

CITY OF NEVADA, MISSOURI

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

CITY OF NEVADA, MISSOURI

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CITY OF NEVADA, MISSOURI

Principal Officials

MAYOR/CITY COUNCIL

Brian Leonard Mayor

Sherry Steward Council Member

Seth Barrett Mayor Pro/Tem/Council Member

Jayne Novak Council Member

James McKenzie Council Member

ADMINISTRATION

JD Kehrman City Manager

Kristie Modlin Finance Manager

Mike Wade Treasurer

Independent Certified Public Accountants Troutt, Beeman & Co., P.C.



May 25, 2011

HONORABLE MAYOR, CITY COUNCIL, AND CITY MANAGER:

The Finance Department is pleased to present this Annual Financial Report of the City of Nevada, Missouri (the City), for the fiscal year ended December 31, 2011. This report is required by Missouri State Statute (RSMo 105.145) and is submitted for your information and review.

The responsibility for accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the City. I believe the report as presented is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

This report reflects changes required by Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments* as well as other GASB statements issued before and since. The format and description of these reports are addressed in Management's Discussion and Analysis (MD&A) and in the notes to the financial statements. The MD&A can be found in the financial section of the report following the "Report of Independent Certified Public Accountants."

The report includes all activities of the City. All applicable funds, departments, and offices are included in these financial statements as part of the "primary government" of the City.

The City is required to undergo an annual audit of the financial records and transactions of all departments of the City by independent certified public accountants. The City's financial statements have been audited by Troutt, Beeman & Co., PC, a Certified Public Accounting firm. The goal of independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and statement presentation. The Independent Certified Public Accountants concluded, based upon the audit, that there was a reasonable basis for issuing an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2011, are fairly presented in conformity with generally accepted accounting principles (GAAP). The Report of the Certified Public Accountants is presented in the front of the Financial Section of this report.

The financial report is presented in two sections: Introductory and financial. The **introductory section** is designed to introduce the reader to the report and includes this transmittal letter, the City's organizational chart, and a list of principal officers.

The **financial section** begins with the independent auditors' report. The auditors' report discloses the opinion of the independent auditors with regard to the presentation of the financial statements and internal controls. This section also includes the MD&A, the Basic Financial Statements, and Notes that provide an overview of the City's financial position and operating results, the Combining Statement for non-major funds, and other schedules that provide detailed information relative to the Basic Financial Statements.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Nevada's MD&A can be found immediately following the report of the independent auditor.

Profile of the City

Nevada, Missouri, was incorporated in 1855 when it also was chosen as the county seat for Vernon County. It is located in the Southwest region of Missouri and the center of Vernon County. Nevada is the largest city in Vernon County with a 2011 Census population of 8,327. Before its incorporation, Nevada was known as both Fair View and Hog-Eye. The latter was considered crude and the former has already been taken as a post office name. The name was changed to Nevada after Nevada City California by circuit and county clerk DeWitt C. Hunter who had tried his luck in the California Gold Rush of 1849.

During the Civil War in 1863, the entire town was burned by a company of federal militia; Nevada (along with Ft. Scott, Kansas) was an area of major conflict and border wars throughout the historic War Between the States. After the war ended, the City officially incorporated and changed the formal name of the community to Nevada. The community saw the arrival of the Missouri-Kansas-Texas (Katy) railroad in 1870, and welcomed the Missouri Pacific railroad in 1880.

The City of Nevada provides a comprehensive range of municipal services normally associated with a municipality including highly rated police and fire protection, public works services, parks and recreation facilities, and general administrative services. The City also provides a public golf course (Frank E. Peters Golf Course) and water and sanitary sewer services, accounted for in the financial statements as a Parks Fund (governmental funds) and Water and Sewer Fund (business-like funds), respectively.

Utility service in the City is mixed between public and private companies. Water and sanitary sewerage utilities are operated by the Water and Sewer Department of the City. Water and sewer rates are established to meet the total revenue requirements of the utilities including operating costs and capital expenditures. Natural gas is supplied by Empire District Gas and electricity by KCP&L. Traditional and cellular phone services are provided by several companies.

All major commercial television networks, independent local stations as well as public television, are available and provide service to the City. Cable television is provided by Time Warner on which the City information channel is available.

In June 1979 the citizens of Nevada adopted a charter and Nevada became a charter city utilizing a Council/Manager form of government. A City Council of five members is nominated and elected by the City-at-large and serve staggered three year terms. The Council elects a Mayor from its ranks who presides at meetings and votes but has no veto power. The City Manager is appointed by the City Council.

Financial Information

In fulfilling its responsibilities for reliable financial statements, management depends on the City's system of internal control. The objective of this system is to ensure that of the assets of the government are effectively protected from loss, theft, or misuse. Further, management of the City is responsible for ensuring that transactions are executed in accordance with proper authorization and within City policies and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principals (GAAP). The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits require estimates and judgments by management. While the system of internal controls is not totally immune to discrepancies, it does comply with the standards of the industry, is reviewed annually as part of the independent audit, and has proven its integrity with years of absence of any significant discrepancies.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered to be a separate entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which compromise its assets, liabilities, equities, revenues, and expenditures.

The annual budget serves as the foundation for the City of Nevada's financial planning and control. The appropriated budget is prepared by fund and department (e.g. public works, police, finance, etc.). Department heads may make transfers within their department with the approval of the City Manager. Transfers between departments or funds require the approval of the City Council. Budget to actual comparisons, which are required for each individual governmental fund for which an appropriated annual budget has been adopted, are included in this report.

Factors Affecting Financial Condition

Local Economy. While growth in terms of new business has slowed nearly universally, Nevada businesses have shown resilience through the recent years of major recession. Property and sales tax revenues have stopped growing but have not seen the double digit decreases experienced in many areas across the country.

Nevada's location and proximity to major recreational and tourist attractions make it an attractive prospect for increased business activity and expanding new businesses. We feel this will happen within a 3 to 5 year window.

The following table sets forth average annual unemployment figures for Nevada and Vernon County compared to the State of Missouri. This information is a good indicator of economic activity in Nevada and other areas within the State.

UNEMPLOYMENT RATES

<u>Year</u>	<u>Nevada Area</u>	<u>Vernon County</u>	<u>Mo. Statewide</u>
2011	8.9%	7.2%	9.2%
2010	9.6%	7.7%	9.6%
2009	9.8%	8.0%	9.3%
2008	6.7%	5.4%	6.1%
2007	6.0%	4.8%	5.1%

Long-Term Financial Planning. The City of Nevada prepares a five year Capital Improvement Plan which includes proposed amounts for constructing, maintaining, upgrading, and replacing the major components of the City's infrastructure. Funding sources, identified and prospective, are included in this plan giving the City a tool for meeting the needs of the City.

Awards and Acknowledgements

The preparation of this report was made possible by the hard work of the staff of the City of Nevada Finance Department. The contribution made by each staff member is sincerely appreciated. Special thanks are extended to the City's Independent Certified Public Accountants for their assistance and for the professional manner in which the firm accomplished the audit. I would also like to thank Mayor Leonard, the City Council, and City Manager J D Kehrman for their continued interest and support in planning and conducting the financial operations of the City in a professional and progressive manner.

Respectfully submitted,

Michael L. Wade
City Treasurer

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and Members of the
City Council
City of Nevada, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nevada, Missouri (the City), as of the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 25 to the basic financial statements, items were noted which required restatement. As a result, net assets have been restated.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nevada, Missouri, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2012, on our consideration of the City of Nevada, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 13 and pages 69 through 71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada, Missouri's basic financial statements. The introductory section, and combining non-major fund financial statements are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements, budgetary schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to other auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to 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.

Aroutt, Bremer & Co., P.C.

Harrisonville, Missouri
June 13, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The City of Nevada's Annual Financial Report provides readers with a narrative overview and analysis of the City's financial performance during the fiscal year that ended on December 31, 2011. We encourage readers to consider the information presented here in conjunction with the letter of transmittal at the front of this report, the City's basic financial statements, and notes to the financial statements, to enhance their understanding of the activities and financial health of the City of Nevada.

FINANCIAL HIGHLIGHTS

- Net assets of the City increased \$1,169,869 or 4.5% during fiscal 2011 with a \$2,298,285 increase in governmental activities offset by a \$1,125,416 decrease attributed to business-type activities. The decrease is the result of operating expenses in the water and sewer fund exceeding revenue. The increase in governmental activities resulted from revenue exceeding expenditures.
- Unrestricted net assets decreased \$294,990 to \$2,022,120. Governmental Activities net assets decreased by \$874,566 which was offset by an increase of \$579,576 in business-type activities.
- \$4.2 million in Certificates of Participation Bonds were issued in December of 2011. The proceeds of these bonds will be used to design and construct a new Public Safety building.
- During fiscal 2011, the City's governmental expenditures of \$7,643,283 were \$265,320 more than the \$7,377,963 generated in taxes and other revenues for governmental programs. This excess primarily relates to park operations. The deficit was budgeted for and was offset with transfers from various funds, primarily the General Fund.

This discussion and analysis is intended to serve as an introduction to the City's *Basic Financial Statements*. The Basic Financial Statements contain three components: government-wide financial statements, fund financial statements (including component unit statements), and notes to the financial statements. In addition, this report contains other *Required Supplementary Information*, a *Supplemental Information* section that presents *combining statements* for non-major governmental funds (along with actual and budget comparison schedules), and a *Statistical Section* which includes supplemental disclosure information.

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - *Governmental Fund* statements tell how *general government* services like public safety, public works, health and welfare, and parks, trails, and storm water were financed in the short-term as well as what remains for future spending.
 - *Proprietary Fund* statements offer short-term and long-term financial information about the activities the City government operates similar to a private business.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required components, a section is included with combining statements that provide further detail about our non-major governmental funds, each of which are added together and presented in single columns in each of the basic financial statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or current position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, consideration should be given to additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into three categories:

- *Governmental activities:* Most of the City's basic services are included here, such as public safety, roads and bridges, parks and recreation, and general administration. Sales taxes, property taxes, charges for services, and State and Federal grants finance most of these activities.
- *Business-type activities:* The City charges fees to customers to help cover the costs of certain services it provides. The City's only active business-type fund is the Water and Sewer Fund. The Landfill fund is open to record the cost of landfill closing requirements.
- *Component units:* The City currently has no situations or relationships which would be classified as component units.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*, not the City as a whole. Funds are accounting mechanisms that the City uses to keep track of and segregate specific sources of funding and spending for particular purposes.

- Some funds are required by state law and/or by bond covenants.
- The City Treasurer establishes other funds to control and manage resources for particular purposes (i.e. Debt Service and Capital Projects Funds) or to show that certain taxes and grants are used appropriately (i.e. Special Revenue Funds).
- *Governmental funds*: Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on the subsequent page of the governmental funds statement that explains the relationship (or differences) between the two types of statements.
- *Proprietary funds*: Operations which the City desires to view like it would a separate business are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
 - The City's *Proprietary Funds* are classified as a business-type activity on the government-wide statements, but more detailed information is provided in the Proprietary Fund Statements, such as its cash flows.

Government-Wide Financial Analysis

Net Assets. As discussed earlier, net assets may serve as a useful indicator of a government's financial position. As of December 31, 2011, the City's net assets were \$27,225,391. Table A provides a summary of the City's governmental and business-type net assets for fiscal 2011.

**Table A
Combined Statement of Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Assets						
Current and other assets						
Cash and other assets	\$ 3,898,501	\$ 9,002,286	\$ 13,022,058	\$ 3,350,732	\$ 16,920,559	\$ 12,353,018
Total capital assets	11,913,618	13,192,486	22,166,684	21,729,277	34,080,302	34,921,763
Total assets	\$ 15,812,119	\$ 22,194,772	\$ 35,188,742	\$ 25,080,009	\$ 51,000,861	\$ 47,274,781
Liabilities						
Current and other liabilities	\$ 1,059,467	\$ 1,251,790	\$ 1,369,570	\$ 1,164,997	\$ 2,429,037	\$ 2,416,787
Long-term debt outstanding	2,117,479	6,012,524	20,398,823	11,620,079	22,516,302	17,632,603
Total liabilities	\$ 3,176,946	\$ 7,264,314	\$ 21,768,393	\$ 12,785,076	\$ 24,945,339	\$ 20,049,390
Net Assets						
Invested in Capital Assets, net of debt	\$ 9,345,397	\$ 10,695,915	\$ 3,224,678	\$ 11,074,310	\$ 12,570,075	\$ 21,770,225
Restricted:						
Capital projects & other	1,091,894	2,835,616	60,413	507,994	1,152,307	3,343,610
Debt service	-	75,611	10,016,030	13,825	10,016,030	89,436
Unrestricted	2,197,882	1,323,316	119,228	698,804	2,317,110	2,022,120
Total net assets	\$ 12,635,173	\$ 14,930,458	\$ 13,420,349	\$ 12,294,933	\$ 26,055,522	\$ 27,225,391

Total net assets for the City at December 31, 2011, were \$27,225,391 with \$12,294,933 attributed to business-type activities and \$14,930,458 attributable to governmental activities.

At the end of fiscal 2011, the City had \$21,770,225 invested in a variety of capital assets, including land, buildings, construction in progress, law enforcement equipment, heavy equipment for the maintenance of roads and bridges, as well as the addition of infrastructure. This was an increase of \$9,200,150 from 2010. This increase was primarily the result of improvements to the wastewater treatment facilities.

The largest portion of the City's net assets represents the investment in capital assets, net of related debt, which is restricted for the purpose of providing services to the City of Nevada citizens. Restricted assets are not available for future spending. Because they are not available for future spending, the resources needed to liquidate the related debt must be provided from other sources, primarily sales and property taxes.

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The \$4,923,966 of restricted assets for capital projects represents unspent bond proceeds for the public safety building and other smaller projects.

The City has issued \$4,150,000 in debt to build a new Public Safety building. The debt will be paid with revenue generated from the various General Fund sources.

Governmental Activities. Table B (see next page) presents fiscal 2010 and 2011 revenues and expenditures for the primary government as they are reported in the Statement of Activities in the basic financial statements. The revenues and expenditures include the Governmental Funds (General Fund, Special Revenue Funds, and Capital Projects Funds) and Proprietary Funds (Water and Sewer Fund and Landfill Fund).

Sales taxes increased 5.1% showing good retail stability when economic conditions are suppressing retail activity in many other areas. Residential and commercial growth have slowed in most communities reflective of general economic conditions. This corresponds directly with relatively flat sales tax revenue. Sales taxes make up 46.3% of revenue in the governmental funds.

Property taxes for general purposes remained flat in 2011. The above mentioned slow-down in new construction kept assessed value growth and the associated property tax revenue at this relatively flat level.

Capital Outlay increased \$376,062 with the purchase of a fire pumper truck.

Business-type Activities: No rate increases in Water or Sewer rates caused revenue in that fund to remain flat as revenue increased less than one per cent and cash reserves decreased by \$482,008 as operating costs exceeded charges for services resulting in an operating loss.

Table B
City of Nevada, Missouri - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues						
<u>Program Revenues</u>						
Charges for Services	\$ 851,232	\$ 814,054	\$ 2,937,567	\$ 2,960,137	\$ 3,788,799	\$ 3,774,191
Operating Grants and Contributions	533,521	597,185	-	-	533,521	597,185
Capital Grants and Contributions	-	-	16,458	-	16,458	-
<u>General Revenues</u>						
Taxes:						
Property Taxes-general purposes	725,056	962,505	-	-	725,056	962,505
Property Taxes-specific purposes	204,101	172,013	-	-	204,101	172,013
Franchise Taxes	1,762,083	1,612,250	-	-	1,762,083	1,612,250
Sales Taxes	2,843,744	2,987,945	713,094	747,424	3,556,838	3,735,369
Unrestricted Investment Earnings	25,129	15,394	498,383	325,568	523,512	340,962
Miscellaneous	33,819	216,617	30,669	27,359	64,488	243,976
Total Revenues	6,978,685	7,377,963	4,196,171	4,060,488	11,174,856	11,438,451
Expenses						
Governmental Activities:						
General Government	1,053,656	1,524,666	-	-	1,053,656	1,524,666
Municipal Court	113,750	120,025	-	-	-	-
Public transportation	203,364	200,859	-	-	203,364	200,859
Public safety	2,219,128	2,486,444	-	-	-	-
Animal control	87,871	133,232	-	-	-	-
Planning and zoning	160,346	123,639	-	-	160,346	123,639
Culture and recreations	1,972,202	1,621,441	-	-	1,972,202	1,621,441
Recycling	168,740	165,449	-	-	-	-
Street	779,067	1,160,654	-	-	-	-
Interest on Long-term Debt	108,022	106,874	-	-	108,022	106,874
Business-type Activities	-	-	3,745,213	4,349,409	3,745,213	4,349,409
Total Expenses	6,866,146	7,643,283	3,745,213	4,349,409	10,611,359	11,992,692
Changes in net assets before transfers	112,539	(265,320)	450,958	(288,921)	563,497	(554,241)
Transfers & Loss on Disp of Assets	-	484,485	-	(484,485)	-	-
Changes in net assets	112,539	219,165	450,958	(773,406)	563,497	(554,241)
Net Assets at beginning of year, as resated	12,522,634	14,711,293	12,969,391	13,068,339	25,492,025	27,779,632
Net Assets at end of year	\$ 12,635,173	\$ 14,930,458	\$ 13,420,349	\$ 12,294,933	\$ 26,055,522	\$ 27,225,391

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds Overview. The City of Nevada uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As described earlier, the City's governmental funds provide information on short-term inflows and outflows, as well as what remains for future spending. Such information is useful in assessing the City's financing requirements. For example, unreserved fund balance may serve as a useful measure of a

government's net resources available for spending at the end of the fiscal year. The following information is supplemental to the information presented in the previous section (Table B).

At the end of fiscal 2011, the City of Nevada reported a combined fund balance of \$8,391,787 in the Governmental Funds, an increase of \$4,136,715 from the prior year. This increase is primarily the result of \$4.1 million in bond proceeds issued late in the year and mostly unused at year end. Of the total combined fund balance, 11.8% is considered unassigned fund balance. This is the portion of fund balance which serves as a measure of current available financial resources. This share of the fund balance is further divided into General Fund, Special Revenue Funds, and Capital Projects Funds.

The restricted fund balance represents resources not available for spending or those on which legal restriction have been placed. Assigned funds are not available for general use but this results from a less formal level of reasoning for the limitation than seen in restricted funds.

The General Fund, Street Fund, Parks Fund, and Parks Construction Fund are the City's four major governmental funds. The other major fund is the Water and Sewer Fund, a proprietary fund.

General Fund. The General Fund of the City of Nevada accounts for all transactions not required to be accounted for in other funds. As the City's major operating fund, the General Fund accounts for ordinary operating expenditures financed primarily by property taxes, sales tax, and charges for services. The General Fund completed the year with a fund balance of \$5,539,232, increasing by \$3,729,477 from 2010. The fund balance is 21.6% unrestricted while the remaining 78.4% is non-spendable, restricted, or assigned.

Parks and Recreation Fund – The fund balance in the Parks and Recreation Fund increased from negative \$334,746 to negative \$194,115 during the year. The operating deficit of \$750,522 was more than offset by transfers in of \$856,371.

Parks Construction Fund – The Parks Construction Fund is used to account for proceeds of the one-half cent Parks Sales Tax and the annual in-lieu of tax payments from 3M Corporation. The fund balance decreased \$7,029 from 2010 to a total of \$988,650 in 2011. This increase was due to the continued collection of the one-half cent Parks Sales Tax.

Street Fund – The Street Fund is used to account for collection of the ½ cent Transportation Sales Tax and other motor vehicle related revenue items and to record the costs of maintaining and improving the streets of the City. Revenue exceeded expenditures for this fund by \$122,092 for 2011 resulting in an ending fund balance of \$897,911.

Water and Sewer Fund – The Water and Sewer Fund is a proprietary fund used to account for the sale of water and sewerage treatment service and the costs associated with water treatment and distribution and to sewer treatment and collection. The net assets of the Water & Sewer Fund decreased from \$14.2 million to \$13.4 million during fiscal 2011.

General Fund Budgetary Highlights

The City Council approved several amendments to the 2011 budget of the General Fund. The amendments increased appropriations by \$444,851 which was a 9.3% increase over the original budget with actual expenditures ending \$47,205 over the final approved budget.

Actual revenues exceeded final budgeted revenues by \$108,450. The six major categories where budget varied from actual were as follows:

- Taxes exceeded budget by \$75,933.
- Intergovernmental revenue fell short of budget by (\$74,936).
- Fees and fines fell short of budget by (\$15,928).
- Charges for services fell short of budget by \$(21,392).
- Licenses and permits fell short of budget by (\$17,804).
- Miscellaneous revenues exceeded budget by \$162,075.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Nevada's investment in capital assets for governmental and business-type activities is \$34,921,763, net of accumulated depreciation. This includes land, buildings, improvements, equipment, roads, bridges, and construction in progress and represents an increase of \$841,461 over 2010. The increase in capital assets was 2.5% over the prior year. Major capital asset projects funded this year are as follows:

- Improvement to the waste water treatment facility (\$11,396,208)
- Fire Pumper Truck (\$395,968)
- 2011 Ford Crown Victoria - two (\$22,525)

Additional information on the City's capital assets can be found in Note 4.

Debt Administration. The City of Nevada had various forms of debt during fiscal 2011. Table C below shows the City's outstanding debt by type for 2010 and 2011:

	Governmental		Business-type		Total	
	2010	2011	2010	2011	2010	2011
General Obligation Bonds	\$ 71,999	\$ 68,390	\$ -	\$ -	\$ 71,999	\$ 68,390
Certificates of Participation	2,155,000	5,900,000	-	-	2,155,000	5,900,000
Sewerage Revenue Bonds	-	-	11,500,000	11,000,000	11,500,000	11,000,000
Notes payable	168,079	143,434	-	-	168,079	143,434
Capital Leases	173,143	493,025	32,138	10,982	205,281	504,007
Total	\$ 2,568,221	\$ 6,604,849	\$ 11,532,138	\$ 11,010,982	\$ 14,100,359	\$ 17,615,831

The City's debt for governmental activities increased in fiscal 2011 from \$2,568,221 to \$6,604,849 or 157%. The increase was the result of issuance of \$4,150,000 in Certificates of Participation Bonds for the new Public Safety building and new capital leases for a mower and a fire pumper truck. All other principal and interest payments were made according to schedule.

Debt for business-type activities decreased by \$521,156 with no new debt issued and payments on all outstanding debt made according to existing amortization schedules.

Total debt increased a net of \$3,515,472.

Additional information on the City's long-term debt can be found in Note 6.

ECONOMIC FACTORS, 2012 BUDGET, AND TAX RATES

- The City's fiscal 2011 General Fund budgeted revenues increased 9.8% from the fiscal 2011 budget. This is the result of increases in paid property taxes and sales taxes. Budgeted expenditures increased 0.7%. This is the result of increased fringe benefit costs partially offset by reductions in other areas. Revenues in the governmental funds increased by 5.2%, increased sales tax, property, and franchise taxes.
- The City has a 1 cent general sales tax as well as ½ cent sales tax for park, ½ cent for transportation, and ½ cent for capital improvement. Sales tax revenue increased 5.6% as local sales show stability and outpace an otherwise sluggish economy.
- The City's 2011 property tax levies have been adopted by the City Council and approved by the State Auditor's Office. The levies total \$0.8778 per \$100 of assessed value which is unchanged from the 2010 rate and will generate the same amount of revenue for the General Fund and City Library. The levy is comprised of two components: General Fund levy of \$0.6778 and Library component of \$0.2000.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for our citizens, taxpayers, customers, investors, creditors, and other interested parties, and also to show our accountability for the monies entrusted to our care. If you have questions about this report or need additional financial information, contact Michael L. Wade, City Treasurer, The City of Nevada, 110 South Ash, Nevada, Missouri 64772.

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BASIC FINANCIAL STATEMENTS

Basic Financial Statements are provided so that the users of the financial report may obtain an overview of the City's financial position prior to a presentation of comparable data on a detailed basis for individual funds.

**CITY OF NEVADA, MISSOURI
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Pooled cash and investments	\$ 3,320,016	\$ 1,236,978	\$ 4,556,994
Cash and investments-restricted	4,185,594	1,320,968	5,506,562
Taxes receivable, net	1,164,025	63,007	1,227,032
Accounts receivable	67,906	401,562	469,468
Special assessments receivable	61,173	-	61,173
Other receivables	1,283	-	1,283
Deferred charges, net of amortization	101,327	170,408	271,735
Inventories	6,830	134,929	141,759
Prepaid expenses	94,132	22,880	117,012
Capital assets:			
Land, improvements, and construction in progress	983,181	89,783	1,072,964
Buildings	9,847,501	19,344,711	29,192,212
Plant, structure, and lines	-	10,378,126	10,378,126
Equipment and vehicles	6,548,616	2,333,856	8,882,472
Software	270,588	-	270,588
Infrastructure	1,867,128	-	1,867,128
Less: accumulated depreciation	<u>(6,324,528)</u>	<u>(10,417,199)</u>	<u>(16,741,727)</u>
Total capital assets	<u>13,192,486</u>	<u>21,729,277</u>	<u>34,921,763</u>
Total assets	<u>22,194,772</u>	<u>25,080,009</u>	<u>47,274,781</u>
LIABILITIES			
Accounts payable and accrued expenses	99,139	55,986	155,125
Salaries and benefits payable	242,947	19,817	262,764
Deferred revenues	106,135	-	106,135
Liabilities payable from restricted assets	60,951	93,666	154,617
Bond costs, net of amortization	-	217,668	217,668
Long-term liabilities:			
Due within one year:			
Bonds, capital leases, and contracts	679,143	530,982	1,210,125
Compensated absences	29,475	2,878	32,353
Accrued interest	34,000	244,000	278,000
Due in more than one year:			
Bonds, capital leases, and contracts	5,925,706	10,480,000	16,405,706
Compensated absences	86,818	20,679	107,497
Postclosure costs	-	1,119,400	1,119,400
Total liabilities	<u>7,264,314</u>	<u>12,785,076</u>	<u>20,049,390</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,695,915	11,074,310	21,770,225
Reserved for prepaid items	94,132	22,880	117,012
Reserved for inventories	6,830	134,929	141,759
Restricted for:			
Parks and recreation	705,587	-	705,587
Library	131,031	-	131,031
Employee benefits	34,390	-	34,390
Capital projects	917,015	350,185	1,267,200
Debt service	75,611	13,825	89,436
Street	877,989	-	877,989
Economic development	61,925	-	61,925
Police and court	6,717	-	6,717
Unrestricted	<u>1,323,316</u>	<u>698,804</u>	<u>2,022,120</u>
Total net assets	<u>\$ 14,930,458</u>	<u>\$ 12,294,933</u>	<u>\$ 27,225,391</u>

See accompanying notes.

**CITY OF NEVADA, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>General Fund</u>	<u>Street</u>	<u>Parks</u>
ASSETS			
Pooled cash and investments	\$ 609,289	\$ 816,812	\$ 425
Cash and investments-restricted	4,185,594	-	-
Taxes receivable, net	850,701	86,696	6,225
Due from other funds	264,276	-	-
Special assessments receivable	-	-	-
Other receivables	67,225	225	685
Inventories	-	6,830	-
Prepays	<u>68,212</u>	<u>13,092</u>	<u>12,828</u>
Total assets	<u>\$ 6,045,297</u>	<u>\$ 923,655</u>	<u>\$ 20,163</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 75,021	\$ 7,662	\$ 9,724
Salaries and benefits payable	197,957	16,231	28,759
Due to other funds	90,000	-	174,665
Payable from restricted assets	60,951	-	-
Deferred revenue	81,953	-	-
Other liabilities	<u>183</u>	<u>1,851</u>	<u>1,130</u>
Total liabilities	<u>506,065</u>	<u>25,744</u>	<u>214,278</u>
Fund balances,			
Nonspendable:			
Prepays	68,212	13,092	12,828
Inventories	-	6,830	-
Restricted:			
Capital projects	4,006,951	-	-
Library	-	-	-
Parks and recreation	-	-	-
Employee benefits	34,390	-	-
Debt service	75,611	-	-
Street	-	877,989	-
Economic development	61,925	-	-
Police and court	6,717	-	-
Assigned to,			
General government	86,688	-	-
Capital projects	-	-	-
Unassigned	<u>1,198,738</u>	<u>-</u>	<u>(206,943)</u>
Total fund balances (deficit)	<u>5,539,232</u>	<u>897,911</u>	<u>(194,115)</u>
Total liabilities and fund balances	<u>\$ 6,045,297</u>	<u>\$ 923,655</u>	<u>\$ 20,163</u>

See accompanying notes.

<u>Parks Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 931,093	\$ 962,397	\$ 3,320,016
-	-	4,185,594
60,560	159,843	1,164,025
-	101,060	365,336
-	61,173	61,173
-	1,063	69,198
-	-	6,830
-	-	94,132
<u>\$ 991,653</u>	<u>\$ 1,285,536</u>	<u>\$ 9,266,304</u>
\$ 3,003	\$ 574	\$ 95,984
-	-	242,947
-	100,671	365,336
-	-	60,951
-	24,182	106,135
-	-	3,164
<u>3,003</u>	<u>125,427</u>	<u>874,517</u>
-	-	94,132
-	-	6,830
-	917,015	4,923,966
-	131,031	131,031
589,030	116,557	705,587
-	-	34,390
-	-	75,611
-	-	877,989
-	-	61,925
-	-	6,717
-	-	86,688
399,620	19,543	419,163
-	(24,037)	967,758
<u>988,650</u>	<u>1,160,109</u>	<u>8,391,787</u>
<u>\$ 991,653</u>	<u>\$ 1,285,536</u>	<u>\$ 9,266,304</u>

See accompanying notes.

**CITY OF NEVADA, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

Fund balances - total governmental funds	\$	8,391,787
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		13,192,486
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. This amount represents the net of discounts and premiums on long-term obligations.		101,327
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(34,000)
Long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the government-wide statements:		
Bonds and capital leases		(6,604,849)
Compensated absences		(116,293)
		(6,721,142)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	14,930,458

See accompanying notes.

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CITY OF NEVADA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE --
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General Fund</u>	<u>Street</u>	<u>Parks</u>
REVENUES			
Taxes	\$ 3,914,754	\$ 750,098	\$ 75,753
Licenses and permits	82,196	-	-
Intergovernmental	234,284	355,570	-
Charges for services	178,658	-	310,806
Fees and fines	229,272	-	-
Investment earnings	1,502	620	74
Other	195,475	10,777	10,362
	<u>4,836,141</u>	<u>1,117,065</u>	<u>396,995</u>
Total revenues			
	<u>4,836,141</u>	<u>1,117,065</u>	<u>396,995</u>
EXPENDITURES			
General government	1,293,315	-	-
Municipal court	120,025	-	-
Public transportation	200,859	-	-
Public safety	2,403,152	-	-
Emergency management	2,678	-	-
Animal control	133,232	-	-
Planning and zoning	123,639	-	-
Culture and recreation	-	-	1,014,871
Recycling	165,449	-	-
Street	-	525,088	-
Capital outlay	748,286	423,515	122,334
Debt service:			
Principal	61,000	41,386	8,469
Interest and other charges	2,934	4,984	1,843
	<u>5,254,569</u>	<u>994,973</u>	<u>1,147,517</u>
Total expenditures			
	<u>5,254,569</u>	<u>994,973</u>	<u>1,147,517</u>
Excess (deficiency) of revenues over expenditures	<u>(418,428)</u>	<u>122,092</u>	<u>(750,522)</u>
OTHER FINANCING SOURCES (USES):			
Issuance of long-term debt	4,545,955	-	-
Proceeds from capital lease	-	-	34,782
Discounts on bond issuances	(67,438)	-	-
Transfers in	484,485	-	856,371
Transfers out	(815,097)	-	-
	<u>4,147,905</u>	<u>-</u>	<u>891,153</u>
Total other financing sources and uses			
	<u>4,147,905</u>	<u>-</u>	<u>891,153</u>
Net change in fund balances	3,729,477	122,092	140,631
Fund balances (deficit) - beginning, as restated	<u>1,809,755</u>	<u>775,819</u>	<u>(334,746)</u>
Fund balances (deficit) - ending	<u>\$ 5,539,232</u>	<u>\$ 897,911</u>	<u>\$ (194,115)</u>

See accompanying notes.

<u>Parks Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 745,151	\$ 248,957	\$ 5,734,713
-	-	82,196
-	7,331	597,185
-	13,122	502,586
-	-	229,272
699	12,499	15,394
3	-	216,617
<u>745,853</u>	<u>281,909</u>	<u>7,377,963</u>
-	-	1,293,315
-	-	120,025
-	-	200,859
-	-	2,403,152
-	-	2,678
-	-	133,232
-	-	123,639
-	221,544	1,236,415
-	-	165,449
-	-	525,088
104,572	9,890	1,408,597
405,000	28,254	544,109
68,150	4,563	82,474
<u>577,722</u>	<u>264,251</u>	<u>8,239,032</u>
<u>168,131</u>	<u>17,658</u>	<u>(861,069)</u>
-	-	4,545,955
-	-	34,782
-	-	(67,438)
-	151,886	1,492,742
<u>(175,160)</u>	<u>(18,000)</u>	<u>(1,008,257)</u>
<u>(175,160)</u>	<u>133,886</u>	<u>4,997,784</u>
(7,029)	151,544	4,136,715
<u>995,679</u>	<u>1,008,565</u>	<u>4,255,072</u>
<u>\$ 988,650</u>	<u>\$ 1,160,109</u>	<u>\$ 8,391,787</u>

See accompanying notes.

CITY OF NEVADA, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - total governmental funds: \$ 4,136,715

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. This is the amount by which capital outlays, which are over the capitalization threshold, exceeded depreciation in the current period:

Capital outlay	859,493
Depreciation expense	<u>(757,088)</u>
	102,405

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Net Assets reports repayment as a reduction to long-term liabilities. This is the amount by which proceeds exceed repayments:

Other financing sources-issuance of debt	(4,580,737)
Repayment of principal	<u>544,109</u>
	(4,036,628)

Governmental funds report premiums and discounts as other financing sources. In contrast, those items are capitalized on the Statement of Net Assets and amortized over the life of the bonds on the Statement of Activities. This is the net amount of premiums, discounts, and amortization:

Premiums/discounts	67,438
Amortization of premiums/discounts	<u>(4,841)</u>
	62,597

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected on governmental funds	(24,400)
Compensated absences	<u>(21,524)</u>
	<u>(45,924)</u>

Change in net assets of governmental activities \$ 219,165

**CITY OF NEVADA, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011**

	Water and Sewer	Landfill	Total
ASSETS:			
Current assets:			
Pooled cash and investments	\$ 1,226,843	\$ 10,135	\$ 1,236,978
Cash and investments-restricted	1,320,968	-	1,320,968
Receivables:			
Billed	258,506	1,001	259,507
Unbilled	205,062	-	205,062
Deferred charges, net of amortization	170,408	-	170,408
Inventories	134,929	-	134,929
Prepaid expenses	<u>22,880</u>	<u>-</u>	<u>22,880</u>
Total current assets	<u>3,339,596</u>	<u>11,136</u>	<u>3,350,732</u>
Non-current assets,			
Capital assets:			
Land and improvements	89,783	-	89,783
Improvements other than buildings	10,378,126	-	10,378,126
Buildings	19,344,711	-	19,344,711
Equipment and furniture	<u>2,333,856</u>	<u>-</u>	<u>2,333,856</u>
Total capital assets at cost	32,146,476	-	32,146,476
Less accumulated depreciation	<u>(10,417,199)</u>	<u>-</u>	<u>(10,417,199)</u>
Capital assets, net	<u>21,729,277</u>	<u>-</u>	<u>21,729,277</u>
Total non-current assets	<u>21,729,277</u>	<u>-</u>	<u>21,729,277</u>
	<u>25,068,873</u>	<u>11,136</u>	<u>25,080,009</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	45,910	-	45,910
Salaries and benefits payable	19,817	-	19,817
Accrued interest payable	244,000	-	244,000
Customer deposits	93,666	-	93,666
Other payables	10,076	-	10,076
Bond costs, net of amortization	217,668	-	217,668
Compensated absences	2,878	-	2,878
Capital lease obligation	10,982	-	10,982
Bonds, notes, and loans payable	<u>520,000</u>	<u>-</u>	<u>520,000</u>
Total current liabilities	1,164,997	-	1,164,997
Non-current liabilities:			
Compensated absences	20,679	-	20,679
Postclosure costs	-	1,119,400	1,119,400
Bonds, notes, and loans payable	<u>10,480,000</u>	<u>-</u>	<u>10,480,000</u>
Total non-current liabilities	<u>10,500,679</u>	<u>1,119,400</u>	<u>11,620,079</u>
	<u>11,665,676</u>	<u>1,119,400</u>	<u>12,785,076</u>
NET ASSETS:			
Invested in capital assets, net of related debt	11,074,310	-	11,074,310
Restricted for prepaid items	22,880	-	22,880
Restricted for debt service	13,825	-	13,825
Restricted for capital outlay	350,185	-	350,185
Unrestricted	<u>1,941,997</u>	<u>(1,108,264)</u>	<u>833,733</u>
	<u>\$ 13,403,197</u>	<u>\$ (1,108,264)</u>	<u>\$ 12,294,933</u>

See accompanying notes.

CITY OF NEVADA, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS --
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Water and Sewer</u>	<u>Landfill</u>	<u>Total</u>
REVENUES,			
Charges for services	\$ 2,960,137	\$ -	\$ 2,960,137
	<u>2,960,137</u>	<u>-</u>	<u>2,960,137</u>
OPERATING EXPENSES:			
Personnel services	368,211	-	368,211
Contractual services	1,358,755	-	1,358,755
Materials and supplies	45,099	-	45,099
Maintenance and repairs	318,222	-	318,222
Insurance	94,026	-	94,026
Utilities	297,978	-	297,978
Depreciation and amortization	763,664	-	763,664
Administration	307,168	-	307,168
Bad debts	18,747	-	18,747
	<u>3,571,870</u>	<u>-</u>	<u>3,571,870</u>
Operating loss	<u>(611,733)</u>	<u>-</u>	<u>(611,733)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	325,493	75	325,568
Miscellaneous income	25,809	1,550	27,359
Sales tax	747,424	-	747,424
Interest expense	(539,094)	-	(539,094)
Payments in lieu of tax	(238,445)	-	(238,445)
	<u>321,187</u>	<u>1,625</u>	<u>322,812</u>
Net income (loss) before transfers	<u>(290,546)</u>	<u>1,625</u>	<u>(288,921)</u>
Transfers out	<u>(484,485)</u>	<u>-</u>	<u>(484,485)</u>
Increase (decrease) in net assets	<u>(775,031)</u>	<u>1,625</u>	<u>(773,406)</u>
Total net assets - beginning, as restated	<u>14,178,228</u>	<u>(1,109,889)</u>	<u>13,068,339</u>
Total net assets - ending	<u>\$ 13,403,197</u>	<u>\$ (1,108,264)</u>	<u>\$ 12,294,933</u>

See accompanying notes.

**CITY OF NEVADA, MISSOURI
STATEMENT OF CASH FLOWS -- PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Water and Sewer	Landfill	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Received from customers	\$ 2,963,026	\$ -	\$ 2,963,026
Payments to employees and fringe benefits	(416,384)	-	(416,384)
Payments for operations	(2,883,159)	-	(2,883,159)
Other receipts (payments)	<u>542,919</u>	<u>624</u>	<u>543,543</u>
Net cash provided by operating activities	<u>206,402</u>	<u>624</u>	<u>207,026</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	(484,485)	-	(484,485)
Interfund loan	<u>420,050</u>	<u>-</u>	<u>420,050</u>
Net cash used by noncapital financing activities	<u>(64,435)</u>	<u>-</u>	<u>(64,435)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(333,445)	-	(333,445)
Principal paid on capital debt and leases	(521,156)	-	(521,156)
Interest paid on capital debt and leases	<u>(555,094)</u>	<u>-</u>	<u>(555,094)</u>
Net cash used by capital and related financing activities	<u>(1,409,695)</u>	<u>-</u>	<u>(1,409,695)</u>
CASH FLOWS FROM INVESTING ACTIVITIES,			
Investment income	<u>325,493</u>	<u>-</u>	<u>325,493</u>
Net cash provided by investing activities	<u>325,493</u>	<u>-</u>	<u>325,493</u>
Net increase (decrease) in cash and cash equivalents	(942,235)	624	(941,611)
Cash and cash equivalents, beginning of year	<u>3,490,046</u>	<u>9,511</u>	<u>3,499,557</u>
Cash and cash equivalents, end of year	<u>\$ 2,547,811</u>	<u>\$ 10,135</u>	<u>\$ 2,557,946</u>
Reconciliation of operating income (loss) to net cash provided by operating activities,			
Operating income (loss)	<u>\$ (611,733)</u>	<u>\$ -</u>	<u>\$ (611,733)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	763,664	-	763,664
Provision for uncollectible loans and writeoffs	18,747	-	18,747
Miscellaneous nonoperating income	-	1,625	1,625
Sales tax and miscellaneous nonoperating revenues	534,788	-	534,788
Changes in assets and liabilities:			
Receivables, net	16,043	(1,001)	15,042
Inventories	12,231	-	12,231
Prepaid items	37,533	-	37,533
Accounts payable and accrued liabilities	(209,373)	-	(209,373)
Due to other funds	(352,010)	-	(352,010)
Deferred revenue	(13,154)	-	(13,154)
Meter deposits	<u>9,666</u>	<u>-</u>	<u>9,666</u>
Total adjustments	<u>818,135</u>	<u>624</u>	<u>818,759</u>
Net cash provided by operating activities	<u>\$ 206,402</u>	<u>\$ 624</u>	<u>\$ 207,026</u>

See accompanying notes.

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NOTES TO FINANCIAL STATEMENTS

The Notes to the Financial Statements include a summary of the accounting policies followed and information used by the City that are judged to be most appropriate for full disclosure in the preparation of the financial statements.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Nevada, Missouri (the City), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

- A. Reporting Entity: The City of Nevada, Missouri, located in Vernon County, Missouri, is a municipal corporation incorporated under the Home Rule provision of the Constitution of the State of Missouri. Nevada is a charter city and operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants. The City Manager is the chief administrative officer of the City. The accompanying financial statements present the City's primary government and any component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Management has considered all potential component units and has determined there are no entities outside of the primary government that should be blended into or discretely presented with the City's financial statements.

The accounting and reporting policies of the City conform to generally accepted accounting principles applicable to local governments. With regard to FASB pronouncements issued after November 30, 1989, for its proprietary fund activities, the City has elected not to adopt any of those pronouncements. The City has also refrained from implementing FASB pronouncements issued after November 30, 1989.

- B. Government-Wide and Fund Financial Statements: The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the City and its component units. For *Governmental activities*, which are normally supported by taxes and governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

B. Government-Wide and Fund Financial Statements (Continued):

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues 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 and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund 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. Non-major funds include other Special Revenue and Capital Projects funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for non-major funds are presented with Combining and Individual Fund Statements and Schedules.

- C. Measurement Focus, Basis of Accounting, and Basis of Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims, and judgments are reported only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued):

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Charges for sales and services (other than utility) and miscellaneous revenues are generally recorded as revenue when received in cash because they are generally not measurable until actually received.

The government reports the following major governmental funds:

The General Fund is the primary operating fund. Expenditures from this fund provide basic City services, such as police and fire protection, planning, inspection, engineering, animal control, civil defense, municipal court, and overall basic services such as finance and data processing, personnel, and general administration of the City.

Revenue sources include taxes, which include property taxes, sales taxes, franchise taxes, and cigarette taxes. Other revenues include other fees and licenses, and revenue gathered from the municipal court and investment earnings.

The Street Fund accounts for the operation and maintenance of streets, curbs, etc.

The Park Fund accounts for taxes collected and expended for operations and improvements to the City's parks, pool, and golf course.

The Parks Construction Fund accounts for sales taxes collected for the construction of specified capital projects for the Park.

Proprietary fund level financial statements are used to account for activities, which are similar to those found in the private-sector. The measurement focus is upon determination of net income, financial position, and cash flows. The City's proprietary funds are as follows:

Water and Sewer Fund accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, billing, collection, and related debt service.

Landfill Fund accounts for activities of the landfill.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued):

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of the activity, i.e., charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Fund Equity - Government-Wide Statements: Equity is classified as net assets and displayed in three components:

- (1) Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- (2) Restricted net assets: Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- E. Fund Equity: In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council and the City Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balance include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- F. Budgets: The reported budgetary data represents the final approved budget after amendments as adopted by the City Council. Annual operating budgets are adopted for the General Fund, Special Revenue Funds, Capital Projects Funds, and Proprietary Funds. Missouri law requires budgets to be adopted for all governmental funds. The City prepares its budgets on the modified accrual basis of accounting for its governmental funds and the accrual basis for its proprietary funds. The City Council has amended the budget at various times during the year and has performed the following procedures in establishing the City's budget:
- (1) Prior to November 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
 - (2) Public hearings are conducted to obtain taxpayer comments.
 - (3) Prior to January 1, the budget is legally enacted through the passage of an ordinance.
 - (4) The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. This constitutes the City's legal level of budgetary control.
 - (5) Appropriations lapse at year-end, but may be reappropriated in the following fiscal year.
- G. Pooled Cash, Investments, and Restricted Assets: State statutes authorize the City to invest in banking institutions and obligations of municipalities, repurchase agreements, U.S. government agency obligations, and obligations of the U.S. Treasury. Cash resources of the individual governmental fund types are combined to form a pool of cash and investments. At December 31, 2011, the City's cash was deposited in demand accounts, certificates of deposit, Federal Home Loan Bank Notes, Federal National Mortgage Notes, Federal Home Loan Mortgage Corporation Notes, and U.S. Treasury Obligations. Investments with maturities of less than one year are stated at cost, which approximates fair value. All investments are stated at cost, which approximates fair value. Interest income on pooled cash and investments is allocated based upon each fund's respective average cash balance.

Certain proceeds of federal grants are classified as restricted assets on the balance sheet because their use is limited by applicable grant agreements. Assets are also restricted for court bonds, debt service reserve requirements, and refunding customer meter deposits.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- H. Statement of Cash Flows: A statement of cash flows has been presented in accordance with Governmental Accounting Standards Board Statement 9 for the Proprietary Fund. For purposes of the statement of cash flows, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.
- I. Accounts Receivable: Accounts receivable for water and sewer services are accounted for in the Water and Sewer Funds and include billed amounts as well as an accrual for the earned but unbilled services from the previous billing date through December 31, 2011. Accounts receivable in the General Fund represents charges for the mowing of weeds, fire protection, and court fines and fees. All accounts receivable are stated net of allowances.
- J. Interfund Receivables and Payables: Transactions between funds that are representative of cash overdrafts from pooled cash and investing are reported as interfund receivables or payables.
- K. Interfund Transactions: During the course of normal operations, the City has transactions between funds, including expenditures and transfers of resources to provide services and construct assets. Legally authorized transfers are treated as transfers and are included in the results of operations of both Governmental and Proprietary Funds.
- L. Inventory: Inventory, which consists principally of maintenance supplies, gasoline, and oil, is valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when purchased.
- M. Deferred Charges: Costs incurred in issuing and refunding bonds have been capitalized and recorded as deferred charges. These costs are amortized, using the straight-line method, over the period that the related bonds are outstanding.
- N. Capital Assets: Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads and bridges), are reported in the applicable government or business-type activities columns in the government-wide statements. Capital assets are defined as assets with a cost of \$5,000 or more. Capital assets are recorded at historical cost if purchased or constructed, or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

N. Capital Assets (Continued):

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation on all assets is computed using the straight-line method over the following estimated lives:

Major Assets

Buildings	40 years
Plant, structure, and lines	50-60 years
Infrastructure	50 years
Equipment and vehicles	3-10 years

GASB Statement 34 requires the reporting and depreciation of the new infrastructure expenditures effective with the beginning of the implementation year.

- O. Compensated Absences: Accumulated vacation and sick leave, that is expected to be liquidated with expendable available financial resources, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.
- P. Long-Term Obligations: Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.
- Q. Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control. Encumbrances outstanding at year-end, if any, are reported as reservations of fund balance for subsequent year expenditures. When expenditures are incurred in subsequent years relating to amounts previously encumbered, such amounts are, if material, reappropriated in the year expended.
- R. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

S. Program Revenues: In the Statement of Activities, revenues that are derived directly from each activity or from parties other than the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General government	Licenses, permits, fees, and grants
Municipal court	Fines
Public transportation	Grants
Public safety	Fees, fines, and grants
Animal control	Licenses
Planning and zoning	Fees
Culture and recreation	Fees and grants
Street	Grants

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS:

At December 31, 2011, the carrying amount of the City's cash on hand, demand deposits and certificates of deposit in financial institutions was \$1,942, \$2,892,879, and \$1,765,202, respectively. The bank balances of demand deposits were fully insured with a combination of FDIC insurance and pledged collateral held in the name of the City. All deposits were held by a qualified depository.

At December 31, 2011, the City's investments consisted of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Investment Rating</u>
Money Market	<u>\$ 5,403,533</u>	<u>\$ 5,403,533</u>	NA

Interest Rate Risk

Interest rate risk is the risk that changes interest rates that will adversely affect the fair value of an investment. The City does not have a formal policy for interest rate risk. However, the City does manage its exposure to fair value loss arising from interest rate changes on internally invested funds by reviewing the portfolio on an ongoing basis for changes in effective yield amounts. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (Continued):

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk of investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's policy is to collateralize demand deposits with securities held by the financial institution's agent and in the City's name.

At December 31, 2011, the City had the following investments and maturities:

	Investment maturities (in years)			
	Value	Less than one	1-5	>5
Investment type, Money Market	\$ 5,403,533	\$ 5,403,533	\$ -	\$ -

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (Continued):

Missouri State Statutes authorize the City, with certain restrictions, to deposit funds in open accounts, time deposits, and certificates of deposit. Statutes also require that collateral pledged have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or a disinterested third party and must be of the kind prescribed by statutes and approved by the State. The City may purchase any investments allowed by the State Treasurer. These include (a) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (b) repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

The City's general credit risk policy is to apply to prudent person rule: Investments shall be made with the exercise of that judgment and care, under circumstances then prevailing, which individuals of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probability safety of their capital, as well as the probable income to be derived.

At December 31, 2011, the carrying value of deposits and investments are summarized as follows:

Investments, Money markets	<u>\$ 5,403,533</u>
Certificates of deposit	1,765,202
Cash on hand	1,942
Deposits	<u>2,892,879</u>
	<u>4,660,023</u>
Total	<u>\$ 10,063,556</u>

CITY OF NEVADA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (Continued):

Deposits and investments of the City are reflected in the government-wide financial statements as follows:

Pooled cash and investments	\$ 4,556,994
Restricted cash	<u>5,506,562</u>
Total	<u>\$ 10,063,556</u>

3. ACCOUNTS RECEIVABLE:

As a result of providing water and sanitation services to its citizens, the City has extended credit to them. Accounts receivable are presented net of allowance for doubtful accounts of \$141,436 for the Water & Sewer fund.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS:

A. Capital asset activity for the year ended December 31, 2011, consisted of the following:

	Restated Balance <u>12/31/2010</u>	Additions	Retirements	Balance <u>12/31/2011</u>
Governmental activities,				
Capital assets not being depreciated:				
Land	\$ 732,429	\$ -	\$ -	\$ 732,429
Construction in progress	-	250,752	-	250,752
Total capital assets not being depreciated	<u>732,429</u>	<u>250,752</u>	<u>-</u>	<u>983,181</u>
Capital assets being depreciated:				
Buildings	9,842,501	5,000	-	9,847,501
Equipment and vehicles	6,051,317	593,708	96,409	6,548,616
Software	270,588	-	-	270,588
Infrastructure	1,857,095	10,033	-	1,867,128
Total capital assets being depreciated	<u>18,021,501</u>	<u>608,741</u>	<u>96,409</u>	<u>18,533,833</u>
Less accumulated depreciation:				
Buildings	2,448,643	292,755	-	2,741,398
Equipment	2,514,298	262,612	96,409	2,680,501
Software	200,172	53,642	-	253,814
Infrastructure	500,736	148,079	-	648,815
Total accumulated depreciation	<u>5,663,849</u>	<u>757,088</u>	<u>96,409</u>	<u>6,324,528</u>
Total capital assets being depreciated, net	<u>12,357,652</u>	<u>(148,347)</u>	<u>-</u>	<u>12,209,305</u>
Governmental activities capital assets, net	<u>\$13,090,081</u>	<u>\$ 102,405</u>	<u>\$ -</u>	<u>\$13,192,486</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS (Continued):

A. Capital asset activity for the year ended December 31, 2011, consisted of the following (Continued):

	Restated Balance <u>12/31/2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/2011</u>
Business-type activities,				
Capital assets not being depreciated:				
Land and improvements	\$ 89,783	\$ -	\$ -	\$ 89,783
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>89,783</u>	<u>-</u>	<u>-</u>	<u>89,783</u>
Capital assets being depreciated:				
Buildings	19,011,266	333,445	-	19,344,711
Equipment and vehicles	2,333,856	-	-	2,333,856
Plant, structure, & lines	<u>10,378,126</u>	<u>-</u>	<u>-</u>	<u>10,378,126</u>
Total capital assets being depreciated	<u>31,723,248</u>	<u>333,445</u>	<u>-</u>	<u>32,056,693</u>
Less accumulated depreciation,				
Water and sewer	<u>9,650,756</u>	<u>766,443</u>	<u>-</u>	<u>10,417,199</u>
Total accumulated depreciation	<u>9,650,756</u>	<u>766,443</u>	<u>-</u>	<u>10,417,199</u>
Total capital assets being depreciated, net	<u>22,072,492</u>	<u>(432,998)</u>	<u>-</u>	<u>21,639,494</u>
Business-type activities capital assets, net	<u>\$22,162,275</u>	<u>\$ (432,998)</u>	<u>\$ -</u>	<u>\$21,729,277</u>

B. Depreciation expense was charged to the function/programs of the primary government as follows:

Government activities:	
General government	\$ 213,917
Police	7,636
Fire	72,978
Culture and recreation	228,667
Airport	93,816
Street	<u>140,074</u>
Total depreciation expense, governmental	<u>\$ 757,088</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

5. PENSION PLAN:

- A. Plan Description: The City of Nevada participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan, which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by state statute, section RSMo. 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the general assembly. The plan is qualified under Internal Revenue Code Section 401(a) and is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to LAGERS, PO Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

- B. Funding Status: The City of Nevada's full-time employees do not contribute to the pension plan. The political subdivision is required by state statute to contribute to an actuarially determined rate; the current rate is 8.5% (general), 9.3% (police), and 9% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

5. PENSION PLAN (Continued):

C. Annual Pension Cost (APC) and Net Pension Obligation (NPO):

Annual required contribution	\$ 320,976
Interest on net pension obligation	4,954
Adjustment to annual required contribution	<u>(3,541)</u>
Annual pension cost	322,389
Actual contributions	<u>236,880</u>
Increase (decrease) in NPO	85,509
NPO beginning of year	<u>66,047</u>
NPO end of year	<u>\$ 151,556</u>

The annual required contribution (ARC) was determined as part of the February 28, 2009 and February 28, 2010, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011, included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2009 was 30 years for the General division, 30 years for the Police division and 30 years for the Fire division. The amortization period as of February 28, 2010 was 30 years for the General division, 30 years for the Police division and 1 year for the Fire division.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 242,446	100%	\$ -
6/30/10	\$ 320,618	79%	\$ 66,047
6/30/11	\$ 322,389	74%	\$ 151,556

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT:

Changes in long-term debt of the City for the year ended December 31, 2011, consisted of the following:

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2011</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 71,999	\$ -	\$ 3,609	\$ 68,390	\$ 3,744
Certificates of participation	2,155,000	4,150,000	405,000	5,900,000	560,000
Notes payable	168,079	-	24,645	143,434	24,981
Capital leases	<u>173,143</u>	<u>430,737</u>	<u>110,855</u>	<u>493,025</u>	<u>90,418</u>
	<u>2,568,221</u>	<u>4,580,737</u>	<u>544,109</u>	<u>6,604,849</u>	<u>679,143</u>
Other liabilities, Compensated absences	<u>94,769</u>	<u>25,957</u>	<u>4,433</u>	<u>116,293</u>	<u>29,475</u>
	<u>\$ 2,662,990</u>	<u>\$ 4,606,694</u>	<u>\$ 548,542</u>	<u>\$ 6,721,142</u>	<u>\$ 708,618</u>

Business-Type Activities

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2011</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$ 11,500,000	\$ -	\$ 500,000	\$ 11,000,000	\$ 520,000
Capital lease	<u>32,139</u>	<u>-</u>	<u>21,157</u>	<u>10,982</u>	<u>10,982</u>
	<u>11,532,139</u>	<u>-</u>	<u>521,157</u>	<u>11,010,982</u>	<u>530,982</u>
Other liabilities, Compensated absences	<u>38,361</u>	<u>1,901</u>	<u>16,705</u>	<u>23,557</u>	<u>2,878</u>
	<u>\$ 11,570,500</u>	<u>\$ 1,901</u>	<u>\$ 537,862</u>	<u>\$ 11,034,539</u>	<u>\$ 533,860</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund. The liability for compensated absences has been calculated using the vesting method, which leaves amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Total City debt at December 31, 2011, consisted of the following:

Governmental funds:

\$96,940, Series 2005A neighborhood improvement district bond, issued for road and curb improvements, due in annual installments of \$6,442, through March 1, 2025; interest at 3.95%	\$ 68,390
\$2,550,000, Series 2009 certificates of participation, issued for construction and improvement to the Community Center, due in annual installments of \$395,000 to \$460,000, through June 2015; interest at 2.23% to 3.75%	1,750,000
\$4,150,000, Series 2011 certificates of participation, issued for construction of a Public Safety Building, due in annual installments of \$145,000 to \$295,000, through December 2031; interest at 1.1% to 5%	4,150,000
\$250,000, Star Loan with MODOT, issued for airport runway improvements, due in monthly installments of \$2,380, through May 2017; interest at 2.708%	<u>143,434</u>
Total governmental funds	<u>\$ 6,111,824</u>

Proprietary fund:

\$12,000,000, Series 2007B Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program), due in annual installments of \$500,000 to \$715,000, through January 1, 2029; interest at 4.0% to 5.0%	<u>\$ 11,000,000</u>
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CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

Aggregate annual principal and interest payments applicable to long-term debt are:

Years ending December 31,	Principal	Interest	NID Bonds
2012	\$ 3,744	\$ 2,709	\$ 6,453
2013	3,900	2,554	6,454
2014	4,054	2,400	6,454
2015	4,214	2,239	6,453
2016	4,374	2,079	6,453
2017-2021	24,563	7,647	32,210
2022-2025	23,541	2,351	25,892
	<u>\$ 68,390</u>	<u>\$ 21,979</u>	<u>\$ 90,369</u>

Years ending December 31,	Principal	Interest	Certificates of Participation
2012	\$ 560,000	\$ 194,095	\$ 754,095
2013	590,000	190,208	780,208
2014	610,000	172,728	782,728
2015	625,000	153,205	778,205
2016	170,000	140,950	310,950
2017-2021	920,000	637,220	1,557,220
2022-2026	1,080,000	471,666	1,551,666
2027-2031	1,345,000	208,000	1,553,000
	<u>\$ 5,900,000</u>	<u>\$ 2,168,072</u>	<u>\$ 8,068,072</u>

CITY OF NEVADA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Notes Payable</u>
2012	\$ 24,981	\$ 3,580	\$ 28,561
2013	25,695	2,897	28,592
2014	26,366	2,195	28,561
2015	27,091	1,470	28,561
2016	27,834	729	28,563
2017	<u>11,467</u>	<u>78</u>	<u>11,545</u>
	<u>\$ 143,434</u>	<u>\$ 10,949</u>	<u>\$ 154,383</u>

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Sales Tax Revenue Bonds</u>
2012	\$ 520,000	\$ 475,626	\$ 995,626
2013	530,000	454,626	984,626
2014	540,000	433,226	973,226
2015	545,000	411,526	956,526
2016	555,000	389,526	944,526
2017-2021	2,925,000	1,588,331	4,513,331
2022-2026	3,255,000	898,429	<u>4,153,429</u>
2027-2029	<u>2,130,000</u>	<u>150,690</u>	<u>2,280,690</u>
	<u>\$ 11,000,000</u>	<u>\$ 4,801,980</u>	<u>\$ 15,801,980</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

Bond Reserve Accounts:

Under the Series 2007B Combined Waterworks/Sewerage System Revenue Bonds (State Revolving Fund Program), the City is required to deposit monies into a debt service account sufficient to meet maturity dates of principal and interest. Further, after providing funds for current operations and principal and interest, excess funds will be deposited monthly into a depreciation and replacement account until a balance of \$461,030 is reached. In addition, the City will make a monthly reserve deposit until a balance of \$356,000 is met.

At December 31, 2011, the City was not in compliance with these requirements.

Rates and fees established and charged were sufficient to satisfy bond covenant responsibilities for the sewer fund for the year ended December 31, 2011.

7. CAPITAL LEASES:

The City has entered into lease agreements for financing capital equipment. The lease agreements qualify as capital leases for accounting purposes, therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

<u>Asset</u>	
Golf finishing mower	\$ 12,320
Toro greenmaster mower	22,462
Financial software	140,000
Fire pumper truck	395,955
Street sweeper	<u>160,280</u>
Total assets acquired	<u>\$ 731,017</u>

CITY OF NEVADA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

7. CAPITAL LEASES (Continued):

The future minimum lease payments and the present value of the remaining minimum lease payments as of December 31, 2011, are as follows:

<u>Years Ending March 31,</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
2012	\$ 115,630	\$ 11,191
2013	110,032	-
2014	75,478	-
2015	65,784	-
2016	65,785	-
2017-2018	<u>131,567</u>	<u>-</u>
	564,276	11,191
Less: amount representing interest	<u>71,251</u>	<u>209</u>
Present value of future minimum lease payments	<u>\$ 493,025</u>	<u>\$ 10,982</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

8. RESTRICTED CASH:

Restricted cash and investments at December 31, 2011, consisted of the following:

<u>Account</u>	<u>General Fund</u>	<u>Water & Sewer Fund</u>	<u>Total</u>
Revolving fund	\$ 61,925	\$ -	\$ 61,925
Municipal court	6,717	-	6,717
Capital projects	4,006,951	350,185	4,357,136
Payroll clearing and flex benefits	34,390	-	34,390
Reserve for debt service	<u>75,611</u>	<u>970,783</u>	<u>1,046,394</u>
	<u>\$ 4,185,594</u>	<u>\$ 1,320,968</u>	<u>\$ 5,506,562</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

9. LEGAL MATTERS:

There are a number of claims and/or lawsuits to which the City is a party as a result of certain law enforcement activities, injuries, and various other matters and complaints arising in the ordinary course of City activities. The City's management and legal counsel believe that the potential claims against the City not covered by insurance, if any, resulting from such matters, would not materially affect the financial position of the City.

10. TAX REVENUES:

The tax revenue, including interest and penalties collected thereon, for the year ended December 31, 2011, is as follows:

Type	General Fund	Special Revenue Funds	Capital Projects Fund
Property	\$ 930,045	\$ 169,513	\$ -
Railroad	32,510	-	-
Franchise	1,457,053	-	-
Cigarette	-	75,753	-
City Sales	1,495,146	-	-
Park Sales	-	-	745,151
Transportation Sales	-	747,598	-
Occupancy	-	79,444	-
Other	-	2,500	-
	<u>\$ 3,914,754</u>	<u>\$ 1,074,808</u>	<u>\$ 745,151</u>

The assessed valuation of the tangible property for the purpose of local taxation as of May 31, 2011, was as follows:

Real estate	\$ 68,237,361
Personal property	<u>23,907,571</u>
	<u>\$ 92,144,932</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

10. TAX REVENUES (Continued):

The tax levy per \$100 of assessed valuation of tangible real and personal property for the calendar year 2011 was as follows:

General Fund	\$	0.6778
Debt Service Funds		<u>0.2000</u>
	\$	<u>0.8778</u>

Property taxes may attach as an enforceable lien on property as of January 1. Taxes are levied no later than November 1 and are due and payable at that time. All unpaid taxes levied by November 1 become delinquent January 1 of the following year.

11. INTERFUND TRANSACTIONS:

Interfund receivable and payable balances at December 31, 2011, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 264,276	\$ 90,000
Special Revenue Funds:		
Special Projects	11,060	-
Airport	-	24,526
Park	-	174,665
NID	<u>90,000</u>	<u>76,145</u>
	<u>\$ 365,336</u>	<u>\$ 365,336</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

11. INTERFUND TRANSACTIONS (Continued):

Transfers during the year ended December 31, 2011, were as follows:

	Transfers In	Transfers Out
General Fund	\$ 484,485	\$ 815,097
Special Revenue Funds:		
Special Projects	-	18,000
Parks	856,371	-
Airport	151,886	-
Capital Projects Funds,		
Parks construction	-	175,160
Proprietary Fund,		
Water and sewer	-	484,485
	<u>\$ 1,492,742</u>	<u>\$ 1,492,742</u>

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

12. INTERGOVERNMENTAL REVENUE:

Intergovernmental revenue during the year ended December 31, 2011, consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Federal:		
Department of Homeland Security		
Disaster Grants Public Assistance	\$ 17,622	\$ 5,742
Federal Emergency Management Performance	14,706	-
US Department of Justice,		
Edward Byrne Memorial Justice Assistance	9,000	-
US Department of Housing and Urban Development		
Emergency Shelter Grants Program	450	-
US Department of Transportation		
Airport Improvement Program	-	6,698
Highway Planning and Construction	62,145	-
Formula Grants for Other Than Urbanized	59,024	-
DWI Enforcement	3,287	-
State:		
Department of Revenue:		
Motor Vehicle Fuel Tax	-	323,518
Motor Vehicle Fees	-	26,310
Other State Grants	42,166	633
Local:		
Region M Solid Waste	11,371	-
3M Grant	2,000	-
Post Commission	2,513	-
Finis Moss Grant	10,000	-
	<u>\$ 234,284</u>	<u>\$ 362,901</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

13. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation, and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and no significant losses in the past three fiscal years.

14. SELF-INSURANCE:

The City is a member of the MPR (formerly MARCIT), a not-for-profit corporation consisting of governmental entities incorporated in 1984 to acquire insurance for its members. MPR operates as a purchasing pool and is not a joint venture activity of the City. The City has no control over budgeting, financing, management selection, or the governing body. MPR provides both conventional and self-insurance coverage for its members including medical, dental, property, casualty, general liability, and workers' compensation. The City participates in property, casualty, general liability, and workers' compensation insurance coverages.

MPR manages the cash and investment pool, funded by insurance premiums, on behalf of its members. MPR's investment pool consists of interest bearing deposits, U.S. Treasury strips, U.S. governmental agency obligations, and collateralized mortgage obligations. In the event that a deficit occurs with respect to any fiscal year of MPR for which the City was a participant at any time during such year; and in the event that MPR determines that an assessment is required in order to provide additional funds for the obligations of MPR for such year; and further, in the event that the City was covered by the types of benefits requiring the assessment during the time period in which the assessment arose, the City is obligated to pay its pro rata share of any such assessment, irrespective of whether or not the City is a member of MPR at the time of such assessment. Management of the City is not aware of any deficit situation in MPR which would require an accrual of a liability as of December 31, 2011.

MPR's financial statements are presented in its Comprehensive Annual Financial Report.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

15. DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional.

Employees may contribute up to 25% of their annual base salary to a maximum limit of \$16,500 per year. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. Investments are managed by the plan's trustee, and the choice of the investment option(s) is made by the participants.

The City does not make a contribution for either full-time or part-time employees participating in the plan

16. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

For the year ended December 31, 2011, in violation of Missouri state statutes and the City's budgetary process, the City had a fund balance deficit in the following funds:

General Fund	\$	47,205
Special Revenue Funds:		
Park		194,115
Airport		24,037
		<u>218,152</u>
	\$	<u>265,357</u>

17. COMMITMENTS:

The City had approximately \$13,988 of construction commitments at December 31, 2011.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

18. NET ASSETS:

Net assets are comprised of three categories: Net assets invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The first category reflects the portion of net assets which is associated with non-liquid, capital assets, less the outstanding debt (net) related to these capital assets. The related debt (net) is the debt less the outstanding liquid assets and any associated unamortized costs. Restricted net assets are restricted assets, (usually cash) that must be spent for specific purposes. Net assets, which are neither restricted or related to capital assets, are reported as unrestricted net assets.

The City issued debt to finance the construction of infrastructure in the Water and Sewer Fund. The unspent bond proceeds are reported in restricted net assets.

Capital assets, net	\$ 34,921,763
Total debt	(17,615,831)
Premiums/discounts	101,327
Unspent bond proceeds	<u>4,362,966</u>
Invested in capital assets, net of related debt	<u>\$ 21,770,225</u>

19. PLEDGED REVENUES:

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay a debt issue totaling \$11,000,000. The Series 2007B bonds were issued in the amount of \$12,000,000. Proceeds from the bonds were used to fund the infrastructure for the water and sewer system. The bonds are payable from the water and sewer fund net revenues and are payable through 2029. The total interest and principal remaining to be paid on the bonds is \$15,801,980. Principal and interest paid for the current year is \$998,526.

The City has pledged a portion of its sales tax to repay its certificates of participation. The outstanding principal on these certificates as of December 31, 2011, amounted to \$5,900,000. The certificates were used for building improvement and the construction of the community center.

20. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

The City officially closed the public landfill on October 2, 1993. State and Federal laws and regulations required the City to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated liability for postclosure care costs, which consisted of the estimated cost of all equipment, facilities, and services required to close, monitor, and maintain the landfill for this thirty year period was \$1,283,200, which was recorded as a liability in the Landfill Fund. The remaining liability at December 31, 2011, is \$1,119,400.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

21. CONTINGENCIES:

Substantially all of the City's water and sewer utilities are subject to federal and state regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the City expect such compliance to have, any material effect upon the financial condition of the City. Management of the City believes that its current practices and procedures for the control and disposition of such wastes comply with all applicable federal and state requirements.

22. FEDERAL AND STATE GRANTS:

The City participates in a number of federal and state grant programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2011, a significant amount of grant expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based upon oversight by the governmental units will not have a material effect on any of the governmental funds or the overall financial position of the City.

23. WATER AND WASTEWATER SERVICE CONTRACT:

On December 28, 2010, the City entered into a contract with Alliance Water Resources, Inc. to perform certain operation and maintenance services at the City's water and wastewater plants. Compensation under this agreement shall be \$1,354,194 annually, with an allowable reimbursement amount of \$12,321 per month for repairs and chemicals.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

24. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:

Plan Description

The City sponsors a single-employer, defined benefit healthcare plan that provides healthcare benefits to retirees and their dependents, including medical and dental coverage. Participants include retirees of the City.

The City requires the retirees to pay the carrier-charged premium. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered other post employment benefits (OPEB) under Governmental Accounting Standards Board Statement No. 45 (GASB Statement 45). The City has chosen to prospectively implement GASB Statement 45.

Retirees and their dependents have the same benefits as active employees. The retiree may continue coverage until death. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or 36 months after the death of the retiree dies under Cobra law.

Funding Policy

GASB Statement 45 does not require funding of the OPEB liability, and the City has chosen not to fund it. City policy dictates the payment of retiree claims as they become due.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

24. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liability over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Normal cost	\$	19,632
Amortization of unfunded actuarial accrued liability		<u>18,668</u>
Annual required contribution (ARC)		38,300
Interest on net OPEB obligation		2,216
Adjustment to annual required contribution		<u>(2,577)</u>
		<u>(361)</u>
Annual OPEB cost		37,939
Balance at December 31, 2009		38,536
Contributions made, Net employer contributions		<u>8,000</u>
Net OPEB obligation, December 31, 2010	\$	<u>68,475</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

24. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

The retirees annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended December 31, 2011, is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 41,739	7.7%	\$ 38,536
2010	\$ 37,939	21.1%	\$ 68,475

Funded Status and Funding Progress

As of July 1, 2009, which represents both the initial and the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is \$279,171. There are no assets set aside for funding the plan as of that date, thus the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,304,542, which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 8.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

24. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

Actuarial Methods and Assumptions

The projected unit credit actuarial cost method is used in the July 1, 2009 initial actuarial valuation. At this initial valuation date, actuarial present value of benefits is determined for each participant. The sum of these actuarial present values of benefits allocated to the current valuation year is the normal cost for the initial plan year. The sum of actuarial present values of benefits allocated to all valuation years preceding the valuation date represents the actuarial accrued liability.

The actuarial assumptions include a 6% investment rate of return. The actuarial assumptions for healthcare cost trend is a growth factor of 9% for the first year and then declining by .5% per year until 6% is reached. The 6% growth is used on a go-forward basis. The UAAL will be amortized over a period of 30 years using a level percentage of projected payroll on an open basis.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

25. PRIOR PERIOD ADJUSTMENT:

The City has identified the following items which required a restatement of beginning net assets and fund balances for the year ended December 31, 2011.

	<u>Fund Balances - General Fund</u>	<u>Fund Balances - Street Fund</u>	<u>Fund Balances - Library Fund</u>	<u>Fund Balances - Water & Sewer Fund</u>
Net assets and fund balances as originally reported December 31, 2010	\$ 1,062,525	\$ 749,441	\$ -	\$ 14,530,238
Compensated absences	(10,319)	-	-	-
Property tax receivable	427,179	-	126,049	-
Motor fuel tax receivable	(21,640)	26,378	-	-
PILOT taxes	<u>352,010</u>	<u>-</u>	<u>-</u>	<u>(352,010)</u>
Net assets and fund balances as restated December 31, 2010	<u>\$ 1,809,755</u>	<u>\$ 775,819</u>	<u>\$ 126,049</u>	<u>\$ 14,178,228</u>

	<u>Net Assets- Governmental Activities</u>
Net assets as originally reported December 31, 2010	\$ 12,635,173
Prior period adjustments made to the fund financial statements as detailed above	899,657
Capital assets	<u>1,176,463</u>
Net assets and fund balances as restated December 31, 2009	<u>\$ 14,711,293</u>

26. EVALUATION OF SUBSEQUENT EVENTS:

The City has evaluated subsequent events through June 13, 2012, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

OTHER THAN MD&A

CITY OF NEVADA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION

1. MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM:

Schedule of Funding Progress			
<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>
02/29/09	\$ 5,633,991	\$ 6,354,623	\$ 720,632
02/28/10	\$ 5,805,783	\$ 6,516,949	\$ 711,166
02/28/11	\$ 4,411,854	\$ 5,486,256	\$ 1,074,402

<u>Actuarial Valuation Date</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percent of Covered Payroll</u>
02/29/09	89%	\$ 3,134,826	23%
02/28/10	89%	\$ 3,232,335	22%
02/28/11	80%	\$ 2,522,641	43%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuation, please contact the LAGERS office in Jefferson City.

2. BUDGETARY DATA:

The City's prepares its budget on the accrual basis of accounting.

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 3,594,000	\$ 3,838,821	\$ 3,914,754	\$ 75,933
Licenses and permits	100,000	100,000	82,196	(17,804)
Intergovernmental	292,000	309,220	234,284	(74,936)
Charges for services	200,050	200,050	178,658	(21,392)
Fees and fines	245,200	245,200	229,272	(15,928)
Investment earnings	1,000	1,000	1,502	502
Other	33,400	33,400	195,475	162,075
	<u>4,465,650</u>	<u>4,727,691</u>	<u>4,836,141</u>	<u>108,450</u>
EXPENDITURES:				
General government	1,192,763	1,207,947	1,293,315	(85,368)
Municipal court	126,207	127,692	120,025	7,667
Public transportation	206,500	206,500	200,859	5,641
Public safety	2,338,607	2,367,679	2,403,152	(35,473)
Emergency management	5,300	5,300	2,678	2,622
Animal control	145,561	147,075	133,232	13,843
Emergency services	123,049	124,690	123,639	1,051
Recycling	173,260	173,260	165,449	7,811
Capital outlay	382,266	778,221	748,286	29,935
Debt service:				
Principal	69,000	69,000	61,000	8,000
Interest and other charges	-	-	2,934	(2,934)
	<u>4,762,513</u>	<u>5,207,364</u>	<u>5,254,569</u>	<u>(47,205)</u>
Excess (deficiency) of revenues over expenditures	<u>(296,863)</u>	<u>(479,673)</u>	<u>(418,428)</u>	<u>155,655</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt	-	4,545,955	4,545,955	-
Discount on bond issuance	-	-	(67,438)	67,438
Transfers in	496,686	496,686	484,485	(12,201)
Transfers out	(745,911)	(815,097)	(815,097)	-
Total other financing sources and uses	<u>(249,225)</u>	<u>4,227,544</u>	<u>4,147,905</u>	<u>55,237</u>
Net change in fund balances	(546,088)	3,747,871	3,729,477	(18,394)
Fund balances - beginning, as restated	<u>1,809,755</u>	<u>1,809,755</u>	<u>1,809,755</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,263,667</u>	<u>\$ 5,557,626</u>	<u>\$ 5,539,232</u>	<u>\$ (18,394)</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
STREET
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 722,500	\$ 722,500	\$ 750,098	\$ 27,598
Intergovernmental	548,020	362,343	355,570	(6,773)
Investment earnings	500	500	620	120
Miscellaneous	20,500	20,500	10,777	(9,723)
	<u>1,291,520</u>	<u>1,105,843</u>	<u>1,117,065</u>	<u>11,222</u>
EXPENDITURES:				
Street	472,478	517,841	525,088	(7,247)
Capital outlay	854,620	649,900	423,515	226,385
Debt service:				
Principal	48,055	48,055	41,386	6,669
Interest and other charges	-	-	4,984	(4,984)
	<u>1,375,153</u>	<u>1,215,796</u>	<u>994,973</u>	<u>220,823</u>
Excess (deficiency) of revenues over expenditures	<u>(83,633)</u>	<u>(109,953)</u>	<u>122,092</u>	<u>(209,601)</u>
OTHER FINANCING SOURCES,				
Transfers in	<u>19,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(64,633)	(109,953)	122,092	232,045
Fund balances - beginning, as restated	<u>775,819</u>	<u>775,819</u>	<u>775,819</u>	<u>-</u>
Fund balances - ending	<u>\$ 711,186</u>	<u>\$ 665,866</u>	<u>\$ 897,911</u>	<u>\$ 232,045</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
PARKS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 92,000	\$ 65,000	\$ 75,753	\$ 10,753
Charges for services	330,800	330,800	310,806	(19,994)
Investment earnings	-	-	74	74
Miscellaneous	<u>7,100</u>	<u>7,100</u>	<u>10,362</u>	<u>3,262</u>
	<u>429,900</u>	<u>402,900</u>	<u>396,995</u>	<u>(5,905)</u>
EXPENDITURES:				
Culture and recreation	1,119,466	1,103,651	1,014,871	88,780
Capital outlay	152,800	96,950	122,334	(25,384)
Debt service:				
Principal	16,800	16,800	8,469	8,331
Interest and other charges	<u>-</u>	<u>-</u>	<u>1,843</u>	<u>(1,843)</u>
	<u>1,289,066</u>	<u>1,217,401</u>	<u>1,147,517</u>	<u>69,884</u>
Deficiency of revenues over expenditures	<u>(859,166)</u>	<u>(814,501)</u>	<u>(750,522)</u>	<u>63,979</u>
OTHER FINANCING SOURCES:				
Proceeds from capital leases	-	-	34,782	(34,782)
Transfers in	<u>856,371</u>	<u>856,371</u>	<u>856,371</u>	<u>-</u>
Net change in fund balances	(2,795)	41,870	140,631	98,761
Fund balances (deficit) - beginning	<u>(334,746)</u>	<u>(334,746)</u>	<u>(334,746)</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ (337,541)</u>	<u>\$ (292,876)</u>	<u>\$ (194,115)</u>	<u>\$ 98,761</u>

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CITY OF NEVADA, MISSOURI
BALANCE SHEET --
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Projects	Library	Airport	Tourism	NID-Ashland Estates Sewer	Total Governmental Funds
ASSETS:						
Cash and investments	\$ 850,470	-	-	\$ 111,927	-	\$ 962,397
Taxes receivable, net	-	155,213	-	4,630	-	159,843
Due from other funds	11,060	-	-	-	90,000	101,060
Special assessments receivable	-	-	-	-	61,173	61,173
Other receivables	-	-	1,063	-	-	1,063
Total assets	\$ 861,530	\$ 155,213	\$ 1,063	\$ 116,557	\$ 151,173	\$ 1,285,536
LIABILITIES AND FUND BALANCES:						
Accounts payable	-	-	574	-	-	574
Due to other funds	-	-	24,526	-	76,145	100,671
Deferred revenue	-	24,182	-	-	-	24,182
Total liabilities	-	24,182	25,100	-	76,145	125,427
Fund balances,						
Restricted:						
Capital projects	844,572	-	-	-	72,443	917,015
Library	-	131,031	-	-	-	131,031
Parks and recreation	-	-	-	116,557	-	116,557
Capital projects	16,958	-	-	-	2,585	19,543
Unassigned	-	-	(24,037)	-	-	(24,037)
Total fund balances (deficit)	\$ 861,530	\$ 131,031	\$ (24,037)	\$ 116,557	\$ 75,028	\$ 1,160,109
Total liabilities and fund balances	\$ 861,530	\$ 155,213	\$ 1,063	\$ 116,557	\$ 151,173	\$ 1,285,536

CITY OF NEVADA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Projects	Library	Airport	Tourism	NID-Ashtland Estates Sewer	Total-Other Governmental Funds
REVENUES:						
Taxes	\$ -	\$ 169,513	\$ -	\$ 79,444	\$ -	\$ 248,957
Intergovernmental	-	-	7,331	-	-	7,331
Charges for services	-	-	13,122	-	-	13,122
Investment earnings	12,197	-	2	135	165	12,499
	<u>12,197</u>	<u>169,513</u>	<u>20,455</u>	<u>79,579</u>	<u>165</u>	<u>281,909</u>
Total revenues						
EXPENDITURES:						
Culture and recreation	-	164,531	11,260	45,753	-	221,544
Capital outlay	-	-	8,348	1,542	-	9,890
Debt service:						
Principal	-	-	24,645	-	3,609	28,254
Interest and fiscal charges	-	-	1,540	-	3,023	4,563
	<u>-</u>	<u>164,531</u>	<u>45,793</u>	<u>47,295</u>	<u>6,632</u>	<u>264,251</u>
Total expenditures						
Excess (deficiency) of revenues over expenditures	<u>12,197</u>	<u>4,982</u>	<u>(25,338)</u>	<u>32,284</u>	<u>(6,467)</u>	<u>17,658</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	151,886	-	-	151,886
Transfers out	(18,000)	-	-	-	-	(18,000)
	<u>(18,000)</u>	<u>-</u>	<u>151,886</u>	<u>-</u>	<u>-</u>	<u>133,886</u>
Total other financing sources and uses						
Net change in fund balances	<u>(5,803)</u>	<u>4,982</u>	<u>126,548</u>	<u>32,284</u>	<u>(6,467)</u>	<u>151,544</u>
Fund balances (deficit) - beginning, as restated	<u>867,333</u>	<u>126,049</u>	<u>(150,585)</u>	<u>84,273</u>	<u>81,495</u>	<u>1,008,565</u>
Fund balances (deficit) - ending	<u>\$ 861,530</u>	<u>\$ 131,031</u>	<u>\$ (24,037)</u>	<u>\$ 116,557</u>	<u>\$ 75,028</u>	<u>\$ 1,160,109</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
PARKS CONSTRUCTION
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 720,000	\$ 747,371	\$ 745,151	\$ (2,220)
Investment earnings	500	500	699	199
Miscellaneous	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
	720,500	747,871	745,853	(2,018)
Accrual adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>720,500</u>	<u>747,871</u>	<u>745,853</u>	<u>(2,018)</u>
EXPENDITURES:				
Capital outlay	357,000	112,530	104,572	7,958
Debt service:				
Principal	405,000	405,000	405,000	-
Interest and other charges	<u>68,146</u>	<u>68,146</u>	<u>68,150</u>	<u>(4)</u>
	<u>830,146</u>	<u>585,676</u>	<u>577,722</u>	<u>7,954</u>
Excess (deficiency) of revenues over expenditures	<u>(109,646)</u>	<u>162,195</u>	<u>168,131</u>	<u>5,936</u>
OTHER FINANCING SOURCES,				
Transfers out	<u>(175,160)</u>	<u>(175,160)</u>	<u>(175,160)</u>	<u>-</u>
Net change in fund balances	(284,806)	(12,965)	(7,029)	5,936
Fund balances - beginning	<u>995,679</u>	<u>995,679</u>	<u>995,679</u>	<u>-</u>
Fund balances - ending	<u>\$ 710,873</u>	<u>\$ 982,714</u>	<u>\$ 988,650</u>	<u>\$ 5,936</u>

CITY OF NEVADA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE --
 SPECIAL PROJECTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES,				
Investment earnings	\$ 33,000	\$ 15,500	\$ 12,197	\$ (3,303)
OTHER FINANCING USES,				
Transfers out	(37,000)	(18,000)	(18,000)	-
Net change in fund balances	(4,000)	(2,500)	(5,803)	(3,303)
Fund balances - beginning	867,333	867,333	867,333	-
Fund balances - ending	<u>\$ 863,333</u>	<u>\$ 864,833</u>	<u>\$ 861,530</u>	<u>\$ (3,303)</u>

CITY OF NEVADA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE --
 LIBRARY
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES,				
Taxes	\$ 171,300	\$ 171,300	\$ 169,513	\$ (1,787)
EXPENDITURES,				
Culture and recreation	171,300	171,300	164,531	6,769
Net change in fund balances	-	-	4,982	4,982
Fund balances - beginning	126,049	126,049	126,049	-
Fund balances - ending	\$ 126,049	\$ 126,049	\$ 131,031	\$ 4,982

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
AIRPORT
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 1,275,580	\$ 126,824	\$ 7,331	\$ (119,493)
Charges for services	13,000	13,000	13,122	122
Investment earnings	-	-	2	2
Miscellaneous	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
	<u>1,288,680</u>	<u>139,924</u>	<u>20,455</u>	<u>(119,469)</u>
EXPENDITURES:				
Culture and recreation	20,445	20,445	11,260	9,185
Capital outlay	1,357,429	12,000	8,348	3,652
Debt service:				
Principal	28,565	28,565	24,645	3,920
Interest and other charges	<u>-</u>	<u>-</u>	<u>1,540</u>	<u>(1,540)</u>
	<u>1,406,439</u>	<u>61,010</u>	<u>45,793</u>	<u>15,217</u>
Excess (deficiency) of revenues over expenditures	<u>(117,759)</u>	<u>78,914</u>	<u>(25,338)</u>	<u>(104,252)</u>
OTHER FINANCING SOURCES,				
Transfers in	<u>82,700</u>	<u>151,886</u>	<u>151,886</u>	<u>-</u>
Net change in fund balances	(35,059)	230,800	126,548	(104,252)
Fund balances (deficit) - beginning	<u>(150,585)</u>	<u>(150,585)</u>	<u>(150,585)</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ (185,644)</u>	<u>\$ 80,215</u>	<u>\$ (24,037)</u>	<u>\$ (104,252)</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
TOURISM
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 69,000	\$ 80,000	\$ 79,444	\$ (556)
Investment earnings	<u>50</u>	<u>50</u>	<u>135</u>	<u>85</u>
	<u>69,050</u>	<u>80,050</u>	<u>79,579</u>	<u>(471)</u>
EXPENDITURES:				
Culture and recreation	69,835	69,835	45,753	24,082
Capital outlay	<u>1,400</u>	<u>1,400</u>	<u>1,542</u>	<u>(142)</u>
	<u>71,235</u>	<u>71,235</u>	<u>47,295</u>	<u>23,940</u>
Net change in fund balances	(2,185)	8,815	32,284	23,611
Fund balances - beginning	<u>84,273</u>	<u>84,273</u>	<u>84,273</u>	<u>-</u>
Fund balances - ending	<u>\$ 82,088</u>	<u>\$ 93,088</u>	<u>\$ 116,557</u>	<u>\$ 23,611</u>

**CITY OF NEVADA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE --
 NID-ASHLAND ESTATES SEWER
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 4,000	\$ 5,099	\$ -	\$ (5,099)
Investment earnings	<u>-</u>	<u>-</u>	<u>165</u>	<u>165</u>
	4,000	5,099	165	(4,934)
Accrual adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,000</u>	<u>5,099</u>	<u>165</u>	<u>(4,934)</u>
EXPENDITURES,				
Debt service:				
Principal	-	-	3,609	(3,609)
Interest and other charges	<u>6,418</u>	<u>6,632</u>	<u>3,023</u>	<u>3,609</u>
	<u>6,418</u>	<u>6,632</u>	<u>6,632</u>	<u>-</u>
Net change in fund balances	(2,418)	(1,533)	(6,467)	(4,934)
Fund balances - beginning	<u>81,495</u>	<u>81,495</u>	<u>81,495</u>	<u>-</u>
Fund balances - ending	<u>\$ 79,077</u>	<u>\$ 79,962</u>	<u>\$ 75,028</u>	<u>\$ (4,934)</u>

SINGLE AUDIT SECTION

**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 City Council
City of Nevada, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Nevada, Missouri, as of and for the year ended December 31, 2011, which collectively comprise the City of Nevada, Missouri's basic financial statements and have issued our report thereon dated June 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Nevada is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Nevada, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Nevada, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Nevada, Missouri's internal control over financial reporting.

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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aroutt, Brennan & Co., P.C.

Harrisonville, Missouri
June 13, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council
City of Nevada, Missouri

Compliance

We have audited City of Nevada, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Nevada, Missouri's major federal programs for the year ended December 31, 2011. City of Nevada, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Nevada, Missouri's management. Our responsibility is to express an opinion on the City of Nevada, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Nevada, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Nevada, Missouri's compliance with those requirements.

In our opinion, City of Nevada, Missouri, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

Management of City of Nevada, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Nevada, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Nevada, Missouri's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sproutt, Brennan & Co., P.C.

Harrisonville, Missouri
June 13, 2012

CITY OF NEVADA, MISSOURI
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Program	CFDA#	Federal Expenditures
U.S. Department of Housing and Urban Development		
Passed Through Missouri Department of Economic Development:		
Emergency Shelter Grants Program	14.231	\$ 23,003
<i>Total U.S. Department of Housing and Urban Development</i>		<u>23,003</u>
U.S. Department of Justice		
Passed Through Missouri Department of Public Safety:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	9,000
<i>Total U.S. Department of Justice</i>		<u>9,000</u>
U.S. Department of Transportation		
Passed Through Missouri Department of Transportation		
Airport Improvement Program	20.106	6,698
Highway Planning and Construction	20.205	62,145
Formula Grants for Other Than Urbanized Areas	20.509	59,024
DWI Enforcement	20.607	3,287
<i>Total U.S. Department of Transportation</i>		<u>131,154</u>
U.S. Environmental Protection Agency		
Passed Through State of Missouri Emergency		
Capitalization Grants for Drinking Water (1)	66.468	474,719
<i>Total U.S. Environmental Protection Agency</i>		<u>474,719</u>
U.S. Department of Homeland Security:		
Passed Through Missouri Department of Public Safety		
Federal Emergency Management Performance Grant	97.044	14,706
Disaster Grants Public Assistance	97.036	23,365
<i>Total U.S. Department of Homeland Security</i>		<u>38,071</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$ 675,947</u>

(1) Federal award is based upon a federal loan guarantee.
The City did not receive any direct federal funds.

CITY OF NEVADA, MISSOURI

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Nevada, Missouri, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF NEVADA, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2011

Summary of Audit Results

1. The Independent Auditors' Report expresses an unqualified opinion on the financial statements of the City of Nevada, Missouri.
2. No significant deficiencies were disclosed during the audit of the financial statements of the City of Nevada, Missouri.
3. No instances of noncompliance material to the financial statements of the City of Nevada, Missouri, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The Independent Auditors' Report on compliance for major federal programs expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no findings that are required to be reported under OMB Circular A-133.
7. The programs tested as major programs in order to obtain the required coverage were as follows:

<u>Title</u>	<u>CFDA No.</u>
Environmental Protection Agency/ Missouri Department of Natural Resources/ Capitalization Grants for Drinking Water	66.468

8. The threshold for distinguishing between Type A and Type B programs was \$300,000.
9. The City did not qualify as a low risk auditee.

CITY OF NEVADA, MISSOURI

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

Audit Finding Reference:	2010-1	Financial Statement Preparation
Status of Prior Finding:	This was corrected this fiscal year. The City hired an experienced Treasurer who has the expertise to review financial statements and related disclosures in accordance with generally accepted accounting principles.	
Audit Finding Reference:	2010-2	Bank Accounts
Status of Prior Finding:	Planned corrective action completed this fiscal year.	
Audit Finding Reference:	2010-3	Segregation of Duties
Status of Prior Finding:	Planned corrective action completed this fiscal year.	
Audit Finding Reference:	2010-4	Accounts Payable
Status of Prior Finding:	Planned corrective action completed this fiscal year.	
Audit Finding Reference:	2010-5	Pooled Cash Reconciliation
Status of Prior Finding:	Planned corrective action completed this fiscal year.	
Audit Finding Reference:	2010-6	Accounts Reconciliations
Status of Prior Finding:	Planned corrective action completed this fiscal year.	
Audit Finding Reference:	2010-7	Utility Accounts Receivable
Status of Prior Finding:	Planned corrective action completed this fiscal year.	