

CITY OF NEVADA, MISSOURI

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

CITY OF NEVADA, MISSOURI

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CITY OF NEVADA, MISSOURI

Principal Officials

MAYOR/CITY COUNCIL

Seth Barrett Mayor

Lance Christie..... Mayor Pro Tem/Council Member

Brian Leonard Council Member

Jayne Novak..... Council Member

Blake Hertzberg..... Council Member

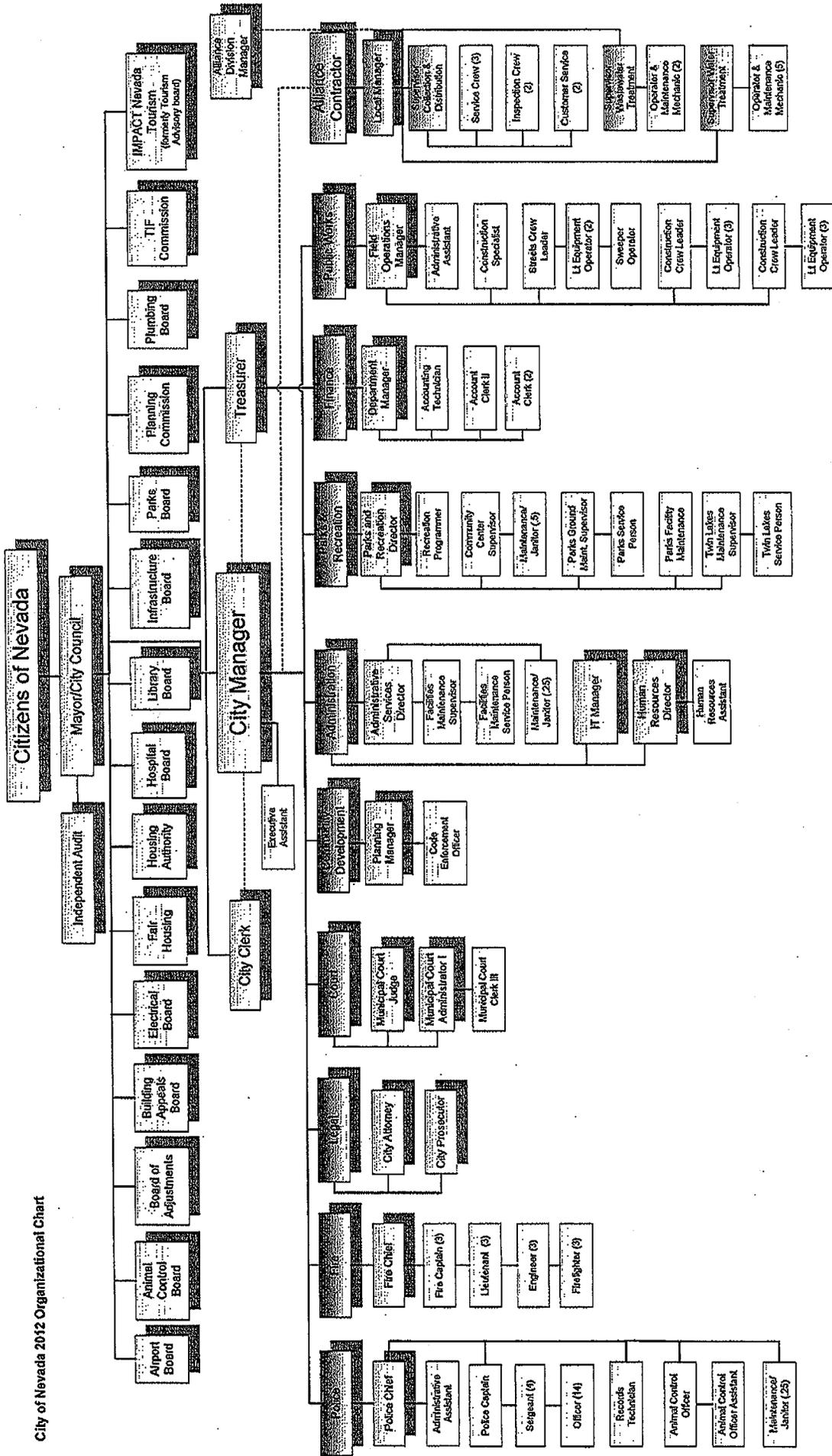
ADMINISTRATION

JD Kehrman City Manager

Kristie Modlin Finance Manager

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

City of Nevada 2012 Organizational Chart



Updated 11/28/2011



CITY OF

110 SOUTH ASH • NEVADA, MISSOURI 64772

PHONE 417-448-2700 • FAX 417-448-2707

June 21, 2013

HONORABLE MAYOR, CITY COUNCIL, AND CITY MANAGER:

The Finance Department is pleased to present this Annual Financial Report of the City of Nevada, Missouri (the City), for the fiscal year ended December 31, 2012. This report is required by Missouri State Statute (RSMo 105.145) and is submitted for your information and review.

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

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

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

The City is required to undergo an annual audit of the financial records and transactions of all departments of the City by independent certified public accountants. The City's financial statements have been audited by Troutt, Beeman & Co., PC, a Certified Public Accounting firm. The goal of independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and statement presentation. The Independent Certified Public Accountants concluded, based upon the audit, that there was a reasonable basis for issuing an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2012, are fairly presented in conformity with generally accepted accounting principles (GAAP). The Report of the Certified Public Accountants is presented in the front of the Financial Section of this report.

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

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

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

Profile of the City

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

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

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

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

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

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

Financial Information

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

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

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

Factors Affecting Financial Condition

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

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

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

UNEMPLOYMENT RATES

<u>Year</u>	<u>Nevada Area</u>	<u>Vernon County</u>	<u>Mo. Statewide</u>
2012	6.4%	5.9%	6.9%
2011	8.9%	7.2%	9.2%
2010	9.6%	7.7%	9.6%
2009	9.8%	8.0%	9.3%
2008	6.7%	5.4%	6.1%

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

Awards and Acknowledgements

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

Respectfully submitted,

Kristie Modlin
Finance Manager

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 December 31, 2012, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 performing procedures to obtain evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 15 and pages 71 through 74, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2013, 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.

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.

 *Louis J. Juman* & Co., P.C.
Harrisonville, Missouri
June 21, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The City of Nevada's Annual Financial Report provides readers with a narrative overview and analysis of the City's financial performance during the fiscal year that ended on December 31, 2012. We encourage readers to consider the information presented here in conjunction with the letter of transmittal at the front of this report, the City's basic financial statements, and notes to the financial statements, to enhance their understanding of the activities and financial health of The City of Nevada.

FINANCIAL HIGHLIGHTS

- Net position of the City increased \$1,821,728 or 6.7% during fiscal 2012 with a \$1,349,999 increase in governmental activities and a \$471,729 increase attributed to business-type activities. The increase in governmental and business-type activities resulted from land improvements and construction in progress for governmental activities and a reduction in liabilities for business-type activities.
- Unrestricted net position increased \$25,745 to \$2,047,865. Governmental Activities net position decreased by \$563,632 which was offset by an increase of \$589,377 in business-type activities.
- \$895,000 in Refunding and Improvement Certificates of Participation Bonds were issued in December of 2012. The proceeds of these bonds will be used to pay principal and interest for the 2011 Certificates of Participation Bonds and additional design and construction of a new Public Safety building.
- During fiscal 2012, the City's governmental expenses of \$9,319,580 were \$872,181 more than the \$8,447,399 generated in taxes and other revenues for governmental programs. This primarily relates to park operations. The deficit was budgeted for and was offset with transfers from various funds, primarily the General Fund.

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

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

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

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

Government-Wide Financial Analysis

Net Position. As discussed earlier, net position may serve as a useful indicator of a government's financial position. As of December 31, 2012, the City's net position was \$29,047,119. Table A provides a summary of the City's governmental and business-type net position for fiscal 2012.

Table A
Combined Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Assets						
Current and other assets						
Cash and other assets	\$ 9,002,286	\$ 9,676,694	\$ 3,350,732	\$ 2,704,390	\$ 12,353,018	\$ 12,381,084
Total capital assets	13,192,486	14,660,522	21,729,277	21,481,860	34,921,763	36,142,382
Total assets	<u>\$ 22,194,772</u>	<u>\$ 24,337,216</u>	<u>\$ 25,080,009</u>	<u>\$ 24,186,250</u>	<u>\$ 47,274,781</u>	<u>\$ 48,523,466</u>
Liabilities						
Current and other liabilities	\$ 1,251,790	\$ 1,603,832	\$ 1,164,997	\$ 1,163,790	\$ 2,416,787	\$ 2,767,622
Long-term debt outstanding	6,012,524	6,452,927	11,620,079	10,255,798	17,632,603	16,708,725
Total liabilities	<u>\$ 7,264,314</u>	<u>\$ 8,056,759</u>	<u>\$ 12,785,076</u>	<u>\$ 11,419,588</u>	<u>\$ 20,049,390</u>	<u>\$ 19,476,347</u>
Net Assets						
Net Investment in Capital Assets	\$ 10,695,915	\$ 12,504,340	\$ 11,074,310	\$ 11,274,978	\$ 21,770,225	\$ 23,779,318
Restricted:						
Capital projects & other	2,835,616	2,940,797	507,994	33,817	3,343,610	2,974,614
Debt service	75,611	75,636	13,825	169,686	89,436	245,322
Unrestricted	1,323,316	759,684	698,804	1,288,181	2,022,120	2,047,865
Total net position	<u>\$ 14,930,458</u>	<u>\$ 16,280,457</u>	<u>\$ 12,294,933</u>	<u>\$ 12,766,662</u>	<u>\$ 27,225,391</u>	<u>\$ 29,047,119</u>

Total net position for the City at December 31, 2012, were \$29,047,119 with \$12,766,662 attributed to business-type activities and \$16,280,457 attributable to governmental activities.

At the end of fiscal 2012, the City had \$23,779,318 invested in a variety of capital assets, including land, buildings, construction in progress, law enforcement equipment, heavy equipment for the maintenance of roads and bridges, as well as the addition of infrastructure. This was an increase of \$2,009,093 from 2011. This increase was primarily the result of improvements to the public safety building, airport apron and sidewalk enhancement.

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

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

The City issued an additional \$895,000 in debt to build a new Public Safety building. Total debt issued for the building is \$5,045,000 and will be paid with revenue generated from General Fund sources.

Governmental Activities. Table B (see next page) presents fiscal 2011 and 2012 revenues and expenditures for the primary government as they are reported in the Statement of Activities in the basic financial statements. The revenues and expenditures include the Governmental Funds (General Fund, Special Revenue Funds, and Capital Projects Funds) and Proprietary Funds (Water and Sewer Fund and Landfill Fund).

Sales taxes decreased 2.1% reflecting a decline in retail stability compared to the 5.1% increase in 2011. Residential and commercial growth has slowed in most communities reflective of general economic conditions. This corresponds directly with relatively flat sales tax revenue. Sales taxes make up 43.3% of revenue in the governmental funds.

Property taxes for general purposes remained flat in 2012. The above mentioned slow-down in new construction kept assessed value growth and the associated property tax revenue at this relatively flat level.

Grants and contributions increased \$1,244,741 and are attributed to the Airport Apron and Safe Sidewalk Enhancement projects.

Street expenses decreased due to a change in the way inventory was handled.

Business-type Activities: No rate increases in Water or Sewer rates caused revenue in that fund to remain flat as revenue increased 2.3% or \$67,023. The additional \$67,023 in revenue is attributed to updated utility policies that went into effect April 1, 2012. Leak adjustments and fee waivers were no longer offered and adjustments were only made for billing errors. Unrestricted cash reserves decreased by \$447,588 as operating costs exceeded charges for services resulting in an operating loss.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues						
<u>Program Revenues</u>						
Charges for Services	\$ 814,054	\$ 807,327	\$ 2,960,137	\$ 3,027,160	\$ 3,774,191	\$ 3,834,487
Operating Grants and Contributions	597,185	1,841,926	-	-	597,185	1,841,926
Capital Grants and Contributions	-	-	-	-	-	-
<u>General Revenues</u>						
Taxes:						
Property Taxes-general purposes	962,505	959,869	-	-	962,505	959,869
Property Taxes-specific purposes	172,013	213,928	-	-	172,013	213,928
Franchise Taxes	1,612,250	1,579,102	-	-	1,612,250	1,579,102
Sales Taxes	2,987,945	2,925,122	747,424	731,229	3,735,369	3,656,351
Unrestricted Investment Earnings	15,394	22,608	325,568	319,859	340,962	342,467
Miscellaneous	216,617	97,517	27,359	921,339	243,976	1,018,856
Total Revenues	7,377,963	8,447,399	4,060,488	4,999,587	11,438,451	13,446,986
Expenses						
Governmental Activities:						
General government	1,524,666	1,615,625	-	-	1,524,666	1,615,625
Municipal court	120,025	121,338	-	-	-	-
Public transportation	200,859	174,685	-	-	200,859	174,685
Public safety	2,486,444	2,416,418	-	-	-	-
Animal control	133,232	118,962	-	-	-	-
Planning and zoning	123,639	116,957	-	-	123,639	116,957
Culture and recreations	1,621,441	1,759,390	-	-	1,621,441	1,759,390
Recycling	165,449	176,942	-	-	-	-
Street	1,160,654	883,502	-	-	-	-
Interest on long-term debt	106,874	222,835	-	-	106,874	222,835
Business-type Activities	-	-	4,349,409	4,018,604	4,349,409	4,018,604
Total Expenses	7,643,283	7,606,654	4,349,409	4,018,604	11,992,692	11,625,258
Changes in net position before transfers	(265,320)	840,745	(288,921)	980,983	(554,241)	1,821,728
Transfers & Loss on Disp of Assets	484,485	509,254	(484,485)	(509,254)	-	-
Changes in net position before transfers	219,165	1,349,999	(773,406)	471,729	(554,241)	1,821,728
Net Position at beginning of year, as restated	14,711,293	14,930,458	13,068,339	12,294,933	27,779,632	27,225,391
Net Position at end of year	\$ 14,930,458	\$ 16,280,457	\$ 12,294,933	\$ 12,766,662	\$ 27,225,391	\$ 29,047,119

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At the end of fiscal 2012, the City of Nevada reported a combined fund balance of \$8,879,562 in the Governmental Funds, an increase of \$487,775 from the prior year. Of the total combined fund balance, 7.4% is considered unassigned fund balance. This is the portion of fund balance which serves as a measure of current available financial resources. This share of the fund balance is further divided into General Fund, Special Revenue Funds, and Capital Projects Funds.

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

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

General Fund - The General Fund accounts for all transactions not required to be accounted for in other funds. As the City's major operating fund, the General Fund accounts for ordinary operating expenditures financed primarily by property taxes, sales tax, and charges for services. The General Fund completed the year with a fund balance of \$5,836,705, increasing by \$297,473 from 2011. The fund balance is 14.5% unrestricted while the remaining 85.5% is non-spendable, restricted, or assigned.

Street Fund – The Street Fund is used to account for collection of the ½ cent Transportation Sales Tax and other motor vehicle related revenue items and to record the costs of maintaining and improving the streets of the City. Revenue exceeded expenditures for this fund by \$157,078 for 2012 resulting in an ending fund balance of \$1,080,691.

Airport Fund – The Airport Fund is used to account for operations at the Nevada Municipal Airport. The fund balance increased from negative \$24,037 to 11,726.

Parks and Recreation Fund – The fund balance in the Parks and Recreation Fund increased from negative \$194,115 to negative \$171,938 during the year. The operating deficit of \$722,210 was offset by transfers in of \$722,210.

Parks Construction Fund – The Parks Construction Fund is used to account for proceeds of the one-half cent Parks Sales Tax. The fund balance decreased \$68,464 from 2011 to a total of \$920,186 in 2012. This decrease was due to the construction of the Twin Lakes concession building and other improvements to the sports complex.

Water and Sewer Fund – The Water and Sewer Fund is a proprietary fund used to account for the sale of water and sewerage treatment service and the costs associated with water treatment and distribution and to sewer treatment and collection. The net position of the Water and Sewer Fund decreased during 2011 from \$13,403,197 to \$12,972,890 during fiscal 2012 due to a reduction in pooled cash and investments.

General Fund Budgetary Highlights

The City Council approved several amendments to the 2012 budget of the General Fund. The amendments increased appropriations by \$358,160 which was a 4.7% increase over the original budget with actual expenditures ending \$187,277 under the final approved budget.

Actual revenues were short of final budgeted revenues by (\$281,023). The five major categories where budget varied from actual were as follows:

- Taxes fell short of budget by (\$227,348).
- Licenses and permits exceeded budget by \$30,225.
- Charges for services fell short of budget by (\$22,879).
- Fees and fines fell short of budget by (\$56,306).
- Miscellaneous revenues fell short of budget by (\$14,889).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Nevada's investment in capital assets for governmental and business-type activities is \$36,142,382, net of accumulated depreciation. This includes land, buildings, improvements, equipment, roads, bridges, and construction in progress and represents an increase of \$1,220,619 over 2011. The increase in capital assets was 3.5% over the prior year. Major capital asset projects funded this year are as follows:

- Improvement to the Airport apron (\$1,029,187)
- Safe sidewalk enhancement from Hickory to Ash (\$197,108)
- Fiber optic installation (\$46,401)
- Ford Crown Victoria cars (4) and equipment (\$73,695)
- Public Safety building in progress (\$385,090)
- Backhoe and excavator (\$103,106)
- Fire equipment and gear (34,800)

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

Debt Administration. The City of Nevada had various forms of debt during fiscal 2012. Table C below shows the City's outstanding debt by type for 2011 and 2012:

Table C
Outstanding Debt

	Governmental		Business-type		Total	
	2011	2012	2011	2012	2011	2012
General Obligation Bonds	\$ 68,390	\$ 64,646	\$ -	\$ -	\$ 68,390	\$ 64,646.0
Certificates of Participation	5,900,000	6,235,000	-	-	5,900,000	6,235,000
Sewerage Revenue Bonds	-	-	11,000,000	10,480,000	11,000,000	10,480,000
Notes Payable	143,434	116,341	-	-	143,434	116,341
Capital Leases	493,025	439,406	10,982	82,897	504,007	522,303
Total	\$ 6,604,849	\$ 6,855,393	\$ 11,010,982	\$ 10,562,897	\$ 17,615,831	\$ 17,418,290

The City's debt for governmental activities increased in fiscal 2012 from \$6,604,849 to \$6,855,393 or 3.8%. The increase was the result of issuance of \$895,000 in Certificates of Participation Bonds for the new Public Safety building.

Debt for business-type activities decreased in fiscal 2012 \$448,085 due to payments on all outstanding debt made according to existing amortization schedules.

Total debt decreased a net of \$197,541.

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

ECONOMIC FACTORS, 2012 BUDGET, AND TAX RATES

- The City's fiscal 2012 General Fund *budgeted* revenues increased 6.4% from the fiscal 2011 budget. This is the result of projected increases in sales tax, franchise taxes, miscellaneous income, and grant awards. *Budgeted* expenditures increased .7%. This is the result of increased fringe benefit costs partially offset by reductions in other areas. *Actual* revenues in the General Fund decreased by 1.8% compared to 2011 *actual* revenues. *Actual* expenditures decreased 3.8% compared to 2011 *actual* expenditures.
- The City has a 1 cent general sales tax as well as ½ cent sales tax for park, ½ cent for transportation, and ½ cent for capital improvement. Sales tax revenue decreased 2.1% as local sales reflect a sluggish economy.
- The City's 2011 property tax levies have been adopted by the City Council and approved by the State Auditor's Office. The levies total \$.8778 per \$100 of assessed value which is unchanged from the 2011 rate. The levy is comprised of two components: General Fund levy of \$.6778 and Library component of \$.2000.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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

**CITY OF NEVADA, MISSOURI
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Pooled cash and investments	\$ 3,220,412	\$ 795,334	\$ 4,015,746
Cash and investments-restricted	4,709,237	984,642	5,693,879
Taxes receivable, net	1,144,084	59,236	1,203,320
Accounts receivable	121,753	470,960	592,713
Internal balances	(68,528)	68,528	-
Special assessments receivable	53,295	-	53,295
Other receivables	133,708	-	133,708
Deferred charges, net of amortization	174,238	160,384	334,622
Inventories	76,695	138,584	215,279
Prepaid expenses	111,800	26,722	138,522
Capital assets:			
Land, improvements, and construction in progress	1,952,579	429,976	2,382,555
Buildings	6,752,263	19,344,711	26,096,974
Plant, structure, and lines	-	10,386,512	10,386,512
Equipment and vehicles	4,639,588	2,512,899	7,152,487
Software	285,088	-	285,088
Infrastructure	8,179,247	-	8,179,247
Less: accumulated depreciation	<u>(7,148,243)</u>	<u>(11,192,238)</u>	<u>(18,340,481)</u>
 Total capital assets	 <u>14,660,522</u>	 <u>21,481,860</u>	 <u>36,142,382</u>
Total assets	<u>24,337,216</u>	<u>24,186,250</u>	<u>48,523,466</u>
LIABILITIES			
Accounts payable and accrued expenses	331,790	66,640	398,430
Salaries and benefits payable	192,467	17,820	210,287
Deferred revenues	74,316	-	74,316
Liabilities payable from restricted assets	24,321	92,990	117,311
Bond costs, net of amortization	-	204,864	204,864
Long-term liabilities:			
Due within one year:			
Bonds, capital leases, and contracts	909,855	545,598	1,455,453
Compensated absences	34,083	2,878	36,961
Accrued interest	37,000	233,000	270,000
Due in more than one year:			
Bonds, capital leases, and contracts	5,945,538	10,017,299	15,962,837
Compensated absences, OPEB and LAGERS obligation	507,389	20,679	528,068
Postclosure costs	-	217,820	217,820
Total liabilities	<u>8,056,759</u>	<u>11,419,588</u>	<u>19,476,347</u>
NET POSITION			
Net investment in capital assets	12,504,340	11,274,978	23,779,318
Reserved for prepaid items	111,800	26,722	138,522
Reserved for inventories	76,695	-	76,695
Restricted for:			
Parks and recreation	635,379	-	635,379
Library	137,300	-	137,300
Employee benefits	39,416	-	39,416
Airport	11,726	-	11,726
Capital projects	871,170	7,095	878,265
Debt service	75,636	169,686	245,322
Street	988,294	-	988,294
Economic development	62,030	-	62,030
Police and court	6,987	-	6,987
Unrestricted	<u>759,684</u>	<u>1,288,181</u>	<u>2,047,865</u>
Total net position	<u>\$ 16,280,457</u>	<u>\$ 12,766,662</u>	<u>\$ 29,047,119</u>

See accompanying notes.

CITY OF NEVADA, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Charges for			Program Revenue		Capital Grants and		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Services	Operating Grants and Contributions	Operating Grants and Contributions	Contributions	Governmental Activities	Business-type Activities	Governmental Activities	Total
Primary government									
Governmental activities:									
General government	\$ 1,788,054	\$ 274,724	\$ 293,139	\$ -	\$ -	\$ (1,220,191)	\$ -	\$ -	\$ (1,220,191)
Municipal court	121,336	153,205	-	-	-	31,867	-	-	31,867
Public transportation	174,685	-	57,699	-	-	(116,986)	-	-	(116,986)
Public safety	2,512,326	12,008	31,870	-	-	(2,468,448)	-	-	(2,468,448)
Emergency management	5,533	-	-	-	-	(5,533)	-	-	(5,533)
Municipal court	-	-	-	-	-	-	-	-	-
Animal control	118,962	8,181	-	-	-	(110,781)	-	-	(110,781)
Planning and zoning	116,957	7,242	-	-	-	(109,715)	-	-	(109,715)
Culture and recreation	1,754,514	351,967	1,129,065	-	-	(273,482)	-	-	(273,482)
Recycling	176,942	-	-	-	-	(176,942)	-	-	(176,942)
Street	568,173	-	330,153	-	-	(238,020)	-	-	(238,020)
Interest on long-term debt	220,344	-	-	-	-	(220,344)	-	-	(220,344)
Total governmental activities	7,557,828	807,327	1,841,926	-	-	(4,908,575)	-	-	(4,908,575)
Business-type activities:									
Water and sewer	4,017,649	3,027,160	-	-	-	-	(890,489)	(890,489)	(890,489)
Landfill	955	-	-	-	-	(955)	-	-	(955)
Total business-type activities	4,018,604	3,027,160	-	-	-	(991,444)	(991,444)	(991,444)	(991,444)
Total primary government	\$ 11,576,432	\$ 3,834,487	\$ 1,841,926	\$ -	\$ -	\$ (4,908,575)	\$ -	\$ -	\$ (5,900,019)
General revenues:									
Taxes:									
Property taxes, levied for general purposes				964,017					964,017
Property taxes, levied for specific purposes				216,428					216,428
Franchise taxes and other taxes				1,572,454					1,572,454
Sales taxes				2,925,122			791,229		3,656,351
Investment earnings				22,608			319,859		342,467
Miscellaneous				48,691			921,339		970,030
Transfers				509,254			(609,254)		-
Total general revenues, special items, and transfers				6,258,574			1,463,173		7,721,747
Change in net assets				1,349,999			471,729		1,821,728
Net assets - beginning				14,930,458			12,294,933		27,225,391
Net assets - ending				\$ 16,280,457			\$ 12,766,662		\$ 29,047,119

See accompanying notes.

**CITY OF NEVADA, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	General Fund	Street	Airport
ASSETS			
Pooled cash and investments	\$ 410,432	\$ 922,618	\$ 18,965
Cash and investments-restricted	4,709,237	-	-
Taxes receivable, net	835,870	82,925	-
Due from other funds	201,370	-	-
Special assessments receivable	-	-	-
Other receivables	79,380	2,631	167,353
Inventories	-	76,695	-
Prepays	80,831	15,702	-
Total assets	\$ 6,317,120	\$ 1,100,571	\$ 186,318
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 132,972	\$ 6,276	\$ 86,264
Salaries and benefits payable	160,918	9,753	-
Due to other funds	104,804	-	-
Payable from restricted assets	24,321	-	-
Deferred revenue	57,384	-	-
Other liabilities	16	3,851	88,328
Total liabilities	480,415	19,880	174,592
Fund balances:			
Nonspendable:			
Prepays	80,831	15,702	-
Inventories	-	76,695	-
Restricted:			
Capital projects	4,524,973	-	-
Library	-	-	-
Parks and recreation	-	-	-
Airport	-	-	11,726
Employee benefits	39,416	-	-
Debt service	75,636	-	-
Street	-	988,294	-
Economic development	62,030	-	-
Police and court	6,987	-	-
Assigned to:			
General government	200,554	-	-
Capital projects	-	-	-
Unassigned	846,278	-	-
Total fund balances (deficit)	5,836,705	1,080,691	11,726
Total liabilities and fund balances	\$ 6,317,120	\$ 1,100,571	\$ 186,318

See accompanying notes.

<u>Parks</u>	<u>Parks Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 860,950	\$ 1,007,447	\$ 3,220,412
-	-	-	4,709,237
7,191	59,236	158,862	1,144,084
-	-	-	201,370
-	-	53,295	53,295
6,097	-	-	255,461
-	-	-	76,695
<u>15,267</u>	<u>-</u>	<u>-</u>	<u>111,800</u>
<u>\$ 28,555</u>	<u>\$ 920,186</u>	<u>\$ 1,219,604</u>	<u>\$ 9,772,354</u>
\$ 12,448	\$ -	\$ 480	\$ 238,440
21,796	-	-	192,467
165,094	-	-	269,898
-	-	-	24,321
-	-	16,932	74,316
<u>1,155</u>	<u>-</u>	<u>-</u>	<u>93,350</u>
<u>200,493</u>	<u>-</u>	<u>17,412</u>	<u>892,792</u>
15,267	-	-	111,800
-	-	-	76,695
-	-	871,170	5,396,143
-	-	137,300	137,300
-	490,446	144,933	635,379
-	-	-	11,726
-	-	-	39,416
-	-	-	75,636
-	-	-	988,294
-	-	-	62,030
-	-	-	6,987
-	-	-	200,554
-	429,740	48,789	478,529
<u>(187,205)</u>	<u>-</u>	<u>-</u>	<u>659,073</u>
<u>(171,938)</u>	<u>920,186</u>	<u>1,202,192</u>	<u>8,879,562</u>
<u>\$ 28,555</u>	<u>\$ 920,186</u>	<u>\$ 1,219,604</u>	<u>\$ 9,772,354</u>

See accompanying notes.

**CITY OF NEVADA, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Fund balances - total governmental funds	\$	8,879,562
Amounts reported for governmental activities in the Statement of Net Position 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 Position.		14,660,522
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 Position. This amount represents the net of discounts and premiums on long-term obligations.		174,238
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(37,000)
Long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the government-wide statements:		
Bonds and capital leases		(6,855,393)
Compensated absences, OPEB, and LAGERS obligation		<u>(541,472)</u>
Net Position of Governmental Activities in the Statement of Net Position	\$	<u>16,280,457</u>

See accompanying notes.

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CITY OF NEVADA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE --
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General Fund</u>	<u>Street</u>	<u>Airport</u>
REVENUES			
Taxes	\$ 3,832,380	\$ 733,728	\$ -
Licenses and permits	113,725	-	-
Intergovernmental	382,708	330,153	979,065
Charges for services	161,241	-	13,160
Fees and fines	180,394	-	-
Investment earnings	3,557	2,996	-
Other	75,989	8,258	20
	<u>4,749,994</u>	<u>1,075,135</u>	<u>992,245</u>
EXPENDITURES			
General government	1,213,239	-	-
Municipal court	121,338	-	-
Public transportation	174,685	-	-
Public safety	2,416,418	-	-
Emergency management	5,533	-	-
Animal control	118,962	-	-
Planning and zoning	116,957	-	-
Culture and recreation	-	-	16,611
Recycling	176,942	-	-
Street	-	414,259	-
Capital outlay	360,055	469,243	1,029,187
Debt service:			
Principal	195,995	32,010	27,093
Interest and other charges	155,450	2,545	3,852
	<u>5,055,574</u>	<u>918,057</u>	<u>1,076,743</u>
Excess (deficiency) of revenues over expenditures	<u>(305,580)</u>	<u>157,078</u>	<u>(84,498)</u>
OTHER FINANCING SOURCES (USES):			
Issuance of long-term debt	895,000	-	-
Proceeds from capital lease	-	20,209	-
Discounts on bond issuances	(87,507)	-	-
Transfers in	531,147	5,493	120,261
Transfers out	(735,587)	-	-
	<u>603,053</u>	<u>25,702</u>	<u>120,261</u>
Net change in fund balances	297,473	182,780	35,763
Fund balances (deficit) - beginning	<u>5,539,232</u>	<u>897,911</u>	<u>(24,037)</u>
Fund balances (deficit) - ending	<u>\$ 5,836,705</u>	<u>\$ 1,080,691</u>	<u>\$ 11,726</u>

See accompanying notes.

<u>Parks</u>	<u>Parks Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 92,598	\$ 731,197	\$ 288,118	\$ 5,678,021
-	-	-	113,725
-	150,000	-	1,841,926
338,807	-	-	513,208
-	-	-	180,394
295	2,949	12,811	22,608
13,007	187	56	97,517
<u>444,707</u>	<u>884,333</u>	<u>300,985</u>	<u>8,447,399</u>
-	-	-	1,213,239
-	-	-	121,338
-	-	-	174,685
-	-	-	2,416,418
-	-	-	5,533
-	-	-	118,962
-	-	-	116,957
1,111,714	-	279,195	1,407,520
-	-	-	176,942
-	-	-	414,259
45,067	306,803	38,363	2,248,718
8,332	415,000	3,744	682,174
1,804	55,834	3,350	222,835
<u>1,166,917</u>	<u>777,637</u>	<u>324,652</u>	<u>9,319,580</u>
<u>(722,210)</u>	<u>106,696</u>	<u>(23,667)</u>	<u>(872,181)</u>
-	-	-	895,000
23,000	-	-	43,209
-	-	-	(87,507)
721,387	-	63,589	1,441,877
-	(175,160)	(21,876)	(932,623)
<u>744,387</u>	<u>(175,160)</u>	<u>41,713</u>	<u>1,359,956</u>
22,177	(68,464)	18,046	487,775
<u>(194,115)</u>	<u>988,650</u>	<u>1,184,146</u>	<u>8,391,787</u>
<u>\$ (171,938)</u>	<u>\$ 920,186</u>	<u>\$ 1,202,192</u>	<u>\$ 8,879,562</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, 2012

Net change in fund balances - total governmental funds: \$ 487,775

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	2,279,787
Loss on disposal of assets	(48,826)
Depreciation expense	<u>(762,925)</u>
	1,468,036

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

Other financing sources-issuance of debt	(938,209)
Repayment of principal	<u>687,665</u>
	(250,544)

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

Premiums/discounts	87,507
Amortization of premiums/discounts	<u>(14,596)</u>
	72,911

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	(3,000)
Compensated absences	<u>(425,179)</u>
	<u>(428,179)</u>

Change in net assets of governmental activities \$ 1,349,999

See accompanying notes.

**CITY OF NEVADA, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012**

	<u>Water and Sewer</u>	<u>Landfill</u>	<u>Total</u>
ASSETS:			
Current assets:			
Pooled cash and investments	783,792	\$ 11,542	\$ 795,334
Cash and investments-restricted	984,642	-	984,642
Receivables:			
Billed	296,718	50	296,768
Unbilled	233,428	-	233,428
Deferred charges, net of amortization	160,384	-	160,384
Due from other funds	68,528	-	68,528
Inventories	138,584	-	138,584
Prepaid expenses	<u>26,722</u>	<u>-</u>	<u>26,722</u>
Total current assets	<u>2,692,798</u>	<u>11,592</u>	<u>2,704,390</u>
Non-current assets,			
Capital assets:			
Construction in progress	340,193	-	340,193
Land and improvements	89,783	-	89,783
Improvements other than buildings	10,386,512	-	10,386,512
Buildings	19,344,711	-	19,344,711
Equipment and furniture	<u>2,512,899</u>	<u>-</u>	<u>2,512,899</u>
Total capital assets at cost	32,674,098	-	32,674,098
Less accumulated depreciation	<u>(11,192,238)</u>	<u>-</u>	<u>(11,192,238)</u>
Capital assets, net	<u>21,481,860</u>	<u>-</u>	<u>21,481,860</u>
	<u>24,174,658</u>	<u>11,592</u>	<u>24,186,250</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	58,268	-	58,268
Salaries and benefits payable	17,820	-	17,820
Accrued interest payable	233,000	-	233,000
Customer deposits	92,990	-	92,990
Other payables	8,372	-	8,372
Bond costs, net of amortization	204,864	-	204,864
Compensated absences	2,878	-	2,878
Capital lease obligation	15,598	-	15,598
Bonds, notes, and loans payable	<u>530,000</u>	<u>-</u>	<u>530,000</u>
Total current liabilities	1,163,790	-	1,163,790
Non-current liabilities:			
Compensated absences	20,679	-	20,679
Capital lease obligation	67,299	-	67,299
Postclosure costs	-	217,820	217,820
Bonds, notes, and loans payable	<u>9,950,000</u>	<u>-</u>	<u>9,950,000</u>
Total non-current liabilities	<u>10,037,978</u>	<u>217,820</u>	<u>10,255,798</u>
	<u>11,201,768</u>	<u>217,820</u>	<u>11,419,588</u>
NET POSITION:			
Net investment in capital assets	11,274,978	-	11,274,978
Restricted for prepaid items	26,722	-	26,722
Restricted for debt service	169,686	-	169,686
Restricted for capital outlay	7,095	-	7,095
Unrestricted	<u>1,494,409</u>	<u>(206,228)</u>	<u>1,288,181</u>
	<u>\$ 12,972,890</u>	<u>\$ (206,228)</u>	<u>\$ 12,766,662</u>

See accompanying notes.

CITY OF NEVADA, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION --
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Water and Sewer</u>	<u>Landfill</u>	<u>Total</u>
REVENUES,			
Charges for services	\$ 3,027,160	\$ -	\$ 3,027,160
	<u>3,027,160</u>	<u>-</u>	<u>3,027,160</u>
OPERATING EXPENSES:			
Personnel services	294,833	-	294,833
Contractual services	1,409,412	955	1,410,367
Materials and supplies	9,217	-	9,217
Maintenance and repairs	152,207	-	152,207
Insurance	53,114	-	53,114
Utilities	298,271	-	298,271
Depreciation and amortization	772,259	-	772,259
Administration	306,039	-	306,039
Bad debts	24,739	-	24,739
	<u>3,320,091</u>	<u>955</u>	<u>3,321,046</u>
Operating loss	<u>(292,931)</u>	<u>(955)</u>	<u>(293,886)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	319,848	11	319,859
Miscellaneous income	18,359	902,980	921,339
Sales tax	731,229	-	731,229
Interest expense	(527,641)	-	(527,641)
Payments in lieu of tax	(169,917)	-	(169,917)
	<u>371,878</u>	<u>902,991</u>	<u>1,274,869</u>
Net income before transfers	<u>78,947</u>	<u>902,036</u>	<u>980,983</u>
Transfers out	<u>(509,254)</u>	<u>-</u>	<u>(509,254)</u>
Increase (decrease) in net position	<u>(430,307)</u>	<u>902,036</u>	<u>471,729</u>
Total net position - beginning	<u>13,403,197</u>	<u>(1,108,264)</u>	<u>12,294,933</u>
Total net position - ending	<u>\$ 12,972,890</u>	<u>\$ (206,228)</u>	<u>\$ 12,766,662</u>

See accompanying notes.

CITY OF NEVADA, MISSOURI
STATEMENT OF CASH FLOWS -- PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Water and Sewer	Landfill	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Received from customers	\$ 2,960,582	\$ -	\$ 2,960,582
Payments to employees and fringe benefits	(296,830)	-	(296,830)
Payments for operations	(2,249,600)	-	(2,249,600)
Other receipts (payments)	<u>578,995</u>	<u>1,396</u>	<u>580,391</u>
Net cash provided by operating activities	<u>993,147</u>	<u>1,396</u>	<u>994,543</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	(509,254)	-	(509,254)
Interfund loan	<u>(68,528)</u>	<u>-</u>	<u>(68,528)</u>
Net cash used by noncapital financing activities	<u>(577,782)</u>	<u>-</u>	<u>(577,782)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital debt	82,897	-	82,897
Acquisition and construction of capital assets	(527,622)	-	(527,622)
Principal paid on capital debt and leases	(530,982)	-	(530,982)
Interest paid on capital debt and leases	<u>(538,641)</u>	<u>-</u>	<u>(538,641)</u>
Net cash used by capital and related financing activities	<u>(1,514,348)</u>	<u>-</u>	<u>(1,514,348)</u>
CASH FLOWS FROM INVESTING ACTIVITIES,			
Investment income	<u>319,606</u>	<u>11</u>	<u>319,617</u>
Net cash provided by investing activities	<u>319,606</u>	<u>11</u>	<u>319,617</u>
Net increase (decrease) in cash and cash equivalents	(779,377)	1,407	(777,970)
Cash and cash equivalents, beginning of year	<u>2,547,811</u>	<u>10,135</u>	<u>2,557,946</u>
Cash and cash equivalents, end of year	<u>\$ 1,768,434</u>	<u>\$ 11,542</u>	<u>\$ 1,779,976</u>
Reconciliation of operating income (loss) to net cash provided by operating activities,			
Operating income (loss)	<u>\$ (292,931)</u>	<u>\$ (955)</u>	<u>\$ (293,886)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	772,259	-	772,259
Provision for uncollectible loans and writeoffs	24,046	-	24,046
Miscellaneous nonoperating income	-	902,980	902,980
Sales tax and miscellaneous nonoperating revenues	579,671	-	579,671
Changes in assets and liabilities:			
Receivables, net	(66,578)	951	(65,627)
Inventories	(3,655)	-	(3,655)
Prepaid items	(3,842)	-	(3,842)
Accounts payable and accrued liabilities	(15,147)	(901,580)	(916,727)
Meter deposits	<u>(676)</u>	<u>-</u>	<u>(676)</u>
Total adjustments	<u>1,286,078</u>	<u>2,351</u>	<u>1,288,429</u>
Net cash provided by operating activities	<u>\$ 993,147</u>	<u>\$ 1,396</u>	<u>\$ 994,543</u>

See accompanying notes.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

The Notes to the Basic 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:

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.

Government-Wide and Fund Financial Statements: The government-wide financial statements include the statement of net position 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):

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.

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, in the current year. The adoption of this statement changed the presentation of the financial statements to a Statement of Net Position format.

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):

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 Airport Fund accounts for the operation, maintenance, and improvement of the airport.

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):

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.

Net Position - Government-Wide Statements: Net Position is displayed in three components:

- (1) Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- (2) Restricted: Consists of restricted assets, reduced by liabilities and deferred inflows of resources related to those assets, with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) Unrestricted: All Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of "net investment in capital assets" or the "restricted" component of net position.

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

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

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

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

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

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

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

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

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, 2012, 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):

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.

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, 2012. 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.

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.

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.

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.

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.

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):

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.

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.

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.

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.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

2. CHANGE IN ACCOUNTING ESTIMATE

In May 2012, the Missouri Department of Natural Resources (MDNR) reviewed the City's Financial Assurance Instrument (FAI) for the Nevada Sanitary Landfill. The purpose of this review was to reevaluate the current present value of the post closure FAI requirement. As a result of the change in estimate, landfill post closure liability has been reported at \$217,820, as of December 31, 2012. The change in the closure cost estimate resulted in a \$900,000 reduction in accrued landfill closure costs as of December 31, 2012, compared to the amount accrued as of December 31, 2011. The reduction was reported under non-operating revenues in 2012.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS:

At December 31, 2012, the carrying amount of the City's cash on hand, demand deposits, and certificates of deposit in financial institutions was \$1,942, \$1,530,524, and \$2,587,758, 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, 2012, the City's investments consisted of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Investment Rating</u>
Money Market	<u>\$ 5,589,401</u>	<u>\$ 5,589,401</u>	NA

Interest Rate Risk

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

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

3. 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, 2012, the City had the following investments and maturities:

	Investment maturities (in years)			
	Value	Less than one	1-5	> 5
Investment type, Money market	\$ 5,589,401	\$ 5,589,401	\$ -	\$ -

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

3. 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, 2012, the carrying value of deposits and investments are summarized as follows:

Investments, Money markets	<u>\$ 5,589,401</u>
Certificates of deposit	2,587,758
Cash on hand	1,942
Deposits	<u>1,530,524</u>
	<u>4,120,224</u>
Total	<u>\$ 9,709,625</u>

3. DEPOSITS AND INVESTMENTS:

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

Pooled cash and investments	\$ 4,015,746
Restricted cash	<u>5,693,879</u>
Total	<u>\$ 9,709,625</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

4. 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 \$165,482 for the Water & Sewer fund.

5. CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2012, consisted of the following:

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2012</u>
Governmental activities,				
Capital assets not being depreciated:				
Land	\$ 732,429	\$ -	\$ -	\$ 732,429
Construction in progress	<u>250,752</u>	<u>1,215,150</u>	<u>245,752</u>	<u>1,220,150</u>
Total capital assets not being depreciated	<u>983,181</u>	<u>1,215,150</u>	<u>245,752</u>	<u>1,952,579</u>
Capital assets being depreciated:				
Buildings	6,602,902	179,472	30,111	6,752,263
Equipment and vehicles	4,281,517	429,824	71,753	4,639,588
Software	270,588	14,500	-	285,088
Infrastructure	<u>7,555,538</u>	<u>640,242</u>	<u>16,533</u>	<u>8,179,247</u>
Total capital assets being depreciated	<u>18,710,545</u>	<u>1,264,038</u>	<u>118,397</u>	<u>19,856,186</u>
Less accumulated depreciation:				
Buildings	2,486,384	191,536	10,609	2,667,311
Equipment	2,810,862	324,292	52,514	3,082,640
Software	253,814	12,575	-	266,389
Infrastructure	<u>903,829</u>	<u>234,521</u>	<u>6,447</u>	<u>1,131,903</u>
Total accumulated depreciation	<u>6,454,889</u>	<u>762,924</u>	<u>69,570</u>	<u>7,148,243</u>
Total capital assets being depreciated, net	<u>12,255,656</u>	<u>501,114</u>	<u>48,827</u>	<u>12,707,943</u>
Governmental activities capital assets, net	<u>\$13,238,837</u>	<u>\$ 1,716,264</u>	<u>\$ 294,579</u>	<u>\$14,660,522</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS (Continued):

Capital asset activity for the year ended December 31, 2012, consisted of the following (Continued):

	<u>Balance</u> <u>12/31/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2012</u>
Business-type activities,				
Capital assets not being depreciated:				
Land and improvements	\$ 89,783	\$ -	\$ -	\$ 89,783
Construction in progress	-	340,193	-	340,193
Total capital assets not being depreciated	<u>89,783</u>	<u>340,193</u>	<u>-</u>	<u>429,976</u>
Capital assets being depreciated:				
Buildings	19,344,711	-	-	19,344,711
Equipment and vehicles	2,333,856	179,043	-	2,512,899
Plant, structure, & lines	10,378,126	8,386	-	10,386,512
Total capital assets being depreciated	<u>32,056,693</u>	<u>187,429</u>	<u>-</u>	<u>32,244,122</u>
Less accumulated depreciation,				
Water and sewer	10,417,199	775,039	-	11,192,238
Total accumulated depreciation	<u>10,417,199</u>	<u>775,039</u>	<u>-</u>	<u>11,192,238</u>
Total capital assets being depreciated, net	<u>21,639,494</u>	<u>(587,610)</u>	<u>-</u>	<u>21,051,884</u>
Business-type activities capital assets, net	<u>\$21,729,277</u>	<u>\$ (247,417)</u>	<u>\$ -</u>	<u>\$21,481,860</u>

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

Government activities:	
General government	\$ 176,177
Police	11,388
Fire	84,520
Culture and recreation	257,063
Airport	93,816
Street	<u>139,960</u>
Total depreciation expense, governmental	<u>\$ 762,924</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. PENSION PLAN:

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.

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 9.5% (general), 10.3% (police), and 10% (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

6. PENSION PLAN (Continued):

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

Annual required contribution	\$ 307,200
Interest on net pension obligation	10,988
Adjustment to annual required contribution	<u>(8,361)</u>
Annual pension cost	309,827
Actual contributions	<u>244,531</u>
Increase (decrease) in NPO	65,296
NPO beginning of year	<u>151,556</u>
NPO end of year	<u>\$ 216,852</u>

The annual required contribution (ARC) was determined as part of the February 28, 2010 and February 28, 2011, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012, included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 6% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2010, was 30 years for the General division, 30 years for the Police division, and 30 years for the Fire division. The amortization period as of February 28, 2011, was 30 years for the General division, 30 years for the Police division, and 30 years for the Fire division.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$ 320,618	79%	\$ 66,047
6/30/11	\$ 322,389	74%	\$ 151,556
6/30/12	\$ 309,827	79%	\$ 216,852

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT:

Changes in long-term debt of the City for the year ended December 31, 2012, consisted of the following:

<u>Governmental Activities</u>					
	<u>Restated Balance January 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2012</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 68,390	\$ -	\$ 3,744	\$ 64,646	\$ 3,900
Certificates of participation	5,900,000	895,000	560,000	6,235,000	780,207
Notes payable	143,434	-	27,093	116,341	23,554
Capital leases	<u>493,025</u>	<u>43,209</u>	<u>96,828</u>	<u>439,406</u>	<u>102,194</u>
	<u>6,604,849</u>	<u>938,209</u>	<u>687,665</u>	<u>6,855,393</u>	<u>909,855</u>
Other liabilities, Compensated absences	<u>116,293</u>	<u>20,365</u>	<u>29,475</u>	<u>107,183</u>	<u>29,590</u>
	<u>\$ 6,721,142</u>	<u>\$ 958,574</u>	<u>\$ 717,140</u>	<u>\$ 6,962,576</u>	<u>\$ 939,445</u>
<u>Business-Type Activities</u>					
	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2012</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$ 11,000,000	\$ -	\$ 520,000	\$ 10,480,000	\$ 530,000
Capital leases	<u>10,982</u>	<u>82,897</u>	<u>10,982</u>	<u>82,897</u>	<u>15,598</u>
	<u>11,010,982</u>	<u>82,897</u>	<u>530,982</u>	<u>10,562,897</u>	<u>545,598</u>
Other liabilities, Compensated absences	<u>23,557</u>	<u>-</u>	<u>-</u>	<u>23,557</u>	<u>2,878</u>
	<u>\$ 11,034,539</u>	<u>\$ 82,897</u>	<u>\$ 530,982</u>	<u>\$ 10,586,454</u>	<u>\$ 548,476</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

7. 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, 2012, 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%	\$ 64,646
\$2,550,000, Series 2009 certificates of participation, issued for construction and improvement to the Community Center, due in annual installments of \$395,000 to \$460,000, through June 2015; interest at 2.23% to 3.75%	1,335,000
\$4,150,000, Series 2011 certificates of participation, issued for construction of a Public Safety Building, due in annual installments of \$145,000 to \$295,000, through December 2031; interest at 1.1% to 5%	4,005,000
\$895,000, Series 2012 certificates of participation, issued for construction of a Public Safety Building and payments of 2011 certificates of participation, due in annual installments of \$40,000 to \$75,000, through December 2031; interest at 2% to 4%	895,000
\$250,000, Star Loan with MODOT, issued for airport runway improvements, due in monthly installments of \$2,380, through May 2017; interest at 2.700%	<u>116,341</u>
Total governmental funds	<u>\$ 6,415,987</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% to 5%	<u>\$ 10,480,000</u>
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CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

7. 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>
2013	\$ 3,900	\$ 2,554	\$ 6,454
2014	4,054	2,400	6,454
2015	4,214	2,239	6,453
2016	4,374	2,079	6,453
2017	4,540	1,902	6,442
2018-2022	25,533	6,677	32,210
2023-2025	<u>18,031</u>	<u>1,419</u>	<u>19,450</u>
	<u>\$ 64,646</u>	<u>\$ 19,270</u>	<u>\$ 83,916</u>

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Certificates of Participation</u>
2013	\$ 590,000	\$ 219,906	\$ 809,906
2014	610,000	202,344	812,344
2015	625,000	182,821	807,821
2016	210,000	170,566	380,566
2017	220,000	165,856	385,856
2018-2022	1,195,000	738,088	1,933,088
2023-2027	1,410,000	515,567	1,925,567
2028-2031	<u>1,375,000</u>	<u>168,951</u>	<u>1,543,951</u>
	<u>\$ 6,235,000</u>	<u>\$ 2,364,099</u>	<u>\$ 8,599,099</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT (Continued):

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Notes Payable</u>
2013	\$ 23,554	\$ 2,631	\$ 26,185
2014	26,369	2,196	28,565
2015	27,092	1,473	28,565
2016	27,835	730	28,565
2017	<u>11,491</u>	<u>80</u>	<u>11,571</u>
	<u>\$ 116,341</u>	<u>\$ 7,110</u>	<u>\$ 123,451</u>
<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Sales Tax Revenue Bonds</u>
2013	\$ 530,000	\$ 454,626	\$ 984,626
2014	540,000	433,226	973,226
2015	545,000	411,526	956,526
2016	555,000	389,526	944,526
2017	565,000	367,126	932,126
2018-2022	2,980,000	1,461,086	4,441,086
2023-2027	3,335,000	743,099	4,078,099
2028-2029	<u>1,430,000</u>	<u>66,139</u>	<u>1,496,139</u>
	<u>\$ 10,480,000</u>	<u>\$ 4,326,354</u>	<u>\$ 14,806,354</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT (Continued):

Bond Reserve Accounts:

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

At December 31, 2012, 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, 2012.

8. CAPITAL LEASES:

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

The assets acquired through capital leases are as follows:

<u>Asset</u>		
Golf finishing mower	\$	12,320
Toro Greenmaster mower		22,462
Fire pumper truck		395,955
John Deere excavator		42,478
John Deere utility tractor		23,000
John Deere backhoe		60,628
Street sweeper		<u>160,280</u>
Total assets acquired	\$	<u>717,123</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

8. CAPITAL LEASES (Continued):

The future minimum lease payments and the present value of the remaining minimum lease payments as of December 31, 2012, are as follows:

<u>Years Ending</u> <u>December 31,</u>	
2013	\$ 137,566
2014	103,013
2015	93,320
2016	93,321
2017	93,319
2018	<u>65,782</u>
	586,321
Less: amount representing interest	<u>64,018</u>
Present value of future minimum lease payments	<u>\$ 522,303</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

9. RESTRICTED CASH:

Restricted cash and investments at December 31, 2012, consisted of the following:

<u>Account</u>	<u>General Fund</u>	<u>Water & Sewer Fund</u>	<u>Total</u>
Revolving fund	\$ 62,030	\$ -	\$ 62,030
Municipal court	6,987	-	6,987
Capital projects	4,524,973	7,095	4,532,068
Payroll clearing and flex benefits	39,416	-	39,416
Reserve for debt service	<u>75,831</u>	<u>977,547</u>	<u>1,053,378</u>
	<u>\$ 4,709,237</u>	<u>\$ 984,642</u>	<u>\$ 5,693,879</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

10. LEGAL MATTERS:

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

11. TAX REVENUES:

The tax revenue, including interest and penalties collected thereon, for the year ended December 31, 2012, is as follows:

<u>Type</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>
Property	\$ 933,521	\$ 209,038	\$ -
Railroad	30,496	4,890	-
Franchise	1,405,666	-	-
Cigarette	-	92,598	-
City Sales	1,462,697	-	-
Park Sales	-	-	731,197
Transportation Sales	-	731,228	-
Occupancy	-	74,190	-
Other	-	2,500	-
	<u>\$ 3,832,380</u>	<u>\$ 1,114,444</u>	<u>\$ 731,197</u>

The assessed valuation of the tangible property for the purpose of local taxation as of May 31, 2012, was as follows:

Real estate	\$ 68,915,995
Personal property	<u>24,602,607</u>
	<u>\$ 93,518,602</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

11. TAX REVENUES (Continued):

The tax levy per \$100 of assessed valuation of tangible real and personal property for the calendar year 2012 was as follows:

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

12. INTERFUND TRANSACTIONS:

Interfund receivable and payable balances at December 31, 2012, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 201,370	\$ 104,804
Special Revenue Funds, Park	-	165,094
Proprietary Fund, Water and sewer	<u>68,528</u>	<u>-</u>
	<u><u>\$ 269,898</u></u>	<u><u>\$ 269,898</u></u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

12. INTERFUND TRANSACTIONS (Continued):

Transfers during the year ended December 31, 2012, were as follows:

	Transfers In	Transfers Out
General Fund	\$ 531,147	\$ 735,587
Special Revenue Funds:		
Special Projects	-	21,876
Street	5,493	-
Library	63,589	-
Parks	721,387	-
Airport	120,261	-
Capital Projects Funds,		
Parks construction	-	175,160
Proprietary Fund,		
Water and sewer	-	509,254
	\$ 1,441,877	\$ 1,441,877

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

13. INTERGOVERNMENTAL REVENUE:

Intergovernmental revenue during the year ended December 31, 2012, consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Federal:		
Department of Homeland Security:		
Disaster Grants Public Assistance	\$ -	\$ 3,006
Federal Emergency Management Performance	22,383	-
US Department of Justice:		
Edward Byrne Memorial Justice Assistance	8,872	-
Enforcing Underage Drinking Laws	8,619	-
Public Safety Partnership and Community Policing	9,945	-
Bullet Proof Vest Grant	360	-
US Department of Energy,		
Energy Efficiency	11,738	-
US Department of Housing and Urban Development,		
Emergency Shelter Grants Program	16,307	-
US Department of Transportation:		
Airport Improvement Program	-	978,555
Highway Planning and Construction	235,185	-
Formula Grants for Other Than Urbanized	57,699	-
DWI Enforcement	3,203	-
State:		
Department of Revenue:		
Motor Vehicle Fuel Tax	-	300,572
Motor Vehicle Fees	-	26,575
Other State Grants	1,326	510
Local:		
Region M Solid Waste	5,071	-
3M Grant	2,000	-
Finis Moss Grant	-	150,000
	<u>\$ 382,708</u>	<u>\$ 1,459,218</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

14. 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.

15. SELF-INSURANCE:

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

MPR manages the cash and investment pool, funded by insurance premiums, on behalf of its members. MPR's investment pool consists of interest bearing deposits, U.S. Treasury strips, U.S. governmental agency obligations, and collateralized mortgage obligations. In the event that a deficit occurs with respect to any fiscal year of MPR for which the City was a participant at any time during such year; and in the event that MPR determines that an assessment is required in order to provide additional funds for the obligations of MPR for such year; and further, in the event that the City was covered by the types of benefits requiring the assessment during the time period in which the assessment arose, the City is obligated to pay its pro rata share of any such assessment, irrespective of whether or not the City is a member of MPR at the time of such assessment. Management of the City is not aware of any deficit situation in MPR which would require an accrual of a liability as of December 31, 2012.

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

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

16. 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

17. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

For the year ended December 31, 2012, 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,		
Park	\$	3,999

For the year ended December 31, 2012, 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	\$	171,938

18. COMMITMENTS:

The City had approximately \$5,326 of construction commitments at December 31, 2012.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

19. NET POSITION:

Net position is comprised of three categories: Net investment in capital assets; the restricted component of net position; and the unrestricted component of net position. The first category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets as well as any unspent related debt proceeds. The restricted component of net position consists of restricted assets, (usually cash) that must be spent for specific purposes. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Capital assets, net	\$ 36,142,382
Total debt	(17,418,290)
Premiums/discounts	174,238
Unspent bond proceeds	<u>4,880,988</u>
Net investment in capital assets	<u>\$ 23,779,318</u>

20. PLEDGED REVENUES:

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay a debt issue totaling \$11,000,000. The Series 2007B bonds were issued in the amount of \$12,000,000. Proceeds from the bonds were used to fund the infrastructure for the water and sewer system. The bonds are payable from the water and sewer fund net revenues and are payable through 2029. The total interest and principal remaining to be paid on the bonds is \$14,806,354. Principal and interest paid for the current year is \$985,142.

The City has pledged a portion of its sales tax to repay its certificates of participation. The outstanding principal on these certificates as of December 31, 2012, amounted to \$6,235,000. The certificates were used for building improvement and the construction of the community center.

21. LANDFILL CLOSURE AND POST CLOSURE 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 post closure 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, 2012, is \$217,820.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

22. CONTINGENCIES:

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

23. FEDERAL AND STATE GRANTS:

The City participates in a number of federal and state grant programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2012, a significant amount of grant expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based upon oversight by the governmental units will not have a material effect on any of the governmental funds or the overall financial position of the City.

24. WATER AND WASTEWATER SERVICE CONTRACT:

On December 28, 2010, the City entered into a contract with Alliance Water Resources, Inc. to perform certain operation and maintenance services at the City's water and wastewater plants. For 2012, compensation under the amended agreement shall be \$1,347,544 annually, with an allowable reimbursement amount of \$154,500 annually for repairs and chemicals.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

25. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:

Plan Description

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

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

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

Funding Policy

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

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

25. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

Annual OPEB Cost and Net OPEB Obligation

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

Normal cost	\$ 20,031
Amortization of unfunded actuarial accrued liability	<u>20,161</u>
Annual required contribution (ARC)	40,192
Interest on net OPEB obligation	4,757
Adjustment to annual required contribution	<u>(5,894)</u>
	<u>(1,137)</u>
Annual OPEB cost	39,055
Balance at December 31, 2011	95,133
Contributions made, Net employer contributions	<u>19,000</u>
Net OPEB obligation, December 31, 2012	<u>\$ 115,188</u>

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

25. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

The retirees annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended December 31, 2012, is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 37,939	21.1%	\$ 68,475
2011	\$ 37,658	29.2%	\$ 95,133
2012	\$ 39,055	48.6%	\$ 115,188

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is \$302,452. There are no assets set aside for funding the plan as of that date, thus the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,802,360, which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 10.8%.

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

Actuarial Methods and Assumptions

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

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

25. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

Actuarial Methods and Assumptions (continued)

The projected unit credit actuarial cost method is used in the July 1, 2011 actuarial valuation. At this valuation date, actuarial present value of benefits is determined for each participant. The sum of these actuarial present values of benefits allocated to the current valuation year is the normal cost for the initial plan year. The sum of actuarial present values of benefits allocated to all valuation years preceding the valuation date represents the actuarial accrued liability.

The actuarial assumptions include a 5% investment rate of return. The actuarial assumptions for healthcare cost trend is a growth factor of 8.5% for the first year and then declining by .5% per year until 5% is reached. The 5% growth is used on a go-forward basis. The UAAL will be amortized over a period of 30 years using a level percentage of projected payroll on an open basis.

CITY OF NEVADA, MISSOURI

NOTES TO FINANCIAL STATEMENTS

26. EVALUATION OF SUBSEQUENT EVENTS:

The City has evaluated subsequent events through June 21, 2013, the date which the financial statements were available to be issued.

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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)
02/28/10	\$ 5,805,783	\$ 6,516,949	\$ 711,166
02/28/11	\$ 4,411,854	\$ 5,486,256	\$ 1,074,402
02/29/12	\$ 4,898,539	\$ 5,352,986	\$ 454,447

Actuarial Valuation Date	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percent of Covered Payroll
02/28/10	89%	\$ 3,232,335	22%
02/28/11	80%	\$ 2,522,641	43%
02/29/12	92%	\$ 2,557,338	18%

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

2. BUDGETARY DATA:

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

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,059,728	\$ 4,059,728	\$ 3,832,380	\$ (227,348)
Licenses and permits	83,500	83,500	113,725	30,225
Intergovernmental	335,461	374,291	382,708	8,417
Charges for services	184,120	184,120	161,241	(22,879)
Fees and fines	236,700	236,700	180,394	(56,306)
Investment earnings	1,800	1,800	3,557	1,757
Other	29,160	90,878	75,989	(14,889)
	<u>4,930,469</u>	<u>5,031,017</u>	<u>4,749,994</u>	<u>(281,023)</u>
EXPENDITURES:				
Current:				
General government	1,205,931	1,242,708	1,213,239	29,469
Municipal court	128,154	128,154	121,338	6,816
Public transportation	204,700	204,700	174,685	30,015
Public safety	2,479,388	2,491,310	2,416,418	74,892
Emergency management	9,850	9,850	5,533	4,317
Animal control	128,208	128,208	118,962	9,246
Emergency services	136,199	136,199	116,957	19,242
Recycling	165,199	165,199	176,942	(11,743)
Capital outlay	361,278	385,078	360,055	25,023
Debt service:				
Principal	65,784	210,784	195,995	14,789
Interest and other charges	-	140,661	155,450	(14,789)
	<u>4,884,691</u>	<u>5,242,851</u>	<u>5,055,574</u>	<u>187,277</u>
Excess (deficiency) of revenues over expenditures	<u>45,778</u>	<u>(211,834)</u>	<u>(305,580)</u>	<u>(468,300)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt	-	895,000	895,000	-
Discount on bond issuance	-	(87,507)	(87,507)	-
Transfers in	531,147	531,147	531,147	-
Transfers out	(663,613)	(727,202)	(735,587)	(8,385)
Total other financing sources and uses	<u>(132,466)</u>	<u>611,438</u>	<u>603,053</u>	<u>(8,385)</u>
Net change in fund balances	(86,688)	399,604	297,473	(102,131)
Fund balances - beginning	<u>5,539,232</u>	<u>5,539,232</u>	<u>5,539,232</u>	<u>-</u>
Fund balances - ending	<u>\$ 5,452,544</u>	<u>\$ 5,938,836</u>	<u>\$ 5,836,705</u>	<u>\$ (102,131)</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
STREET
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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	\$ 763,174	\$ 763,174	\$ 733,728	\$ (29,446)
Intergovernmental	358,600	358,600	330,153	(28,447)
Investment earnings	500	500	2,996	2,496
Miscellaneous	<u>1,200</u>	<u>1,200</u>	<u>8,258</u>	<u>7,058</u>
	<u>1,123,474</u>	<u>1,123,474</u>	<u>1,075,135</u>	<u>(48,339)</u>
EXPENDITURES:				
Street	352,939	352,939	414,259	(61,320)
Capital outlay	700,000	720,210	469,243	250,967
Debt service:				
Principal	38,387	38,387	32,010	6,377
Interest and other charges	<u>-</u>	<u>-</u>	<u>2,545</u>	<u>(2,545)</u>
	<u>1,091,326</u>	<u>1,111,536</u>	<u>918,057</u>	<u>193,479</u>
Excess (deficiency) of revenues over expenditures	<u>32,148</u>	<u>11,938</u>	<u>157,078</u>	<u>(241,818)</u>
OTHER FINANCING SOURCES:				
Proceeds from capital leases	-	20,210	20,209	1
Transfers in	<u>-</u>	<u>-</u>	<u>5,493</u>	<u>(5,493)</u>
Total other financing sources and uses	<u>-</u>	<u>20,210</u>	<u>25,702</u>	<u>(5,492)</u>
Net change in fund balances	32,148	32,148	182,780	150,632
Fund balances - beginning	<u>897,911</u>	<u>897,911</u>	<u>897,911</u>	<u>-</u>
Fund balances - ending	<u>\$ 930,059</u>	<u>\$ 930,059</u>	<u>\$ 1,080,691</u>	<u>\$ 150,632</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
AIRPORT
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 1,381,195	\$ 1,381,195	\$ 979,065	\$ (402,130)
Charges for services	13,000	13,000	13,160	160
Miscellaneous	<u>100</u>	<u>100</u>	<u>20</u>	<u>(80)</u>
	<u>1,394,295</u>	<u>1,394,295</u>	<u>992,245</u>	<u>(402,050)</u>
EXPENDITURES:				
Culture and recreation	13,916	13,916	16,611	(2,695)
Capital outlay	1,472,041	1,472,041	1,029,187	442,854
Debt service:				
Principal	28,565	28,565	27,093	1,472
Interest and other charges	<u>-</u>	<u>-</u>	<u>3,852</u>	<u>(3,852)</u>
	<u>1,514,522</u>	<u>1,514,522</u>	<u>1,076,743</u>	<u>437,779</u>
Excess (deficiency) of revenues over expenditures	<u>(120,227)</u>	<u>(120,227)</u>	<u>(84,498)</u>	<u>35,729</u>
OTHER FINANCING SOURCES,				
Transfers in	<u>120,261</u>	<u>120,261</u>	<u>120,261</u>	<u>-</u>
Net change in fund balances	34	34	35,763	35,729
Fund balances (deficit) - beginning	<u>(24,037)</u>	<u>(24,037)</u>	<u>(24,037)</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ (24,003)</u>	<u>\$ (24,003)</u>	<u>\$ 11,726</u>	<u>\$ 35,729</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
PARKS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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	\$ 96,500	\$ 69,500	\$ 92,598	\$ 23,098
Charges for services	349,050	349,050	338,807	(10,243)
Investment earnings	-	-	295	295
Miscellaneous	<u>7,075</u>	<u>7,075</u>	<u>13,007</u>	<u>5,932</u>
	<u>452,625</u>	<u>425,625</u>	<u>444,707</u>	<u>19,082</u>
EXPENDITURES:				
Culture and recreation	1,118,830	1,118,830	1,111,714	7,116
Capital outlay	36,748	36,748	45,067	(8,319)
Debt service:				
Principal	26,558	26,558	8,332	18,226
Interest and other charges	<u>-</u>	<u>-</u>	<u>1,804</u>	<u>(1,804)</u>
	<u>1,182,136</u>	<u>1,182,136</u>	<u>1,166,917</u>	<u>15,219</u>
Excess (deficiency) of revenues over expenditures	<u>(729,511)</u>	<u>(756,511)</u>	<u>(722,210)</u>	<u>34,301</u>
OTHER FINANCING SOURCES:				
Proceeds from capital leases	-	23,000	23,000	-
Transfers in	<u>729,512</u>	<u>729,512</u>	<u>721,387</u>	<u>8,125</u>
Total other financing sources and uses	<u>729,512</u>	<u>752,512</u>	<u>744,387</u>	<u>8,125</u>
Net change in fund balances	1	(3,999)	22,177	26,176
Fund balances (deficit) - beginning	<u>(194,115)</u>	<u>(194,115)</u>	<u>(194,115)</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ (194,114)</u>	<u>\$ (198,114)</u>	<u>\$ (171,938)</u>	<u>\$ 26,176</u>

CITY OF NEVADA, MISSOURI
BALANCE SHEET --
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Projects	Library	Tourism	NID-Ashland Estates Sewer	Total Governmental Funds
ASSETS:					
Cash and investments	\$ 851,991	-	\$ 140,783	\$ 14,673	\$ 1,007,447
Taxes receivable, net	-	154,232	4,630	-	158,862
Special assessments receivable	-	-	-	53,295	53,295
Total assets	\$ 851,991	\$ 154,232	\$ 145,413	\$ 67,968	\$ 1,219,604
 LIABILITIES AND FUND BALANCES:					
Accounts payable	-	-	\$ 480	-	\$ 480
Deferred revenue	-	16,932	-	-	16,932
Total liabilities	-	16,932	480	-	17,412
 Fund balances:					
Restricted:					
Capital projects	806,255	-	-	64,915	871,170
Library	-	137,300	-	-	137,300
Parks and recreation	-	-	144,933	-	144,933
Assigned to,					
Capital projects	45,736	-	-	3,053	48,789
Total fund balances	851,991	137,300	144,933	67,968	1,202,192
Total liabilities and fund balances	\$ 851,991	\$ 154,232	\$ 145,413	\$ 67,968	\$ 1,219,604

CITY OF NEVADA, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE -- GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Special Projects</u>	<u>Library</u>	<u>Tourism</u>	<u>NID-Ashland Estates Sewer</u>	<u>Total-Other Governmental Funds</u>
REVENUES:					
Taxes	-	213,928	74,190	-	288,118
Investment earnings	12,337	-	440	34	12,811
Miscellaneous	-	-	56	-	56
Total revenues	<u>12,337</u>	<u>213,928</u>	<u>74,686</u>	<u>34</u>	<u>300,985</u>
EXPENDITURES:					
Culture and recreation	-	271,248	7,947	-	279,195
Capital outlay	-	-	38,363	-	38,363
Debt service:					
Principal	-	-	-	3,744	3,744
Interest and fiscal charges	-	-	-	3,350	3,350
Total expenditures	<u>-</u>	<u>271,248</u>	<u>46,310</u>	<u>7,094</u>	<u>324,652</u>
Excess (deficiency) of revenues over expenditures	<u>12,337</u>	<u>(57,320)</u>	<u>28,376</u>	<u>(7,060)</u>	<u>(23,667)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	63,589	-	-	63,589
Transfers out	<u>(21,876)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,876)</u>
Total other financing sources and uses	<u>(21,876)</u>	<u>63,589</u>	<u>-</u>	<u>-</u>	<u>41,713</u>
Net change in fund balances	(9,539)	6,269	28,376	(7,060)	18,046
Fund balances (deficit) - beginning	<u>861,530</u>	<u>131,031</u>	<u>116,557</u>	<u>75,028</u>	<u>1,184,146</u>
Fund balances (deficit) - ending	<u>\$ 851,991</u>	<u>\$ 137,300</u>	<u>\$ 144,933</u>	<u>\$ 67,968</u>	<u>\$ 1,202,192</u>

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
PARKS CONSTRUCTION
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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	\$ 760,674	\$ 760,674	\$ 731,197	\$ (29,477)
Intergovernmental	150,000	150,000	150,000	-
Investment earnings	700	700	2,949	2,249
Miscellaneous	-	-	187	187
	<u>911,374</u>	<u>911,374</u>	<u>884,333</u>	<u>(27,041)</u>
EXPENDITURES:				
Capital outlay	693,642	693,642	306,803	386,839
Debt service:				
Principal	415,000	415,000	415,000	-
Interest and other charges	55,834	55,834	55,834	-
	<u>1,164,476</u>	<u>1,164,476</u>	<u>777,637</u>	<u>386,839</u>
Excess (deficiency) of revenues over expenditures	<u>(253,102)</u>	<u>(253,102)</u>	<u>106,696</u>	<u>359,798</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	<u>(428,262)</u>	<u>(428,262)</u>	<u>(68,464)</u>	<u>359,798</u>
Fund balances - beginning	<u>988,650</u>	<u>988,650</u>	<u>988,650</u>	<u>-</u>
Fund balances - ending	<u>\$ 560,388</u>	<u>\$ 560,388</u>	<u>\$ 920,186</u>	<u>\$ 359,798</u>

**CITY OF NEVADA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE --
 SPECIAL PROJECTS
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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	\$ 13,042	\$ 13,042	\$ 12,337	\$ (705)
OTHER FINANCING USES,				
Transfers out	(30,000)	(30,000)	(21,876)	(8,124)
Net change in fund balances	(16,958)	(16,958)	(9,539)	7,419
Fund balances - beginning	861,530	861,530	861,530	-
Fund balances - ending	\$ 844,572	\$ 844,572	\$ 851,991	\$ 7,419

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
LIBRARY
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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	\$ 173,300	\$ 207,777	\$ 213,928	\$ 6,151
EXPENDITURES,				
Culture and recreation	173,300	271,365	271,248	117
Excess (deficiency) of revenues over expenditures	-	(63,588)	(57,320)	6,268
OTHER FINANCING SOURCES,				
Transfers in	-	63,588	63,589	(1)
Net change in fund balances	-	-	6,269	6,269
Fund balances - beginning	131,031	131,031	131,031	-
Fund balances - ending	\$ 131,031	\$ 131,031	\$ 137,300	\$ 6,269

**CITY OF NEVADA, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
TOURISM
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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	\$ 77,800	\$ 77,800	\$ 74,190	\$ (3,610)
Investment earnings	150	150	440	290
Miscellaneous	-	-	56	56
	<u>77,950</u>	<u>77,950</u>	<u>74,686</u>	<u>(3,264)</u>
EXPENDITURES:				
Culture and recreation	1,360	1,360	7,947	(6,587)
Capital outlay	68,840	68,840	38,363	30,477
	<u>70,200</u>	<u>70,200</u>	<u>46,310</u>	<u>23,890</u>
Net change in fund balances	7,750	7,750	28,376	(9,851)
Fund balances - beginning	<u>116,557</u>	<u>116,557</u>	<u>116,557</u>	<u>-</u>
Fund balances - ending	<u>\$ 124,307</u>	<u>\$ 124,307</u>	<u>\$ 144,933</u>	<u>\$ (9,851)</u>

**CITY OF NEVADA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE --
 NID-ASHLAND ESTATES SEWER
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Investment earnings	-	-	34	34
	<u>4,000</u>	<u>4,000</u>	<u>34</u>	<u>(3,966)</u>
EXPENDITURES,				
Debt service:				
Principal	6,585	6,585	3,744	2,841
Interest and other charges	641	641	3,350	(2,709)
	<u>7,226</u>	<u>7,226</u>	<u>7,094</u>	<u>132</u>
Net change in fund balances	(3,226)	(3,226)	(7,060)	(3,834)
Fund balances - beginning	<u>75,028</u>	<u>75,028</u>	<u>75,028</u>	<u>-</u>
Fund balances - ending	<u>\$ 71,802</u>	<u>\$ 71,802</u>	<u>\$ 67,968</u>	<u>\$ (3,834)</u>

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SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the 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, 2012, which collectively comprise the City of Nevada, Missouri's basic financial statements and have issued our report thereon dated June 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2012-01 and 2012-02 that we consider to be significant deficiencies in internal control over financial reporting. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as item 2012-03.

We noted certain matters that do not meet the criteria for reporting under *Government Auditing Standards* and have reported them to the management of the City of Nevada, Missouri in our Communication of Significant Deficiencies and Report to Management dated June 21, 2013.

The 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 the City of Nevada, Missouri's response and, accordingly, we express no opinion on it.

Restriction on Use

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 21, 2013

**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 U.S. Office of Management and Budget *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, 2012. 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.

Management's Responsibility

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.

Auditor's Responsibility

Our responsibility is to express an opinion on the City of Nevada, Missouri's compliance with the applicable compliance requirements 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.

Opinion

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, 2012.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above that are required to be reported in accordance with Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-04.

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

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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2012-04. A significant deficiency in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Restricted Use

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, Leeman & Co., P.C.

Harrisonville, Missouri
June 21, 2013

CITY OF NEVADA, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Contract / Award	Current Expenditures	Subrecipients
U.S. Department of Housing and Urban Development				
Passed Through Missouri Department of Economic Development Emergency Shelter Grants Program	14.231	ERO16412011	\$ 9,710	\$ 9,710
<i>Total U.S. Department of Housing and Urban Development</i>			<u>9,710</u>	<u>9,710</u>
U.S. Department of Justice				
Direct Federal Awards				
Bulletproof Vest Partnership Program	16.607		360	-
Public Safety Partnership and Community Policing Grant	16.710	2011-UMWX-0103	29,845	-
Passed Through Missouri Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-LLEBG-040	8,872	-
Enforcing Underage Drinking Laws	16.727	2009-10-EUDL-13	4,020	-
<i>Total U.S. Department of Justice</i>			<u>43,097</u>	<u>-</u>
U.S. Department of Transportation				
Passed Through Missouri Department of Transportation				
Airport Improvement Program	20.106	10-082-1	982,283	-
Highway Planning and Construction - High Mast Lighting	20.205	STP-4800 (702)	71,245	-
Highway Planning and Construction - School Sidewalk Enhancement	20.205	STP-4800 (703)	132,965	-
Formula Grants for Other Than Urbanized Areas	20.509	MO-18-X032	57,699	-
DWI Enforcement - 2011 to 2012 Grant	20.601	12-K8-03-070	2,568	-
DWI Enforcement - 2012 to 2013 Grant	20.601	13-154-AL-052	635	-
<i>Total U.S. Department of Transportation</i>			<u>1,247,395</u>	<u>-</u>
U.S. Environmental Protection Agency				
Passed Through State of Missouri Emergency				
Capitalization Grants for Drinking Water (1)	66.468	C295010-01	343,085	-
<i>Total U.S. Environmental Protection Agency</i>			<u>343,085</u>	<u>-</u>
U.S. Department of Energy				
Passed Through State of Missouri Department of Natural Resources				
ARRA - Energy Efficiency and Conservation Block Grant	81.128	G10-EECBG-02-092853381	11,739	-
<i>Total U.S. Department of Energy</i>			<u>11,739</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed Through Missouri Department of Public Safety				
Federal Emergency Management Performance Grant	97.044	EMW-2010-FO-05408	22,383	-
<i>Total U.S. Department of Homeland Security</i>			<u>22,383</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,677,409</u>	<u>\$ 9,710</u>

(1) Federal award is based upon a federal loan guarantee.

CITY OF NEVADA, MISSOURI

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

Note 1. Organization

The City of Nevada, Missouri, is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards.

Note 2. Basis of Presentation

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

Note 3. Local Government Contributions

Local cost sharing, as defined by the Office of Management and Budget Circular A-102, Attachment F, is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Federal Awards.

Note 4. Additional Audits

Grantor agencies reserve the right to conduct additional audits of the city's grant programs for economy and efficiency and program results that may result in disallowed costs to the City of Nevada, Missouri. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at December 31, 2012.

Note 5. Outstanding Loans

The City has an outstanding loan commitment under Clean Water State Revolving Loan Fund from the Missouri Department of Natural Resources, as a pass-through agency for the Environmental Protection Agency (CFDA # 66.468). As of December 31, 2012, the outstanding loan payable balance, reflecting the balance of draw downs as of year-end, was \$12,061,720.

CITY OF NEVADA, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2012

Summary of Auditor's Results

Financial Statements:

Type Audit Report Issued on the Basic Financial Statements of Auditee

Unqualified

Internal Control Over Financial Reporting

No material weaknesses identified, significant deficiencies reported as 2012-01 and 2012-02.

General Compliance

The audit disclosed an instances of noncompliance reported as 2012-03.

Federal Awards:

Internal Control Over Major Programs

No material weaknesses identified, significant deficiencies reported as 2012-04.

Type of Audit Report Issued on Compliance for Major Programs

Unqualified

Audit Findings

The audit disclosed audit findings that are required to be reported under OMB Circular A-133 as 2012-04.

Major Programs

CFDA Number

20.106

Name of Federal Program

Airport Improvement Program

Dollar Threshold Used to Distinguish Between Type A and Type B Program

\$300,000

Auditee Qualified as a Low-risk Auditee

No

CITY OF NEVADA, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2012**

Financial Statement Findings

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

2012-01 Preparation of the Schedule of Expenditures of Federal Awards

Criteria

OMB Circular A-133 requires that the City identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and the name of the pass-through entity.

Condition

Modifications were required to correct initial Schedule of Expenditure of Federal Awards information including identifying CFDA numbers, adjusting amounts recorded in the current year for federal grants, and identifying a Federal grant recorded as a state grant.

Cause

There was a breakdown of communication between administrators of the grants and the reporting official preparing the schedule of Expenditures of Federal Awards. In addition, the comprehensive reporting criteria was not fully understood by the grant administrators.

Effect

Incorrect amounts recorded on the Schedule of Expenditures of Federal Awards may cause incorrect classifications for major programs. This could also prevent the City from determining that a single audit is required.

Recommendation

We recommend that City staff given the responsibility of issuing federal reports or preparing the Schedule of Expenditure of Federal Awards attend training classes to better understand the compliance and reporting requirements of Federal programs.

CITY OF NEVADA, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2012**

Financial Statement Findings (continued)

Management's Response and Corrective Action

City staff will obtain training to ensure administrators of grants and reporting official have a clear understanding of each particular grant's requirements. Procedures will be implemented to ensure all requirements are met.

2012-02 Financial Statement Preparation

Criteria/Condition

Management is responsible for establishing, maintaining and monitoring internal controls over financial reporting, and for the fair presentation of the financial statements and related notes in conformity with accounting principles generally accepted in the United States of America.

Cause

The City does not have personnel with certified expertise to prepare financial statements and related footnote disclosures.

Effect

The financial statements may be materially misstated and/or not contain all required disclosures.

Recommendation

We recommend management continue to analyze the cost benefit of obtaining the ability to prepare the financial statements and related footnote disclosures in accordance with generally accepted accounting principles accepted in the United States of America.

Management's Response and Corrective Action

The City will accept responsibility for the financial statements drafted by the auditor. Additionally, the City will continue to obtain financial statement training for its Finance Department.

CITY OF NEVADA, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2012**

Financial Statement Findings (continued)

2012-03

**Highway Planning and Construction - CFDA # 20.205
Passed through the Missouri Department of Transportation
Award # STP-4800(703)
Cash Management**

Condition

During testing it was noted that requests for reimbursement were being submitted before program costs were being paid. The payments to contractors were being paid at times when reimbursement was collected by the City.

Criteria

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested.

Cause

There was a breakdown in communication between the grant administrator and the accounting/finance department.

Questioned Costs

\$0

Effect

The City could potentially be found in noncompliance would result in the loss of future funding or the payback of funds received.

Recommendation

We recommend the City implement policies and procedures to ensure requests for reimbursement are submitted after the City has made proper payments.

Management's Response and Corrective Action

The City will implement and emphasize procedures to ensure requests for reimbursement are submitted in accordance with the requirements.

CITY OF NEVADA, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2012**

Financial Statement Findings (continued)

Summary Schedule of Prior Audit Findings

None

CITY OF NEVADA, MISSOURI

Federal Award Findings and Questioned Costs

Federal Award Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

2012-04

**Airport Improvement Program - CFDA # 20.106
Passed through the Missouri Department of Transportation
Award # 10-082-1
Davis Bacon**

Condition

During testing it was noted that the City did not have certified payrolls on file. The certified payrolls were provided to the State by the engineer. The City was not provided copies of the certified payrolls during the course of the project. The engineer provided certified payrolls to the City during the audit.

Criteria

When required by the Davis Bacon Act, the contractor or subcontractor must submit to the non-Federal entity weekly for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Cause

The City does not have policies in place to ensure they are receiving the required certified payrolls from contractors in a timely manner.

Questioned Costs

\$0

Effect

By not receiving and reviewing certified payrolls the City may be requesting monies for reimbursement for wages that have not been certified as being in compliance with Davis Bacon.

Recommendation

We recommend the City implement policies and procedures to ensure certified payrolls are being requested and received from contractors for projects which Davis Bacon compliance requirements are applicable.

Management's Response and Corrective Actions

The City will implement procedures to correct this.

CITY OF NEVADA, MISSOURI

Federal Award Findings and Questioned Costs

Summary Schedule of Prior Audit Findings

None