	-	-	-
8,928	19,033	-	3,866	-	-	-	4,568	4,115	850	12,204
-	-	-	-	6,518	-	-	-	-	-	-
8,928	19,033	104,010	3,866	6,518	339,354	195	4,568	4,115	850	12,204

(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, 2021

	Special Revenue			Permanent		Total
	Nevada Firefighters Incorporated	Senior Citizen Center	Friends of the Library	Cemetery Perpetual Care	Parks Planting (Hattery)	
Receipts:						
Property tax	\$ -	-	-	-	-	683,045
Other city tax	-	-	-	-	-	12,095
Use of money and property	28	3	-	2,118	74	47,613
Intergovernmental	-	-	-	-	-	25,378
Charges for service	-	-	-	2,742	-	31,881
Miscellaneous	45,823	2,570	504	-	-	63,915
Total receipts	45,851	2,573	504	4,860	74	863,927
Disbursements:						
Public safety	40,456	-	-	-	-	40,456
Culture and recreation	-	1,221	76	-	74	59,655
Community and economic development	-	-	-	-	-	1,500
Total disbursements	40,456	1,221	76	-	74	101,611
Excess (deficiency) of receipts over (under) disbursements	5,395	1,352	428	4,860	-	762,316
Other financing sources (uses):						
Transfers in	-	-	-	-	-	10,000
Transfers out	-	-	-	-	-	(597,023)
Total other financing sources (uses)	-	-	-	-	-	(587,023)
Change in cash balances	5,395	1,352	428	4,860	-	175,293
Cash balances beginning of year	55,006	9,838	3,338	151,862	5,000	914,558
Cash balances end of year	\$ 60,401	11,190	3,766	156,722	5,000	1,089,851
Cash Basis Fund Balances						
Nonspendable	\$ -	-	-	156,722	5,000	161,722
Restricted for:						
Library	-	-	3,766	-	-	382,502
Parks	-	-	-	-	-	104,010
Other purposes	60,401	11,190	-	-	-	435,099
Unassigned	-	-	-	-	-	6,518
Total cash basis fund balances	\$ 60,401	11,190	3,766	156,722	5,000	1,089,851

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, 2021

	Enterprise		
	Sanitation	Storm Water	Total
Operating receipts:			
Charges for service	\$ 73,383	175,398	248,781
Operating disbursements:			
Business type activities	72,088	3,611	75,699
Excess (deficiency) of operating receipts over (under) operating disbursements	1,295	171,787	173,082
Non-operating receipts:			
Interest on investments	5	12,360	12,365
Excess (deficiency) of receipts over (under) disbursements	1,300	184,147	185,447
Transfers out	-	(250,000)	(250,000)
Change in cash balances	1,300	(65,853)	(64,553)
Cash balances beginning of year	2,403	830,793	833,196
Cash balances end of year	\$ 3,703	764,940	768,643
Cash Basis Fund Balances			
Unrestricted	\$ 3,703	764,940	768,643

See accompanying independent auditor's report.

City of Nevada

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

For the Last Ten Years

	2021	2020	2019	2018
Receipts:				
Property tax	\$ 3,940,057	3,945,854	3,049,825	2,936,387
Tax increment financing	909,423	1,020,109	3,231,475	3,018,476
Local option sales tax	1,256,703	1,030,528	980,316	940,430
Other city tax	76,388	72,267	74,401	71,415
Licenses and permits	107,291	123,448	94,307	111,313
Use of money and property	529,494	363,093	413,411	149,617
Intergovernmental	2,112,629	1,995,837	1,415,472	1,334,324
Charges for service	174,041	183,231	246,119	256,923
Special assessments	-	-	-	-
Miscellaneous	443,176	158,839	4,446,846	163,861
Total	\$ 9,549,202	8,893,206	13,952,172	8,982,746
Disbursements:				
Operating:				
Public safety	\$ 1,856,038	1,687,461	1,645,033	1,477,276
Public works	819,497	971,853	750,273	591,446
Health and social services	50,770	59,732	80,107	65,222
Culture and recreation	1,397,316	1,684,399	2,175,006	1,652,709
Community and economic development	448,052	588,206	330,017	301,663
General government	532,162	462,791	458,322	456,704
Debt service	1,535,493	4,271,926	5,948,096	3,785,327
Capital projects	3,950,938	3,313,094	1,305,169	4,267,045
Total	\$10,590,266	13,039,462	12,692,023	12,597,392

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
2,873,654	2,921,484	2,710,587	2,890,881	2,706,999	2,515,062
3,031,236	2,599,385	2,060,828	1,094,368	1,207,521	1,396,120
1,021,998	949,012	959,885	815,112	813,352	856,125
74,516	76,246	79,421	81,908	119,365	58,220
76,183	73,144	76,017	88,337	79,243	85,311
133,223	116,086	201,226	238,708	172,706	203,263
1,203,851	1,004,948	2,031,920	851,730	824,654	868,542
258,317	226,684	207,924	314,391	215,664	244,406
-	-	-	2,365	4,971	3,572
195,691	275,076	313,520	1,078,127	246,027	168,579
8,868,669	8,242,065	8,641,328	7,455,927	6,390,502	6,399,200
1,471,212	1,749,323	1,249,199	1,303,316	1,145,587	1,182,484
674,615	579,001	595,935	812,228	637,909	631,574
57,422	58,289	55,384	50,060	53,915	76,205
1,624,558	1,449,666	1,397,167	1,510,170	1,389,735	1,395,047
1,450,980	391,497	448,812	299,484	346,987	330,621
405,116	411,777	369,875	414,304	450,028	305,942
3,066,396	2,198,013	1,988,944	4,000,920	2,319,728	1,649,493
2,142,179	1,426,905	2,962,268	5,386,802	3,135,224	503,398
10,892,478	8,264,471	9,067,584	13,777,284	9,479,113	6,074,764



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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, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 10, 2022. 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 as a basis for designing 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 of this section 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 a significant deficiency.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as item (C) to be 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 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 is 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

August 10, 2022

City of Nevada

Schedule of Findings

Year ended June 30, 2021

Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – During the year ended June 30, 2021, it was determined that the internal service fund balance was materially overstated. Note 17 to the financial statements describes the prior period restatement.

Cause – Procedures did not exist to obtain and reconcile the internal service fund reports and information and therefore the City did not recognize the internal service fund balance overstatement which had been accumulating over several years.

Effect – Lack of these procedures resulted in City employees not detecting the overstatement during the normal course of performing their assigned functions. As a result, a restatement to the City's financial statements was necessary.

Recommendation – The City should implement reconciliation procedures to ensure the City internal service fund is properly reported in the City's financial statements.

Response – When the City questioned the Auditors about the balance for the Internal Service Fund, which at the time was not held by the City but a third-party vendor, TASC, we were told there were other balances included in the Auditor's total. Once the City was shown the Auditor's work papers the City pointed out the error the Auditor's office was making in the balances.

Conclusion – Response acknowledged. Supporting documentation whether held by the City or provided by a third party is the responsibility of the City. While the Auditor of State assists the City in the preparation of the Internal Service Fund, the preparation and proper reporting is the responsibility of the City. The City should implement reconciliation procedures to ensure the City's internal service fund, including the activity of any accounts maintained outside the City records, if applicable, is properly reported in the City's financial statements.

(B) Nevada Economic Development Council (NEDC) – Financial Statements

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the financial statements.

City of Nevada

Schedule of Findings

Year ended June 30, 2021

Condition – During the fiscal year ended June 30, 2021, NEDC understated receipts by \$451,807 and understated disbursement by \$219,902. Adjustments were subsequently made by NEDC to properly report the amounts in their financial statement.

Cause – Policies and procedures for the proper recording of land sales have not been established, therefore the NEDC did not properly record the proceeds from the sale of land and the resulting disbursement to the City.

Effect – Lack of policies and procedures resulted in the NEDC’s employees not detecting the errors in the normal course of performing their assigned functions and causing NEDC’s receipts and disbursements to be understated.

Recommendation – NEDC should implement procedures to ensure the sale of assets are recorded properly.

Response – We will record this activity properly in the future.

Conclusion – Response accepted.

(C) Nevada Fire Fighters – Debit Card

Criteria – Internal controls over safeguarding assets constitutes a process, effected by an entity’s governing body, management and other personnel designated to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – Nevada Fire Fighters Inc. has a debit card available for use by officials or by volunteers. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. Although policies exist for individuals to request approval prior to use, significant risks exist with the mishandling or theft of debit cards, as they provide no additional safeguards or audit trail for purchases.

Cause – Officials are of the opinion that any misuse of funds or theft is the responsibility of the cardholder. However, a formal policy stating the card holder is personally liable for improper charges does not exist.

Effect – Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriations.

Recommendation – The Nevada Fire Fighters Inc. should prohibit the use of debit cards.

Response – We value this feedback and appreciate your position. However, as an Association, we are strongly against acquiring a credit card to replace our debit card. As stated during the audit, we have many safeguards in place, with sometimes triple and quadruple accountability. As such, we will remain in ownership of the debit card.

City of Nevada

Schedule of Findings

Year ended June 30, 2021

However, a formal policy stating the card holder is personally liable for improper charges does not exist. The Nevada Firefighters Inc's name is on the debit card. That automatically holds us accountable/liable with our bank for improper charges should they occur.

Conclusion – Response acknowledged. The Nevada Fire Fighters Inc. should prohibit the use of debit cards.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Nevada

Schedule of Findings

Year ended June 30, 2021

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted.
- (2) Questionable Disbursement – In January 2016, the City approved Resolution No. 029 (2015/2016), “Misc. Expenses Policy.” The policy states, “The following expenditures are examples of events that may or may not be planned, but are necessary in conducting City business:
 - The City may incur costs of providing a recognition event, including meal expenses for the purpose of retaining and recognizing quality public employees and volunteers.
 - For the retirement of more than ten years working for the City or during the review process of any employment candidate, meals, receptions, consultant fees and travel may be required.
 - For outgoing Council members, serving eight years or less, a plaque may be presented. If more than eight years served, the Council may elect to host a reception.
 - For funerals of those full-time and permanent part-time staff, City Council members, and volunteer board members and immediate family members, flowers, a plant, or monetary memorials to the families wishes not to exceed \$100 per person may be necessary.
 - For community visioning, strategic planning, work sessions, leadership training, etc., meal expenses, consultant fees and travel expenses may incur.
 - For open houses or ribbon cutting events of city facilities, meals and other expenses may incur.

Pursuant to Article III, section 31 of the Iowa Constitution, public funds may only be spent for the public benefit. Also, an Attorney General’s Opinion dated April 25, 1979 discusses public purpose and states, in part, it is possible for certain expenditures to meet the test of serving a public purpose, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

During the fiscal year, we noted one payment for \$409 for bowling and pizza purchased for the annual employee recognition event. While the City’s policy allows disbursements for the benefit of City employees beyond their approved compensation, the City approved this disbursement as part of the consent agenda and did not debate and approve this specific disbursement.

Recommendation – To ensure transparency for disbursements for the benefit of City employees beyond their approved compensation, the City Council should determine and document how the public benefits and debate and approve these individual disbursements each time they occur and not as part of the consent agenda. The debate and approval should be noted individually in the City Council minutes. Disbursements of this nature should be infrequent and modest in cost.

City of Nevada

Schedule of Findings

Year ended June 30, 2021

Response – As noted above, the City was following the policy set forth by the Council. The City feels recognizing and team building among employees is essential, especially, in today's market to retain and hire good employees and provide better service to the public. When our employees, across multiple departments, work together we can save money by helping each other instead of contracting some projects/labor out. The City is continually trying innovative ways to provide the best service to our citizens while retaining good employees. The City will consider the recommendation in the future.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – There were no business transactions between the City and City officials or employees.
- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) 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.
- (9) Revenue Bonds – No instances of non-compliance with the revenue bond requirements for the year ended June 30, 2021 were noted.
- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1. However, the TIF debt outstanding was overstated by \$65,000.

Recommendation – The City should ensure the amount reported as debt outstanding on the Annual Urban Renewal Report are accurate.

Response – The City will strive to report accurately.

Conclusion – Response accepted.

- (11) Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City of Nevada properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

City of Nevada

Staff

This audit was performed by:

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