



Financial Statements
June 30, 2022

City of Wells

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Independent Auditor's Report

The Honorable Mayor and City Council of Wells
City of Wells
Wells, Nevada

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wells, State of Nevada (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 5 through 13, the schedules of budgetary comparison and reconciliation information and related notes on pages 49 through 56, the Schedule of City's Share of Net Pension Liability on page 57, and the Schedule of the City's Contributions on page 58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Management's Discussion and Analysis, the Schedule of City's Share of Net Pension Liability, and the Schedule of the City's Contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The schedules budgetary comparison and reconciliation information and related notes are the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison and reconciliation information and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules including budgetary comparisons, and reconciliation information, 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 audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and schedules including budgetary comparisons, and reconciliation information, 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 basic financial statements. The information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules including budgetary comparisons, and reconciliation information, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of fees imposed subject to the provision of NRS 354.5989 limitation of fees for business licenses but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Prior-Year Comparative Information

The individual fund schedules related to the 2021 financial statements are presented for purposes of additional analysis and were derived from and relate directly to the underlying accounting and other records used to prepare the 2021 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2021 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The statements and schedules referred to above are consistent in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Elko, Nevada
January 26, 2023

As management of the City of Wells, Nevada, we offer readers of the City of Wells' financial statements this narrative overview and analysis of the financial activities of the City of Wells, Nevada for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Wells exceeded liabilities and deferred inflows of resources at June 30, 2022 by \$17,826,330. Of this, \$4,199,466 (unrestricted) may be used to meet ongoing obligations to citizens and creditors.
- Net position increased by \$1,407,273.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements of the City of Wells are comprised of government-wide financial statements, fund financial statements, and notes to the financial statements. Additionally, supplemental information to the financial statements is contained in this report.

Government-wide Financial Statements

The government-wide financial statements are presented to provide readers with a broad financial overview of the City of Wells, Nevada.

The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources for the City of Wells. The difference between the total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is reported as "net position". Over time increases and decreases in net position may serve as an indicator of improvement or deterioration of financial condition.

The Statement of Activities reflects the changes that have occurred during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes.

Governmental activities which are supported primarily by taxes and intergovernmental revenues are distinguished from activities which are intended to recover all or a significant portion of costs through user fees and charges, as is the case with business-type functions, in the government-wide and fund financial statements. City of Wells governmental activities include those associated with general government; judicial; public safety with volunteer firemen and contracted police services through Elko County Sheriff's Office; public works; senior citizen operations; community development; health; culture and recreation including parks, soccer field, golf course, trap range, swimming pool, rodeo and chariot track facilities; community support and revolving loan fund. The business-type activities for the City of Wells include water operations, sewer operations, and sanitation operations. Business-type activities are supported by user charges for providing water, sewer and sanitation services.

Fund Financial Statements

A fund is an accounting entity with self-balancing sets of accounts to record activity involving assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City of Wells, as with other governmental agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City of Wells are divided into government and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental funds focus on the current inflows and outflows of resources. This information is useful in determining current financing requirements.

The City of Wells maintains nine separate funds that make up the governmental fund category. Information is presented separately in the governmental balance sheet and the governmental statement of revenues, expenditures, and changes in fund balance for the following funds – General Fund, Silver Sage Senior Center Fund, Capital Improvement Fund and Recreation Fund. These are the City's major governmental funds. All other governmental funds are reported in a single aggregated column.

A separate budget is prepared annually for each fund reflecting anticipated resources and uses of the collected resources. A budgetary comparison schedule has been provided for each fund to demonstrate compliance with the budget.

Proprietary Funds

The City of Wells maintains enterprise funds under this category. Enterprise funds are used to account for functions presented in the business-type section of the government-wide financial statements. Enterprise funds consist of Water, Sewer, and Sanitation funds.

Notes to Financial Statements

Notes to financial statements are included to provide information that is crucial to the full and complete understanding of the data provided in the financial statements.

Other Information

Combining and individual fund statements and schedules are presented immediately following the notes to financial statements section of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Wells, net position exceeded liabilities and deferred inflows of resources by \$17,826,330 at the close of the most recent fiscal year.

By far, the largest part of the City of Wells' net position reflects its investment in capital assets (e.g. buildings, improvements other than buildings and machinery and equipment); net investment in these assets has increased slightly to \$12,655,477. City of Wells uses these capital assets to provide services; consequently, these assets are not available for future spending. City of Wells' unrestricted net position (\$4,199,466) may be used to meet the City of Wells' ongoing obligations to citizens and creditors.

Total government-wide program and general revenues increased \$903,626. This is primarily due to the 1st distribution of American Rescue Funds received during the fiscal year. Regional construction, sales and the general economy remained steady. Revenues are somewhat dependent on one industry rather than a diversified economy therefore, the board has remained reluctant to expend for non-essential activities. In addition, housing has become very limited due to the additional activity. Room taxes increased \$203,203 during the year as a result of the continued success of the Hampton Inn.

Activities during the year included crack sealing city streets and parking lots, street maintenance consisting of 3 paving projects including 1 block of Baker Street and 2 blocks of 3rd Street. The City has continued development on the 80 acres in the RDA District purchased the previous fiscal year. Demolition of the old Ranch House and Bottari Reality building was completed in that area as well as continued ground remediation. Several developers are evaluating the area for future projects and businesses.

Capital grants and contributions decreased by \$492,164 from the prior fiscal year to \$429,886. The City has continued to expand plans for future growth and development. The current year amount for capital grants and contributions has continued to decrease to a more typical year as the previous grant years were much higher.

Operating grants and contributions increased \$965,905 from the prior year to \$1,459,554. As mentioned above, this is largely due to the American Rescue Funds allotted to the City of Wells during the fiscal year in the amount of \$841,018.

At the end of the current fiscal year, the City of Wells is able to report positive balances in all categories of net position. The net pension liability also saw a decrease from \$1,398,025 to \$984,860.

The following table provides a summary of the City's net position at June 30, 2022:

Summary of Net Position:

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Current and Other Assets	\$ 4,773,669	\$ 4,160,860	\$ 1,981,255	\$ 1,809,463
Capital Assets	10,580,765	10,570,806	2,730,081	2,579,679
Total assets	15,354,434	14,731,666	4,711,336	4,389,142
Deferred Outflows of Resources	451,412	145,344	213,322	79,626
Long-term Liabilities	850,743	1,177,700	912,603	1,102,066
Other Liabilities	187,547	386,799	52,223	52,474
Total liabilities	1,038,290	1,564,499	964,826	1,154,540
Deferred Inflows of Resources	605,117	125,151	295,941	82,531
Net Position				
Net investment in capital assets	10,409,585	10,357,266	2,245,892	2,037,571
Restricted	208,501	144,643	762,886	710,476
Unrestricted	3,544,353	2,685,451	655,113	483,650
Total net position	\$ 14,162,439	\$ 13,187,360	\$ 3,663,891	\$ 3,231,697

Totals			
2022	2021	Amount	% Change
\$ 6,754,924	\$ 5,970,323	\$ 784,601	13.14%
<u>13,310,846</u>	<u>13,150,485</u>	<u>160,361</u>	<u>1.22%</u>
20,065,770	19,120,808	944,962	4.94%
<u>664,734</u>	<u>224,970</u>	<u>439,764</u>	<u>195.48%</u>
1,763,346	2,279,766	(516,420)	(22.65%)
<u>239,770</u>	<u>439,273</u>	<u>(199,503)</u>	<u>(45.42%)</u>
<u>2,003,116</u>	<u>2,719,039</u>	<u>(715,923)</u>	<u>(26.33%)</u>
<u>901,058</u>	<u>207,682</u>	<u>693,376</u>	<u>333.86%</u>
12,655,477	12,394,837	260,640	2.10%
971,387	855,119	116,268	13.60%
<u>4,199,466</u>	<u>3,169,101</u>	<u>1,030,365</u>	<u>32.51%</u>
<u>\$ 17,826,330</u>	<u>\$ 16,419,057</u>	<u>\$ 1,407,273</u>	<u>8.57%</u>

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Revenues				
Program revenues				
Charges for services	\$ 406,435	\$ 369,381	\$ 1,140,188	\$ 1,143,755
Operating grants and contributions	1,459,554	493,649	-	-
Capital grants and contributions	82,962	850,221	346,924	71,829
General Revenues				
Ad valorem taxes	420,107	387,813	-	-
Consolidated taxes	1,534,161	1,447,687	-	-
Motor vehicle taxes	80,496	79,143	-	-
Room taxes	603,125	372,922	-	-
Gaming tax	16,395	15,960	-	-
Interest Income	17,750	19,646	2,300	2,795
Miscellaneous revenues	102,913	54,883	-	-
Total revenues	4,723,898	4,091,305	1,489,412	1,218,379
Expenses				
General government	387,052	326,575	-	-
Public safety	565,784	580,374	-	-
Health and sanitation	22,514	21,088	-	-
Culture and recreation	905,463	772,907	-	-
Public works	880,284	968,886	-	-
Judicial	29,507	33,682	-	-
Community support	951,607	232,154	-	-
Interest on long-term debt	6,608	7,668	-	-
Water utilities	-	-	491,936	525,563
Sewer utilities	-	-	270,709	266,651
Sanitation utilities	-	-	294,573	281,026
Total expenses	3,748,819	2,943,334	1,057,218	1,073,240
Change in Net Position	975,079	1,147,971	432,194	145,139
Beginning Net Position	13,187,360	12,039,389	3,231,697	3,086,558
Ending Net Position	<u>\$ 14,162,439</u>	<u>\$ 13,187,360</u>	<u>\$ 3,663,891</u>	<u>\$ 3,231,697</u>

Totals			
2022	2021	Amount	% Change
\$ 1,546,623	\$ 1,513,136	\$ 33,487	2.21%
1,459,554	493,649	965,905	195.67%
429,886	922,050	(492,164)	(53.38%)
420,107	387,813	32,294	8.33%
1,534,161	1,447,687	86,474	5.97%
80,496	79,143	1,353	1.71%
603,125	372,922	230,203	61.73%
16,395	15,960	435	2.73%
20,050	22,441	(2,391)	(10.65%)
102,913	54,883	48,030	87.51%
<u>6,213,310</u>	<u>5,309,684</u>	<u>903,626</u>	<u>17.02%</u>
387,052	326,575	60,477	18.52%
565,784	580,374	(14,590)	(2.51%)
22,514	21,088	1,426	6.76%
905,463	772,907	132,556	17.15%
880,284	968,886	(88,602)	(9.14%)
29,507	33,682	(4,175)	(12.40%)
951,607	232,154	719,453	309.90%
6,608	7,668	(1,060)	(13.82%)
491,936	525,563	(33,627)	(6.40%)
270,709	266,651	4,058	1.52%
294,573	281,026	13,547	4.82%
<u>4,806,037</u>	<u>4,016,574</u>	<u>789,463</u>	<u>19.66%</u>
1,407,273	1,293,110	114,163	8.83%
<u>16,419,057</u>	<u>15,125,947</u>	<u>1,293,110</u>	<u>8.55%</u>
<u>\$ 17,826,330</u>	<u>\$ 16,419,057</u>	<u>\$ 1,407,273</u>	<u>8.57%</u>

Fund Basis Financial Analysis

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balances of \$4,325,400. Of this year-end total, \$120,257 is non-spendable, \$208,501 is restricted by enabling legislation, \$571,004 is committed by city council, \$492,841 is assigned for the subsequent year operations, public safety, and capital improvement, and \$2,932,797 is unassigned.

The total ending fund balances of governmental funds show an increase of \$868,274 over the prior year. The increase is the result of the additional funds in grant dollars as well as increases in room taxes and consolidated taxes.

In preparation of the 2021-2022 budgets, City officials held numerous meetings with department heads and held work sessions to identify major programs needed to meet citizen's needs for services.

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance increased by \$622,333. Key factors contributing to this increase was additional grant funding and excess consolidated tax revenue.

The Recreation Fund, which is funded by room taxes, shows a fund balance increase of \$130,391. Historically a transfer to the Recreation Fund from the General Fund has been necessary to help supplement the fund. This was not necessary this year as room tax has continued to increase with the Hampton Inn in full operation. Capital Outlay has continued to see a decrease as projects have shifted to street maintenance rather than recreation.

The Silver Sage Senior Center Fund, accounts for the activities related to the senior center operations. The fund balance decreased by \$11,886. The Center is still rebuilding following the negative impacts of COVID. Due to this, the Board approved a transfer of \$5,000 from the General Fund this year. This fund is not directly tax generated and therefore, the Center is subservient to local fund raising and grant revenues, which makes it more vulnerable during harder economic times. Because of the extensive services to the community, the Board of Council Members stays on top of the activities and costs as necessary.

The Capital Improvement Fund is used to purchase capital assets. Revenues have remained somewhat stable this year. Marijuana taxes and fees continue being generated as this is the 3rd year the cultivation facility has been in operation. The fund balance did see an increase of \$62,578 from the previous year. It is expected that Marijuana quarterly taxes will continue to add to the Capital Improvement Fund as a second cultivation facility has completed construction and will begin operation in the upcoming year.

The other funds – Cemetery Perpetual Fund, Redevelopment Agency Fund, Administrative Assessment Fund, Court Facilities Fund, and the Fire Department Fund – are minor funds and reflect low dollars and low activity. The Judge and Nevada Revised Statutes closely regulate the administrative and court facilities funds. While the Court Facilities and Administrative Assessment Funds are minimal it should be noted that the revenues have continued to decline the last 3 years.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Proprietary funds for the City of Wells – the Water, Sewer, and Sanitation – are discussed on pages 20-24. These funds saw a slight decrease in operating revenues and a slight decrease in overall expenses. Since the cost of operations continues to grow rate increases will be evaluated in the upcoming years as these funds are dependent on the fees for services. Overall, net position increased by \$432,194.

To summarize, these funds will continue to be analyzed closely. So far, the City has managed the incoming mining activities although housing has become extremely limited with very few homes on the market.

Budgetary Highlights – Fiscal Year Ended June 30, 2022

The budget statements reflect a comparison of budgeted revenues and expenditures to actual for the year ended June 30, 2022. The budget statements were prepared from the final and augmented budgets as filed with the Nevada Department of Taxation. The General Fund and the Recreation Fund were augmented during 2021-2022 as a result of grants, consolidated tax funds, airport gasoline sales, and room tax revenues received.

Governmental Activities

Governmental activities are budgeted on a fund basis.

General Fund – Actual revenues received by the City were \$3,521,900 which was \$47,149 more than the budgeted amount of \$3,474,751. This was primarily due to an increase in Consolidated Tax and grant revenue. In general, most revenue line items held close to their forecasts.

Actual expenditures of the General Fund without the Fire Department were \$2,828,238 which was \$507,901 less than the budgeted amount of \$3,336,139. Capital outlay or purchase of capital assets was \$513,563. This was primarily due to streets, airport, and community support activities.

Recreation Fund – The Recreation Fund under spent its budget by \$24,514 in the current year. Overall revenues were \$229,806 higher than budgeted, primarily attributed to the increase in Room Tax revenue which was \$232,625 higher than budgeted with the Hampton Inn in full operation. A transfer from the general fund was not necessary this year.

Capital Improvement Fund – The Capital Improvement Fund had capital purchases of \$109,659 this fiscal year made up of the Ranch House demolition. The fund also received Capital Projects Tax of \$39,172 and marijuana fees of \$67,272. The entire ending fund balance will continue being budgeted to avoid any budget overage.

Silver Sage Senior Center Fund – The Silver Sage Senior Center revenue was \$16,719 below that of budget. Expenses did remain under budget but due to the decreased revenue the Senior Center received a transfer of \$5,000 from the General Fund. Recovering from COVID has been an ongoing struggle at the Center reducing revenues and clients but the Director is working diligently to remedy this.

Business-type Activities

Business-type activities revenues for services performed by the City were \$1,140,188, which was \$13,712 less than the budgeted amount. Operating expenses, before depreciation, of \$887,664 were less than the budgeted amount by \$217,036 which covers all of the depreciation expenses (\$155,939).

Overall, net position increased by \$432,194 for the business-type activities. Additional budget information can be found on pages 71 through 73 of this report.

Capital Assets

The City of Wells' investment in capital assets as of June 30, 2022, amounts to \$12,655,477 (net of accumulated depreciation and reduced by debt or other borrowing used to purchase those assets). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, vehicles and construction in progress.

Major capital asset events during the fiscal year included street work, redevelopment in the RDA district, the purchase 2 new work trucks, a back-up generator and FAA projects at the airport.

Additional information on the City of Wells' capital assets can be found in Note 9 of this report.

Long-term Debt Activity

Long-term debt outstanding at June 30, 2022 totaled \$665,146 (excluding compensated absences). The City did not acquire any additional short-term debt during this fiscal year. Additional information regarding the City's debt can be found in Note 11 of this report. The City of Wells has a net pension liability of \$984,860 at June 30, 2022. Clearly the net pension liability is not included in long-term debt activity; however, it is reported as a long-term liability of the City of Wells. This is a potential liability and the City accounts for it but does not make payments towards it.

Next Year's Budgets and Rates

Long Canyon Mine, 26 miles east of Wells has continued closing operations over the past year due to permitting issues. At this time, it is unknown how long the mine will remain scaled back. Hampton Inn is fully operational increasing the City's Room Tax. The Marijuana cultivation operation is up and running and a second facility is well underway to begin operations in the new year.

In addition, a new Maverick Gas Station is being built that should open this coming fiscal year. Other developments in the pipeline include a large 100 space RV park and a possible hotel/restaurant.

These factors will be taken into consideration in the City's next budget cycle.

In November 2022, the City welcomed a new City Manager, who has been a long time employee of the City as the Public Works Director.

Requests for Information

This financial report is designed to provide a general overview of the City of Wells' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Wells, 525 Sixth Street, Wells, Nevada 89835.

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City of Wells
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 3,767,383	\$ 1,071,329	\$ 4,838,712
Accounts receivable	73,703	105,693	179,396
Due from other governments	605,465	-	605,465
Inventory	120,257	41,347	161,604
Note receivable - HEART	206,861	-	206,861
Restricted cash	-	762,886	762,886
Capital assets			
Land and construction in progress	2,878,006	45,591	2,923,597
Other capital assets (net of accumulated depreciation)	7,702,759	2,684,490	10,387,249
Total assets	<u>15,354,434</u>	<u>4,711,336</u>	<u>20,065,770</u>
Deferred Outflows of Resources			
Deferred charge on bond refunding	-	9,777	9,777
Pensions	451,412	203,545	654,957
Total deferred outflows of resources	<u>451,412</u>	<u>213,322</u>	<u>664,734</u>
Liabilities			
Accounts payable	138,512	34,773	173,285
Accrued liabilities	41,622	12,707	54,329
Accrued interest	6,863	4,743	11,606
Other current liabilities	550	-	550
Long-term liabilities			
Portion due or payable within one year			
Compensated absences	58,651	33,320	91,971
Bonds and notes payable	34,665	59,180	93,845
Portion due or payable after one year			
Bonds and notes payable	136,515	434,786	571,301
Net pension liability	620,912	363,948	984,860
Deposits	-	21,369	21,369
Total liabilities	<u>1,038,290</u>	<u>964,826</u>	<u>2,003,116</u>
Deferred Inflows of Resources			
Pensions	605,117	295,941	901,058
Net Position			
Net investment in capital assets	10,409,585	2,245,892	12,655,477
Restricted for			
Court improvements	49,339	-	49,339
Redevelopment	159,162	-	159,162
Debt service	-	66,784	66,784
Capital projects	-	696,102	696,102
Unrestricted	3,544,353	655,113	4,199,466
Total net position	<u>\$ 14,162,439</u>	<u>\$ 3,663,891</u>	<u>\$ 17,826,330</u>

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 387,052	\$ 93,158	\$ -	\$ -
Public safety	565,784	9,536	536,264	-
Health and sanitation	22,514	4,055	-	-
Culture and recreation	905,463	140,473	254,181	-
Public works	880,284	156,202	15,967	44,281
Judicial	29,507	3,011	-	-
Community support	951,607	-	653,142	38,681
Interest on long-term debt	6,608	-	-	-
Total governmental activities	<u>3,748,819</u>	<u>406,435</u>	<u>1,459,554</u>	<u>82,962</u>
Business-type activities				
Water	491,936	556,229	-	318,661
Sewer	270,709	283,358	-	28,263
Sanitation	294,573	300,601	-	-
Total business-type activities	<u>1,057,218</u>	<u>1,140,188</u>	<u>-</u>	<u>346,924</u>
Total Primary Government	<u>\$ 4,806,037</u>	<u>\$ 1,546,623</u>	<u>\$ 1,459,554</u>	<u>\$ 429,886</u>
General revenues				
Unrestricted intergovernmental - Ad valorem taxes				
Unrestricted intergovernmental - consolidated taxes				
Motor vehicle taxes				
Room taxes				
Gaming tax				
Unrestricted investment income				
Miscellaneous revenues				
Total general revenues				
Change in Net Position				
Net Position, Beginning of Year				
Net Position, End of Year				

Net (Expense) and Revenue Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (293,894)	\$ -	\$ (293,894)
(19,984)	-	(19,984)
(18,459)	-	(18,459)
(510,809)	-	(510,809)
(663,834)	-	(663,834)
(26,496)	-	(26,496)
(259,784)	-	(259,784)
(6,608)	-	(6,608)
<u>(1,799,868)</u>	<u>-</u>	<u>(1,799,868)</u>
-	382,954	382,954
-	40,912	40,912
-	6,028	6,028
<u>-</u>	<u>429,894</u>	<u>429,894</u>
<u>(1,799,868)</u>	<u>429,894</u>	<u>(1,369,974)</u>
420,107	-	420,107
1,534,161	-	1,534,161
80,496	-	80,496
603,125	-	603,125
16,395	-	16,395
17,750	2,300	20,050
102,913	-	102,913
<u>2,774,947</u>	<u>2,300</u>	<u>2,777,247</u>
<u>975,079</u>	<u>432,194</u>	<u>1,407,273</u>
<u>13,187,360</u>	<u>3,231,697</u>	<u>16,419,057</u>
<u>\$ 14,162,439</u>	<u>\$ 3,663,891</u>	<u>\$ 17,826,330</u>

	General Fund	Recreation Fund	Silver Sage Senior Center Fund
Assets			
Cash and investments	\$ 2,675,032	\$ 299,108	\$ 186,875
Accounts receivable	2,260	71,443	-
Note receivable - HEART	-	-	-
Due from other governments	523,914	4,279	38,562
Inventory	93,888	24,051	2,318
Total assets	\$ 3,295,094	\$ 398,881	\$ 227,755
Liabilities			
Accounts payable	\$ 107,019	\$ 27,402	\$ 1,723
Accrued liabilities	28,081	9,009	4,532
Other current liabilities	550	-	-
Total liabilities	135,650	36,411	6,255
Deferred Inflows of Resources			
Unavailable revenue -received beyond 60 days of year end	37,796	-	-
Unavailable revenue - HEART note	-	-	-
Total deferred inflows of resources	37,796	-	-
Total liabilities and deferred inflows of resources	173,446	36,411	6,255
Fund Balances			
Nonspendable			
Inventory	93,888	24,051	2,318
Restricted			
Redevelopment	-	-	-
Judicial	-	-	-
Committed			
Culture and recreation	-	338,419	219,182
Health and sanitation	-	-	-
Assigned			
Public safety	109,785	-	-
Capital projects	-	-	-
Subsequent year operations	-	-	-
Unassigned	2,917,975	-	-
Total fund balances	3,121,648	362,470	221,500
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,295,094	\$ 398,881	\$ 227,755

See Notes to Financial Statements

City of Wells
Balance Sheet – Governmental Funds
June 30, 2022

Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 384,389	\$ 221,979	\$ 3,767,383
-	-	73,703
206,861	-	206,861
38,710	-	605,465
-	-	120,257
<u>\$ 629,960</u>	<u>\$ 221,979</u>	<u>\$ 4,773,669</u>
\$ 2,293	\$ 75	\$ 138,512
-	-	41,622
-	-	550
<u>2,293</u>	<u>75</u>	<u>180,684</u>
22,928	-	60,724
206,861	-	206,861
<u>229,789</u>	<u>-</u>	<u>267,585</u>
<u>232,082</u>	<u>75</u>	<u>448,269</u>
-	-	120,257
-	159,162	159,162
-	49,339	49,339
-	-	557,601
-	13,403	13,403
-	-	109,785
150,031	-	150,031
233,025	-	233,025
14,822	-	2,932,797
<u>397,878</u>	<u>221,904</u>	<u>4,325,400</u>
<u>\$ 629,960</u>	<u>\$ 221,979</u>	<u>\$ 4,773,669</u>

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City of Wells
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 June 30, 2022

Total fund balances for the governmental funds as shown on the balance sheet	\$ 4,325,400
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	10,580,765
Unavailable revenue reflected as deferred inflows of resources represent amounts that are not available to fund current expenditures and, therefore, are deferred in the governmental funds balance sheet.	267,585
Deferred outflows and deferred inflows or resources related to pensions are applicable to future periods and, therefore are not reported in the governmental funds.	
Deferred outflows of resources related to pensions	451,412
Deferred inflows of resources related to pensions	(605,117)
Certain liabilities and the related accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(857,606)</u>
Total net position for governmental activities as shown on the statement of net position	<u><u>\$ 14,162,439</u></u>

	General Fund	Recreation Fund	Silver Sage Senior Center Fund
Revenues			
Taxes	\$ 319,785	\$ 603,125	\$ -
Licenses and permits	46,734	-	-
Intergovernmental	2,954,040	19,924	234,257
Charges for services	146,975	127,246	12,902
Fines and forfeits	1,807	-	-
Miscellaneous revenues	60,289	661	5,923
Total revenues	3,529,630	750,956	253,082
Expenditures			
Current			
General government	237,691	-	-
Public safety	554,146	-	-
Health and sanitation	7,837	-	-
Culture and recreation	-	595,978	268,654
Public works	535,791	-	-
Judicial	33,801	-	-
Community support	971,738	-	-
Capital outlay	519,818	15,399	1,314
Debt service			
Principal	33,576	8,784	-
Interest	7,899	404	-
Total expenditures	2,902,297	620,565	269,968
Excess (Deficiency) of Revenues Over Expenditures	627,333	130,391	(16,886)
Other Financing Sources (Uses)			
Transfers in	-	-	5,000
Transfers out	(5,000)	-	-
Total other financing sources (uses)	(5,000)	-	5,000
Net Change in Fund Balances	622,333	130,391	(11,886)
Fund Balances, Beginning of Year	2,499,315	232,079	233,386
Fund Balances, End of Year	\$ 3,121,648	\$ 362,470	\$ 221,500

See Notes to Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
 Year Ended June 30, 2022

Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 39,172	\$ 61,150	\$ 1,023,232
67,272	-	114,006
21,602	-	3,229,823
-	2,204	289,327
-	-	1,807
45,191	2,400	114,464
<u>173,237</u>	<u>65,754</u>	<u>4,772,659</u>
1,000	-	238,691
-	-	554,146
-	-	7,837
-	-	864,632
-	-	535,791
-	896	34,697
-	-	971,738
109,659	-	646,190
-	-	42,360
-	-	8,303
<u>110,659</u>	<u>896</u>	<u>3,904,385</u>
<u>62,578</u>	<u>64,858</u>	<u>868,274</u>
-	-	5,000
-	-	(5,000)
<u>-</u>	<u>-</u>	<u>-</u>
<u>62,578</u>	<u>64,858</u>	<u>868,274</u>
<u>335,300</u>	<u>157,046</u>	<u>3,457,126</u>
<u>\$ 397,878</u>	<u>\$ 221,904</u>	<u>\$ 4,325,400</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2022

Net change in fund balances for governmental funds as shown on the statement of revenues, expenditures and changes in fund balances	\$ 868,274
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period and the effect of the disposal of capital assets.	9,959
The issuance of long-term debt (e.g., bonds, leases, and other long term obligations) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on government-wide net position. Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas premiums and discounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	42,655
Governmental funds report City PERS contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense:	
City PERS contributions	84,720
City pension expense	27,379
Taxes and other revenue that are collected in time to pay obligations of the current period are reported as revenue in the fund statements. However, the amounts that relate to prior periods that first become available in the current period are not reported as revenue in the statement of activities.	<u>(57,908)</u>
Changes in net position of governmental activities as shown on the statement of activities	<u><u>\$ 975,079</u></u>

City of Wells
Statement of Net Position – Proprietary Funds
June 30, 2022

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Water Fund	Sewer Fund	Sanitation Fund	
Assets				
Current Assets				
Cash and investments	\$ 558,068	\$ 421,105	\$ 92,156	\$ 1,071,329
Restricted cash	197,342	498,760	-	696,102
Accounts receivable	56,196	23,559	25,938	105,693
Inventory	38,930	2,417	-	41,347
Total current assets	850,536	945,841	118,094	1,914,471
Noncurrent Assets				
Restricted cash				
Debt service	66,784	-	-	66,784
Capital assets				
Land	21,960	5,806	-	27,766
Buildings	303,963	7,970	-	311,933
Improvements other than buildings	5,006,227	3,213,684	58,783	8,278,694
Machinery and equipment	684,280	260,907	-	945,187
Construction in progress	-	17,825	-	17,825
Less accumulated depreciation	(3,477,724)	(3,334,339)	(39,261)	(6,851,324)
Total capital assets (net of accumulated depreciation)	2,538,706	171,853	19,522	2,730,081
Total noncurrent assets	2,605,490	171,853	19,522	2,796,865
Total assets	3,456,026	1,117,694	137,616	4,711,336
Deferred Outflows of Resources				
Deferred charge on bond refunding	9,777	-	-	9,777
Pensions	98,882	97,510	7,153	203,545
Total deferred outflows of resources	108,659	97,510	7,153	213,322
Liabilities				
Current liabilities				
Accounts payable	7,723	3,262	23,788	34,773
Accrued liabilities	6,222	5,336	1,149	12,707
Compensated absences	15,306	16,334	1,680	33,320
Current liabilities payable from restricted assets				
Current maturities of bonds payable	59,180	-	-	59,180
Accrued interest	4,743	-	-	4,743
Total current liabilities	93,174	24,932	26,617	144,723

City of Wells
Statement of Net Position – Proprietary Funds
June 30, 2022

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Water Fund	Sewer Fund	Sanitation Fund	
Noncurrent liabilities				
General obligation bonds payable, net of unamortized discounts	\$ 434,786	\$ -	\$ -	\$ 434,786
Net pension liability	178,710	177,347	7,891	363,948
Other long-term liabilities - deposits	4,800	16,569	-	21,369
Total noncurrent liabilities	<u>618,296</u>	<u>193,916</u>	<u>7,891</u>	<u>820,103</u>
Total liabilities	<u>711,470</u>	<u>218,848</u>	<u>34,508</u>	<u>964,826</u>
Deferred Inflows of Resources				
Pensions	<u>143,913</u>	<u>141,824</u>	<u>10,204</u>	<u>295,941</u>
Net Position				
Net investment in capital assets	2,054,517	171,853	19,522	2,245,892
Restricted for				
Capital projects	197,342	498,760	-	696,102
Debt service	66,784	-	-	66,784
Unrestricted	<u>390,659</u>	<u>183,919</u>	<u>80,535</u>	<u>655,113</u>
Total net position	<u>\$ 2,709,302</u>	<u>\$ 854,532</u>	<u>\$ 100,057</u>	<u>\$ 3,663,891</u>

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Water Fund	Sewer Fund	Sanitation Fund	
Operating Revenues				
Charges for services	\$ 555,929	\$ 280,999	\$ 300,601	\$ 1,137,529
Other services	300	2,359	-	2,659
Total operating revenues	<u>556,229</u>	<u>283,358</u>	<u>300,601</u>	<u>1,140,188</u>
Operating Expenses				
Salaries and wages	136,727	130,420	17,701	284,848
Employee benefits	35,485	34,358	4,015	73,858
Services and supplies	167,799	91,803	269,356	528,958
Depreciation	138,310	14,128	3,501	155,939
Total operating expenses	<u>478,321</u>	<u>270,709</u>	<u>294,573</u>	<u>1,043,603</u>
Operating Income	<u>77,908</u>	<u>12,649</u>	<u>6,028</u>	<u>96,585</u>
Nonoperating Revenues (Expenses)				
Sewer improvement user fees	-	22,451	-	22,451
Interest income	804	1,496	-	2,300
Interest expense	(17,524)	-	-	(17,524)
Amortization	3,909	-	-	3,909
Total nonoperating revenues (expenses)	<u>(12,811)</u>	<u>23,947</u>	<u>-</u>	<u>11,136</u>
Income Before Capital Contributions	<u>65,097</u>	<u>36,596</u>	<u>6,028</u>	<u>107,721</u>
Capital Contributions				
Grants	291,141	-	-	291,141
Connection fees	27,520	5,812	-	33,332
Total capital contributions	<u>318,661</u>	<u>5,812</u>	<u>-</u>	<u>324,473</u>
Change in Net Position	<u>383,758</u>	<u>42,408</u>	<u>6,028</u>	<u>432,194</u>
Total Net Position, Beginning of Year	<u>2,325,544</u>	<u>812,124</u>	<u>94,029</u>	<u>3,231,697</u>
Total Net Position, End of Year	<u>\$ 2,709,302</u>	<u>\$ 854,532</u>	<u>\$ 100,057</u>	<u>\$ 3,663,891</u>

City of Wells
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Water Fund	Sewer Fund	Sanitation Fund	
Operating Activities				
Cash received from customers	\$ 561,648	\$ 289,617	\$ 299,229	\$ 1,150,494
Cash payments to suppliers for goods and services	(177,991)	(91,622)	(267,145)	(536,758)
Cash payments to employees for services and benefits	(201,364)	(193,157)	(22,599)	(417,120)
Net Cash from Operating Activities	182,293	4,838	9,485	196,616
Capital and Related Financing Activities				
Acquisition of capital assets	(291,141)	(15,200)	-	(306,341)
Principal paid on debt	(54,010)	-	-	(54,010)
Interest paid on debt	(18,580)	-	-	(18,580)
Cash received from capital grant	291,141	-	-	291,141
Cash received from capital improvement user fees	-	22,451	-	22,451
Receipt of customer contributions	27,520	5,812	-	33,332
Net Cash from (used for) Capital and Related Financing Activities	(45,070)	13,063	-	(32,007)
Investing Activities				
Interest on investments	804	1,496	-	2,300
Net Change in Cash and Cash Equivalents	138,027	19,397	9,485	166,909
Cash and Cash Equivalents, Beginning of Year	684,167	900,468	82,671	1,667,306
Cash and Cash Equivalents, End of Year	\$ 822,194	\$ 919,865	\$ 92,156	\$ 1,834,215
Cash and Cash Equivalents Consist of				
Restricted cash and cash equivalents	\$ 264,126	\$ 498,760	\$ -	\$ 762,886
Unrestricted cash and cash equivalents	558,068	421,105	92,156	1,071,329
Total Cash and Cash Equivalents	\$ 822,194	\$ 919,865	\$ 92,156	\$ 1,834,215
Non Cash Items				
Amortization of bonds	\$ 3,909	\$ -	\$ -	\$ 3,909

City of Wells
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Water Fund	Sewer Fund	Sanitation Fund	
Reconciliation of operating income to net cash from operating activities				
Operating income (loss)	\$ 77,908	\$ 12,649	\$ 6,028	\$ 96,585
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation	138,310	14,128	3,501	155,939
Pension expense (income)	(5,899)	(5,799)	(476)	(12,174)
City pension contributions	(18,254)	(17,945)	(1,474)	(37,673)
Changes in				
Accounts receivable	4,219	1,191	(1,372)	4,038
Inventory	(8,074)	(847)	-	(8,921)
Accounts payable	(2,418)	1,028	2,211	821
Accrued liabilities	(4,999)	(4,635)	1,067	(8,567)
Customer deposits	1,500	5,068	-	6,568
Net Cash from Operating Activities	<u>\$ 182,293</u>	<u>\$ 4,838</u>	<u>\$ 9,485</u>	<u>\$ 196,616</u>

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Wells, State of Nevada (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the more significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Reporting Entity

The City of Wells was incorporated March 4, 1927. The City is a municipal corporation governed by an elected mayor and four members of the City Council. The City is fiscally independent of all other governmental entities and is not a component unit of another entity.

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14, the financial statements present the reporting entity, which consists of the primary government, as there are no component units to be reported.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The statement of activities demonstrates the degree to which the direct expenses of a function or business-type activity are offset by program revenues. Direct expenses are those that are associated with a specific function or business-type activity. 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 or business-type activity and 2) grants, contributions and interest income that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the City's funds. Separate statements for governmental and proprietary fund categories are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services and operating expenses result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, and nonoperating expenses result from nonexchange transactions or ancillary activities.

Measurement Focus, Basis of Accounting and Financial Statement 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 recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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 measurable when the amount of the transaction can be determined and 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 recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, postemployment benefits and claims and judgments, are recorded only when payment is due.

Property taxes, consolidated tax revenue (sales taxes, cigarette taxes, government services tax, and liquor taxes), gaming taxes, gasoline taxes 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. Licenses and permits, franchise fees, charges for services and fines and forfeits are not susceptible to accrual because generally they are not measurable until received in cash.

Property tax revenue is recognized in the fiscal year in which the taxes become due to the extent they are collected during the fiscal year or soon enough thereafter that they can be used to finance current period expenditures.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds for use of services. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Recreation Fund** is a special revenue fund used to account for money received from golf course and swimming pool operations and the City's share of room tax proceeds. Principal expenditures are for maintenance of the municipal golf course, the swimming pool, and other recreation expenses of the City.

The **Silver Sage Senior Center Fund** is a special revenue fund used to account for revenues and expenditures related to senior center operation.

The **Capital Improvement Fund** is used to account for the accumulation of resources to provide for the purchase of capital assets. Resources are provided by periodic transfers from other funds and capital acquisitions tax.

The City reports the following major proprietary funds:

The **Water Fund** accounts for the provision of water 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, operating, maintenance, and billing and collection.

The **Sewer Fund** accounts for the provision of 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 and related debt services, and billing and collection.

The **Sanitation Fund** accounts for the provision of sanitation 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 and related debt services, and billing and collection.

Cash, Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk in changes of value. Cash balances from all funds are combined and, to the extent practicable, invested by the City administration as permitted by law. Investments are recorded at fair value. The City of Wells invests in the State of Nevada Local Government Investment Pool, under NRS 354.167, which has regulatory oversight from the Board of Finance for the State of Nevada. All interest earned on these investments is recognized in the General Fund, except for amounts credited to certain other funds in accordance with law, contract and City policy.

State statutes authorize (NRS 355.170) the City to invest in obligations of the U.S. Treasury; certain farm loan bonds; certain securities issued by Nevada local governments and other state and local governments; certain obligations of an Agency of the United States or a corporation sponsored by the government; certain repurchase agreements; certain bankers acceptances; certain commercial paper; and certain negotiable certificates of deposits and money market mutual funds, as well as the State of Nevada Local Government Investment Pool.

The following investments are allowed but must not exceed 20% of the total portfolio at the purchase date and 25% of such investments may not be in notes, bonds or unconditional obligations issued by any one corporation:

- Certain notes, bonds and other unconditional obligations for the payment of money issued by corporations organized and operating in the United States.
- Collateralized mortgage obligations "AAA" rated.
- Asset-backed securities "AAA" rated.

Bond covenants relating to debt require resources be set aside to make future debt payments. These are reported as restricted cash.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). All such balances within the governmental activities or business-type activities are eliminated in the government-wide statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Accounts Receivable

No allowance for doubtful accounts receivable has been established since management does not anticipate any material collection loss with respect to the balances shown as accounts receivable.

Property Taxes

All real property within the City of Wells is assigned a parcel number by the Elko County Assessor in accordance with state law, with each parcel being subject to physical reappraisal every five years. A factoring system is used to adjust the appraised value during the years between physical appraisals. The property and its improvements are being assessed at 35% of "taxable value" as defined by statute. The amount of tax levied is developed by multiplying the assessed value by the tax rate applicable to the area in which the property is located. The maximum tax rate was established in the State Constitution at \$5 per \$100 of assessed valuation; however, as a result of legislative action, the tax rate was further limited to \$3.64 per \$100 of assessed valuation, except in cases of severe financial emergency as defined by NRS 354.705. In 2005, the Nevada State Legislature passed Assembly Bill 489 which provides for a partial abatement of the ad valorem taxes levied on qualified property. For qualified property, the abatement will limit the increase of property taxes based on the previous year's assessed value.

Taxes on real property are a lien on the property and attach on July 1 of the year for which the taxes are levied.

Taxes may be paid in four installments, the first installment is due on the third Monday of August and the remaining three installments are payable on the first Monday in October, January and March to the Treasurer of Elko County in which the City of Wells is located. Penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. After a two-year waiting period, if the taxes remain unpaid, a tax deed is issued conveying the property to the County with a lien for back taxes and accumulated charges. Redemption may be made by the owner or such persons as described by statute by paying all back taxes and accumulated penalties, interest and costs before sale. As such, real property taxes receivable reflects only those taxes receivable from the delinquent roll years, and current taxes collected within 60 days of year end and delinquent taxes from all roll years to 2017-2018 have been written off. No provision for uncollectable accounts has been established, as management does not anticipate any material collection losses with respect to the remaining balances.

Taxes on personal property are collected currently. Personal property declarations are mailed out annually by the County and the tax is computed using percentages of taxable values established by the Department of Taxation and the tax rates described above.

Inventories

Inventories are valued at cost on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as those assets with an initial cost of \$5,000 or more and an estimated useful life of more than three years. All purchased capital assets are valued at cost or estimated historical cost. Donated assets are recorded at estimated acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded at cost including capitalized interest incurred during the construction phase on debt-financed projects for business-type activities. Depreciation is computed using the straight-line method for all assets over the following estimated useful lives:

Buildings	10 to 50 years
Improvements other than buildings	5 to 50 years
Machinery and equipment	3 to 25 years
Vehicles	3 to 6 years

Compensated Absences

The liability for compensated absences is calculated under the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. All vacation time, sick leave benefits and compensatory time costs are accrued and recognized as expenses in the government-wide and proprietary fund financial statements when earned, to the extent it is likely the City will ultimately pay those benefits. The costs of unused vacation and sick leave are not recorded in the governmental fund financial statements until paid.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. For current and advance refunding's resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow/(inflow) of resources as appropriate and amortized as a component of interest expense using the straight-line method.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of bonds issued is reported as other financing sources, as are bond premiums. Bond discounts are recorded as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of the State of Nevada (PERS) Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position/Governmental Funds Balance Sheet may report a separate section for deferred outflows of resources. This separate statement element represents the consumption of net position/fund balance that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The City reported deferred outflows of resources related to deferred charges on bond refundings, pensions resulting from the City's contributions subsequent to the measurement date of the net pension liability, differences between expected and actual experience, changes in assumptions or other inputs, net difference between projected and actual earnings on pension plan investments, and changes in the City's proportion and differences between the City's contributions and the City's proportionate contribution in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position/Governmental Funds Balance Sheet may report a separate section for deferred inflows of resources. This separate statement element represents an acquisition of net position/fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reflects deferred inflows of resources which are unavailable revenue reported in the government fund balance sheet for the HEART note receivable and for revenue received beyond 60 days of the year end, under the modified accrual basis of accounting. The City reported deferred inflows of resources related to pensions resulting from differences between expected and actual experience, the net difference between the projected and actual earnings on pension plan investments and changes in the City's proportion and differences between the City's contributions and the City's proportionate contributions in the Statement of Net Position.

Comparative Data

Comparative data shown in the supplementary information sections for the prior year has been extracted from the 2020-2021 financial statements and reclassified where necessary and practical to afford better comparability between the years. It has been provided to add comparability but is not considered full disclosure of transactions for 2020-2021. Such information can only be obtained by referring to the audited financial statements for that year.

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – Consists of assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or law or regulations of other governments; (2) law through constitutional provisions or enabling legislation.
- **Unrestricted** – All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

In the governmental fund financial statements, fund equity is classified as fund balance. Fund balance components are based primarily on a hierarchy designed to reflect constraints on the use of those amounts. Fund balance is classified in the following components:

- **Nonspendable** – Amounts that cannot be spent because they are not spendable in form or are legally or contractually required to be maintained intact.
- **Restricted** – Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the law or regulations of other governments.
- **Committed** – Amounts that can only be used for specific purposes. Committed fund balance is established and may only be changed pursuant to ordinances passed by the City Council, which is the City of Wells highest level of decision-making authority.
- **Assigned** – Amounts that the City of Wells intends to use for a specific purpose, that do not meet the definition of restricted or committed fund balance. Under the City’s adopted policy, amounts may be assigned by the City Manager under the authorization of the City Council.
- **Unassigned** – all other spendable amounts in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned amounts are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless, the City Council has provided otherwise in its commitment or assignment actions.

It is the City’s policy to have a minimum unrestricted ending fund balance of not less than 5% or more than 15% of total budgeted expenditures in the General Fund budget each fiscal year. An inability to meet this requirement must be approved by the City Council.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between total fund balances – governmental funds and total net position of governmental activities. One element of that reconciliation explains that long-term liabilities and the related accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds. The details of the net difference follow:

Medium-term obligations	\$ (171,180)
Accrued interest	(6,863)
Net pension liability	(620,912)
Compensated absences	<u>(58,651)</u>
 Net difference in reporting long-term liabilities	 <u><u>\$ (857,606)</u></u>

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference follow:

Capital outlay	\$ 629,063
Depreciation expense	<u>(619,104)</u>
 Net difference in reporting capital asset activity	 <u><u>\$ 9,959</u></u>

Another element of that reconciliation states the “the issuance of long-term debt (e.g., bonds, leases and other long term-obligations) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on government-wide net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas premiums and discounts are deferred and amortized in the statement of activities.”

The details of this difference follow:

Net change in accrued interest	\$ 1,695
Net change in compensated absences	(1,400)
Principal repayments:	
Medium term obligation	42,360
Net difference in reporting long-term debt transactions	\$ 42,655

Note 3 - Stewardship, Compliance and Accountability

Budgetary Information

The City of Wells adheres to the Local Government Budget and Finance Act incorporated in section 354 of Nevada Revised Statutes. The budgets are filed as a matter of public record with the city clerk, county clerk, and State Department of Taxation. The City staff use the following major procedures to establish the budgetary data, which is reflected in these financial statements.

1. On or before April 15, the City Council files a tentative budget with the Nevada Department of Taxation for all funds other than Agency Funds, which are not required to be budgeted.
2. Public budget hearings on the tentative budget are held in May.
3. On or before June 1, at a public hearing, the Council indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the City Council. The final budget must then be forwarded to the Nevada Department of Taxation for review and approval.
4. Formal budgetary integration in the financial records of all funds is employed to enhance management control during the year.
5. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). All appropriations lapse at year end.
6. Budget amounts within funds, and between funds, may be transferred if amounts do not exceed the original budget. Such transfers must be approved by the City Manager and/or the City Council, depending on established criteria. Budget augmentations in excess of original budgetary amounts may not be made without prior approval of the City Council, following a scheduled and noticed public hearing for those funds which have ad valorem tax allocated as a source of revenue. For all other funds the City Council must approve the budget augmentation with a majority vote and adopt a resolution providing, therefore.
7. The above dates may be adjusted as necessary during legislative years.
8. The budget amounts reflected in the financial statements have been amended from the original amounts in accordance with the above procedures.

In accordance with state statute, actual expenditures may not exceed budgeted appropriations of the various governmental functions (excluding the debt service function) of the General Fund, Special Revenue Funds and Capital Project Funds. Per NRS 354.626, expenditures over budgeted appropriations are allowed for bond repayments, medium term obligation repayments, and other long-term contracts expressly authorized by law. For Proprietary Funds, the sum of operating and nonoperating expenses may not exceed the sum of budgeted operating and nonoperating expenses.

The City conformed to all significant statutory constraints on its financial administration during the year.

Note 4 - Equity in Pooled Cash, Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. A summary schedule of cash and investments for the City of Wells at June 30, 2022, is as follows:

Balances Classified by Depository and Category

Cash on Hand	\$	370
Deposits		
Nevada State Bank		
Demand deposit		2,536,890
Total cash		2,537,260
Investments		
Nevada State Treasurer		
Local Government Pooled Investment Fund (LGIP)	*	3,064,338
	\$	5,601,598
Governmental Activities – cash and investments	\$	3,767,383
Business-type Activities – cash and investments		1,071,329
Business-type Activities – restricted cash - debt		66,784
Business-type Activities – restricted cash - capital		696,102
	\$	5,601,598

*Average weighted maturity – 125 days.

The City is a voluntary participant in the State of Nevada Local Government Investment Pool (LGIP), which has regulatory oversight from the Board of Finance of the State of Nevada. The City’s investment in the LGIP is equal to its original investment plus monthly allocations of interest income, and realized and unrealized gains and losses, which is the same as the value of the pool shares. The City’s investment in the LGIP is reported at fair value. Fair value is determined on a daily basis.

Nevada Revised Statutes (NRS 355.170) sets forth acceptable investments for Nevada local governments. The City has not adopted a formal investment policy that would further limit its investment choices nor further limit its exposure to certain risks as set forth below.

Interest Rate Risk – the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. As noted above, the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in the statute.

Credit Risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligation and its function of the credit quality rating of its investments. The City's investment policy does not specify minimum acceptable credit ratings further than those listed in state statutes. The LGIP is an unrated external investment pool that specifies minimum acceptable credit ratings for its investments.

Custodial Credit Risk – the risk that in the event of a bank failure, the City's deposits may not be returned. The City's bank deposits are either insured by Federal Deposit Insurance Corporation (FDIC) or are collateralized by the office of the State Treasurer/Nevada Collateral Pool. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of outside parties.

Note 5 - Note Receivable and Related Party Transaction - HEART

In September 2004, the City sold real property to Humboldt Environmental and Renewable Technologies, Inc. (HEART) and in return received \$25,000 and a note totaling \$236,660. One interest only payment was received on the note in September 2015 totaling \$18,932. On March 14, 2006, the City entered into an amended purchase and sale agreement and the note was adjusted to \$236,000 with annual payments of \$18,937 including 5% interest. HEART made interest only payments through June 30, 2014, totaling \$14,200, twelve interest-only payments during the year ended June 30, 2017 totaling \$1,200, and twelve interest-only payments during the year ended June 30, 2018 totaling \$2,200. On November 27, 2018 the City of Wells Council approved the write off of all accrued interest through November 2018 totaling \$174,110, and interest began accruing in again in December 2018. After the updated agreement in 2018, twelve payments were made during the year ended June 30, 2019 totaling \$8,829 in interest and \$4,406 in principal; twelve payments were made during the year ended June 30, 2020 totaling \$11,401 in interest and \$7,858 in principal; twelve payments were made during the year ended June 30, 2021 totaling \$10,999 in interest and \$8,261 in principal; and twelve payments were made during the year ended June 30, 2022 totaling \$10,576 in interest and \$8,687 in principal. As of June 30, 2022, all principal and interest on the note are current. No allowance has been recorded as HEART has the property for sale and the value of the real estate held as collateral exceeds the face of the note. The HEART note receivable is included in deferred inflows of resources in the governmental fund financial statements in the Capital Improvement Fund.

The prior City Manager of Wells was less than a 5% shareholder of the Corporation that owns the HEART property. The prior City Manager disclosed these facts at all meetings where HEART was discussed during her tenure as the City Manager and did not participate in the discussion or make management decisions regarding any HEART related transactions relating to the City of Wells. The prior City Manager retired in February 2022.

Note 6 - Interfund Balances

The composition of interfund transfers as of June 30, 2022 is as follows:

	Transfers Out	Transfers In
Major Governmental Funds		
General Fund	\$ 5,000	\$ -
Silver Sage Senior Center Fund	-	5,000
	\$ 5,000	\$ 5,000

Transfers are used to move revenues collected in the various funds to finance programs accounted for in other funds in accordance with budget authorizations.

Note 7 - Ad Valorem Capital Projects Tax

Pursuant to NRS 354.598155, the City is required to list the projects that ad valorem taxes are used to pay for in the Capital Improvement Fund. For the year ended June 30, 2022, the City incurred costs for the senior center electrical improvements, sewer plant and airport improvements, the Ranch House demolition, and a hydrology study.

Note 8 - 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; injuries to employees; and natural disasters, as are all entities.

The City has joined together with similar public agencies (cities, counties and special districts) throughout the State of Nevada to create a pool under the Nevada Interlocal Cooperation Act. The Nevada Public Agency Insurance Pool (Pool) is a public entity risk pool currently operating as a common risk management and insurance program for its members.

The City pays an annual premium and specific deductibles, as necessary, to the Pool for its general insurance coverage. The Pool is considered a self-sustaining risk pool that will provide liability coverage for its members up to \$10,000,000 per event and a \$10,000,000 annual aggregate per member. Property, crime and equipment breakdown is provided to its members up to \$300,000,000 per loss with various sublimits established for earthquake, flood, equipment breakdown and money and securities.

In addition, the City carries health insurance and a worker's compensation policy through a third-party carrier. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Note 9 - Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Deletions	Completed Construction	Balance June 30, 2022
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 1,402,568	\$ 44,216	\$ -	\$ -	\$ 1,446,784
Construction in progress	1,202,139	229,083	-	-	1,431,222
Total capital assets, not being depreciated	2,604,707	273,299	-	-	2,878,006
Capital assets, being depreciated					
Buildings	5,606,545	-	-	-	5,606,545
Improvements other than buildings	10,402,950	333,570	-	-	10,736,520
Machinery and equipment	2,621,704	22,194	-	-	2,643,898
Golf course	444,997	-	-	-	444,997
Total capital assets, being depreciated	19,076,196	355,764	-	-	19,431,960
Less accumulated depreciation					
Buildings	2,063,404	124,034	-	-	2,187,438
Improvements other than buildings	6,977,872	384,194	-	-	7,362,066
Machinery and equipment	1,734,485	105,362	-	-	1,839,847
Golf course	334,336	5,514	-	-	339,850
Total accumulated depreciation	11,110,097	619,104	-	-	11,729,201
Total capital assets, being depreciated, net	7,966,099	(263,340)	-	-	7,702,759
Governmental Activities Capital Assets, net	<u>\$ 10,570,806</u>	<u>\$ 9,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,580,765</u>

The main components of construction in progress are related to the El Rancho remodel, airport rehabilitation and reconfiguration projects, the downtown corridor project, two vehicles purchased but not yet in service and the new senior center facility.

City of Wells
Notes to Financial Statements
June 30, 2022

	Balance June 30, 2021	Additions and Additions	Deletions and Deletions	Completed Construction	Balance June 30, 2022
Business-Type Activities					
Capital assets, not being depreciated					
Land	\$ 27,766	\$ -	\$ -	\$ -	\$ 27,766
Construction in progress	55,993	-	-	(38,168)	17,825
Total capital assets, not being depreciated	83,759	-	-	(38,168)	45,591
Capital assets, being depreciated					
Buildings	311,933	-	-	-	311,933
Improvements other than buildings	8,225,326	15,200	-	38,168	8,278,694
Machinery and equipment	654,046	291,141	-	-	945,187
Total capital assets, being depreciated	9,191,305	306,341	-	38,168	9,535,814
Less accumulated depreciation					
Buildings	47,776	10,415	-	-	58,191
Improvements other than buildings	6,023,219	129,135	-	-	6,152,354
Machinery and equipment	624,390	16,389	-	-	640,779
Total accumulated depreciation	6,695,385	155,939	-	-	6,851,324
Total capital assets, being depreciated, net	2,495,920	150,402	-	38,168	2,684,490
Business-Type Activities Capital Assets, net	<u>\$ 2,579,679</u>	<u>\$ 150,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,730,081</u>

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

Governmental Activities	
General government	\$ 138,590
Public safety	23,721
Public works	383,464
Culture and recreation	58,652
Health and sanitation	14,677
Total depreciation expense - governmental activities	<u>\$ 619,104</u>
Business-Type Activities	
Water Fund	\$ 138,310
Sewer Fund	14,128
Sanitation Fund	3,501
Total depreciation expense - business-type activities	<u>\$ 155,939</u>

Note 10 - Defined Benefit Pension Plan

Plan Description

The City of Wells contributes to the Public Employees' Retirement System of the State of Nevada (PERS). PERS administers a cost sharing, multiple employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. PERS was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering PERS on or after January 1, 2010 and July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier and for regular members entering PERS on or after July 1, 2015, there is a 2.25% multiplier for all years of service. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579.

Vesting

Regular members entering PERS prior to January 1, 2010 are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with 30 years of service. Regular members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or at age 62 with ten years of service, or any age with 30 years of service. Regular members entering PERS on or after July 1, 2015 are eligible for retirement at age 65 with five years of service, at age 62 with ten years of service, or at 55 with 30 years of service, or at any age with 33 1/3 years of service.

Police/Fire members entering PERS prior to January 1, 2010 are eligible for retirement at age 65 with five years of service, at age 55 with ten years of service, at age 50 with 20 years of service, or at any age with 25 years of service. Police/Fire members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 60 with ten years of service, or age 50 with 20 years of service, or at any age with 30 years of service. Police/Fire member entering PERS on or after July 1, 2015, are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or age 50 with 20 years of service, or at any age with 33 years of service. Only service performed in a position as a police officer or firefighter may be counted towards eligibility for retirement as Police/Fire accredited service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions, while the other plan provides for employer-pay contributions only. Under the matching Employee/Employer Contribution plan a member may, upon termination of service for which contribution is required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in the System are canceled upon withdrawal of contributions from the member's account. If EPC was selected, the member cannot convert to the Employee/Employer Contribution plan.

PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Actuarial Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contribution requirement as a percentage of salary.

For the fiscal year ended June 30, 2022, the statutory Employer/Employee matching rate for Regular members was 15.50%; the rate was 22.75% for Police/Fire. For fiscal year ended June 30, 2021, the statutory Employer/Employee matching rate for Regular members was 15.25%; the rate was 22.00% for Police/Fire. The Employer-Pay Contribution (EPC) rate was 29.75% for Regular members for the fiscal year ended June 30, 2022; the rate was 44.00 % for Police/Fire. The Employer-Pay Contribution (EPC) rate was 29.25% for Regular members for the fiscal year ended June 30, 2021; the rate was 42.50 % for Police/Fire.

The City's contributions were \$122,419 for the year ended June 30, 2022.

PERS Investment Policy

PERS' policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

The following was the PERS Board adopted policy target asset allocation as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Expected Real Rate of Return</u>
U.S. Stocks	42%	5.50%
International Stocks	18%	5.50%
U.S. Bonds	28%	0.75%
Private Markets	12%	6.65%

As of June 30, 2021, PERS' long-term inflation assumption was 2.50%.

Net Pension Liability

At June 30, 2022, the City reported a liability of \$984,860 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the PERS pension plan relative to the total contributions of all participating PERS employers and members. At June 30, 2021, the City's proportion was 0.01080 percent, which is an increase of 0.00077 from its proportion measured as of June 30, 2020 of 0.01003 percent.

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the City as of June 30, 2022, calculated using the discount rate of 7.25 %, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	<u>1% Decrease in Discount Rate (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
City's Proportionate Share of Net Pension Liability	\$ 1,960,825	\$ 984,860	\$ 179,769

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position and additional information is available in the PERS Annual Comprehensive Financial Report, available on the PERS website (www.nvpers.org).

Actuarial Assumptions

The City's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	2.50%
Payroll Growth	3.50%
Investment Rate of Return/ Discount Rate	7.25%
Productivity Pay Increase	0.50%
Projected Salary Increases	Regular: 4.20% to 9.10%, depending on service Police/Fire: 4.60% to 14.50%, depending on service Rates include inflation and productivity increases
Consumer Price Index	2.50%
Other Assumptions	Same as those used in the June 30, 2021 funding actuarial valuation

Mortality rates for healthy regular members and contingent beneficiaries were based on Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table with rates increased by 30% for males and 15% for females. For ages before age 40, mortality rates are based on Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables. For ages 40 through 50, the rates were smoothed between the above tables. Mortality rates for healthy police/fire members were based on Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table with rates increased by 30% for males and 5% for females. For ages before age 35, mortality rates are based on Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table. For ages 35 through 45, the rates were smoothed between the above tables.

Mortality rates for disabled regular members were based on Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with rates increased by 20% for males and 15% for females. Mortality rates for disabled police/fire members were based on Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table with rates increased by 30% for males and 10% for females.

Mortality rates for current beneficiaries were based on Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table with rates increased by 15% for males and 30% for females. For ages before age 35, mortality rates are based on Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table. For ages 35 through 45, the rates were smoothed between the above tables.

Mortality rates for pre-retirement regular members were based on Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table. Mortality rates for pre-retirement police/fire members were based on Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table.

The mortality tables were projected generationally with the two-dimensional mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of the experience study for the period of July 1, 2016 through June 30, 2020.

The discount rate used to measure the total pension liability was 7.25 % as of June 30, 2021, which decreased from 7.5% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made in amounts consistent with statutory provisions and recognizing the plan's current funding policy and cost-sharing mechanism between employers and members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except the projected contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Change in Assumptions – The PERS plan reflects the following change in assumptions from June 30, 2020 to June 30, 2021:

- The inflation rate decreased from 2.75% to 2.50%.
- Payroll growth decreased from 5.00% to 3.50%.
- Investment rate of return/discount rate decreased from 7.50% to 7.25%.
- Projected salary increases declined from 4.25% to 9.15% to 4.20% to 9.10% for Regular members and increased from 4.55% to 13.90% to 4.60% to 14.50% for Police/Fire members.
- The consumer price index decreased from 2.75% to 2.50%.
- Mortality rates were changed from Headcount-Weighted RP-2014 Tables to Pub-2010 Mortality Tables.
- Future mortality improvement was changed from 6 years to the Generational Projection Scale MP-2020.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2022, the City recognized pension expense (income) of (\$39,551). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 109,093	\$ 6,931
Changes in assumptions or other inputs	326,990	-
Net difference between projected and actual earnings on pension plan investments	-	803,614
Changes in the city's proportion and differences between the City's contributions and the City's proportionate contributions	96,455	90,513
City contributions subsequent to the measurement date	122,419	-
	\$ 654,957	\$ 901,058

The \$122,419 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined is 6.14 years.

Other estimated amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ending June 30	
2023	\$ (125,344)
2024	(117,163)
2025	(109,947)
2026	(117,833)
2027	89,070
Thereafter	12,697
	\$ (368,520)

Additional Information

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Annual Comprehensive Financial Report (ACFR) available on the PERS website at www.nvpers.org under Quick Links – Publications.

Note 11 - Changes in Long-Term Debt

	Date of Issue	Original Issue Amount	Interest Rate
Governmental Activities			
Note payables - Direct Borrowings			
Mower	7/24/2017	\$ 42,079	4.500%
X-ray machine	8/15/2018	32,736	3.875%
Excavator and loader	7/2/2019	209,789	3.990%
Compensated absences	N/A	N/A	N/A
Total governmental activities		284,604	
Business-Type Activities			
Water Fund - Direct Borrowings:			
2008 Water Revenue Bond	11/25/2008	220,000	4.125%
2013 Refunding Bond Series 2013A	2/20/2013	710,000	3.0% - 5.0%
		1,130,000	
Plus deferred amounts for issuance premiums		N/A	
		1,130,000	
Compensated absences	N/A	N/A	N/A
Total business-type activities		-	
Total debt		\$ 1,414,604	
Restricted Cash in the Water Fund Consists of the following at June 30, 2020:			
2008 Water Revenue Bond - current debt service		\$ 940	
2008 Water Revenue Bond - debt service reserve		11,282	
2013 Refunding Bond - current debt service		54,562	
Total Water Fund Restricted Cash		\$ 66,784	

Compensated absences and postemployment benefits typically have been liquidated by the General and Enterprise Funds.

The City is in compliance with all significant limitations and restrictions contained in the various bond indentures.

The Note payables are secured by the equipment under the note.

The City was, in accordance with Nevada Revised Statutes, within the legal debt limit at June 30, 2022.

Year of Final Payment	Principal Outstanding July 1, 2021	Issued During Period	Principal Paid During Period	Principal Outstanding June 30, 2022	Principal Due in 2022 - 2023
2022	\$ 8,785	\$ -	\$ 8,785	\$ -	\$ -
2025	22,942	-	5,190	17,752	5,136
2025	181,813	-	28,385	153,428	29,529
N/A	<u>57,251</u>	<u>34,940</u>	<u>33,540</u>	<u>58,651</u>	<u>58,651</u>
	<u>270,791</u>	<u>34,940</u>	<u>75,900</u>	<u>229,831</u>	<u>93,316</u>
2047	177,240	-	4,010	173,230	4,180
2027	<u>345,000</u>	<u>-</u>	<u>50,000</u>	<u>295,000</u>	<u>55,000</u>
	522,240	-	54,010	468,230	59,180
	<u>32,039</u>	<u>-</u>	<u>6,303</u>	<u>25,736</u>	<u>n/a</u>
	<u>554,279</u>	<u>-</u>	<u>60,313</u>	<u>493,966</u>	<u>59,180</u>
N/A	<u>41,870</u>	<u>19,850</u>	<u>28,400</u>	<u>33,320</u>	<u>33,320</u>
	<u>596,149</u>	<u>19,850</u>	<u>88,713</u>	<u>527,286</u>	<u>92,500</u>
	<u>\$ 866,940</u>	<u>\$ 54,790</u>	<u>\$ 164,613</u>	<u>\$ 757,117</u>	<u>\$ 185,816</u>

The annual requirements to amortize all debt outstanding as of June 30, 2022, are as follows:

Governmental Activities

<u>Year Ending June 30</u>	Medium Term Obligation	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 34,665	\$ 6,863
2024	36,042	5,486
2025	98,732	4,054
2026	1,741	95
Total governmental activities	<u>\$ 171,180</u>	<u>\$ 16,498</u>

Business-type Activities

<u>Year Ending June 30</u>	Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 59,180	\$ 15,676
2024	64,354	13,227
2025	64,536	11,246
2026	64,724	9,257
2027	64,922	7,260
2028-2032	27,861	28,546
2033-2037	34,172	22,235
2038-2042	41,910	14,496
2043-2047	46,571	5,006
Total business-type activities	<u>\$ 468,230</u>	<u>\$ 126,949</u>
Total debt outstanding	<u>\$ 639,410</u>	<u>\$ 143,447</u>

On February 20, 2013, the City issued \$710,000 in a General Obligation (Limited Tax) Water Refunding Bonds, Series 2013A, with an interest rate ranging from 3 to 5 percent. Final payments for the Bond are due on August 1, 2026. The proceeds were used to currently refund the \$1,085,000 General Obligation (Limited Tax) Water Refunding Bond, 2002 Series. The refunding decreased debt service by \$134,412 over 15 years. The refunding resulted in an economic gain of \$121,487 (which is the difference in the net present value of the cash flows of the old debt over the new debt).

The refunding resulted in realization of an accounting loss of \$32,323, which will be recognized ratably through August 1, 2026. The loss is being amortized on a straight-line basis over the remaining life of the new bonds, at \$200 per month. This amount is reflected as a deferred outflow of resources in the proprietary fund and government-wide statements of net position. The refunding also resulted in a bond issuance premium of \$85,089. This amount is being amortized using the straight-line basis over the remaining life of the new bond at \$525 per month. This amount is reflected as a reduction of the total long-term liability in the Water Fund and government-wide statements of net position.

To provide for the next year payment of principal and interest on the November 25, 2008 \$220,000 Water Revenue Bonds, the City of Wells has pledged their net revenues from the use of the City of Wells water system. The bonds are payable from the City of Wells water charges. Total principal and interest remaining on the bonds is \$277,203, payable through May 25, 2047. For the current year, principal and interest paid and total net revenues from the use of the water system were \$11,265 and \$216,218, respectively.

To provide for the next year payment of principal and interest on the February 20, 2013 \$710,000 2013 Refunding Series 2013A Bonds, the City of Wells has pledged their net revenues from the use of the City of Wells water system. The bonds are payable from the City of Wells water charges. Total principal and interest remaining on the bonds is \$317,975, payable through August 1, 2026. For the current year, principal and interest paid and total net revenues from the use of the water system were \$60,158 and \$216,218, respectively.

Note 12 - Postemployment Healthcare Plans

Plan Description

The City of Wells contributes to a single employer defined benefit postemployment healthcare plan, State of Nevada Public Employees' Benefits Plan (PEBP). This plan provides medical, dental, vision, prescription and life insurance benefits to eligible retired City of Wells employees and beneficiaries.

Benefit provisions for PEBP are administered by the State of Nevada. NRS 287.043 assigns the authority to establish and amend benefit provisions to the PEBP nine-member board of trustees. City of Wells employees who met the eligibility requirements effective September 1, 2008 for retirement within the Nevada Public Employee Retirement System had the option upon retirement to enroll in coverage under the PEBP. NRS 287.023 discontinued the option to join PEBP for City employees who retired after November 29, 2008. Local governments are required to pay the same portion of the cost of coverage for their retirees joining PEBP that the State of Nevada pays for state retirees participating in their plan. As of June 30, 2022, six City of Wells retirees were utilizing this benefit.

NRS 287.046 establishes the subsidies to be contributed toward the premium costs of the eligible retired City of Wells employees. The contribution requirements of plan members and the City of Wells may be amended by the PEBP board. For the plan year ended June 30, 2022, retirees qualified for a monthly subsidy ranging from \$2 to \$86 depending upon years of City service. As a participating employer, the City of Wells is billed for the subsidy on a monthly basis and is legally required to provide for it. For fiscal year 2022, the City of Wells contributed \$2,214 to the plan.

For PEBP, the City of Wells was determined to be a Level 3 governmental entity for GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reporting requirements. This means the City of Wells should have implemented these provisions beginning in fiscal year 2010 and 2017, with the implementation of GASB Statement No. 75. As part of GASB 45 and GASB 75 requirements, an actuarial study needs to be performed to determine the unfunded actuarial liability, the annual OPEB cost, net OPEB obligation, and other information. The City of Wells should also provide prior year information for comparison as to funding progress made. The City of Wells evaluated its potential liability using the Fidelity Municipal

Government AA 20-year index rate of 3.69%, readily available actuarial life expectancy tables, and current PEBP premiums to estimate its future liability. The City of Wells determined the net OPEB obligation required to be recorded on its financial statements was immaterial. Based on this determination, the City of Wells did not have a formal actuarial study performed. The City of Wells will evaluate this estimate of the liability in each future year and will have the actuarial study performed when it estimates the liability to be recorded would materially misstate the financial statements if not included. At June 30, 2022, not all information required to be reported by GASB 75 is available and therefore is not included in this report.

Note 13 - Commitments

On May 11, 2021 the City Council awarded a bid to reconstruct and expand the apron at the Wells Municipal Airport totaling \$3,004,890. This project will be starting in fiscal year 2022-2023. The majority of this project will be paid for with Federal Aviation Administration grant funds.

Note 14 - Subsequent Events

On August 23, 2022 the City approved the purchase of a skid steer totaling \$87,352 less a trade in of \$37,500 for a total cost to the City of \$49,852.

On October 11, 2022 the City approved a bid for \$760,000 for construction of the Silver Sage Senior Center.

On November 22, 2022 the City approved an engineering contract for \$65,340 for the Booster Pump Station Project.

On November 22, 2022 the City approved an engineering contract for \$86,700 for the Wastewater Treatment Plan Headworks and Screening Rehabilitation Project.

On December 1, 2022 the Wells Medical Center, whose building is owned by the City, incurred significant flood damage from a broken water pipe. Total damages are unknown at this time, the building was covered under the City's insurance policy and the City will be responsible for the deductible.

City of Wells
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget (Budgetary Basis) and Actual – General Fund
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Original	Final Budget	Actual	Variance to Final Budget	2021
Revenues					
Taxes					
Ad valorem	\$ 330,239	\$ 330,239	\$ 319,785	\$ (10,454)	\$ 276,881
Licenses and permits					
Business licenses					
Business license	25,000	25,000	18,746	(6,254)	16,828
Liquor license	5,500	5,500	5,015	(485)	4,185
Gaming license	8,300	8,300	6,690	(1,610)	5,310
Animal license	2,300	2,300	1,155	(1,145)	1,435
Franchise fees					
Other	-	-	50	50	25
Permits					
Marijuana licenses	-	-	400	400	400
Building and sign	40,000	40,000	14,678	(25,322)	32,479
Total licenses and permits	81,100	81,100	46,734	(34,366)	60,662
Intergovernmental revenues					
Grants					
Federal and state grants	-	1,306,700	1,306,700	-	903,426
State shared revenues					
Consolidated tax distribution	1,431,521	1,436,521	1,512,096	75,575	1,425,326
Motor vehicle fuel tax	29,328	29,328	26,785	(2,543)	30,416
Other local government shared revenues					
Gaming tax	22,000	22,000	16,395	(5,605)	15,960
County regional transportation	40,000	40,000	81,790	41,790	-
Aviation fuel tax	2,000	2,000	2,225	225	911
County option gas tax	7,447	7,447	6,754	(693)	7,863
Total intergovernmental revenues	1,532,296	2,843,996	2,952,745	108,749	2,383,902
Charges for services					
Police fees	8,000	8,000	3,226	(4,774)	2,777
Airport gas sales	111,000	132,862	141,096	8,234	127,204
Building, planning and zoning fees	250	250	428	178	75
Recreation fees					
Park pavilion	200	200	325	125	400
Health fees					
Cemetery charge	500	500	1,900	1,400	600
Total charges for services	119,950	141,812	146,975	5,163	131,056
Fines and forfeitures					
Municipal court	20,400	20,400	1,807	(18,593)	1,070
Miscellaneous					
Investment earnings	14,000	14,000	4,228	(9,772)	4,721
Rents	32,000	32,000	20,803	(11,197)	23,593
Other income	11,204	11,204	28,823	17,619	12,418
Total miscellaneous	57,204	57,204	53,854	(3,350)	40,732
Total revenues	2,141,189	3,474,751	3,521,900	47,149	2,894,303

City of Wells
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget (Budgetary Basis) and Actual – General Fund
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Original	Final Budget	Actual	Variance to Final Budget	2021
Expenditures					
General government					
Administration					
Salaries and wages	\$ 114,000	\$ 114,000	\$ 113,989	\$ 11	\$ 73,821
Employee benefits	51,800	51,800	43,633	8,167	35,336
Services and supplies	84,200	84,200	80,069	4,131	72,164
Capital outlay	5,000	5,000	-	5,000	3,136
Total general government	<u>255,000</u>	<u>255,000</u>	<u>237,691</u>	<u>17,309</u>	<u>184,457</u>
Public Safety					
Police Department					
Salaries and wages	46,750	46,750	27,077	19,673	27,004
Employee benefits	12,900	12,900	13,413	(513)	14,858
Services and supplies	464,800	711,603	445,852	265,751	443,683
Capital outlay	30,000	30,000	-	30,000	-
Total public safety	<u>554,450</u>	<u>801,253</u>	<u>486,342</u>	<u>314,911</u>	<u>485,545</u>
Health and sanitation department					
Cemetery					
Services and supplies	7,600	7,600	7,837	(237)	5,929
Capital outlay	10,000	10,000	-	10,000	-
Total health and sanitation	<u>17,600</u>	<u>17,600</u>	<u>7,837</u>	<u>9,763</u>	<u>5,929</u>
Public Works					
Street department					
Salaries and wages	175,500	175,500	175,122	378	173,478
Employees and benefits	75,200	75,200	76,678	(1,478)	74,324
Services and supplies	165,790	165,790	128,040	37,750	141,265
Capital outlay	383,500	443,500	404,614	38,886	229,707
Total street department	<u>799,990</u>	<u>859,990</u>	<u>784,454</u>	<u>75,536</u>	<u>618,774</u>
Airport					
Salaries	13,400	13,400	13,969	(569)	13,296
Employees and benefits	6,800	6,800	2,203	4,597	2,057
Services and supplies	100,950	138,779	139,779	(1,000)	115,914
Capital outlay	-	76,824	33,519	43,305	385,771
Total airport	<u>121,150</u>	<u>235,803</u>	<u>189,470</u>	<u>46,333</u>	<u>517,038</u>
Total public works	<u>921,140</u>	<u>1,095,793</u>	<u>973,924</u>	<u>121,869</u>	<u>1,135,812</u>
Judicial					
Salaries and wages	21,500	21,500	21,636	(136)	20,915
Employee benefits	7,312	7,312	8,824	(1,512)	8,389
Services and supplies	8,800	8,800	3,341	5,459	5,000
Total judicial	<u>37,612</u>	<u>37,612</u>	<u>33,801</u>	<u>3,811</u>	<u>34,304</u>

City of Wells
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget (Budgetary Basis) and Actual – General Fund
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Original	Final Budget	Actual	Variance to Final Budget	2021
Community support					
Services and supplies	\$ 60,300	\$ 958,579	\$ 971,738	\$ (13,159)	\$ 210,285
Capital outlay	60,000	128,827	75,430	53,397	338,981
Total community support	<u>120,300</u>	<u>1,087,406</u>	<u>1,047,168</u>	<u>40,238</u>	<u>549,266</u>
Debt service					
Principal	33,145	33,145	33,576	(431)	32,969
Interest	8,330	8,330	7,899	431	8,506
Total debt service	<u>41,475</u>	<u>41,475</u>	<u>41,475</u>	<u>-</u>	<u>41,475</u>
Contingency	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,007,577</u>	<u>3,336,139</u>	<u>2,828,238</u>	<u>507,901</u>	<u>2,436,788</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>133,612</u>	<u>138,612</u>	<u>693,662</u>	<u>555,050</u>	<u>457,515</u>
Other Financing Sources (Uses)					
Operating transfers					
Transfers out	<u>(545,000)</u>	<u>(550,000)</u>	<u>(75,000)</u>	<u>475,000</u>	<u>(227,000)</u>
Net Change in Fund Balance	<u>(411,388)</u>	<u>(411,388)</u>	<u>618,662</u>	<u>1,030,050</u>	<u>230,515</u>
Fund Balance, Beginning of Year	<u>1,787,270</u>	<u>1,787,270</u>	<u>2,393,201</u>	<u>605,931</u>	<u>2,162,686</u>
Fund Balance, End of Year	<u>\$ 1,375,882</u>	<u>\$ 1,375,882</u>	<u>\$ 3,011,863</u>	<u>\$ 1,635,981</u>	<u>\$ 2,393,201</u>

City of Wells

Reconciliation of the General Fund (Budgetary Basis) to the Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund (GAAP Basis)

Year Ended June 30, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	General Fund (Budget Basis)	Fire Department Fund	Eliminations	General Fund (GAAP Basis)	2021
Revenues					
Taxes	\$ 319,785	\$ -	\$ -	\$ 319,785	\$ 276,881
Licenses and permits	46,734	-	-	46,734	60,662
Intergovernmental	2,952,745	1,295	-	2,954,040	2,386,107
Charges for services	146,975	-	-	146,975	131,056
Fines and forfeits	1,807	-	-	1,807	1,070
Miscellaneous revenues	53,854	6,435	-	60,289	40,732
Total revenues	3,521,900	7,730	-	3,529,630	2,896,508
Expenditures					
Current					
General government	237,691	-	-	237,691	184,457
Public safety	486,342	74,059	-	560,401	661,453
Health and sanitation	7,837	-	-	7,837	5,929
Public works	973,924	-	-	973,924	1,135,812
Judicial	33,801	-	-	33,801	34,304
Community support	1,047,168	-	-	1,047,168	549,266
Debt service					
Principal	33,576	-	-	33,576	32,969
Interest	7,899	-	-	7,899	8,506
Total expenditures	2,828,238	74,059	-	2,902,297	2,612,696
Excess (Deficiency) of Revenues Over Expenditures	693,662	(66,329)	-	627,333	283,812
Other Financing Sources (Uses)					
Transfers in	-	70,000	(70,000)	-	-
Transfers out	(75,000)	-	70,000	(5,000)	(47,000)
Total other financing sources (uses)	(75,000)	70,000	-	(5,000)	(47,000)
Net Change in Fund Balances	618,662	3,671	-	622,333	236,812
Fund Balances, Beginning of Year	2,393,201	106,114	-	2,499,315	2,262,503
Fund Balances, End of Year	\$ 3,011,863	\$ 109,785	\$ -	\$ 3,121,648	\$ 2,499,315

City of Wells
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Recreation Fund
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Original	Final Budget	Actual	Variance to Final Budget	2021
Revenues					
Taxes					
Room tax	\$ 299,500	\$ 370,500	\$ 603,125	\$ 232,625	\$ 372,922
Intergovernmental					
Local government revenues					
County grants	18,000	18,000	19,924	1,924	14,854
Charges for services					
Membership and green fees	18,000	18,000	26,033	8,033	31,448
Season passes	20,700	20,700	19,120	(1,580)	18,697
Yearly cart rental and storage	7,100	7,100	6,075	(1,025)	6,700
Daily cart rental and storage	7,000	7,000	10,381	3,381	11,957
Golf course food and bar	34,000	34,000	34,441	441	26,910
Golf course range	1,000	1,000	635	(365)	564
Golf course pro shop	10,000	10,000	14,704	4,704	18,914
Value pack	1,700	1,700	523	(1,177)	2,100
Swimming pool fees	23,850	23,850	14,784	(9,066)	9,727
Facility Fees	500	500	550	50	150
Total charges for services	123,850	123,850	127,246	3,396	127,167
Miscellaneous					
Interest income	2,000	2,000	661	(1,339)	670
Other income	6,800	6,800	-	(6,800)	-
Total miscellaneous	8,800	8,800	661	(8,139)	670
Total revenues	450,150	521,150	750,956	229,806	515,613
Expenditures					
Culture and recreation					
Golf course					
Salaries and wages	39,600	39,600	43,524	(3,924)	43,090
Employee benefits	13,400	13,400	14,807	(1,407)	14,707
Services and supplies	172,096	222,596	208,860	13,736	183,988
Capital outlay	5,000	14,500	5,088	9,412	3,376
Total golf course	230,096	290,096	272,279	17,817	245,161
Other recreation					
Salaries and wages	111,460	111,460	104,455	7,005	73,462
Employee benefits	46,765	46,765	37,742	9,023	23,681
Services and supplies	126,570	137,570	186,590	(49,020)	132,105
Capital outlay	50,000	50,000	10,311	39,689	1,870
Total other recreation	334,795	345,795	339,098	6,697	231,118

City of Wells
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Recreation Fund
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Original	Final Budget	Actual	Variance to Final Budget	2021
Debt service - principal					
Principal	\$ 8,784	\$ 8,784	\$ 8,784	\$ -	\$ 8,399
Interest	404	404	404	-	789
Total debt service	<u>9,188</u>	<u>9,188</u>	<u>9,188</u>	<u>-</u>	<u>9,188</u>
Total expenditures	<u>574,079</u>	<u>645,079</u>	<u>620,565</u>	<u>24,514</u>	<u>485,467</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(123,929)</u>	<u>(123,929)</u>	<u>130,391</u>	<u>254,320</u>	<u>30,146</u>
Other Financing Sources (Uses)					
Operating transfers in	<u>155,000</u>	<u>155,000</u>	<u>-</u>	<u>(155,000)</u>	<u>25,000</u>
Net Change in Fund Balance	31,071	31,071	130,391	99,320	55,146
Fund Balance, Beginning of Year	<u>161,780</u>	<u>161,780</u>	<u>232,079</u>	<u>70,299</u>	<u>176,933</u>
Fund Balance, End of Year	<u>\$ 192,851</u>	<u>\$ 192,851</u>	<u>\$ 362,470</u>	<u>\$ 169,619</u>	<u>\$ 232,079</u>

City of Wells
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Silver Sage Senior Center Fund
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Original	Final Budget	Actual	Variance to Final Budget	2021
Revenues					
Intergovernmental					
Federal grants	\$ 85,161	\$ 167,101	\$ 167,101	\$ -	\$ 327,689
County grants	68,000	68,000	67,156	(844)	78,287
Total intergovernmental	<u>153,161</u>	<u>235,101</u>	<u>234,257</u>	<u>(844)</u>	<u>405,976</u>
Charges for services					
Program income	16,000	16,000	12,902	(3,098)	10,450
Miscellaneous					
Interest Income	1,000	1,000	191	(809)	279
Contributions	9,100	9,100	1,241	(7,859)	1,590
Other income	8,600	8,600	4,491	(4,109)	2,722
Total miscellaneous	<u>18,700</u>	<u>18,700</u>	<u>5,923</u>	<u>(12,777)</u>	<u>4,591</u>
Total revenues	<u>187,861</u>	<u>269,801</u>	<u>253,082</u>	<u>(16,719)</u>	<u>421,017</u>
Expenditures					
Culture and Recreation					
Salaries and wages	94,470	94,470	96,116	(1,646)	102,049
Employee benefits	49,230	49,230	38,247	10,983	44,436
Services and supplies	51,950	138,890	134,291	4,599	105,366
Capital outlay	11,000	11,000	1,314	9,686	186,311
Total expenditures	<u>206,650</u>	<u>293,590</u>	<u>269,968</u>	<u>23,622</u>	<u>438,162</u>
Excess (Deficiency) of Revenues Over Expenditures	(18,789)	(23,789)	(16,886)	6,903	(17,145)
Other Financing Sources (Uses)					
Operating transfers					
Transfers in	-	5,000	5,000	-	22,000
Net Change in Fund Balance	(18,789)	(18,789)	(11,886)	6,903	4,855
Fund Balance, Beginning of Year	<u>229,696</u>	<u>229,696</u>	<u>233,386</u>	<u>3,690</u>	<u>228,531</u>
Fund Balance, End of Year	<u>\$ 210,907</u>	<u>\$ 210,907</u>	<u>\$ 221,500</u>	<u>\$ 10,593</u>	<u>\$ 233,386</u>

Note 1 - Budgetary Reconciliations

The accompanying Reconciliation of the General Fund (Budgetary Basis) to the General Fund (GAAP Basis) presents balances combined for external reporting purposes. Budget to actual comparisons are presented for all funds of the City as required by Nevada Revised Statutes. Such budget comparisons are required to be presented using the budget as adopted and approved by the State of Nevada Department of Taxation. However, guidance provided in governmental accounting standards specify that one of these internally reported funds of the City of Wells, does not meet the definition of special revenue funds, and therefore does not qualify to be separately presented for external reporting purposes. The Fire Department Fund for the City of Wells is combined with the General Fund for external reporting purposes.

City of Wells
Schedule of City's Share of Net Pension Liability
Public Employee's Retirement System of Nevada (PERS)
Last Ten Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.01080%	0.01003%	0.01062%	0.01055%	0.01087%	0.01162%	0.01131%	0.01224%
Proportionate share of the net pension liability	\$ 984,860	\$ 1,398,025	\$ 1,447,814	\$ 1,438,703	\$ 1,445,867	\$ 1,563,719	\$ 1,295,498	\$ 1,274,978
Covered payroll	\$ 765,089	\$ 711,587	\$ 724,445	\$ 695,510	\$ 695,299	\$ 708,790	\$ 676,745	\$ 718,788
Proportionate share of the net pension liability as a percentage of its covered payroll	128.72%	196.47%	199.85%	206.86%	207.95%	220.62%	191.43%	177.38%
Plan fiduciary net position as a percentage of the total pension liability	86.51%	77.04%	76.46%	75.24%	74.42%	72.23%	75.13%	76.30%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, the City will present information for those years for which information is available.

The following table presents significant assumption changes:

	2021	2020 through 2017	2016 through 2014
Inflation rate	2.50%	2.75%	3.50%
Payroll growth	3.50%	5.00%	5.00%
Investment rate of return	7.25%	7.50%	8.00%
Productivity pay increase	0.50%	0.50%	0.75%
Projected salary increases			
Regular**	4.20% to 9.10%	4.25% to 9.15%	4.60% to 9.75%
Police/Fire**	4.60% to 14.50%	4.55% to 13.90%	5.25% to 14.50%
Consumer price index	2.50%	2.75%	3.50%
Mortality rates			
Healthy***	Pub-2010 General and Safety Healthy Retiree and Employee	Headcount-Weighted RP-2014 Healthy	RP-2000 Combined Healthy Mortality Table
Disabled	Pub-2010 Non-Safety and Safety Disabled Retiree Amount-Weighted	Headcount-Weighted RP-2014 Disabled	RP-2000 Disabled Retiree Morality Table
Current beneficiaries***	Pub-2010 Contingent Survivor and General Employee	Headcount-Weighted RP-2014 Healthy	N/A
Pre-retirement**	Pub-2010 General and Safety Employee	Headcount-Weighted RP-2014 Employee	N/A
Future mortality improvement	Generational Projection Scale MP-2020	6 years	N/A

** Depending on service. Rates include inflation and productivity increases.

*** Amount-Weighted Above-Median.

City of Wells
Schedule of City's Contributions
Public Employee's Retirement System of Nevada (PERS)
Last Ten Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution**	\$ 122,419	\$ 113,060	\$ 107,313	\$ 102,198	\$ 97,881	\$ 106,581	\$ 98,521	\$ 87,250
Contributions in relation to the statutorily required contribution **	\$ 122,419	\$ 113,060	\$ 107,313	\$ 102,198	\$ 97,881	\$ 106,581	\$ 98,521	\$ 87,250
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 812,273	\$ 765,089	\$ 711,587	\$ 724,445	\$ 695,510	\$ 695,299	\$ 708,790	\$ 676,745
Statutorily required contribution as a percentage of covered payroll	15.07%	14.78%	15.08%	14.11%	14.07%	15.33%	13.90%	12.89%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, the City will present information for those years for which information is available.

** All contributions shown reflect employer-paid contributions only. Member contributions are excluded.



Supplementary Information
June 30, 2022

City of Wells

City of Wells
Combining Balance Sheet – Reconciliation of the General Fund (Budgetary Basis)
to the General Fund (GAAP Basis)
June 30, 2022
(With Comparative Totals for June 30, 2021)

	General Fund (Budget Basis)	Fire Department Fund	Eliminations	General Fund (GAAP Basis)	2021
Assets					
Cash and investments	\$ 2,562,382	\$ 112,650	\$ -	\$ 2,675,032	\$ 2,280,218
Accounts receivable	2,260	-	-	2,260	2,484
Due from other governments	523,914	-	-	523,914	406,885
Inventory	93,888	-	-	93,888	37,436
Total assets	<u>\$ 3,182,444</u>	<u>\$ 112,650</u>	<u>\$ -</u>	<u>\$ 3,295,094</u>	<u>\$ 2,727,023</u>
Liabilities					
Accounts payable	\$ 104,154	\$ 2,865	\$ -	\$ 107,019	\$ 121,310
Accrued liabilities	28,081	-	-	28,081	21,143
Other current liabilities	550	-	-	550	725
Total liabilities	<u>132,785</u>	<u>2,865</u>	<u>-</u>	<u>135,650</u>	<u>143,178</u>
Deferred Inflows of Resources					
Unavailable revenue - revenues received beyond 60 days	37,796	-	-	37,796	84,530
Total Liabilities and Deferred Inflows of Resources	<u>170,581</u>	<u>2,865</u>	<u>-</u>	<u>173,446</u>	<u>227,708</u>
Fund Balances					
Nonspendable					
Inventory	93,888	-	-	93,888	37,436
Assigned					
Public safety	-	109,785	-	109,785	106,114
Subsequent year operations	-	-	-	-	411,388
Unassigned	2,917,975	-	-	2,917,975	1,944,377
Total fund balances	<u>3,011,863</u>	<u>109,785</u>	<u>-</u>	<u>3,121,648</u>	<u>2,499,315</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,182,444</u>	<u>\$ 112,650</u>	<u>\$ -</u>	<u>\$ 3,295,094</u>	<u>\$ 2,727,023</u>

City of Wells

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
Capital Improvement Fund
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Budget	Actual	Variance to Final Budget	2021
Revenues				
Taxes				
Ad valorem	\$ 18,000	\$ 39,172	\$ 21,172	\$ 38,144
Licenses and permits				
Marijuana fees	10,000	67,272	57,272	33,506
Intergovernmental				
Infrastructure tax	23,975	21,602	(2,373)	22,999
Miscellaneous				
Land sales	-	30,488	30,488	12,160
Miscellaneous	-	2,033	2,033	-
Interest earnings	15,000	12,670	(2,330)	13,976
Total miscellaneous	15,000	45,191	30,191	26,136
Total revenues	66,975	173,237	106,262	120,785
Expenditures				
General government				
Service and supplies	-	1,000	(1,000)	2,871
Capital outlay	470,000	109,659	360,341	184,166
Total expenditures	470,000	110,659	359,341	187,037
Excess (Deficiency) of Revenues Over Expenditures	(403,025)	62,578	465,603	(66,252)
Other Financing Sources (Uses)				
Transfers in	320,000	-	(320,000)	-
Net Change in Fund Balance	(83,025)	62,578	145,603	(66,252)
Fund Balance, Beginning of Year	308,527	335,300	26,773	401,552
Fund Balance, End of Year	\$ 225,502	\$ 397,878	\$ 172,376	\$ 335,300

Non-Major Special Revenue Funds

Special Revenue Funds – used to account for specific revenues which are legally restricted to expenditures for a particular purpose. Special Revenue Funds are comprised of the following:

Cemetery Perpetual Care Fund – revenues received from cemetery operations. Principal expenditures are for cemetery maintenance and improvements.

Redevelopment Agency Fund – revenues received which are designated for the exclusive use of redevelopment with the City of Wells redevelopment areas. The funds may be spent on land purchases, revolving loan funding, incentives, gifts, public development or private development that will facilitate public benefit through redevelopment and economic development.

Administrative Assessment Fund – accounts for fees collected by the court as required by NRS 176.059. These monies are used to improve the operation of the court.

Court Facilities Administrative Assessment Fund – accounts for fees collected by the court as required by Ordinance 180. These monies are used pursuant to a plan for the construction or acquisition of court facilities.

City of Wells
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2022
(With Comparative Totals for June 30, 2021)

	Cemetery Perpetual Care Fund	Redevelopment Agency Fund	Administrative Assessment Fund	Court Facilities Administrative Assessment Fund	Total	2021
Assets						
Cash and investments	\$ 13,403	\$ 159,162	\$ 13,286	\$ 36,128	\$ 221,979	\$ 156,494
Due from other governments	-	-	-	-	-	552
Total assets	\$ 13,403	\$ 159,162	\$ 13,286	\$ 36,128	\$ 221,979	\$ 157,046
Liabilities						
Accounts payable	-	-	75	-	75	-
Fund Balances						
Restricted						
Redevelopment	-	159,162	-	-	159,162	95,612
Judicial	-	-	13,211	36,128	49,339	49,031
Committed						
Health and sanitation	13,403	-	-	-	13,403	12,403
Total fund balances	13,403	159,162	13,211	36,128	221,904	157,046
Total Liabilities and Fund Balances	\$ 13,403	\$ 159,162	\$ 13,286	\$ 36,128	\$ 221,979	\$ 157,046

City of Wells
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Cemetery Perpetual Care Fund	Redevelopment Agency Fund	Administrative Assessment Fund	Court Facilities Administrative Assessment Fund	Total	2021
Revenues						
Taxes	\$ -	\$ 61,150	\$ -	\$ -	\$ 61,150	\$ 72,788
Charges for services	1,000	-	1,024	180	2,204	2,354
Miscellaneous	-	2,400	-	-	2,400	2,400
Total revenues	1,000	63,550	1,024	180	65,754	77,542
Expenditures						
Judicial	-	-	896	-	896	433
Capital Outlay	-	-	-	-	-	37,641
Total expenditures	-	-	896	-	896	38,074
Net Change in Fund Balances	1,000	63,550	128	180	64,858	39,468
Fund Balances, Beginning of Year	12,403	95,612	13,083	35,948	157,046	117,578
Fund Balances, End of Year	\$ 13,403	\$ 159,162	\$ 13,211	\$ 36,128	\$ 221,904	\$ 157,046

City of Wells

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –

Cemetery Perpetual Care Fund

Year Ended June 30, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2021</u>
Revenues				
Charges for services				
Cemetery charges	\$ 600	\$ 1,000	\$ 400	\$ 1,800
Net Change In Fund Balance	600	1,000	400	1,800
Fund Balance, Beginning of Year	<u>11,203</u>	<u>12,403</u>	<u>1,200</u>	<u>10,603</u>
Fund Balance, End of Year	<u>\$ 11,803</u>	<u>\$ 13,403</u>	<u>\$ 1,600</u>	<u>\$ 12,403</u>

City of Wells

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
Redevelopment Agency Fund
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2021</u>
Revenues				
Taxes				
Ad valorem	\$ 50,000	\$ 61,150	\$ 11,150	\$ 72,788
Miscellaneous				
Other	-	2,400	2,400	2,400
Total revenues	<u>50,000</u>	<u>63,550</u>	<u>13,550</u>	<u>75,188</u>
Expenditures				
General Government				
Capital outlay	<u>85,000</u>	<u>-</u>	<u>85,000</u>	<u>37,641</u>
Net Change in Fund Balance	(35,000)	63,550	98,550	37,547
Fund Balance, Beginning of Year	<u>77,065</u>	<u>95,612</u>	<u>18,547</u>	<u>58,065</u>
Fund Balance, End of Year	<u><u>\$ 42,065</u></u>	<u><u>\$ 159,162</u></u>	<u><u>\$ 117,097</u></u>	<u><u>\$ 95,612</u></u>

City of Wells

Schedule of Revenues, Expenditures, and Changes in Fund Balances –Budget and Actual –

Administrative Assessment Fund

Year Ended June 30, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2021</u>
Revenues				
Charges for services				
Administrative assessments	\$ 8,650	\$ 1,024	\$ (7,626)	\$ 484
Expenditures				
Judicial				
Services and supplies	9,500	896	8,604	433
Capital outlay	9,000	-	9,000	-
Total expenditures	18,500	896	17,604	433
Net Change in Fund Balance	(9,850)	128	9,978	51
Fund Balance, Beginning of Year	12,182	13,083	901	13,032
Fund Balance, End of Year	<u>\$ 2,332</u>	<u>\$ 13,211</u>	<u>\$ 10,879</u>	<u>\$ 13,083</u>

City of Wells

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
 Court Facilities Administrative Assessment Fund
 Year Ended June 30, 2022
 (With Comparative Actual Amounts for the Year Ended June 30, 2021)

	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2021</u>
Revenues				
Charges for services				
Court facility assessment fee	\$ 1,500	\$ 180	\$ (1,320)	\$ 70
Expenditures				
Judicial				
Capital outlay	25,000	-	25,000	-
Net Change in Fund Balance	(23,500)	180	23,680	70
Fund Balance, Beginning of Year	37,378	35,948	(1,430)	35,878
Fund Balance, End of Year	<u>\$ 13,878</u>	<u>\$ 36,128</u>	<u>\$ 22,250</u>	<u>\$ 35,948</u>

Internally Reported (Budgetary Basis) Fund Reported as Part of the General Fund for External Reporting Purposes

The Fire Department Fund – accounts for revenues and expenditures related to the City's volunteer fire department.

City of Wells

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Budgetary Basis) and Actual –
 Fire Department Fund
 Year Ended June 30, 2022
 (With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Budget	Actual	Variance to Final Budget	2021
Revenues				
Intergovernmental				
NDF fees	\$ 5,000	\$ 1,295	\$ (3,705)	\$ 2,205
Charges For Services				
Project Income	6,000	-	(6,000)	-
Miscellaneous				
Fundraising income	5,000	6,435	1,435	-
Total revenues	16,000	7,730	(8,270)	2,205
Expenditures				
Public safety				
Salaries and wages	1,200	1,200	-	1,200
Employee benefits	8,817	12,058	(3,241)	11,915
Services and supplies	55,200	54,546	654	53,200
Capital outlay	20,000	6,255	13,745	109,593
Total expenditures	85,217	74,059	11,158	175,908
Excess (Deficiency) of Revenues Over Expenditures	(69,217)	(66,329)	2,888	(173,703)
Other Financing Sources (Uses)				
Transfer in				
General Fund	70,000	70,000	-	180,000
Net Change in Fund Balance	783	3,671	2,888	6,297
Fund Balance, Beginning of Year	103,600	106,114	2,514	99,817
Fund Balance, End of Year	<u>\$ 104,383</u>	<u>\$ 109,785</u>	<u>\$ 5,402</u>	<u>\$ 106,114</u>

Enterprise Funds

Enterprise Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises - where the intent of the City Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City Council has decided that periodic determination of net income is appropriate for accountability purposes. The Enterprise Funds consist of the following:

Major Enterprise Funds

Water Fund – accounts for municipal water service.

Sewer Fund – accounts for municipal sewer service and improvements to sewer facilities.

Sanitation Fund – accounts for sanitation services provided to the residents of the City.

City of Wells
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Water Fund
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Budget	Actual	Variance to Final Budget	2021
Operating Revenues				
Charges for services				
Water user fees	\$ 550,000	\$ 555,929	\$ 5,929	\$ 552,161
Miscellaneous				
Other	-	300	300	-
Total operating revenues	550,000	556,229	6,229	552,161
Operating Expenses				
Administration				
Salaries and wages	157,200	136,727	20,473	137,551
Employee benefits	69,800	35,485	34,315	55,263
Services and supplies	232,660	167,799	64,861	182,318
Operating expenses before depreciation	459,660	340,011	119,649	375,132
Depreciation	131,000	138,310	(7,310)	134,137
Total operating expenses	590,660	478,321	112,339	509,269
Operating Income (Loss)	(40,660)	77,908	118,568	42,892
Nonoperating Revenues (Expenses)				
Interest income	3,000	804	(2,196)	867
Interest expense	(18,471)	(17,524)	947	(20,203)
Amortization	-	3,909	3,909	3,909
Total nonoperating revenues (expenses)	(15,471)	(12,811)	2,660	(15,427)
Income (Loss) Before Capital Contributions	(56,131)	65,097	121,228	27,465
Capital Contributions				
Grants	22,500	291,141	268,641	4,331
Connection fees	38,000	27,520	(10,480)	35,990
Total capital contributions	60,500	318,661	258,161	40,321
Change in Net Position	\$ 4,369	383,758	\$ 379,389	67,786
Net Position, Beginning of Year		2,325,544		2,257,758
Net Position, End of Year		\$ 2,709,302		\$ 2,325,544

City of Wells
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Sewer Fund
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Budget	Actual	Variance to Final Budget	2021
Operating Revenues				
Charges for services				
Sewer user fees	\$ 294,000	\$ 280,999	\$ (13,001)	\$ 291,334
Miscellaneous				
Other	15,000	2,359	(12,641)	10,131
Total operating revenues	<u>309,000</u>	<u>283,358</u>	<u>(25,642)</u>	<u>301,465</u>
Operating Expenses				
Administration				
Salaries and wages	152,000	130,420	21,580	127,931
Employee benefits	72,400	34,358	38,042	52,894
Services and supplies	121,900	91,803	30,097	72,551
Operating expenses before depreciation	<u>346,300</u>	<u>256,581</u>	<u>89,719</u>	<u>253,376</u>
Depreciation	<u>20,000</u>	<u>14,128</u>	<u>5,872</u>	<u>13,275</u>
Total operating expenses	<u>366,300</u>	<u>270,709</u>	<u>95,591</u>	<u>266,651</u>
Operating Income (Loss)	<u>(57,300)</u>	<u>12,649</u>	<u>69,949</u>	<u>34,814</u>
Nonoperating Revenues (Expenses)				
Sewer improvement user fees	22,000	22,451	451	23,508
Interest income	6,000	1,496	(4,504)	1,928
Total nonoperating revenues (expenses)	<u>28,000</u>	<u>23,947</u>	<u>(4,053)</u>	<u>25,436</u>
Income (Loss) Before Capital Contributions	<u>(29,300)</u>	<u>36,596</u>	<u>65,896</u>	<u>60,250</u>
Capital Contributions				
Connection fees	<u>3,000</u>	<u>5,812</u>	<u>2,812</u>	<u>8,000</u>
Change in Net Position	<u>\$ (26,300)</u>	42,408	<u>\$ 68,708</u>	68,250
Net Position, Beginning of Year		<u>812,124</u>		<u>743,874</u>
Net Position, End of Year		<u>\$ 854,532</u>		<u>\$ 812,124</u>

City of Wells

Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual
Sanitation Fund
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	Budget	Actual	Variance to Final Budget	2021
Operating Revenues				
Charges for services				
Sanitation fees	\$ 290,000	\$ 300,601	\$ 10,601	\$ 289,729
Miscellaneous				
Other	4,900	-	(4,900)	400
Total operating revenues	<u>294,900</u>	<u>300,601</u>	<u>5,701</u>	<u>290,129</u>
Operating Expenses				
Administration				
Salaries and wages	16,800	17,701	(901)	16,452
Employee benefits	4,840	4,015	825	4,963
Services and supplies	277,100	269,356	7,744	256,672
Operating expenses before depreciation	<u>298,740</u>	<u>291,072</u>	<u>7,668</u>	<u>278,087</u>
Depreciation	<u>3,500</u>	<u>3,501</u>	<u>(1)</u>	<u>2,939</u>
Total operating expenses	<u>302,240</u>	<u>294,573</u>	<u>7,667</u>	<u>281,026</u>
Change in Net Position	<u>\$ (7,340)</u>	6,028	<u>\$ 13,368</u>	9,103
Net Position, Beginning of Year		<u>94,029</u>		<u>84,926</u>
Net Position, End of Year		<u>\$ 100,057</u>		<u>\$ 94,029</u>

Schedule of Fees Imposed Subject to the Provision of NRS 354.5989 Limitation of Fees for Business Licenses
Year Ended June 30, 2022

Flat Fixed Fees		
Business license revenue for the year ended June 30, 1991 (base year) adjusted through June 30, 2021		\$ 27,677
Adjustment to Base		
Base year adjusted percentage increase (decrease) in population of the local government	-5.40%	
Percentage increase in the Consumer Price Index for the year ending on December 31 next preceding the year for which the limit is being calculated	7.40%	<u>2.00%</u>
		<u>554</u>
Adjusted Base at June 30, 2022		28,231
Actual Revenue		<u>18,746</u>
Amount Over (Under) Allowable Amount		<u><u>\$ (9,485)</u></u>

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Compliance Section
June 30, 2022

City of Wells



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

To the Honorable Mayor and City Council of Wells
City of Wells
Wells, Nevada

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wells, State of Nevada (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we consider to be material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Wells' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Elko, Nevada
January 26, 2023



**Independent Auditor’s Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Honorable Mayor and City Council of Wells
City of Wells
Wells, Nevada

Report on Compliance for Each Major Program

Opinion on the Major Federal Program

We have audited the City of Wells, State of Nevada’s (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City’s major federal programs for the year ended June 30, 2022. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Elko, Nevada
January 26, 2023



Auditor's Comments

To the Honorable Mayor and City Council of Wells
City of Wells
Wells, Nevada

In connection with our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wells as of and for the year ended June 30, 2022, and the related notes to the financial statements, nothing came to our attention that caused us to believe that City of Wells failed to comply with the specific requirements of Nevada Revised Statutes other than those cited below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Wells' noncompliance with the requirements of Nevada Revised Statutes, insofar as they relate to accounting matters.

Current Year Statute Compliance

The City of Wells conformed to all significant statutory constraints on its financial administration during the year.

Progress on Prior Year Statute Compliance

In the prior year, apparent violations of NRS 354.626 occurred. The City monitored expenditures during the current year in order to prevent over expenditures, and no noncompliance was noted.

Disposition of Prior Year Recommendations

Finding 2021-001 which is included in the Schedule of Findings and Questioned Costs as finding 2022-001.

Current Year Audit Recommendations

Our recommendations for the current year are included in the Schedule of Findings and Questioned Costs.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Elko, Nevada
January 26, 2023

City of Wells
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through the Utah Food Bank			
Food Distribution Cluster			
Emergency Food Assistance Program - Commodities	10.569	Unknown	\$ 66,093
Direct Award			
Rural Business Development Grant	10.351	n/a	7,500
Total U.S. Department of Agriculture			<u>73,593</u>
<u>U.S. Department of Commerce:</u>			
Direct Award			
Economic Development Cluster			
Economic Adjustment Assistance			
Wells Storm Water Infrastructure Construction Projects	11.307	n/a	77,960
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the State of Nevada Commission on Economic Development			
Community Development Block Grants/State's Program			
COVID - 19 - Wells Medical Center Upgrades	14.228	CDBG CVR2 20/PF/25	24,400
COVID - 19 - Rural Business Assistance Program	14.228	CDBG/CVR3 20/PS/49	653,141
Total U.S. Department of Housing and Urban Development			<u>677,541</u>
<u>U.S. Department of the Treasury</u>			
Passed through the State of Nevada Governor's Finance Office			
COVID - 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	841,019
<u>U.S. Department of Transportation</u>			
Direct - Federal Aviation Administration			
COVID - 19 - Airport Improvement Program	20.106	n/a	9,000
COVID - 19 - Airport Improvement Program	20.106	n/a	6,967
Airport Improvement Program	20.106	n/a	26,530
Airport Improvement Program	20.106	n/a	50,294
Total U.S. Department of Transportation			<u>92,791</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through State of Nevada Department of Health and Human Services			
Aging and Disability Services Division			
Aging Cluster			
Categorical	93.045	05-002-04-2C3X-20	10,000
Congregate Meals	93.045	05-002-07-1X-22	19,423
Congregate Meals	93.045	05-002-07-1X-21	6,647
Categorical - nutrition equipment	93.045	05-002-66-1X-21	3,425
Categorical	93.045	05-002-04-24-22	20,095
Categorical	93.045	05-002-04-24-21	914
Nutrition	93.053	05-002-57-NX-21	3,454
Nutrition	93.053	05-002-57-NX-22	3,011
Total Aging Cluster			<u>66,969</u>
Total U.S. Department of Health and Human Services			<u>66,969</u>
Total Federal Financial Assistance			<u>\$ 1,829,873</u>

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of City of Wells under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Wells, it is not intended to and does not present the financial position, changes in financial position, or cash flows of City of Wells.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contain in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The City of Wells has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiency identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing/CFDA Number</u>
COVID - Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

**2022-001 Report Preparation and Audit Adjustments
Material Weakness**

Criteria: Management of the City of Wells is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control is a finance staff with adequate resources available to prepare the financial statements in accordance with generally accepted accounting principles. Additionally, a good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition: Based on our audit procedures performed as of June 30, 2022, we proposed the following audit adjustments to properly state various account balances in order to fairly present the financial statements in accordance with generally accepted accounting principles:

- To adjust for unrecorded accounts payable and expenditures totaling \$8,922 and to reclass expenditures to the correct fund totaling \$8,856 in the General Fund and the Capital Improvement Fund.
- Due from other government and unearned revenue were not correctly recorded totaling \$27,791 for grant funds received beyond 60 days of year-end in the General Fund.
- Voided checks totaling \$10,000 from a prior year were not correctly recorded and a \$5,000 deposit in the current year was recorded twice in the General Fund.
- A \$5,000 transfer from the General Fund to the Silver Sage Senior Center Fund was recorded backwards.

Cause: Given the daily responsibilities of management, the resources of time and training necessary to prepare the City’s financial statements in accordance with generally accepted accounting principles are not available. As a result, the City has chosen to contract with Eide Bailly LLP to prepare the financial statements. This circumstance is not unusual in an organization of this size, due to time constraints of management and costs associated with compliance of the standards.

Effect: Prior to adjustment, various opinion units would have been misstated.

Recommendation: We recommend Management perform a detailed review of all financial statements and fund trial balances throughout the year to ensure that all significant transactions have been appropriately reported. In addition, management and those charged with governance should annually make the decision to accept the degree of risk associated with this condition because of costs or other considerations.

Management's Response: Management will annually review whether to accept the degree of risk associated with the auditors preparing the City's financial statements. In addition, management will perform year end reconciling procedures to ensure accounts are properly stated.

Section III – Federal Award Findings and Questioned Costs

**2022-002 U.S. Department of Treasury
Passed Through State of Nevada Governor's Finance Office
COVID-19 Coronavirus State and Local Fiscal Recovery Fund CFDA 21.027**

**Procurement, Suspension and Debarment
Significant Deficiency in Internal Control over Compliance**

Criteria: 2 CFR Part 200 (Uniform Guidance) requires that a non-Federal entity must use its own documented procurement procedures which reflect applicable state and local laws and regulations, provided that the procurement procedures conform to applicable federal law and standards.

Condition: We noted the City of Wells has not updated its procurement policies to conform to applicable federal laws and standards.

Cause: The City of Wells did not adequate controls to ensure its procurement policies were updated to conform with the procurement requirements identified in the Uniform Guidance.

Effect: Procurement may not follow federal laws and standards.

Questioned Costs: None reported.

Repeat Finding from Prior Year: No.

Recommendation: We recommend the City of Wells implement controls to ensure its procurement policies are updated to conform with procurement requirements identified in the Uniform Guidance.

Management's Response: Management agrees with the finding and procurement policies will be updated to conform with procurement requirements identified in the Uniform Guidance.