

CITY OF NEVADA, MISSOURI

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2010**

CITY OF NEVADA, MISSOURI

TABLE OF CONTENTS

SUPPLEMENTAL INFORMATION:

Combining Statements of Non-major Governmental Funds:

Combining Balance Sheet	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance.....	60
Budgetary Comparison Schedules -- Major Governmental Funds.....	61
Budgetary Comparison Schedules -- Non-Major Governmental Funds.....	62

SINGLE AUDIT SECTION:

Independent Auditors' 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	70
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	72
Schedule of Expenditures of Federal Awards	74
Note to Schedule of Expenditures of Federal Awards.....	75
Schedule of Findings and Questioned Costs	76
Summary Schedule of Prior Audit Findings.....	84

CITY OF NEVADA, MISSOURI

TABLE OF CONTENTS

INTRODUCTORY SECTION

PRINCIPAL OFFICIALS 1

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT 3

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

Statement of Net Assets..... 6
Statement of Activities 7

Government Fund Financial Statements:

Balance Sheet..... 8
Reconciliation of the Governmental Funds Balance Sheet to the Statement
of Net Assets..... 11
Statement of Revenues, Expenditures, and Changes in Fund Balance 12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities 14

Proprietary Fund Financial Statements:

Statement of Net Assets..... 15
Statement of Revenues, Expenses, and Changes in Fund Net Assets 16
Statement of Cash Flows 17

Notes to Financial Statements 19

REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN MD&A:

Missouri Local Government Employees Retirement System..... 54
Schedules of Revenues, Expenditures, and Changes in Fund Balance --
Actual and Budget -- Major Funds:
General Fund 55
Street..... 56
Parks 57

CITY OF NEVADA, MISSOURI

Principal Officials

MAYOR/CITY COUNCIL

Brian Leonard Mayor

Sherry Steward Council Member

Seth Barrett..... Council Member

Jayne Novak Council Member

James McKenzie..... Council Member

ADMINISTRATION

JD Kehrman City Manager

Kristie Modlin Interim City Treasurer

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

(THIS PAGE LEFT INTENTIONALLY BLANK)

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, 2010, 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 21 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, 2010, 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 29, 2011, 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 budgetary comparison information on pages 14 through 16 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 managements 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.

The City has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such basic information, although not 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. Our opinion on the basic financial statements is not affected by the missing information.


Louis J. Simon & Co., P.C.
Harrisonville, Missouri
June 29, 2011

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, 2010**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Pooled cash and investments	\$ 3,185,220	\$ 1,718,362	\$ 4,903,582
Cash and investments-restricted	129,149	10,016,030	10,145,179
Taxes receivable, net	721,573	62,780	784,353
Internal balances	(420,050)	420,050	-
Accounts receivable	42,022	416,831	458,853
Special assessments receivable	66,756	-	66,756
Other receivables	864	-	864
Deferred charges, net of amortization	38,730	180,432	219,162
Inventories	38,022	147,160	185,182
Prepaid expenses	96,215	60,413	156,628
Capital assets:			
Land, improvements, and construction in progress	212,050	89,783	301,833
Buildings	11,687,031	122,652	11,809,683
Plant, structure, and lines	-	29,337,445	29,337,445
Equipment and vehicles	3,142,440	2,263,151	5,405,591
Software	224,389	-	224,389
Infrastructure	1,837,095	-	1,837,095
Less: accumulated depreciation	<u>(5,189,387)</u>	<u>(9,646,347)</u>	<u>(14,835,734)</u>
Total capital assets	<u>11,913,618</u>	<u>22,166,684</u>	<u>34,080,302</u>
Total assets	<u>15,812,119</u>	<u>35,188,742</u>	<u>51,000,861</u>
LIABILITIES			
Accounts payable and accrued expenses	157,971	216,001	373,972
Salaries and benefits payable	150,403	53,186	203,589
Deferred revenues	122,699	-	122,699
Liabilities payable from restricted assets	73,283	84,000	157,283
Bond costs, net of amortization	-	230,472	230,472
Long-term liabilities:			
Due within one year:			
Bonds, capital leases, and contracts	535,192	521,261	1,056,453
Compensated absences	10,319	4,650	14,969
Accrued interest	9,600	260,000	269,600
Due in more than one year:			
Bonds, capital leases, and contracts	2,033,029	19,245,712	21,278,741
Compensated absences	84,450	33,711	118,161
Postclosure costs	-	1,119,400	1,119,400
Total liabilities	<u>3,176,946</u>	<u>21,768,393</u>	<u>24,945,339</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,345,397	3,224,678	12,570,075
Reserved for prepaid items	96,215	60,413	156,628
Restricted for:			
Capital projects	995,679	-	995,679
Debt service	-	10,016,030	10,016,030
Unrestricted	<u>2,197,882</u>	<u>119,228</u>	<u>2,317,110</u>
Total net assets	<u>\$ 12,635,173</u>	<u>\$ 13,420,349</u>	<u>\$ 26,055,522</u>

See accompanying notes.

**CITY OF NEVADA, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>General Fund</u>	<u>Street</u>	<u>Parks</u>
ASSETS			
Pooled cash and investments	650,206	\$ 673,442	\$ -
Cash and investments-restricted	129,149	-	-
Taxes receivable, net	563,426	62,780	-
Due from other funds	518,791	-	-
Accounts receivable	42,022	-	-
Special assessments receivable	-	-	-
Other receivables	98	216	-
Inventories	-	38,022	-
Prepays	67,609	17,105	11,501
	<u>1,971,301</u>	<u>791,565</u>	<u>11,501</u>
Total assets	\$ 1,971,301	\$ 791,565	\$ 11,501
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 106,152	\$ 30,959	\$ 12,845
Salaries and benefits payable	124,328	9,383	16,692
Due to other funds	510,050	-	315,626
Payable from restricted assets	73,283	-	-
Deferred revenue	94,742	-	-
Other liabilities	221	1,782	1,084
	<u>908,776</u>	<u>42,124</u>	<u>346,247</u>
Total liabilities	908,776	42,124	346,247
Fund balances:			
Reserved for:			
Prepaid items	67,609	17,105	11,501
Other purposes	55,866	-	-
Unreserved:			
General fund	939,050	-	-
Special revenue funds	-	732,336	(346,247)
Capital projects funds	-	-	-
	<u>1,062,525</u>	<u>749,441</u>	<u>(334,746)</u>
Total fund balances (deficit)	1,062,525	749,441	(334,746)
Total liabilities and fund balances	\$ 1,971,301	\$ 791,565	\$ 11,501

See accompanying notes.

<u>Parks Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 935,597	\$ 925,975	\$ 3,185,220
-	-	129,149
62,780	32,587	721,573
-	112,120	630,911
-	-	42,022
-	66,756	66,756
-	550	864
-	-	38,022
-	-	96,215
<u>\$ 998,377</u>	<u>\$ 1,137,988</u>	<u>\$ 4,910,732</u>
\$ 2,698	\$ 2,230	\$ 154,884
-	-	150,403
-	225,285	1,050,961
-	-	73,283
-	27,957	122,699
-	-	3,087
<u>2,698</u>	<u>255,472</u>	<u>1,555,317</u>
-	-	96,215
-	-	55,866
-	-	939,050
-	882,516	1,268,605
<u>995,679</u>	<u>-</u>	<u>995,679</u>
<u>995,679</u>	<u>882,516</u>	<u>3,355,415</u>
<u>\$ 998,377</u>	<u>\$ 1,137,988</u>	<u>\$ 4,910,732</u>

See accompanying notes.

(THIS PAGE LEFT INTENTIONALLY BLANK)

**CITY OF NEVADA, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

Fund balances - total governmental funds	\$	3,355,415
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.		11,913,618
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.		38,730
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(9,600)
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		(2,568,221)
Compensated absences		(94,769)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	<u>12,635,173</u>

See accompanying notes.

CITY OF NEVADA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General Fund</u>	<u>Street</u>	<u>Parks</u>
REVENUES			
Taxes	\$ 3,764,505	\$ 720,178	\$ 99,966
Licenses and permits	101,198	-	-
Intergovernmental	109,170	355,735	-
Charges for services	173,595	-	309,634
Fees and fines	252,648	-	-
Investment earnings	1,256	472	-
Other	46,337	8,058	8,742
	<u>4,448,709</u>	<u>1,084,443</u>	<u>418,342</u>
Total revenues			
EXPENDITURES			
General government	699,667	-	-
Municipal court	115,344	-	-
Public transportation	203,364	-	-
Public safety	2,263,250	-	-
Emergency management	7,152	-	-
Animal control	88,362	-	-
Planning and zoning	164,632	-	-
Culture and recreation	-	-	925,922
Recycling	168,740	-	-
Street	-	596,261	-
Capital outlay	350,224	535,940	14,422
Debt service:			
Principal	61,000	39,699	-
Interest and other charges	5,868	6,305	-
	<u>4,127,603</u>	<u>1,178,205</u>	<u>940,344</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>321,106</u>	<u>(93,762)</u>	<u>(522,002)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	82,170	-	515,389
Transfers out	<u>(375,847)</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(293,677)</u>	<u>-</u>	<u>515,389</u>
Net change in fund balances	27,429	(93,762)	(6,613)
Fund balances (deficit) - beginning, as restated	<u>1,035,096</u>	<u>843,203</u>	<u>(328,133)</u>
Fund balances (deficit) - ending	<u>\$ 1,062,525</u>	<u>\$ 749,441</u>	<u>\$ (334,746)</u>

See accompanying notes.

<u>Parks Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 705,254	\$ 245,081	\$ 5,534,984
-	-	101,198
-	69,016	533,921
-	13,814	497,043
-	-	252,648
507	22,894	25,129
9,933	67	73,137
<u>715,694</u>	<u>350,872</u>	<u>7,018,060</u>
-	-	699,667
-	-	115,344
-	-	203,364
-	-	2,263,250
-	-	7,152
-	-	88,362
-	-	164,632
-	213,833	1,139,755
-	-	168,740
-	-	596,261
628,451	30,458	1,559,495
395,000	27,042	522,741
78,159	8,090	98,422
<u>1,101,610</u>	<u>279,423</u>	<u>7,627,185</u>
<u>(385,916)</u>	<u>71,449</u>	<u>(609,125)</u>
-	52,304	649,863
(175,160)	(98,856)	(649,863)
(175,160)	(46,552)	-
(561,076)	24,897	(609,125)
<u>1,556,755</u>	<u>857,619</u>	<u>3,964,540</u>
<u>\$ 995,679</u>	<u>\$ 882,516</u>	<u>\$ 3,355,415</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, 2010

Net change in fund balances - total governmental funds: \$ (609,125)

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	693,698
Loss on disposal of assets	(39,375)
Depreciation expense	<u>(539,889)</u>
	114,434

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,

Repayment of principal	<u>522,741</u>
------------------------	----------------

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,

Amortization of premiums/discounts	<u>(4,841)</u>
------------------------------------	----------------

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	(9,600)
Compensated absences	<u>98,930</u>
	<u>89,330</u>

Change in net assets of governmental activities	<u>\$ 112,539</u>
---	-------------------

See accompanying notes.

CITY OF NEVADA, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	<u>Water and Sewer</u>	<u>Landfill</u>	<u>Total</u>
ASSETS:			
Current assets:			
Pooled cash and investments	\$ 1,708,851	\$ 9,511	\$ 1,718,362
Cash and investments-restricted	10,016,030	-	10,016,030
Receivables:			
Billed	242,530	-	242,530
Unbilled	237,081	-	237,081
Deferred charges, net of amortization	180,432	-	180,432
Due from other funds	420,050	-	420,050
Inventories	147,160	-	147,160
Prepaid expenses	60,413	-	60,413
Total current assets	<u>13,012,547</u>	<u>9,511</u>	<u>13,022,058</u>
Non-current assets,			
Capital assets:			
Land and improvements	89,783	-	89,783
Improvements other than buildings	29,337,445	-	29,337,445
Buildings	122,652	-	122,652
Equipment and furniture	2,263,151	-	2,263,151
Total capital assets at cost	31,813,031	-	31,813,031
Less accumulated depreciation	<u>(9,646,347)</u>	<u>-</u>	<u>(9,646,347)</u>
Capital assets, net	<u>22,166,684</u>	<u>-</u>	<u>22,166,684</u>
Total non-current assets	<u>53,979,715</u>	<u>-</u>	<u>53,979,715</u>
	<u>35,179,231</u>	<u>9,511</u>	<u>35,188,742</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	192,771	-	192,771
Salaries and benefits payable	53,186	-	53,186
Accrued interest payable	260,000	-	260,000
Customer deposits	84,000	-	84,000
Other payables	23,230	-	23,230
Bond costs, net of amortization	230,472	-	230,472
Compensated absences	4,650	-	4,650
Capital lease obligation	21,261	-	21,261
Bonds, notes, and loans payable	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total current liabilities	1,369,570	-	1,369,570
Non-current liabilities:			
Compensated absences	33,711	-	33,711
Capital lease obligation	10,877	-	10,877
Postclosure costs	-	1,119,400	1,119,400
Bonds, notes, and loans payable	<u>19,234,835</u>	<u>-</u>	<u>19,234,835</u>
Total non-current liabilities	<u>19,279,423</u>	<u>1,119,400</u>	<u>20,398,823</u>
	<u>20,648,993</u>	<u>1,119,400</u>	<u>21,768,393</u>
NET ASSETS:			
Invested in capital assets, net of related debt	3,224,678	-	3,224,678
Restricted for prepaid items	60,413	-	60,413
Restricted for debt service	10,016,030	-	10,016,030
Unrestricted	<u>1,229,117</u>	<u>(1,109,889)</u>	<u>119,228</u>
	<u>\$ 14,530,238</u>	<u>\$ (1,109,889)</u>	<u>\$ 13,420,349</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, 2010

	<u>Water and Sewer</u>	<u>Landfill</u>	<u>Total</u>
REVENUES,			
Charges for services	\$ 2,937,567	\$ -	\$ 2,937,567
	<u>2,937,567</u>	<u>-</u>	<u>2,937,567</u>
OPERATING EXPENSES:			
Personnel services	1,356,873	-	1,356,873
Contractual services	54,239	-	54,239
Materials and supplies	138,672	-	138,672
Maintenance and repairs	238,965	-	238,965
Insurance	93,845	-	93,845
Utilities	297,254	-	297,254
Depreciation and amortization	465,356	-	465,356
Administration	345,208	-	345,208
Bad debts	111,017	-	111,017
	<u>3,101,429</u>	<u>-</u>	<u>3,101,429</u>
Operating income (loss)	<u>(163,862)</u>	<u>-</u>	<u>(163,862)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	498,383	-	498,383
Miscellaneous income	27,639	3,030	30,669
Sales tax	713,094	-	713,094
Interest expense	(567,210)	-	(567,210)
	<u>671,906</u>	<u>3,030</u>	<u>674,936</u>
Net income before contributions	<u>508,044</u>	<u>3,030</u>	<u>511,074</u>
Capital contributions	<u>16,458</u>	<u>-</u>	<u>16,458</u>
Increase in net assets	<u>524,502</u>	<u>3,030</u>	<u>527,532</u>
Total net assets - beginning, as restated	<u>14,005,736</u>	<u>(1,112,919)</u>	<u>12,892,817</u>
Total net assets - ending	<u>\$ 14,530,238</u>	<u>\$ (1,109,889)</u>	<u>\$ 13,420,349</u>

See accompanying notes.

CITY OF NEVADA, MISSOURI
STATEMENT OF CASH FLOWS -- PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Water and Sewer</u>	<u>Landfill</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Received from customers	\$ 3,091,688	\$ -	\$ 3,091,688
Payments to employees and fringe benefits	(1,356,873)	-	(1,356,873)
Payments for operations	(1,406,155)	-	(1,406,155)
Other receipts (payments)	<u>754,169</u>	<u>3,360</u>	<u>757,529</u>
Net cash provided by operating activities	<u>1,082,829</u>	<u>3,360</u>	<u>1,086,189</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	16,458	-	16,458
Acquisition and construction of capital assets	(2,642,388)	-	(2,642,388)
Principal paid on capital debt and leases	(874,596)	-	(874,596)
Interest paid on capital debt and leases	<u>(572,720)</u>	<u>-</u>	<u>(572,720)</u>
Net cash used by capital and related financing activities	<u>(4,073,246)</u>	<u>-</u>	<u>(4,073,246)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments	-	-	-
Investment income	<u>498,383</u>	<u>-</u>	<u>498,383</u>
Net cash provided by investing activities	<u>498,383</u>	<u>-</u>	<u>498,383</u>
Net increase (decrease) in cash and cash equivalents	(2,492,034)	3,360	(2,488,674)
Cash and cash equivalents, beginning of year	<u>14,216,915</u>	<u>6,151</u>	<u>14,223,066</u>
Cash and cash equivalents, end of year	<u>\$ 11,724,881</u>	<u>\$ 9,511</u>	<u>\$ 11,734,392</u>
Reconciliation of operating income (loss) to net cash provided by operating activities,			
Operating income (loss)	<u>\$ (163,862)</u>	<u>\$ -</u>	<u>\$ (163,862)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	465,356	-	465,356
Miscellaneous nonoperating income	-	3,030	3,030
Sales tax and miscellaneous nonoperating revenues	740,733	-	740,733
Refund of sales tax	-	-	-
Changes in assets and liabilities:			
Receivables, net	128,059	330	128,389
Inventories	3,732	-	3,732
Prepaid items	(35,028)	-	(35,028)
Accounts payable and accrued liabilities	(95,659)	-	(95,659)
Deferred revenue	23,230	-	23,230
Meter deposits	<u>16,268</u>	<u>-</u>	<u>16,268</u>
Total adjustments	<u>1,246,691</u>	<u>3,360</u>	<u>1,250,051</u>
Net cash provided by operating activities	<u>\$ 1,082,829</u>	<u>\$ 3,360</u>	<u>\$ 1,086,189</u>

See accompanying notes.

(THIS PAGE LEFT INTENTIONALLY BLANK)

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.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. 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.

E. 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, 2010, 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):

- F. 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.
- G. 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, 2010. 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.
- H. 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.
- I. 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.
- J. 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.
- K. 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.
- L. 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):

L. 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.

- M. 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.
- N. 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.
- O. 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.
- P. 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

2. DEPOSITS AND INVESTMENTS:

At December 31, 2010, the carrying amount of the City's cash on hand, demand deposits and certificates of deposit in financial institutions was \$1,385, \$3,480,495, and \$1,550,850, 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, 2010, the City's investments consisted of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Investment Rating</u>
Money Market	\$ 1,781,196	\$ 1,781,196	NA
SRF Reserve	<u>8,234,835</u>	<u>8,234,835</u>	NA
	<u>\$ 10,016,031</u>	<u>\$ 10,016,031</u>	

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, 2010, the City had the following investments and maturities:

	Value	Investment maturities (in years)		
		Less than one	1-5	> 5
Investment type:				
Money Market	\$ 1,781,196	\$ 1,781,196	\$ -	\$ -
SRF Reserve	8,234,835	-	-	8,234,835
	<u>\$ 10,016,031</u>	<u>\$ 1,781,196</u>	<u>\$ -</u>	<u>\$ 8,234,835</u>

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, 2010, the carrying value of deposits and investments are summarized as follows:

Investments:	
Money markets	\$ 1,781,196
SRF reserve	<u>8,234,835</u>
 Total investments	 <u>10,016,031</u>
 Certificates of deposit	 1,550,850
Cash on hand	1,385
Deposits	<u>3,480,495</u>
	 <u>5,032,730</u>
 Total	 <u>\$ 15,048,761</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	\$ 4,903,582
Restricted cash	<u>10,145,179</u>
Total	<u>\$ 15,048,761</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 \$120,000 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, 2010, consisted of the following:

	<u>Restated Balance 12/31/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2010</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ 180,239	\$ -	\$ 180,239
Construction in progress	<u>2,760,052</u>	<u>-</u>	<u>2,728,241</u>	<u>31,811</u>
Total capital assets not being depreciated	<u>2,760,052</u>	<u>180,239</u>	<u>2,728,241</u>	<u>212,050</u>
Capital assets being depreciated:				
Buildings	8,836,723	2,900,308	50,000	11,687,031
Equipment and vehicles	3,114,852	45,630	18,042	3,142,440
Software	224,389	-	-	224,389
Infrastructure	<u>1,541,333</u>	<u>295,762</u>	<u>-</u>	<u>1,837,095</u>
Total capital assets being depreciated	<u>13,717,297</u>	<u>3,241,700</u>	<u>68,042</u>	<u>16,890,955</u>
Less accumulated depreciation:				
Buildings	2,442,898	240,372	10,625	2,672,645
Equipment	2,057,617	176,513	18,042	2,216,088
Software	110,478	65,508	-	175,986
Infrastructure	<u>67,172</u>	<u>57,496</u>	<u>-</u>	<u>124,668</u>
Total accumulated depreciation	<u>4,678,165</u>	<u>539,889</u>	<u>28,667</u>	<u>5,189,387</u>
Total capital assets being depreciated, net	<u>9,039,132</u>	<u>2,701,811</u>	<u>39,375</u>	<u>11,701,568</u>
Governmental activities capital assets, net	<u>\$11,799,184</u>	<u>\$ 2,882,050</u>	<u>\$ 2,767,616</u>	<u>\$11,913,618</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS (Continued):

A. Capital asset activity for the year ended December 31, 2010, consisted of the following (Continued):

	Restated Balance <u>12/31/2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/2010</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 89,783	\$ -	\$ -	\$ 89,783
Construction in progress	<u>9,383,473</u>	-	<u>9,383,473</u>	-
Total capital assets not being depreciated	<u>9,473,256</u>	-	<u>9,383,473</u>	<u>89,783</u>
Capital assets being depreciated:				
Buildings	122,652	-	-	122,652
Equipment and vehicles	2,263,151	-	-	2,263,151
Plant, structure & lines	<u>17,311,584</u>	<u>12,025,861</u>	-	<u>29,337,445</u>
Total capital assets being depreciated	<u>19,697,387</u>	<u>12,025,861</u>	-	<u>31,723,248</u>
Less accumulated depreciation:				
Water and sewer	<u>9,178,212</u>	<u>468,135</u>	-	<u>9,646,347</u>
Total accumulated depreciation	<u>9,178,212</u>	<u>468,135</u>	-	<u>9,646,347</u>
Total capital assets being depreciated, net	<u>10,519,175</u>	<u>11,557,726</u>	-	<u>22,076,901</u>
Business-type activities capital assets, net	<u>\$19,992,431</u>	<u>\$11,557,726</u>	<u>\$ 9,383,473</u>	<u>\$22,166,684</u>

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

Government activities:	
General government	\$ 212,949
Culture and recreation	134,023
Airport	81,328
Street	<u>111,589</u>
Total depreciation expense, governmental	<u>\$ 539,889</u>
Business-type activities,	
Water and sewer	<u>\$ 468,135</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 7.5% (general), 8.3% (police), and 8% (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	\$ 320,618
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	320,618
Actual contributions	254,571
Increase (decrease) in NPO	66,047
NPO beginning of year	-
NPO end of year	\$ 66,047

The annual required contribution (ARC) was determined as part of the February 28, 2009 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% 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 the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table for males projected to 2000 set back 1 year for men and 7 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 29, 2008 was 15 years for the General division, 15 years for the Police division and 15 years for the Fire division. 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.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$ 252,606	100%	\$ -
6/30/09	\$ 242,446	100%	\$ -
6/30/10	\$ 320,618	79%	\$ 66,047

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, 2010, consisted of the following:

	<u>Balance January 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2010</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 75,375	\$ -	\$ 3,376	\$ 71,999	\$ 3,598
Certificates of participation	2,550,000	-	395,000	2,155,000	405,000
Notes payable	191,745	-	23,666	168,079	24,314
Capital leases	<u>273,842</u>	<u>-</u>	<u>100,699</u>	<u>173,143</u>	<u>102,280</u>
	<u>3,090,962</u>	<u>-</u>	<u>522,741</u>	<u>2,568,221</u>	<u>535,192</u>
Other liabilities, Compensated absences	<u>193,699</u>	<u>-</u>	<u>98,930</u>	<u>94,769</u>	<u>10,319</u>
	<u>\$ 3,284,661</u>	<u>\$ -</u>	<u>\$ 621,671</u>	<u>\$ 2,662,990</u>	<u>\$ 545,511</u>

Business-Type Activities

	<u>Restated Balance January 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2010</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$ 12,000,000	\$ -	\$ 500,000	\$ 11,500,000	\$ 500,000
SRF Loan	8,589,335	-	354,500	8,234,835	-
Capital lease	<u>52,234</u>	<u>-</u>	<u>20,096</u>	<u>32,138</u>	<u>21,261</u>
	<u>20,641,569</u>	<u>-</u>	<u>874,596</u>	<u>19,766,973</u>	<u>521,261</u>
Other liabilities, Compensated absences	<u>38,361</u>	<u>-</u>	<u>-</u>	<u>38,361</u>	<u>4,650</u>
	<u>\$ 20,679,930</u>	<u>\$ -</u>	<u>\$ 874,596</u>	<u>\$ 19,805,334</u>	<u>\$ 525,911</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, 2010, 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%	71,999
---	--------

\$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%	2,155,000
--	-----------

\$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>168,079</u>
---	----------------

Total governmental funds	<u><u>2,395,078</u></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%	11,500,000
---	------------

State Revolving Fund loan	<u>8,234,835</u>
---------------------------	------------------

Total proprietary fund	<u><u>19,734,835</u></u>
------------------------	--------------------------

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:

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>NID Bonds</u>
2011	\$ 3,598	\$ 2,844	\$ 6,442
2012	3,740	2,702	6,442
2013	3,888	2,554	6,442
2014	4,041	2,401	6,442
2015	4,201	2,241	6,442
2016-2020	23,630	8,580	32,210
2021-2025	28,901	3,530	32,431
	<u>\$ 71,999</u>	<u>\$ 24,852</u>	<u>\$ 96,851</u>

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Certificates of Participation</u>
2011	\$ 405,000	\$ 66,947	\$ 471,947
2012	415,000	54,634	469,634
2013	430,000	40,580	470,580
2014	445,000	25,260	470,260
2015	460,000	8,625	468,625
	<u>\$ 2,155,000</u>	<u>\$ 196,046</u>	<u>\$ 2,351,046</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>
2011	\$ 24,314	\$ 4,251	\$ 28,565
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
2016-2017	<u>39,632</u>	<u>807</u>	<u>40,439</u>
	<u>\$ 168,079</u>	<u>\$ 15,200</u>	<u>\$ 183,279</u>

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Sales Tax Revenue Bonds</u>
2011	\$ 500,000	\$ 498,526	\$ 998,526
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
2016-2020	2,870,000	1,711,058	4,581,058
2021-2025	3,180,000	1,047,784	<u>4,227,784</u>
2026-2029	<u>2,815,000</u>	<u>268,134</u>	<u>3,083,134</u>
	<u>\$ 11,500,000</u>	<u>\$ 5,300,506</u>	<u>\$ 16,800,506</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 at a rate of \$38,419 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, 2010, 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, 2010.

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>		
Freightliner	\$	305,000
Financial software		140,000
Street sweeper		<u>160,280</u>
Total assets acquired	\$	<u><u>605,280</u></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, 2010, are as follows:

<u>Years Ending March 31,</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
2011	\$ 109,907	\$ 22,163
2012	40,263	11,081
2013	<u>34,554</u>	<u>-</u>
	184,724	33,244
Less: amount representing interest	<u>11,581</u>	<u>1,106</u>
Present value of future minimum lease payments	<u><u>\$ 173,143</u></u>	<u><u>\$ 32,138</u></u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

8. RESTRICTED CASH:

Restricted cash and investments at December 31, 2010, consisted of the following:

<u>Account</u>	<u>General Fund</u>	<u>Water & Sewer Fund</u>	<u>Total</u>
NAEDC	\$ 567	\$ -	\$ 567
Revolving fund	60,956	-	60,956
Municipal court	8,168	-	8,168
Telecommunity development	19,591	-	19,591
Missouri Highway Corridor	133	-	133
Payroll clearing and flex benefits	39,734	-	39,734
Reserve for debt service	<u>-</u>	<u>10,016,030</u>	<u>10,016,030</u>
	<u>\$ 129,149</u>	<u>\$ 10,016,030</u>	<u>\$ 10,145,179</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

9. LEGAL MATTERS:

The only legal issue that the City was involved in was the labor negotiation with the Firefighters Union. The Human Resource Manager has informed us that this was a one time event due to the fact that this was the first contract entered into by the parties and that subsequent contract extensions will be handled internally.

10. TAX REVENUES:

The tax revenue, including interest and penalties collected thereon, for the year ended December 31, 2010, is as follows:

<u>Type</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>
Property	\$ 700,263	\$ 201,601	\$ -
Railroad	24,793	-	-
Franchise	1,618,637	-	-
Cigarette	-	72,966	-
City Sales	1,420,812	-	-
Park Sales	-	-	705,254
Transportation Sales	-	717,678	-
Occupancy	-	70,480	-
Other	-	2,500	-
	<u>\$ 3,764,505</u>	<u>\$ 1,065,225</u>	<u>\$ 705,254</u>

The assessed valuation of the tangible property for the purpose of local taxation as of May 31, 2009, was as follows:

Real estate	\$ 67,173,795
Personal property	<u>21,019,981</u>
	<u>\$ 88,193,776</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 2009 was as follows:

General Fund	\$	0.67
Debt Service Funds		<u>0.20</u>
	\$	<u>0.87</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, 2010, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 518,791	\$ 510,050
Special Revenue Funds:		
Special Projects	22,120	-
Park	-	315,626
NID-Ashland Estates	90,000	75,261
Airport	-	150,024
Proprietary Fund,		
Water and sewer	<u>420,050</u>	<u>-</u>
	<u>\$ 1,050,961</u>	<u>\$ 1,050,961</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

11. INTERFUND TRANSACTIONS (Continued):

Transfers during the year ended December 31, 2010, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 82,170	\$ 375,847
Special Revenue Funds:		
Special Projects	-	18,000
Parks	515,389	-
Airport	52,304	-
NAEDC	-	80,856
Capital Projects Funds,		
Parks construction	<u>-</u>	<u>175,160</u>
	<u>\$ 649,863</u>	<u>\$ 649,863</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, 2010, consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
State:		
Department of Transportation		
Taxi	\$ 65,223	\$ -
Airport	-	69,016
Department of Public Safety:		
Police Grant	18,593	-
Department of Revenue:		
Motor Vehicle Fuel Tax	-	329,300
Motor Vehicle Fees	-	26,435
Department of Homeland Security:		
Fire	2,000	-
Other State Grants	<u>23,354</u>	<u>-</u>
	<u>\$ 109,170</u>	<u>\$ 424,751</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 Mid-America Regional Council Insurance Trust (MARCIT), a not-for-profit corporation consisting of governmental entities incorporated in 1984 to acquire insurance for its members. MARCIT 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. MARCIT 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.

MARCIT manages the cash and investment pool, funded by insurance premiums, on behalf of its members. MARCIT'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 MARCIT for which the City was a participant at any time during such year; and in the event that MARCIT determines that an assessment is required in order to provide additional funds for the obligations of MARCIT 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 MARCIT at the time of such assessment. Management of the City is not aware of any deficit situation in MARCIT which would require an accrual of a liability as of December 31, 2010.

MARCIT'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, 2010, in violation of Missouri state statutes and the City's budgetary process, the City had a fund balance deficit in the following funds:

Special Revenue Funds:

Park	\$	334,746
Airport		<u>150,585</u>
	\$	<u><u>485,331</u></u>

For the year ended December 31, 2010, in violation of Missouri state statutes and the City's budgetary process, the City had budgeted a deficit without adequate fund balance in the following funds:

Special Revenue Funds:

Airport	\$	42,454
Park		<u>840</u>
	\$	<u><u>43,294</u></u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

17. COMMITMENTS:

The City had approximately \$825,000 of construction commitments at December 31, 2010.

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	\$ 22,166,684
Total debt	(19,766,973)
Unspent bond proceeds	<u>824,967</u>
Invested in capital assets, net of related debt	<u>\$ 3,224,678</u>

19. PLEDGED REVENUES:

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay a debt issues totaling \$11,500,000. 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 \$16,800,506. Principal and interest paid for the current year is \$600,976.

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, 2010, is \$1,119,400.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

21. 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, 2010.

	<u>Fund Balances - General Fund</u>	<u>Fund Balances - Street Fund</u>	<u>Fund Balances - Parks Fund</u>	<u>Fund Balances- Airport Fund</u>
Net assets and fund balances as originally reported December 31, 2009	\$ 660,669	\$ 847,554	\$ (297,516)	\$ (186,023)
Addition of cash accounts	18,598	-	-	-
Adjustment of old balances	457	-	(80)	-
Accounts payable	-	-	-	(26,503)
Sales tax payable	(82)	(269)	(13,845)	-
Franchise tax receivable	519,068	-	-	-
Accrued salaries	(120,394)	(9,383)	(16,692)	-
Fire escrow deposits	(43,220)	-	-	-
Inventory payable	<u>-</u>	<u>5,301</u>	<u>-</u>	<u>-</u>
Net assets and fund balances as restated December 31, 2009	<u>\$ 1,035,096</u>	<u>\$ 843,203</u>	<u>\$ (328,133)</u>	<u>\$ (212,526)</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

21. PRIOR PERIOD ADJUSTMENT (Continued):

	<u>Fund Balances - Tourism Fund</u>	<u>Fund Balances - NID-Ashland Estates Sewer Fund</u>	<u>Fund Balances - Water and Sewer Fund</u>	<u>Fund Balances- Landfill Fund</u>
Net assets and fund balances as originally reported December 31, 2009	\$ 34,907	\$ 16,899	\$ 13,608,238	\$ (1,112,168)
Accounts receivable	-	-	48,870	(751)
SRF accounts	-	-	(135,895)	-
Primacy and sewer fees payable	-	-	4,915	-
Sales taxes	-	-	51,152	-
Meter deposits	-	-	(36,508)	-
Capital lease payable	-	-	(52,234)	-
Occupancy tax	3,850	-	-	-
Unbilled revenues	-	-	282,656	-
SRF loan payable	-	-	(8,589,335)	-
SRF reserve account	-	-	8,589,335	-
Adjustment of old balances	-	-	6,673	-
Sales tax payable	-	-	(33,283)	-
Taxes receivable	-	-	(67,786)	-
Inventory payable	-	-	4,703	-
Accrued salaries	-	-	(53,186)	-
Pooled cash	-	-	913,129	-
Accounts payable	-	-	(535,708)	-
Special assessments	-	71,164	-	-
Net assets and fund balances as restated December 31, 2009	<u>\$ 38,757</u>	<u>\$ 88,063</u>	<u>\$ 14,005,736</u>	<u>\$ (1,112,919)</u>

CITY OF NEVADA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

21. PRIOR PERIOD ADJUSTMENT (Continued):

		Net Assets- Governmental Activities
Net assets as originally reported December 31, 2009	\$	11,966,078
Prior period adjustments made to the fund financial statements as detailed above		387,970
Bond costs		(180)
Capital assets		196,292
Long-term debt		166,173
Taxes receivable		(193,699)
Net assets and fund balances as restated December 31, 2009	\$	12,522,634

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

22. GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS:

The GASB had issued several statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the City beginning with its year ending December 31, 2011. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the City beginning with its year ending December 31, 2011. This Statement provides guidance regarding how to report derivative instruments-financial arrangements used by governments to manage specific risks or make investments-in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued February 2009, will be effective for the City beginning with its year ending December 31, 2012. This Statement provides guidance on how to provide clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the City beginning with its year ending December 31, 2012. This Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

23. EVALUATION OF SUBSEQUENT EVENTS:

The City has evaluated subsequent events through June 29, 2011, 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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)
02/29/08	\$ 7,033,542	\$ 5,942,445	\$ (1,091,097)
02/28/09	\$ 5,633,991	\$ 6,354,623	\$ 720,632
02/28/10	\$ 5,805,783	\$ 6,516,949	\$ 711,166

Actuarial Valuation Date	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percent of Covered Payroll
02/29/08	118%	\$ 3,028,593	-
02/28/09	89%	\$ 3,134,826	23%
02/28/10	89%	\$ 3,232,335	22%

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, 2006, 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 cash basis of accounting.

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 3,651,800	\$ 3,781,800	\$ 3,962,089	\$ 180,289
Licenses and permits	92,900	92,900	101,198	8,298
Intergovernmental	355,500	355,500	109,170	(246,330)
Charges for services	174,100	174,100	173,595	(505)
Fees and fines	242,000	242,000	252,648	10,648
Investment earnings	9,000	9,000	1,256	(7,744)
Other	62,200	66,800	3,117	(63,683)
	<u>4,587,500</u>	<u>4,722,100</u>	<u>4,603,073</u>	<u>(119,027)</u>
Accrual adjustments	-	-	(154,364)	(154,364)
	<u>4,587,500</u>	<u>4,722,100</u>	<u>4,448,709</u>	<u>(273,391)</u>
EXPENDITURES:				
General government	678,901	688,635	696,198	(7,563)
Municipal court	124,893	124,893	115,142	9,751
Public transportation	225,290	225,290	203,364	21,926
Public safety	2,306,632	2,314,332	2,248,028	66,304
Emergency management	8,200	8,200	7,152	1,048
Animal control	100,734	101,734	88,127	13,607
Emergency services	180,914	180,914	163,903	17,011
Recycling	168,370	168,370	168,740	(370)
Capital outlay	408,132	417,432	350,224	67,208
Debt service:				
Principal	69,000	69,000	61,000	8,000
Interest and other charges	-	-	5,868	(5,868)
	<u>4,271,066</u>	<u>4,298,800</u>	<u>4,107,746</u>	<u>191,054</u>
Accrual adjustments	-	-	19,857	(19,857)
	<u>4,271,066</u>	<u>4,298,800</u>	<u>4,127,603</u>	<u>171,197</u>
Excess (deficiency) of revenues over expenditures	<u>316,434</u>	<u>423,300</u>	<u>321,106</u>	<u>(444,588)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt	36,500	36,500	-	36,500
Transfers in	-	-	82,170	82,170
Transfers out	(401,829)	(401,829)	(375,847)	25,982
Total other financing sources and uses	<u>(365,329)</u>	<u>(365,329)</u>	<u>(293,677)</u>	<u>144,852</u>
Net change in fund balances	<u>(48,895)</u>	<u>57,971</u>	<u>27,429</u>	<u>(30,542)</u>
Fund balances - beginning	<u>1,035,096</u>	<u>1,035,096</u>	<u>1,035,096</u>	<u>-</u>
Fund balances - ending	<u>\$ 986,201</u>	<u>\$ 1,093,067</u>	<u>\$ 1,062,525</u>	<u>\$ (30,542)</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
STREET
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 727,500	\$ 727,500	\$ 712,760	\$ (14,740)
Intergovernmental	346,000	346,000	355,735	9,735
Investment earnings	1,500	1,500	472	(1,028)
Miscellaneous	<u>9,000</u>	<u>9,000</u>	<u>8,050</u>	<u>(950)</u>
	1,084,000	1,084,000	1,077,017	(6,983)
Accrual adjustments	<u>-</u>	<u>-</u>	<u>7,426</u>	<u>7,426</u>
	<u>1,084,000</u>	<u>1,084,000</u>	<u>1,084,443</u>	<u>443</u>
EXPENDITURES:				
Street	477,989	477,989	585,477	(107,488)
Capital outlay	672,500	836,500	525,907	310,593
Debt Service:				
Principal	59,055	59,055	39,699	19,356
Interest and other charges	<u>-</u>	<u>-</u>	<u>6,305</u>	<u>(6,305)</u>
	1,209,544	1,373,544	1,157,388	216,156
Accrual adjustments	<u>-</u>	<u>-</u>	<u>20,817</u>	<u>(20,817)</u>
	<u>1,209,544</u>	<u>1,373,544</u>	<u>1,178,205</u>	<u>195,339</u>
Net change in fund balances	(125,544)	(289,544)	(93,762)	195,782
Fund balances - beginning	<u>843,203</u>	<u>843,203</u>	<u>843,203</u>	<u>-</u>
Fund balances - ending	<u>\$ 717,659</u>	<u>\$ 553,659</u>	<u>\$ 749,441</u>	<u>\$ 195,782</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
PARKS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 100,000	\$ 100,000	\$ 99,966	\$ (34)
Charges for services	325,350	325,350	309,644	(15,706)
Investment earnings	30	30	-	(30)
Miscellaneous	8,200	8,200	8,742	542
	433,580	433,580	418,352	(15,228)
Accrual adjustments	-	-	(10)	(10)
	<u>433,580</u>	<u>433,580</u>	<u>418,342</u>	<u>(15,238)</u>
EXPENDITURES:				
Culture and recreation	916,809	916,809	920,555	(3,746)
Capital outlay	32,000	33,000	14,422	18,578
	948,809	949,809	934,977	14,832
Accrual adjustments	-	-	5,367	(5,367)
	<u>948,809</u>	<u>949,809</u>	<u>940,344</u>	<u>9,465</u>
Deficiency of revenues over expenditures	<u>(515,229)</u>	<u>(516,229)</u>	<u>(522,002)</u>	<u>(5,773)</u>
OTHER FINANCING SOURCES,				
Transfers in	<u>515,229</u>	<u>515,389</u>	<u>515,389</u>	<u>-</u>
Net change in fund balances	-	(840)	(6,613)	(5,773)
Fund balances (deficit) - beginning	<u>(328,133)</u>	<u>(328,133)</u>	<u>(328,133)</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ (328,133)</u>	<u>\$ (328,973)</u>	<u>\$ (334,746)</u>	<u>\$ (5,773)</u>

(THIS PAGE LEFT INTENTIONALLY BLANK)

CITY OF NEVADA, MISSOURI
BALANCE SHEET --
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Special Projects	Library	Airport	NAEDC	Tourism	NID-Ashland Estates Sewer	Total Governmental Funds
ASSETS:							
Cash and investments	\$ 845,213	-	-	-	\$ 80,762	-	\$ 925,975
Taxes receivable, net	-	27,957	-	-	4,630	-	32,587
Due from other funds	22,120	-	-	-	-	90,000	112,120
Special assessments receivable	-	-	-	-	-	66,756	66,756
Other receivables	-	-	550	-	-	-	550
Total assets	\$ 867,333	\$ 27,957	\$ 550	\$ -	\$ 85,392	\$ 156,756	\$ 1,137,988
LIABILITIES AND FUND BALANCES:							
Accounts payable	-	-	1,111	-	-	-	2,230
Due to other funds	-	-	150,024	-	-	75,261	225,285
Deferred revenue	-	27,957	-	-	-	-	27,957
Total liabilities	\$ -	\$ 27,957	\$ 151,135	\$ -	\$ 1,119	\$ 75,261	\$ 255,472
Fund balances, Undesignated, reported as, Special revenue	867,333	-	(150,585)	-	84,273	81,495	882,516
Total fund balances (deficit)	867,333	-	(150,585)	-	84,273	81,495	882,516
Total liabilities and fund balances	\$ 867,333	\$ 27,957	\$ 550	\$ -	\$ 85,392	\$ 156,756	\$ 1,137,988

CITY OF NEVADA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Projects	Library	Airport	NAEDC	Tourism	NID-Ashtland Estates Sewer	Total-Other Governmental Funds
REVENUES:							
Taxes	\$ -	\$ 174,601	\$ -	\$ -	\$ 70,480	\$ -	\$ 245,081
Intergovernmental	-	-	69,016	-	-	-	69,016
Charges for services	-	-	13,814	-	-	-	13,814
Investment earnings	22,101	-	-	763	30	-	22,894
Miscellaneous	-	-	67	-	-	-	67
Total revenues	<u>22,101</u>	<u>174,601</u>	<u>82,897</u>	<u>763</u>	<u>70,510</u>	<u>-</u>	<u>350,872</u>
EXPENDITURES:							
Culture and recreation	-	174,601	14,238	-	24,994	-	213,833
Capital outlay	-	-	30,458	-	-	-	30,458
Debt service:							
Principal	-	-	23,666	-	-	3,378	27,042
Interest and fiscal charges	-	-	4,898	-	-	3,192	8,090
Total expenditures	<u>-</u>	<u>174,601</u>	<u>73,260</u>	<u>-</u>	<u>24,994</u>	<u>6,568</u>	<u>278,423</u>
Excess (deficiency) of revenues over expenditures	<u>22,101</u>	<u>-</u>	<u>9,637</u>	<u>763</u>	<u>45,516</u>	<u>(6,568)</u>	<u>71,449</u>
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	52,304	-	-	-	52,304
Transfers out	(18,000)	-	-	(80,856)	-	-	(98,856)
Total other financing sources and uses	<u>(18,000)</u>	<u>-</u>	<u>52,304</u>	<u>(80,856)</u>	<u>-</u>	<u>-</u>	<u>(46,552)</u>
Net change in fund balances	<u>4,101</u>	<u>-</u>	<u>61,941</u>	<u>(80,093)</u>	<u>45,516</u>	<u>(6,568)</u>	<u>24,897</u>
Fund balances (deficit) - beginning, as restated	<u>863,232</u>	<u>-</u>	<u>(212,526)</u>	<u>80,093</u>	<u>38,757</u>	<u>88,063</u>	<u>857,619</u>
Fund balances (deficit) - ending	<u>\$ 867,333</u>	<u>\$ -</u>	<u>\$ (150,585)</u>	<u>\$ -</u>	<u>\$ 84,273</u>	<u>\$ 81,495</u>	<u>\$ 882,516</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
PARKS CONSTRUCTION
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts,</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 725,000	\$ 725,000	\$ 710,260	\$ (14,740)
Investment earnings	1,000	1,000	507	(493)
Miscellaneous	-	-	9,933	9,933
	<u>726,000</u>	<u>726,000</u>	<u>720,700</u>	<u>(5,300)</u>
Accrual adjustments	-	-	(5,006)	(5,006)
	<u>726,000</u>	<u>726,000</u>	<u>715,694</u>	<u>(10,306)</u>
EXPENDITURES:				
Capital outlay	1,035,349	1,035,349	628,451	406,898
Debt service:				
Principal	395,000	395,000	395,000	-
Interest and other charges	76,959	78,159	78,159	-
	<u>1,507,308</u>	<u>1,508,508</u>	<u>1,101,610</u>	<u>406,898</u>
Excess (deficiency) of revenues over expenditures	<u>(781,308)</u>	<u>(782,508)</u>	<u>(385,916)</u>	<u>396,592</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	(956,468)	(957,668)	(561,076)	396,592
Fund balances - beginning	<u>1,556,755</u>	<u>1,556,755</u>	<u>1,556,755</u>	<u>-</u>
Fund balances - ending	<u>\$ 600,287</u>	<u>\$ 599,087</u>	<u>\$ 995,679</u>	<u>\$ 396,592</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
SPECIAL PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 34,000	\$ 34,000	\$ 22,101	\$ (11,899)
OTHER FINANCING USES,				
Transfers out	(18,000)	(18,000)	(18,000)	-
Net change in fund balances	16,000	16,000	4,101	(11,899)
Fund balances - beginning	<u>863,232</u>	<u>863,232</u>	<u>863,232</u>	-
Fund balances - ending	<u>\$ 879,232</u>	<u>\$ 879,232</u>	<u>\$ 867,333</u>	<u>\$ (11,899)</u>

**CITY OF NEVADA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE --
 LIBRARY
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 166,500	\$ 174,601	\$ 174,601	\$ -
EXPENDITURES,				
Culture and recreation	166,500	174,601	174,601	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
AIRPORT
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 844,406	\$ 844,406	\$ 69,016	\$ (775,390)
Charges for services	10,500	10,500	13,814	3,314
Miscellaneous	<u>200</u>	<u>200</u>	<u>67</u>	<u>(133)</u>
	<u>855,106</u>	<u>855,106</u>	<u>82,897</u>	<u>(772,209)</u>
EXPENDITURES:				
Culture and recreation	25,345	25,345	14,238	11,107
Capital outlay	923,250	923,250	30,458	892,792
Debt service:				
Principal	28,565	28,565	23,666	4,899
Interest and other charges	<u>-</u>	<u>-</u>	<u>4,898</u>	<u>(4,898)</u>
	<u>977,160</u>	<u>977,160</u>	<u>73,260</u>	<u>903,900</u>
Excess (deficiency) of revenues over expenditures	<u>(122,054)</u>	<u>(122,054)</u>	<u>9,637</u>	<u>131,691</u>
OTHER FINANCING SOURCES,				
Transfers in	<u>79,600</u>	<u>79,600</u>	<u>52,304</u>	<u>27,296</u>
Net change in fund balances	(42,454)	(42,454)	61,941	104,395
Fund balances (deficit) - beginning	<u>(212,526)</u>	<u>(212,526)</u>	<u>(212,526)</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ (254,980)</u>	<u>\$ (254,980)</u>	<u>\$ (150,585)</u>	<u>\$ 104,395</u>

**CITY OF NEVADA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE --
 NAEDC
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ -	\$ -	\$ 763	\$ 763
 OTHER FINANCING SOURCES,				
Transfers out	-	-	(80,856)	80,856
Net change in fund balances	-	-	(80,093)	(80,093)
Fund balances - beginning	80,093	80,093	80,093	-
Fund balances - ending	\$ 80,093	\$ 80,093	\$ -	\$ (80,093)

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
TOURISM
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 66,500	\$ 66,500	\$ 69,700	\$ 3,200
Investment earnings	<u>100</u>	<u>100</u>	<u>30</u>	<u>(70)</u>
	66,600	66,600	69,730	3,130
Accrual adjustments	<u>-</u>	<u>-</u>	<u>780</u>	<u>780</u>
	<u>66,600</u>	<u>66,600</u>	<u>70,510</u>	<u>3,910</u>
EXPENDITURES,				
Culture and recreation	<u>68,500</u>	<u>68,500</u>	<u>24,994</u>	<u>43,506</u>
Net change in fund balances	(1,900)	(1,900)	45,516	47,416
Fund balances - beginning	<u>38,757</u>	<u>38,757</u>	<u>38,757</u>	<u>-</u>
Fund balances - ending	<u>\$ 36,857</u>	<u>\$ 36,857</u>	<u>\$ 84,273</u>	<u>\$ 47,416</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
NID-ASHLAND ESTATES SEWER
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 4,000	\$ 4,408	\$ 408
	4,000	4,000	4,408	408
Accrual adjustments	-	-	(4,408)	(4,408)
	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
EXPENDITURES,				
Debt service:				
Principal	6,418	6,569	3,376	3,193
Interest and other charges	-	-	3,192	(3,192)
	<u>6,418</u>	<u>6,569</u>	<u>6,568</u>	<u>1</u>
Net change in fund balances	(2,418)	(2,569)	(6,568)	(3,999)
Fund balances - beginning	<u>88,063</u>	<u>88,063</u>	<u>88,063</u>	<u>-</u>
Fund balances - ending	<u>\$ 85,645</u>	<u>\$ 85,494</u>	<u>\$ 81,495</u>	<u>\$ (3,999)</u>

(THIS PAGE LEFT INTENTIONALLY BLANK)

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, 2010, which collectively comprise the City of Nevada, Missouri's basic financial statements and have issued our report thereon dated June 29, 2011. 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

In planning and performing our audit, we considered 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 consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2010-1, 2010-2, 2010-3, 2010-4, 2010-5, 2010-6, 2010-7). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

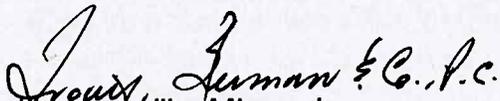
Compliance and Other Matters

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items (2010-1, 2010-2, 2010-3, 2010-4, 2010-5, 2010-6, and 2010-7).

We noted certain matters that we reported to management of City of Nevada, Missouri in a separate letter dated June 29, 2011.

City of Nevada, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Nevada, Missouri's response and, accordingly, we express no opinion on it.

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.


Louis J. Juman & Co., P.C.
Harrisonville, Missouri
June 29, 2011

**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, 2010. 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, 2010.

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.

City of Nevada, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Nevada, Missouri's responses and, accordingly, we express no opinion on the responses.

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.


Loud, Luman & Co., P.C.
Harrisonville, Missouri
June 29, 2011

CITY OF NEVADA, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Cumulative Loan Guarantee</u>	<u>Current Revenues</u>	<u>Current Expenditures</u>
Environmental Protection Agency, Missouri Department of Natural Resources Capitalization Grants for State Revolving Funds (1)	66.468	\$8,234,835	\$2,455,695	\$2,455,695

(1) Federal award is based upon a federal loan guarantee.
The Authority 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, 2010**

BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tri-County Water Authority 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, 2010

Summary of Audit Results

1. The Independent Auditors' Report expresses an unqualified opinion on the financial statements of the Authority.
2. Seven significant deficiencies disclosed during the audit of the financial statements is reported in the Independent Auditors' 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 and are not considered material weaknesses.
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. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
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 Revolving Funds	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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010**

Findings-Financial Statement Audit

Significant Deficiencies

2010-1 Financial Statement Preparation:

Condition: The City does not have sufficient, capable, expertise to prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles.

Criteria: As part of the inclusive audit fee, the City engaged us to prepare the financial statements and related disclosures in accordance with generally accepted accounting principles and the Government Accounting Standards Board. As the auditors, we cannot be considered part of the City's internal control thus the City must accept final responsibility for these statements.

Effect: The results of our tests revealed no questioned costs.

Cause: The City is comfortable with allowing the auditors to prepare the financial statements and then taking responsibility for those statements.

Recommendation: We recommend that the City modify their quality control procedures to enable it to produce financial statements and related footnote disclosures in accordance with generally accepted accounting principles.

Views of Responsible Officials and Planned Corrective Actions: The City will accept responsibility for the financial statements drafted by the auditor.

CITY OF NEVADA, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010**

2010-2 Bank Accounts:

Condition: The City had numerous bank accounts that were not being tracked on the City's general ledger.

Criteria: The City is required to maintain complete records on its general ledger of all bank accounts in the City's name.

Effect: The results of our tests revealed no questioned costs.

Cause: The City did not utilize these funds often nor were they reconciled and posted to the general ledger.

Recommendation: We recommend that the City Treasurer begin recording and reconciling these accounts in the City's general ledger system.

Views of Responsible Officials and Planned Corrective Actions: The City will begin recording and reconciling these accounts in the general ledger.

CITY OF NEVADA, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010**

2010-3 Segregation of Duties:

Condition: Due to the limited number of people working for the City, many of the critical duties are combined and assigned to the available employees. Presently, the Accounts Payable Clerk, Accounts Receivable Clerk, and the Utility Billing Clerk are authorized check signers on the bank account. In addition, the employee responsible for preparing checks is also responsible for the mailing of those checks.

Criteria: The City should maintain adequate segregation of duties of the accounting functions so that no one person has access to the physical assets and related accounting records, or to all phases of a transaction.

Effect: The results of our tests revealed no questioned costs.

Cause: The City implemented these policies in an attempt to correct some previous segregation of duties concerns. However, the structure could be refined further.

Recommendation: We recommend that the individuals who are involved in the cash and accounting functions of the City not also be authorized check signers.

Views of Responsible Officials and Planned Corrective Actions: The City has re-evaluated its job descriptions to comply with this finding.

CITY OF NEVADA, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010**

2010-4 Accounts Payable:

Condition: The invoices supporting check payments to vendors are not given to or reviewed by those individuals who sign checks.

Criteria: The individuals who sign checks should have proper supporting documentation for each check.

Effect: The results of our tests revealed no questioned costs.

Cause: The City was unaware that these signers should be viewing this type of documentation.

Recommendation: We recommend that the check signers ensure that all invoices are properly approved and have supporting documentation before signatures are applied to checks.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with this finding and will start providing supporting documentation with each check provided for signature.

CITY OF NEVADA, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010**

2010-5 Pooled Cash Reconciliation:

Condition: The Pooled Cash bank reconciliation was not reconciled to the general ledger.

Criteria: All bank accounts should be reconciled to the general ledger on a monthly basis.

Effect: The results of our tests revealed no questioned costs.

Cause: The City does not have its software setup to perform reconciliations within its system. Furthermore, the City's staff has not been trained on performing reconciliations as this account had not reconciled since December 31, 2009.

Recommendation: We recommend that the City start utilizing the bank reconciliation module of its accounting system. This may entail additional training and/or consulting as it appears from the conversion that no bank reconciliations have ever been performed in this system.

Views of Responsible Officials and Planned Corrective Actions: The City agrees that bank reconciliations should be performed through the system and will seek additional outside training and consultation to be able to reconcile these accounts on a monthly basis.

CITY OF NEVADA, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010**

2010-6 Accounts Reconciliations:

Condition: A considerable amount of asset and liability accounts were not reconciled. In fact, many liability accounts contained debit balances and some asset accounts contained credit balances. Upon further review of these accounts, it appears that these accounts have not been reconciled for several years.

Criteria: Significant general ledger accounts should be reconciled to the subsidiary ledgers on a monthly basis.

Effect: The results of our tests revealed no questioned costs.

Cause: The City has been operating without a Treasurer for approximately one year. Further, current City staff has not been trained on performing these types of reconciliations between the general ledger and the supporting documentation and subsidiary ledgers.

Recommendation: We recommend that the City start reviewing the significant balance sheet accounts each month and perform reconciliations between the general ledger and the supporting documentation. The City may need additional training and/or consultation on how to perform such reconciliations.

Views of Responsible Officials and Planned Corrective Actions: The City agrees that these types of reconciliations should be occurring and will actively pursue the training and consultation necessary to develop these skills in order to perform timely reconciliations.

CITY OF NEVADA, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010**

2010-7 Utility Accounts Receivable:

Condition: The City does not currently reconcile its utility aging reports to the general ledger.

Criteria: Utility aging reports should be reconciled to the general ledger on a monthly basis.

Effect: The results of our tests revealed no questioned costs.

Cause: The City has been operating without a Treasurer for approximately one year. Further, current City staff has not been trained on performing these types of reconciliations between the general ledger and the supporting documentation and subsidiary ledgers.

Recommendation: We recommend that the City perform monthly reconciliations and obtain outside training and consulting, where necessary, to be able to understand and perform these types of reconciliations.

Views of Responsible Officials and Planned Corrective Actions: The City agrees that these types of reconciliations should be occurring and will actively pursue the training and consultation necessary to develop these skills in order to perform timely reconciliations.

CITY OF NEVADA, MISSOURI

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

2009-1 Adequate Segregation of Duties:

Condition: The same employee sometimes performs the functions of receiving, depositing, and recording receipts in the accounting records, as well as reconciling receivable records and bank accounts to the general ledger.

Criteria: Segregation of accounting functions is a key underlying concept of good internal control. No one person should have access to the physical assets and related accounting records, or to all phases of a transaction.

Effect: Internal control is weakened when the same employee performs the functions of receiving, depositing, recording receipts in the accounting records, and reconciling receivables and bank accounts to the general ledger. Lack of segregation of duties in these areas make it possible for cash and even non-cash payments received to be misappropriated without detection on a timely basis.

Cause: The City has been operating without a Treasurer for approximately one year. Further, current City staff have to perform tasks specific to other job duties when employees are at lunch and on vacation/sick leave.

Recommendation: We recommend that the City continue efforts to organize and review job duties to maximize segregation of accounting functions.

Views of Responsible Officials and Planned Corrective Actions: The City agrees that job descriptions and functions need to be reviewed. The City is currently in the process of evaluating these positions and their responsibilities.