



Financial Statements
June 30, 2023

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, 2023, 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, 2023, 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 the 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 pages 5 through 13, the schedules of budgetary comparison and reconciliation information and related notes on pages 49 through 57, the Schedule of City's Share of Net Pension Liability on page 58, and the Schedule of City's Contributions on page 59 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 Management's Discussion and Analysis, the Schedule of City's Share of Net Pension Liability, and the Schedule of City's Contributions in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The schedules of budgetary comparison and reconciliation information and related notes are the responsibility of management and were derived from and relates directly to underlying accounting and other records used to prepare the basic financial statements. The schedules of budgetary comparison and reconciliation information and related notes have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. 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.

The General Fund, Recreation Fund and Silver Sage Senior Center Funds budget and actual statements for the year ended June 30, 2022 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2022 financial statements. The information was subjected to the audit procedures applied in the audit of the 2022 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. In our opinion, the General Fund, Recreation Fund and Silver Sage Senior Center Funds budget and actual statements are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2022.

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 individual major Capital Improvement Fund budget and actual statement, the combining and individual nonmajor fund financial statements and schedules including budgetary comparisons, and reconciliation information, the schedule of fees imposed subject to the provisions of NRS 354.5989 limitation of fees for business licenses, and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the individual major Capital Improvement Fund budget and actual statement, the combining and individual nonmajor fund financial statements and schedules including budgetary comparisons, and reconciliation information, the schedule of fees imposed subject

to the provisions of NRS 354.5989 limitation of fees for business licenses, 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated January 26, 2023 which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual major Capital Improvement Fund budget and actual statement, the combining and individual nonmajor fund financial statements and schedules including budgetary comparisons, and reconciliation information for the year ended June 30, 2022 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2022 financial statements. The information was subjected to the audit procedures applied in the audit of the 2022 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. In our opinion, the individual major Capital Improvement Fund budget and actual statement, the combining and individual nonmajor fund financial statements and schedules including budgetary comparisons, and reconciliation information are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2022.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2023 on our consideration of 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.



Elko, Nevada
November 8, 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, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Wells exceeded liabilities and deferred inflows of resources at June 30, 2023 by \$23,020,405. Of this, \$5,198,670 (unrestricted) may be used to meet ongoing obligations to citizens and creditors.
- Net position increased by \$5,194,075.

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 the 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,020,405 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 to \$16,539,628. 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 (\$5,198,670) may be used to meet the City of Wells' ongoing obligations to citizens and creditors.

Total government-wide program and general revenues increased \$3,523,857. This is primarily due to the 2nd distribution of American Rescue Funds, in addition to a large airport grant and the Senior Center Facility grant 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. Property taxes increased by \$129,307 because of the Board's decision to increase our tax rate as a result of the Elko County School Districts Pay as You Go tax rate dissolving.

Activities during the year included crack sealing city streets and parking lots. Street Maintenance included paving 2 blocks of Baker Street as well as several patch projects on Clover Avenue, West Hogan Street, Starr Avenue, and Lake Avenue. The City has continued development on the 80 acres in the RDA District purchased a few years prior. A vendor station with electrical hookups was installed to boost economic development in that area. Several developers are also evaluating the area for future projects and businesses.

Capital grants and contributions increased by \$3,584,365 from the prior fiscal year to \$4,014,251. The City has continued to expand plans for future growth and development. The current year amount for capital grants and contributions saw an increase due to a large airport grant in addition to American Rescue and CDBG funds for the Senior Center Facility. It is likely this will see a decrease to a more typical year in the next fiscal year.

Operating grants and contributions decreased by \$869,944 from the prior fiscal year to \$589,610 due to the Rural Business Assistance Program Grant ending at the beginning of the fiscal year.

Miscellaneous revenues increased by \$356,478 from the prior fiscal year to \$459,391, mainly as a result of the allocation of the net pension liability between the government-wide governmental activities and business-type activities as a result of the allocation of net pension expense between the different City departments.

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 an increase from \$984,860 to \$2,007,198. The large increase resulted from a net actuarial experience loss due to a lower return on the market value of assets than what was projected.

The following table provides a summary of the City's net position at June 30, 2023:

| | Governmental Activities | | Business-type Activities | | Totals | | Amount Change | % Change |
|----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|---------------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | | |
| Current and Other Assets | \$ 6,702,230 | \$ 4,773,669 | \$ 2,187,800 | \$ 1,981,255 | \$ 8,890,030 | \$ 6,754,924 | \$ 2,135,106 | 31.61% |
| Capital Assets | 14,298,409 | 10,580,765 | 2,798,629 | 2,730,081 | 17,097,038 | 13,310,846 | 3,786,192 | 28.44% |
| Total assets | <u>21,000,639</u> | <u>15,354,434</u> | <u>4,986,429</u> | <u>4,711,336</u> | <u>25,987,068</u> | <u>20,065,770</u> | <u>5,921,298</u> | <u>29.51%</u> |
| Deferred Outflows of Resources | 683,536 | 451,412 | 96,993 | 213,322 | 780,529 | 664,734 | 115,795 | 17.42% |
| Long-term Liabilities | 1,993,010 | 850,743 | 727,412 | 912,603 | 2,720,422 | 1,763,346 | 957,076 | 54.28% |
| Other Liabilities | 908,996 | 187,547 | 52,140 | 52,223 | 961,136 | 239,770 | 721,366 | 300.86% |
| Total liabilities | <u>2,902,006</u> | <u>1,038,290</u> | <u>779,552</u> | <u>964,826</u> | <u>3,681,558</u> | <u>2,003,116</u> | <u>1,678,442</u> | <u>83.79%</u> |
| Deferred Inflows of Resources | 58,026 | 605,117 | 7,608 | 295,941 | 65,634 | 901,058 | (835,424) | (92.72%) |
| Net Position | | | | | | | | |
| Net investment in capital assets | 14,162,102 | 10,409,585 | 2,377,526 | 2,245,892 | 16,539,628 | 12,655,477 | 3,884,151 | 30.69% |
| Restricted | 440,843 | 208,501 | 841,264 | 762,886 | 1,282,107 | 971,387 | 310,720 | 31.99% |
| Unrestricted | 4,121,198 | 3,544,353 | 1,077,472 | 655,113 | 5,198,670 | 4,199,466 | 999,204 | 23.79% |
| Total net position | <u>\$ 18,724,143</u> | <u>\$ 14,162,439</u> | <u>\$ 4,296,262</u> | <u>\$ 3,663,891</u> | <u>\$ 23,020,405</u> | <u>\$ 17,826,330</u> | <u>\$ 5,194,075</u> | <u>29.14%</u> |

City of Wells
Management's Discussion and Analysis
June 30, 2023

The following table provides a summary of the City's changes in net position at June 30, 2023:

| | Governmental Activities | | Business-type Activities | | Totals | | Amount Change | % Change |
|------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|---------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | | |
| Revenues | | | | | | | | |
| Program revenues | | | | | | | | |
| Charges for services | \$ 593,972 | \$ 406,435 | \$ 1,145,998 | \$ 1,140,188 | \$ 1,739,970 | \$ 1,546,623 | \$ 193,347 | 12.50% |
| Operating grants and contributions | 589,610 | 1,459,554 | - | - | 589,610 | 1,459,554 | (869,944) | (59.60%) |
| Capital grants and contributions | 3,806,080 | 82,962 | 208,171 | 346,924 | 4,014,251 | 429,886 | 3,584,365 | 833.79% |
| General Revenues | | | | | | | | |
| Ad valorem taxes | 549,414 | 420,107 | - | - | 549,414 | 420,107 | 129,307 | 30.78% |
| Consolidated taxes | 1,587,821 | 1,534,161 | - | - | 1,587,821 | 1,534,161 | 53,660 | 3.50% |
| Motor vehicle taxes | 72,584 | 80,496 | - | - | 72,584 | 80,496 | (7,912) | (9.83%) |
| Room taxes | 600,034 | 603,125 | - | - | 600,034 | 603,125 | (3,091) | (0.51%) |
| Gaming tax | 15,098 | 16,395 | - | - | 15,098 | 16,395 | (1,297) | (7.91%) |
| Interest Income | 83,403 | 17,750 | 25,591 | 2,300 | 108,994 | 20,050 | 88,944 | 443.61% |
| Miscellaneous revenues | 153,686 | 102,913 | 305,705 | - | 459,391 | 102,913 | 356,478 | 346.39% |
| Total revenues | 8,051,702 | 4,723,898 | 1,685,465 | 1,489,412 | 9,737,167 | 6,213,310 | 3,523,857 | 56.71% |
| Expenses | | | | | | | | |
| General government | 451,543 | 387,052 | - | - | 451,543 | 387,052 | 64,491 | 16.66% |
| Public safety | 598,914 | 565,784 | - | - | 598,914 | 565,784 | 33,130 | 5.86% |
| Health and sanitation | 21,723 | 22,514 | - | - | 21,723 | 22,514 | (791) | (3.51%) |
| Culture and recreation | 1,098,905 | 905,463 | - | - | 1,098,905 | 905,463 | 193,442 | 21.36% |
| Public works | 981,731 | 880,284 | - | - | 981,731 | 880,284 | 101,447 | 11.52% |
| Judicial | 67,940 | 29,507 | - | - | 67,940 | 29,507 | 38,433 | 130.25% |
| Community support | 250,405 | 951,607 | - | - | 250,405 | 951,607 | (701,202) | (73.69%) |
| Interest on long-term debt | 5,224 | 6,608 | - | - | 5,224 | 6,608 | (1,384) | (20.94%) |
| Water utilities | - | - | 486,938 | 491,936 | 486,938 | 491,936 | (4,998) | (1.02%) |
| Sewer utilities | - | - | 271,091 | 270,709 | 271,091 | 270,709 | 382 | 0.14% |
| Sanitation utilities | - | - | 308,678 | 294,573 | 308,678 | 294,573 | 14,105 | 4.79% |
| Total expenses | 3,476,385 | 3,748,819 | 1,066,707 | 1,057,218 | 4,543,092 | 4,806,037 | (262,945) | (5.47%) |
| Change in Net Position | 4,575,317 | 975,079 | 618,758 | 432,194 | 5,194,075 | 1,407,273 | 3,786,802 | 269.09% |
| Transfers | (13,613) | - | 13,613 | - | - | - | - | - |
| Beginning Net Position | 14,162,439 | 13,187,360 | 3,663,891 | 3,231,697 | 17,826,330 | 16,419,057 | 1,407,273 | 8.57% |
| Ending Net Position | \$ 18,724,143 | \$ 14,162,439 | \$ 4,296,262 | \$ 3,663,891 | \$ 23,020,405 | \$ 17,826,330 | \$ 5,194,075 | 29.14% |

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 \$5,502,258. Of this year-end total, \$124,401 is non-spendable, \$440,843 is restricted by enabling legislation, \$698,746 is committed by City Council, \$611,523 is assigned for the subsequent year operations, public safety, and capital improvement, and \$3,626,745 is unassigned.

The total ending fund balances of governmental funds show an increase of \$1,176,858 over the prior year. The increase is the result of the additional funds in grant dollars as well as increases in Ad Valorem taxes.

In preparation of the 2022-2023 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 \$713,150. Key factors contributing to this increase was additional grant funding and excess Ad Valorem tax revenue.

The Recreation Fund, which is funded by room taxes, shows a fund balance increase of \$123,882. Historically a transfer to the Recreation Fund from the General Fund has been necessary to help supplement the fund. This has not been necessary for the last two years 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 although the board has shown interest in several recreation capital outlay projects for the future.

The Silver Sage Senior Center Fund, accounts for the activities related to the senior center operations. The fund balance increased by \$10,124. Operating costs have continued to see an increase with continued inflation. 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 and approved a \$43,500 transfer this fiscal year from the general fund. In the current fiscal year the City received CDBG funding and the City continued the construction on the new Senior Center Facility, capital outlay totaled \$808,470 relating to this project.

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 both cultivation facilities are in full operation. The fund balance did see an increase of \$106,428 from the previous year. It is expected that Marijuana quarterly taxes will continue to add to the Capital Improvement Fund in the upcoming year.

The other funds – Cemetery Perpetual Fund, Redevelopment Agency Fund, Administrative Assessment Fund, and the Court Administrative Assessment Facilities 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.

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 increase in operating revenues and 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 \$632,371.

To summarize, these funds will continue to be analyzed closely.

Budgetary Highlights – Fiscal Year Ended June 30, 2023

The budget statements reflect a comparison of budgeted revenues and expenditures to actual for the year ended June 30, 2023. 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 2022-2023 as a result of grants, ad valorem tax funds, airport gasoline sales, and room tax revenues received.

Governmental Activities

Governmental activities are budgeted on a fund basis.

General Fund (without the internally reported Fire Department Fund) – Actual revenues received by the City were \$5,819,351 which was \$51,322 less than the budgeted amount of \$5,870,673. As mentioned earlier, Ad Valorem Tax and grant revenue increased and most other revenue line items held close to their forecasts.

Actual expenditures of the General Fund without the Fire Department were \$4,970,001 which was \$498,238 less than the budgeted amount of \$5,468,239. Capital outlay or purchase of capital assets was \$3,344,050. This was primarily due to streets maintenance and paving, airport grant projects, and community support activities.

Recreation Fund – The Recreation Fund under spent its budget by \$122,768 in the current year. Overall revenues were \$219,717 higher than budgeted, primarily attributed to the increase in Room Tax revenue which was \$197,334 higher than budgeted with the Hampton Inn in full operation. A transfer from the general fund was unnecessary again this year.

Capital Improvement Fund – The Capital Improvement Fund had capital purchases of \$23,101 this fiscal year made up of turf covers for the Golf Course. The fund also received Capital Projects Tax of \$32,969 and marijuana fees of \$37,672. 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 \$25,903 below that of budget primarily attributed to lower program income and contributions received throughout the year. Expenses did remain under budget but due to the decreased revenue the Board of Council approved a transfer from the General Fund of \$43,500. Increasing program income and fundraising efforts has continued to be a primary focus of the Center's Director as costs continue to rise. Operating grants, program income, and fundraising efforts are the main source of revenue at the Center. This fund also received CDBG grant fund for the construction of the Senior Center Facility in the current year.

Business-type Activities

Business-type activities revenues for services performed by the City were \$1,145,998, which was \$21,402 less than the budgeted amount. Operating expenses, before depreciation, of \$886,125 were less than the budgeted amount by \$202,829. Operating revenues less operating expenses before depreciation was \$259,873, which covers all of the depreciation expenses totaling \$173,647.

Overall, net position increased by \$632,371 for the business-type activities. Additional budget information can be found on pages 71 through 74 of this report.

Capital Assets

The City of Wells' investment in capital assets as of June 30, 2023, amounts to \$16,539,628 (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, airport upgrades, construction of the new senior center facility, Wood Hills Drainage project, the purchase of a new skid steer, a dump truck, and a new snowplow.

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, 2023 totaled \$564,793 (excluding compensated absences). The City did not acquire any additional 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 \$2,007,198 at June 30, 2023. 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 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 estimated that it'll be closed in 2 years. Hampton Inn is fully operational and continues to increase the City's Room Tax. Both Marijuana cultivation operations are up and running. In addition, a new Maverick Gas Station opened in August 2023.

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.

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.

City of Wells
Statement of Net Position
June 30, 2023

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and investments | \$ 5,553,658 | \$ 1,198,601 | \$ 6,752,259 |
| Accounts receivable | 92,440 | 95,469 | 187,909 |
| Due from other governments | 732,414 | - | 732,414 |
| Inventory | 124,401 | 52,466 | 176,867 |
| Note receivable - HEART | 199,317 | - | 199,317 |
| Restricted cash | - | 841,264 | 841,264 |
| Capital assets | | | |
| Land and construction in progress | 6,664,948 | 105,306 | 6,770,254 |
| Other capital assets (net of accumulated depreciation) | 7,633,461 | 2,693,323 | 10,326,784 |
| Total assets | <u>21,000,639</u> | <u>4,986,429</u> | <u>25,987,068</u> |
| Deferred Outflows of Resources | | | |
| Deferred charge on bond refunding | - | 7,383 | 7,383 |
| Pensions | 683,536 | 89,610 | 773,146 |
| Total deferred outflows of resources | <u>683,536</u> | <u>96,993</u> | <u>780,529</u> |
| Liabilities | | | |
| Accounts payable | 342,484 | 36,292 | 378,776 |
| Accrued liabilities | 38,884 | 12,339 | 51,223 |
| Accrued interest | 5,486 | 3,509 | 8,995 |
| Unearned revenues | 521,467 | - | 521,467 |
| Other current liabilities | 675 | - | 675 |
| Long-term liabilities | | | |
| Portion due or payable within one year | | | |
| Compensated absences | 82,146 | 40,936 | 123,082 |
| Bonds and notes payable | 36,042 | 64,790 | 100,832 |
| Portion due or payable after one year | | | |
| Bonds and notes payable | 100,265 | 363,696 | 463,961 |
| Net pension liability | 1,774,557 | 232,641 | 2,007,198 |
| Deposits | - | 25,349 | 25,349 |
| Total liabilities | <u>2,902,006</u> | <u>779,552</u> | <u>3,681,558</u> |
| Deferred Inflows of Resources | | | |
| Pensions | 58,026 | 7,608 | 65,634 |
| Net Position | | | |
| Net investment in capital assets | 14,162,102 | 2,377,526 | 16,539,628 |
| Restricted for | | | |
| Court improvements/programs | 73,139 | - | 73,139 |
| Redevelopment | 357,836 | - | 357,836 |
| Debt service | - | 70,222 | 70,222 |
| Capital projects | 9,868 | 771,042 | 780,910 |
| Unrestricted | 4,121,198 | 1,077,472 | 5,198,670 |
| Total net position | <u>\$ 18,724,143</u> | <u>\$ 4,296,262</u> | <u>\$ 23,020,405</u> |

City of Wells
Statement of Activities
Year Ended June 30, 2023

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) and Revenue Changes in Net Position | | |
|---|---------------------|-------------------------|--|--|--|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary Government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 451,543 | \$ 65,235 | \$ - | \$ - | \$ (386,308) | \$ - | \$ (386,308) |
| Public safety | 598,914 | 9,140 | 204,757 | - | (385,017) | - | (385,017) |
| Health and sanitation | 21,723 | 3,455 | - | - | (18,268) | - | (18,268) |
| Culture and recreation | 1,098,905 | 161,311 | 218,092 | 825,125 | 105,623 | - | 105,623 |
| Public works | 981,731 | 317,042 | 15,033 | 2,924,428 | 2,274,772 | - | 2,274,772 |
| Judicial | 67,940 | 37,789 | - | - | (30,151) | - | (30,151) |
| Community support | 250,405 | - | 151,728 | 56,527 | (42,150) | - | (42,150) |
| Interest on long-term debt | 5,224 | - | - | - | (5,224) | - | (5,224) |
| Total governmental activities | <u>3,476,385</u> | <u>593,972</u> | <u>589,610</u> | <u>3,806,080</u> | <u>1,513,277</u> | <u>-</u> | <u>1,513,277</u> |
| Business-type activities | | | | | | | |
| Water | 486,938 | 527,137 | - | 152,217 | - | 192,416 | 192,416 |
| Sewer | 271,091 | 303,947 | - | 55,954 | - | 88,810 | 88,810 |
| Sanitation | 308,678 | 314,914 | - | - | - | 6,236 | 6,236 |
| Total business-type activities | <u>1,066,707</u> | <u>1,145,998</u> | <u>-</u> | <u>208,171</u> | <u>-</u> | <u>287,462</u> | <u>287,462</u> |
| Total Primary Government | <u>\$ 4,543,092</u> | <u>\$ 1,739,970</u> | <u>\$ 589,610</u> | <u>\$ 4,014,251</u> | <u>1,513,277</u> | <u>287,462</u> | <u>1,800,739</u> |
| General revenues | | | | | | | |
| Unrestricted intergovernmental - Ad valorem taxes | | | | | 549,414 | - | 549,414 |
| Unrestricted intergovernmental - consolidated taxes | | | | | 1,587,821 | - | 1,587,821 |
| Motor vehicle taxes | | | | | 72,584 | - | 72,584 |
| Room taxes | | | | | 600,034 | - | 600,034 |
| Gaming tax | | | | | 15,098 | - | 15,098 |
| Unrestricted investment income | | | | | 83,403 | 25,591 | 108,994 |
| Miscellaneous revenues | | | | | 153,686 | 305,705 | 459,391 |
| Transfer of capital assets | | | | | (13,613) | 13,613 | - |
| Total general revenues | | | | | <u>3,048,427</u> | <u>344,909</u> | <u>3,393,336</u> |
| Change in Net Position | | | | | <u>4,561,704</u> | <u>632,371</u> | <u>5,194,075</u> |
| Net Position, Beginning of Year | | | | | <u>14,162,439</u> | <u>3,663,891</u> | <u>17,826,330</u> |
| Net Position, End of Year | | | | | <u>\$ 18,724,143</u> | <u>\$ 4,296,262</u> | <u>\$ 23,020,405</u> |

City of Wells

Balance Sheet – Governmental Funds

June 30, 2023

| | General Fund | Recreation Fund | Silver Sage Senior Center Fund | Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|--------------------------------|--------------------------|--------------------------|--------------------------|
| Assets | | | | | | |
| Cash and investments | \$ 4,084,820 | \$ 411,295 | \$ 122,334 | \$ 489,256 | \$ 445,953 | \$ 5,553,658 |
| Accounts receivable | 955 | 81,292 | - | 10,193 | - | 92,440 |
| Note receivable - HEART | - | - | - | 199,317 | - | 199,317 |
| Due from other governments | 390,791 | - | 313,771 | 27,223 | 629 | 732,414 |
| Inventory | 90,968 | 29,026 | 4,407 | - | - | 124,401 |
| Total assets | \$ 4,567,534 | \$ 521,613 | \$ 440,512 | \$ 725,989 | \$ 446,582 | \$ 6,702,230 |
| Liabilities | | | | | | |
| Accounts payable | \$ 112,489 | \$ 24,589 | \$ 204,002 | \$ - | \$ 1,404 | \$ 342,484 |
| Accrued liabilities | 23,326 | 10,672 | 4,886 | - | - | 38,884 |
| Other current liabilities | 675 | - | - | - | - | 675 |
| Unearned revenue | 521,467 | - | - | - | - | 521,467 |
| Total liabilities | 657,957 | 35,261 | 208,888 | - | 1,404 | 903,510 |
| Deferred Inflows of Resources | | | | | | |
| Unavailable revenue -received beyond 60 days of year end | 74,779 | - | - | 22,366 | - | 97,145 |
| Unavailable revenue - HEART note | - | - | - | 199,317 | - | 199,317 |
| Total deferred inflows of resources | 74,779 | - | - | 221,683 | - | 296,462 |
| Total liabilities and deferred inflows of resources | 732,736 | 35,261 | 208,888 | 221,683 | 1,404 | 1,199,972 |
| Fund Balances | | | | | | |
| Nonspendable | | | | | | |
| Inventory | 90,968 | 29,026 | 4,407 | - | - | 124,401 |
| Restricted | | | | | | |
| Redevelopment | - | - | - | - | 357,836 | 357,836 |
| Judicial | - | - | - | - | 73,139 | 73,139 |
| Capital projects | - | - | - | 9,868 | - | 9,868 |
| Committed | | | | | | |
| Culture and recreation | - | 457,326 | 227,217 | - | - | 684,543 |
| Health and sanitation | - | - | - | - | 14,203 | 14,203 |
| Assigned | | | | | | |
| Public safety | 117,085 | - | - | - | - | 117,085 |
| Capital projects | - | - | - | 261,413 | - | 261,413 |
| Subsequent year operations | - | - | - | 233,025 | - | 233,025 |
| Unassigned | 3,626,745 | - | - | - | - | 3,626,745 |
| Total fund balances | 3,834,798 | 486,352 | 231,624 | 504,306 | 445,178 | 5,502,258 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 4,567,534 | \$ 521,613 | \$ 440,512 | \$ 725,989 | \$ 446,582 | \$ 6,702,230 |

See Notes to Financial Statements

City of Wells
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 June 30, 2023

| | |
|--|-----------------------------|
| Total fund balances for the governmental funds as shown on the balance sheet | \$ 5,502,258 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 14,298,409 |
| 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. | 296,462 |
| 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 | 683,536 |
| Deferred inflows of resources related to pensions | (58,026) |
| 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>(1,998,496)</u> |
| Total net position for governmental activities as shown on the statement of net position | <u><u>\$ 18,724,143</u></u> |

City of Wells

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

| | General Fund | Recreation Fund | Silver Sage Senior Center Fund | Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|--------------------------------|--------------------------|--------------------------|--------------------------|
| Revenues | | | | | | |
| Taxes | \$ 412,448 | \$ 600,034 | \$ - | \$ 32,969 | \$ 103,997 | \$ 1,149,448 |
| Licenses and permits | 139,862 | - | - | 37,672 | - | 177,534 |
| Intergovernmental | 4,965,767 | 13,301 | 1,008,479 | 21,695 | - | 6,009,242 |
| Charges for services | 215,603 | 150,537 | 10,274 | - | 13,562 | 389,976 |
| Fines and forfeitures | 3,838 | - | - | - | 21,189 | 25,027 |
| Miscellaneous revenues | 88,343 | 9,195 | 10,743 | 37,193 | 97,813 | 243,287 |
| Total revenues | 5,825,861 | 773,067 | 1,029,496 | 129,529 | 236,561 | 7,994,514 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | 218,803 | - | - | - | 3,136 | 221,939 |
| Public safety | 540,464 | - | - | - | - | 540,464 |
| Health and sanitation | 6,564 | - | - | - | - | 6,564 |
| Culture and recreation | - | 647,312 | 254,402 | - | - | 901,714 |
| Public works | 583,326 | - | - | - | - | 583,326 |
| Judicial | 40,495 | - | - | - | 10,151 | 50,646 |
| Community support | 250,405 | - | - | - | - | 250,405 |
| Capital outlay | 3,387,681 | 1,873 | 808,470 | 23,101 | - | 4,221,125 |
| Debt service | | | | | | |
| Principal | 34,872 | - | - | - | - | 34,872 |
| Interest | 6,601 | - | - | - | - | 6,601 |
| Total expenditures | 5,069,211 | 649,185 | 1,062,872 | 23,101 | 13,287 | 6,817,656 |
| Excess (Deficiency) of Revenues Over Expenditures | 756,650 | 123,882 | (33,376) | 106,428 | 223,274 | 1,176,858 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | - | 43,500 | - | - | 43,500 |
| Transfers out | (43,500) | - | - | - | - | (43,500) |
| Total other financing sources (uses) | (43,500) | - | 43,500 | - | - | - |
| Net Change in Fund Balances | 713,150 | 123,882 | 10,124 | 106,428 | 223,274 | 1,176,858 |
| Fund Balances, Beginning of Year | 3,121,648 | 362,470 | 221,500 | 397,878 | 221,904 | 4,325,400 |
| Fund Balances, End of Year | \$ 3,834,798 | \$ 486,352 | \$ 231,624 | \$ 504,306 | \$ 445,178 | \$ 5,502,258 |

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2023

| | |
|---|----------------------------|
| Net change in fund balances for governmental funds as shown on the statement of revenues, expenditures and changes in fund balances | \$ 1,176,858 |
| 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, donated assets, and transfer of capital assets. | 3,717,644 |
| 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. | 12,755 |
| Governmental funds report City PERS contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as per expense: | |
| City PERS contributions | (212,692) |
| City pension income | (161,738) |
| 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>28,877</u> |
| Changes in net position of governmental activities as shown on the statement of activities | <u><u>\$ 4,561,704</u></u> |

City of Wells
Statement of Net Position – Proprietary Funds
June 30, 2023

| | Business-Type Activities - Enterprise Funds | | | Total Enterprise Funds |
|---|---|--------------------|--------------------|------------------------------|
| | Water Fund | Sewer Fund | Sanitation Fund | |
| Assets | | | | |
| Current Assets | | | | |
| Cash and investments | \$ 617,471 | \$ 479,999 | \$ 101,131 | \$ 1,198,601 |
| Restricted cash | 229,807 | 541,235 | - | 771,042 |
| Accounts receivable | 44,186 | 24,291 | 26,992 | 95,469 |
| Inventory | 50,521 | 1,945 | - | 52,466 |
| Total current assets | <u>941,985</u> | <u>1,047,470</u> | <u>128,123</u> | <u>2,117,578</u> |
| Noncurrent Assets | | | | |
| Restricted cash | | | | |
| Debt service | 70,222 | - | - | 70,222 |
| Capital assets | | | | |
| Land | 21,960 | 5,806 | - | 27,766 |
| Buildings | 407,283 | 7,970 | - | 415,253 |
| Improvements other than buildings | 5,016,331 | 3,213,684 | 58,783 | 8,288,798 |
| Machinery and equipment | 753,336 | 260,907 | - | 1,014,243 |
| Construction in progress | 35,855 | 41,685 | - | 77,540 |
| Less accumulated depreciation | <u>(3,634,124)</u> | <u>(3,348,087)</u> | <u>(42,760)</u> | <u>(7,024,971)</u> |
| Total capital assets (net of accumulated depreciation) | <u>2,600,641</u> | <u>181,965</u> | <u>16,023</u> | <u>2,798,629</u> |
| Total noncurrent assets | <u>2,670,863</u> | <u>181,965</u> | <u>16,023</u> | <u>2,868,851</u> |
| Total assets | <u>3,612,848</u> | <u>1,229,435</u> | <u>144,146</u> | <u>4,986,429</u> |
| Deferred Outflows of Resources | | | | |
| Deferred charge on bond refunding | 7,383 | - | - | 7,383 |
| Pensions | 42,432 | 42,437 | 4,741 | 89,610 |
| Total deferred outflows of resources | <u>49,815</u> | <u>42,437</u> | <u>4,741</u> | <u>96,993</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | 9,187 | 3,999 | 23,106 | 36,292 |
| Accrued liabilities | 5,679 | 5,441 | 1,219 | 12,339 |
| Compensated absences | 19,341 | 19,010 | 2,585 | 40,936 |
| Current liabilities payable from restricted assets | | | | |
| Current maturities of bonds payable | 64,790 | - | - | 64,790 |
| Accrued interest | 3,509 | - | - | 3,509 |
| Total current liabilities | <u>102,506</u> | <u>28,450</u> | <u>26,910</u> | <u>157,866</u> |

City of Wells
Statement of Net Position – Proprietary Funds
June 30, 2023

| | Business-Type Activities - Enterprise Funds | | | Total Enterprise Funds |
|---|---|----------------------------|--------------------------|------------------------------|
| | Water Fund | Sewer Fund | Sanitation Fund | |
| Noncurrent liabilities | | | | |
| General obligation bonds payable, net of unamortized discounts | \$ 363,696 | \$ - | \$ - | \$ 363,696 |
| Net pension liability | 110,160 | 110,172 | 12,309 | 232,641 |
| Other long-term liabilities - deposits | 5,801 | 19,548 | - | 25,349 |
| Total noncurrent liabilities | <u>479,657</u> | <u>129,720</u> | <u>12,309</u> | <u>621,686</u> |
| Total liabilities | <u>582,163</u> | <u>158,170</u> | <u>39,219</u> | <u>779,552</u> |
| Deferred Inflows of Resources | | | | |
| Pensions | <u>3,602</u> | <u>3,603</u> | <u>403</u> | <u>7,608</u> |
| Net Position | | | | |
| Net investment in capital assets | 2,179,538 | 181,965 | 16,023 | 2,377,526 |
| Restricted for | | | | |
| Capital projects | 229,807 | 541,235 | - | 771,042 |
| Debt service | 70,222 | - | - | 70,222 |
| Unrestricted | <u>597,331</u> | <u>386,899</u> | <u>93,242</u> | <u>1,077,472</u> |
| Total net position | <u><u>\$ 3,076,898</u></u> | <u><u>\$ 1,110,099</u></u> | <u><u>\$ 109,265</u></u> | <u><u>\$ 4,296,262</u></u> |

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2023

| | Business-Type Activities - Enterprise Funds | | | Total Enterprise Funds |
|---|---|---------------------|--------------------|------------------------------|
| | Water Fund | Sewer Fund | Sanitation Fund | |
| Operating Revenues | | | | |
| Charges for services | \$ 527,137 | \$ 298,754 | \$ 314,114 | \$ 1,140,005 |
| Other services | - | 5,193 | 800 | 5,993 |
| Total operating revenues | <u>527,137</u> | <u>303,947</u> | <u>314,914</u> | <u>1,145,998</u> |
| Operating Expenses | | | | |
| Salaries and wages | 126,173 | 118,557 | 18,631 | 263,361 |
| Employee benefits | 49,412 | 47,705 | 6,211 | 103,328 |
| Services and supplies | 148,018 | 91,081 | 280,337 | 519,436 |
| Depreciation | 156,400 | 13,748 | 3,499 | 173,647 |
| Total operating expenses | <u>480,003</u> | <u>271,091</u> | <u>308,678</u> | <u>1,059,772</u> |
| Operating Income | <u>47,134</u> | <u>32,856</u> | <u>6,236</u> | <u>86,226</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Sewer improvement user fees | - | 24,094 | - | 24,094 |
| Interest income | 9,157 | 16,434 | - | 25,591 |
| Interest expense | (10,844) | - | - | (10,844) |
| Net pension liability income | 152,410 | 150,323 | 2,972 | 305,705 |
| Amortization of bond costs | 3,909 | - | - | 3,909 |
| Total nonoperating revenues (expenses) | <u>154,632</u> | <u>190,851</u> | <u>2,972</u> | <u>348,455</u> |
| Income Before Capital Contributions | <u>201,766</u> | <u>223,707</u> | <u>9,208</u> | <u>434,681</u> |
| Capital Contributions | | | | |
| Grants | 104,911 | 23,860 | - | 128,771 |
| Connection fees | 47,306 | 8,000 | - | 55,306 |
| Transfer in - capital assets | 13,613 | - | - | 13,613 |
| Total capital contributions | <u>165,830</u> | <u>31,860</u> | <u>-</u> | <u>197,690</u> |
| Change in Net Position | <u>367,596</u> | <u>255,567</u> | <u>9,208</u> | <u>632,371</u> |
| Total Net Position, Beginning of Year | <u>2,709,302</u> | <u>854,532</u> | <u>100,057</u> | <u>3,663,891</u> |
| Total Net Position, End of Year | <u>\$ 3,076,898</u> | <u>\$ 1,110,099</u> | <u>\$ 109,265</u> | <u>\$ 4,296,262</u> |

City of Wells
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

| | Business-Type Activities - Enterprise Funds | | | Total Enterprise Funds |
|--|---|---------------------|--------------------|------------------------------|
| | Water Fund | Sewer Fund | Sanitation Fund | |
| Operating Activities | | | | |
| Cash received from customers | \$ 540,148 | \$ 306,194 | \$ 313,860 | \$ 1,160,202 |
| Cash payments to suppliers for goods and services | (158,147) | (89,872) | (281,018) | (529,037) |
| Cash payments to employees for services and benefits | (172,091) | (163,481) | (23,867) | (359,439) |
| Net Cash from Operating Activities | <u>209,910</u> | <u>52,841</u> | <u>8,975</u> | <u>271,726</u> |
| Capital and Related Financing Activities | | | | |
| Acquisition of capital assets | (204,722) | (23,860) | - | (228,582) |
| Principal paid on debt | (59,177) | - | - | (59,177) |
| Interest paid on debt | (12,076) | - | - | (12,076) |
| Cash received from capital grant | 104,911 | 23,860 | - | 128,771 |
| Cash received from capital improvement user fees | - | 24,094 | - | 24,094 |
| Receipt of connection fees | 47,306 | 8,000 | - | 55,306 |
| Net Cash from (used for) Capital and Related Financing Activities | <u>(123,758)</u> | <u>32,094</u> | <u>-</u> | <u>(91,664)</u> |
| Investing Activities | | | | |
| Interest on investments | 9,154 | 16,434 | - | 25,588 |
| Net Change in Cash and Cash Equivalents | 95,306 | 101,369 | 8,975 | 205,650 |
| Cash and Cash Equivalents, Beginning of Year | <u>822,194</u> | <u>919,865</u> | <u>92,156</u> | <u>1,834,215</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 917,500</u> | <u>\$ 1,021,234</u> | <u>\$ 101,131</u> | <u>\$ 2,039,865</u> |
| Cash and Cash Equivalents Consist of | | | | |
| Restricted cash and cash equivalents | \$ 300,029 | \$ 541,235 | \$ - | \$ 841,264 |
| Unrestricted cash and cash equivalents | 617,471 | 479,999 | 101,131 | 1,198,601 |
| Total Cash and Cash Equivalents | <u>\$ 917,500</u> | <u>\$ 1,021,234</u> | <u>\$ 101,131</u> | <u>\$ 2,039,865</u> |
| Non Cash Items | | | | |
| Amortization of bond costs | <u>\$ 3,909</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,909</u> |
| Net pension liability income | <u>\$ 152,410</u> | <u>\$ 150,323</u> | <u>\$ 2,972</u> | <u>\$ 305,705</u> |
| Capital assets transfer between funds | <u>\$ 13,613</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,613</u> |

City of Wells
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

| | 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 | \$ 47,134 | \$ 32,856 | \$ 6,236 | \$ 86,226 |
| Adjustments to reconcile operating income to net cash from operating activities | | | | |
| Depreciation | 156,400 | 13,748 | 3,499 | 173,647 |
| Changes in | | | | |
| Accounts receivable | 12,010 | (732) | (1,054) | 10,224 |
| Inventory | (11,591) | 472 | - | (11,119) |
| Accounts payable | 1,464 | 737 | (681) | 1,520 |
| Accrued liabilities | 3,492 | 2,781 | 975 | 7,248 |
| Customer deposits | 1,001 | 2,979 | - | 3,980 |
| Net Cash from Operating Activities | <u>\$ 209,910</u> | <u>\$ 52,841</u> | <u>\$ 8,975</u> | <u>\$ 271,726</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 collections.

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 collections.

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. The cash and investments in the State of Nevada Local Government Investment Pool are available upon demand, therefore they are considered to be cash equivalents on the Statement of Cash Flows.

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 2018-2019 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.

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.

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 financial 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 and pension items 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 financial 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 governmental 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 pension items in the Statement of Net Position.

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.

Reclassification

Certain account in the prior-year financial statements have been reclassified for comparative purposes to conform with presentation in the current-year financial statements. The changes did not have an impact on the previously reported change in fund balance/net position or ending fund balance/net position.

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 | \$ (136,307) |
| Accrued interest | (5,486) |
| Net pension liability | (1,774,557) |
| Compensated absences | <u>(82,146)</u> |
| Net difference in reporting long-term liabilities | <u><u>\$ (1,998,496)</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 | \$ 4,221,125 |
| Transfer of capital assets to enterprise fund | (13,613) |
| Donated capital asset from other local government | 21,444 |
| Depreciation expense | <u>(511,312)</u> |
| Net difference in reporting capital asset activity | <u><u>\$ 3,717,644</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 | \$ | 1,377 |
| Net change in compensated absences | | (23,495) |
| Principal repayments: | | |
| Medium term obligation | | 34,873 |
| Net difference in reporting long-term debt transactions | \$ | 12,755 |

Note 3 - Compliance with Nevada Revised Statutes (NRS) and the Nevada Administrative Code (NAC)

The City conformed to all significant statutory constraints on its financial administration during the year with the following exceptions:

Total expenditures exceeded those budgeted for the year in the following fund:

| | | |
|--------------|----|----|
| General Fund | | |
| Judicial | \$ | 18 |

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, 2023, is as follows:

Balances Classified by Depository and Category

| | | |
|--|-----------|--------------------|
| Cash on Hand | \$ | 370 |
| Deposits | | |
| Nevada State Bank | | |
| Demand deposit | | <u>4,269,273</u> |
| Total cash | | <u>4,269,643</u> |
| Investments | | |
| Nevada State Treasurer | | |
| Local Government Pooled Investment Fund (LGIP) | | <u>3,323,880</u> * |
| | <u>\$</u> | <u>7,593,523</u> |
| Governmental Activities – cash and investments | \$ | 5,553,658 |
| Business-type Activities – cash and investments | | 1,198,601 |
| Business-type Activities – restricted cash - debt | | 70,222 |
| Business-type Activities – restricted cash - capital | | <u>771,042</u> |
| | <u>\$</u> | <u>7,593,523</u> |

*Average weighted maturity – 113 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 deposits are either insured by Federal Deposit Insurance Corporation (FDIC) or are collateralized by the office of the State Treasurer/Nevada Collateral Pool. The City does not have a formal policy relating to custodial credit risk but follows NRS. The City participates in the State of Nevada Collateral Pool which requires depositories to maintain as collateral acceptable securities having a fair market value of at least 102 percent of the amount of the uninsured balances of the public money held by the depository. Under NRS 356.360, the State Treasurer manages and monitors all collateral for all public monies deposited by members of the pool. As of June 30, 2023, all deposits were collateralized under the Nevada Pooled Collateral Program or insured by the Federal Deposit Insurance Corporation (FDIC). 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. 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. During the year ended June 30, 2023 nine payments were made totaling \$7,642 in interest and \$6,874 in principal. 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.

Note 6 - Interfund Balances

The composition of interfund transfers as of June 30, 2023 is as follows:

| | <u>Transfers Out</u> | <u>Transfers In</u> |
|--------------------------------|----------------------|---------------------|
| Major Governmental Funds | | |
| General Fund | \$ 43,500 | \$ - |
| Silver Sage Senior Center Fund | - | 43,500 |
| | \$ 43,500 | \$ 43,500 |

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

The City transferred capital assets totaling \$13,613 from the governmental funds to the enterprise funds.

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, 2023, the City incurred costs for green covers for the golf course.

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, 2023 was as follows:

| | Balance June 30, 2022 | Additions | Deletions and Transfers | Completed Construction | Balance June 30, 2023 |
|---|--------------------------|---------------------|----------------------------|---------------------------|--------------------------|
| Governmental Activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 1,446,784 | \$ - | \$ - | \$ - | \$ 1,446,784 |
| Construction in progress | 1,431,222 | 3,879,726 | (13,613) | (79,171) | 5,218,164 |
| Total capital assets, not being depreciated | <u>2,878,006</u> | <u>3,879,726</u> | <u>(13,613)</u> | <u>(79,171)</u> | <u>6,664,948</u> |
| Capital assets, being depreciated | | | | | |
| Buildings | 5,606,545 | - | - | - | 5,606,545 |
| Improvements other than buildings | 10,736,520 | 161,578 | - | - | 10,898,098 |
| Machinery and equipment | 2,643,898 | 201,265 | (12,603) | 79,171 | 2,911,731 |
| Golf course | 444,997 | - | - | - | 444,997 |
| Total capital assets, being depreciated | <u>19,431,960</u> | <u>362,843</u> | <u>(12,603)</u> | <u>79,171</u> | <u>19,861,371</u> |
| Less accumulated depreciation | | | | | |
| Buildings | 2,187,438 | 124,027 | - | - | 2,311,465 |
| Improvements other than buildings | 7,362,066 | 259,754 | - | - | 7,621,820 |
| Machinery and equipment | 1,839,847 | 122,017 | (12,603) | - | 1,949,261 |
| Golf course | 339,850 | 5,514 | - | - | 345,364 |
| Total accumulated depreciation | <u>11,729,201</u> | <u>511,312</u> | <u>(12,603)</u> | <u>-</u> | <u>12,227,910</u> |
| Total capital assets, being depreciated, net | <u>7,702,759</u> | <u>(148,469)</u> | <u>-</u> | <u>79,171</u> | <u>7,633,461</u> |
| Governmental Activities Capital Assets, net | <u>\$ 10,580,765</u> | <u>\$ 3,731,257</u> | <u>\$ (13,613)</u> | <u>\$ -</u> | <u>\$ 14,298,409</u> |

The main components of construction in progress are related to the El Rancho remodel, airport rehabilitation and reconfiguration projects, the downtown corridor project, Woodhills trail design cost, and the new senior center facility.

During the year, \$13,613 in construction costs for the Angel Lake Road water line extension project paid for by Governmental Activities was transferred to the Water Fund.

| | Balance June 30, 2022 | Additions and Transfers | Deletions | Completed Construction | Balance June 30, 2023 |
|---|--------------------------|----------------------------|-------------|---------------------------|--------------------------|
| Business-Type Activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 27,766 | \$ - | \$ - | \$ - | \$ 27,766 |
| Construction in progress | 17,825 | 59,715 | - | - | 77,540 |
| Total capital assets, not being depreciated | 45,591 | 59,715 | - | - | 105,306 |
| Capital assets, being depreciated | | | | | |
| Buildings | 311,933 | 103,320 | - | - | 415,253 |
| Improvements other than buildings | 8,278,694 | 10,104 | - | - | 8,288,798 |
| Machinery and equipment | 945,187 | 69,056 | - | - | 1,014,243 |
| Total capital assets, being depreciated | 9,535,814 | 182,480 | - | - | 9,718,294 |
| Less accumulated depreciation | | | | | |
| Buildings | 58,191 | 9,854 | - | - | 68,045 |
| Improvements other than buildings | 6,152,354 | 128,417 | - | - | 6,280,771 |
| Machinery and equipment | 640,779 | 35,376 | - | - | 676,155 |
| Total accumulated depreciation | 6,851,324 | 173,647 | - | - | 7,024,971 |
| Total capital assets, being depreciated, net | 2,684,490 | 8,833 | - | - | 2,693,323 |
| Business-Type Activities Capital Assets, net | \$ 2,730,081 | \$ 68,548 | \$ - | \$ - | \$ 2,798,629 |

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

| | |
|--|-------------------|
| Governmental Activities | |
| General government | \$ 144,682 |
| Public safety | 24,719 |
| Public works | 262,019 |
| Culture and recreation | 64,733 |
| Health and sanitation | 15,159 |
| Total depreciation expense - governmental activities | \$ 511,312 |
| Business-Type Activities | |
| Water Fund | \$ 156,400 |
| Sewer Fund | 13,748 |
| Sanitation Fund | 3,499 |
| Total depreciation expense - business-type activities | \$ 173,647 |

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% service time factor. Regular members entering PERS on or after July 1, 2015 have 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, at age 60 with ten years of service, at 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, and at age 50 with 20 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, 2023 and June 30, 2022, the statutory Employer/Employee matching rate for Regular members was 15.50%; the rate was 22.75% for Police/Fire. The Employer-Pay Contribution (EPC) rate was 29.75% for Regular members for the fiscal year ended June 30, 2023 and June 30, 2022; the rate was 44.00% for Police/Fire.

The City's contributions were \$114,347 for the year ended June 30, 2023.

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, 2022:

| <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% |
| | <u>100%</u> | |

As of June 30, 2022, PERS' long-term inflation assumption was 2.50%.

Net Pension Liability

At June 30, 2023, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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 (\$2,007,198) was based on the City's share of contributions to the PERS pension plan relative to the total contributions of all participating PERS employers. At June 30, 2022, the City's proportion was 0.01112% percent, which is an increase of 0.00032 from its proportion measured as of June 30, 2021.

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the City as of June 30, 2023, 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 | <u>\$ 3,081,706</u> | <u>\$ 2,007,198</u> | <u>\$ 1,120,568</u> |

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.

Actuarial Assumptions

The City's net pension liability was measured as of June 30, 2022, 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, 2022 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, 2022 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, 2022. 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, 2022.

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

For the year ended June 30, 2023, the City recognized pension expense of \$182,941. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 259,899 | \$ 1,435 |
| Changes in assumptions or other inputs | 257,839 | - |
| Net difference between projected and actual earnings on pension plan investments | 24,489 | - |
| Changes in the City's proportionate share | 116,572 | 64,199 |
| City contributions subsequent to the measurement date | <u>114,347</u> | <u>-</u> |
| | <u>\$ 773,146</u> | <u>\$ 65,634</u> |

The \$114,347 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, 2024.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined is 5.70 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 | | |
|---------------------|----|---------|
| 2024 | \$ | 82,833 |
| 2025 | | 89,928 |
| 2026 | | 81,801 |
| 2027 | | 294,464 |
| 2028 | | 44,139 |
| Thereafter | | - |
| | \$ | 593,165 |

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.

The City of Wells updated their allocation assumptions between the governmental activities and the business-type activities in the current year related to better reflect the net pension liability.

Note 11 - Changes in Long-Term Debt

| | Date of Issue | Original Issue Amount | Interest Rate | Year of Final Payment | Principal Outstanding July 1, 2022 | Issued During Period | Principal Paid During Period | Principal Outstanding June 30, 2023 | Principal Due in 2023-2024 |
|---|---------------|-----------------------|---------------|-----------------------|------------------------------------|----------------------|------------------------------|-------------------------------------|----------------------------|
| Governmental Activities | | | | | | | | | |
| Note payables - Direct Borrowings | | | | | | | | | |
| X-ray machine | 8/15/2018 | \$ 32,736 | 3.875% | 2025 | \$ 17,752 | \$ - | \$ 5,395 | \$ 12,357 | \$ 5,335 |
| Excavator and loader | 7/2/2019 | 209,789 | 3.990% | 2025 | 153,428 | - | 29,478 | 123,950 | 30,707 |
| | | | | | <u>171,180</u> | <u>-</u> | <u>34,873</u> | <u>136,307</u> | <u>36,042</u> |
| Compensated absences | N/A | N/A | N/A | N/A | 58,651 | 67,070 | 43,575 | 82,146 | 82,146 |
| Total governmental activities | | <u>242,525</u> | | | <u>229,831</u> | <u>67,070</u> | <u>78,448</u> | <u>218,453</u> | <u>118,188</u> |
| Business-Type Activities | | | | | | | | | |
| Water Fund - Direct Borrowings | | | | | | | | | |
| 2008 Water Revenue Bond | 11/25/2008 | 220,000 | 4.125% | 2047 | 173,230 | - | 4,177 | 169,053 | 4,790 |
| 2013 Refunding Bond Series 2013A | 2/20/2013 | 710,000 | 3.0% - 5.0% | 2027 | 295,000 | - | 55,000 | 240,000 | 60,000 |
| | | 1,130,000 | | | 468,230 | - | 59,177 | 409,053 | 64,790 |
| Plus deferred amounts for issuance premiums | | N/A | | | 25,736 | - | 6,303 | 19,433 | n/a |
| | | <u>1,130,000</u> | | | <u>493,966</u> | <u>-</u> | <u>65,480</u> | <u>428,486</u> | <u>64,790</u> |
| Compensated absences | N/A | N/A | N/A | N/A | 33,320 | 32,753 | 25,137 | 40,936 | 40,936 |
| Total business-type activities | | <u>-</u> | | | <u>527,286</u> | <u>32,753</u> | <u>90,617</u> | <u>469,422</u> | <u>105,726</u> |
| Total debt | | <u>\$ 1,372,525</u> | | | <u>\$ 757,117</u> | <u>\$ 99,823</u> | <u>\$ 169,065</u> | <u>\$ 687,875</u> | <u>\$ 223,914</u> |
| 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 | | <u>58,000</u> | | | | | | | |
| Total Water Fund Restricted Cash | | <u>\$ 70,222</u> | | | | | | | |

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, 2023.

The annual requirements to amortize all debt outstanding as of June 30, 2023, are as follows:

Governmental Activities

| <u>Year Ending June 30</u> | <u>Medium Term Obligation</u> | |
|-------------------------------|-------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2024 | \$ 36,042 | \$ 5,486 |
| 2025 | 98,783 | 4,054 |
| 2026 | <u>1,482</u> | <u>95</u> |
| Total governmental activities | <u>\$ 136,307</u> | <u>\$ 9,635</u> |

Business-type Activities

| <u>Year Ending June 30</u> | <u>Revenue Bonds</u> | |
|--------------------------------|----------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2024 | \$ 64,790 | \$ 13,227 |
| 2025 | 64,536 | 11,246 |
| 2026 | 64,724 | 9,257 |
| 2027 | 64,922 | 7,260 |
| 2028 | 5,127 | 6,155 |
| 2029-2033 | 29,022 | 27,385 |
| 2034-2038 | 35,596 | 20,810 |
| 2039-2043 | 43,657 | 12,750 |
| 2044-2047 | <u>36,679</u> | <u>3,183</u> |
| Total business-type activities | <u>\$ 409,053</u> | <u>\$ 111,273</u> |
| Total debt outstanding | <u>\$ 545,360</u> | <u>\$ 120,908</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 \$265,923, 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 \$11,280 and \$203,534, 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 \$63,575 and 203,534, 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, 2023, 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, 2023, 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 2023, the City of Wells contributed \$2,227 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 3.65%, 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, 2023, 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, \$2,629,276 was spent on this project as of June 30, 2023. The majority of this project will be paid for with Federal Aviation Administration grant funds.

On November 22, 2022, the City Council approved an engineering contract for the Wastewater Treatment Plant Headworks and Screening Rehabilitation project totaling \$86,700, \$23,860 was spent on this project as of June 30, 2023.

Note 14 - Subsequent Events

On October 10, 2023, the City Council awarded a bid for the mechanical screen at the Sewer Headworks totaling \$479,100. The majority of this project will be paid for with Community Develop Block Grant and American Rescue Plan Act (ARPA) grant funds.

City of Wells
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget (Budgetary Basis) and Actual – General Fund
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | Original | Final Budget | Actual | Variance to Final Budget | 2022 |
|--|------------|-----------------|------------|-----------------------------|------------|
| Revenues | | | | | |
| Taxes | | | | | |
| Ad valorem | \$ 407,997 | \$ 423,997 | \$ 412,448 | \$ (11,549) | \$ 319,785 |
| Licenses and permits | | | | | |
| Business licenses | | | | | |
| Business license | 25,000 | 25,000 | 18,838 | (6,162) | 18,746 |
| Liquor license | 5,500 | 5,500 | 4,710 | (790) | 5,015 |
| Gaming license | 8,300 | 8,300 | 7,410 | (890) | 6,690 |
| Animal license | 2,300 | 2,300 | 955 | (1,345) | 1,155 |
| Franchise fees | | | | | |
| Other | - | - | 459 | 459 | 50 |
| Permits | | | | | |
| Marijuana licenses | - | - | 400 | 400 | 400 |
| Building and sign | 40,000 | 107,000 | 107,090 | 90 | 14,678 |
| Total licenses and permits | 81,100 | 148,100 | 139,862 | (8,238) | 46,734 |
| Intergovernmental revenues | | | | | |
| Grants | | | | | |
| Federal and state grants | - | 3,305,485 | 3,305,485 | - | 1,306,700 |
| State shared revenues | | | | | |
| Consolidated tax distribution | 1,586,284 | 1,586,284 | 1,567,359 | (18,925) | 1,512,096 |
| Motor vehicle fuel tax | 30,459 | 30,459 | 32,261 | 1,802 | 26,785 |
| Other local government shared revenues | | | | | |
| Gaming tax | 22,000 | 22,000 | 15,098 | (6,902) | 16,395 |
| County regional transportation | 40,000 | 40,000 | 34,384 | (5,616) | 81,790 |
| Aviation fuel tax | 2,000 | 2,000 | 1,756 | (244) | 2,225 |
| County option gas tax | 7,896 | 7,896 | 7,989 | 93 | 6,754 |
| Total intergovernmental revenues | 1,688,639 | 4,994,124 | 4,964,332 | (29,792) | 2,952,745 |
| Charges for services | | | | | |
| Police fees | 8,000 | 8,000 | 2,995 | (5,005) | 3,226 |
| Airport gas sales | 111,000 | 206,000 | 209,952 | 3,952 | 141,096 |
| Building, planning and zoning fees | 250 | 250 | 456 | 206 | 428 |
| Recreation fees | | | | | |
| Park pavilion | 200 | 200 | 500 | 300 | 325 |
| Health fees | | | | | |
| Cemetery charge | 500 | 500 | 1,700 | 1,200 | 1,900 |
| Total charges for services | 119,950 | 214,950 | 215,603 | 653 | 146,975 |
| Fines and forfeitures | | | | | |
| Municipal court | 20,400 | 20,400 | 3,838 | (16,562) | 1,807 |
| Miscellaneous | | | | | |
| Investment earnings | 14,000 | 14,000 | 41,976 | 27,976 | 4,228 |
| Rents | 32,000 | 32,000 | 25,304 | (6,696) | 20,803 |
| Other income | 13,102 | 23,102 | 15,988 | (7,114) | 28,823 |
| Total miscellaneous | 59,102 | 69,102 | 83,268 | 14,166 | 53,854 |
| Total revenues | 2,377,188 | 5,870,673 | 5,819,351 | (51,322) | 3,521,900 |

City of Wells
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget (Budgetary Basis) and Actual – General Fund
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | Original | Final Budget | Actual | Variance to Final Budget | 2022 |
|----------------------------------|----------------|------------------|------------------|-----------------------------|----------------|
| Expenditures | | | | | |
| General government | | | | | |
| Administration | | | | | |
| Salaries and wages | \$ 92,400 | \$ 103,400 | \$ 103,140 | \$ 260 | \$ 131,989 |
| Employee benefits | 31,250 | 31,250 | 36,798 | (5,548) | 43,633 |
| Services and supplies | 84,200 | 84,200 | 78,865 | 5,335 | 80,069 |
| Capital outlay | 5,000 | 5,000 | - | 5,000 | - |
| Total general government | <u>212,850</u> | <u>223,850</u> | <u>218,803</u> | <u>5,047</u> | <u>237,691</u> |
| Public Safety | | | | | |
| Police Department | | | | | |
| Salaries and wages | 21,583 | 21,583 | 24,367 | (2,784) | 27,077 |
| Employee benefits | 10,913 | 10,913 | 11,956 | (1,043) | 13,413 |
| Services and supplies | 464,800 | 669,556 | 448,562 | 220,994 | 445,852 |
| Capital outlay | 30,000 | 30,000 | - | 30,000 | - |
| Total public safety | <u>527,296</u> | <u>732,052</u> | <u>484,885</u> | <u>247,167</u> | <u>486,342</u> |
| Health and sanitation department | | | | | |
| Cemetery | | | | | |
| Services and supplies | 7,600 | 7,600 | 6,564 | 1,036 | 7,837 |
| Capital outlay | 10,000 | 10,000 | - | 10,000 | - |
| Total health and sanitation | <u>17,600</u> | <u>17,600</u> | <u>6,564</u> | <u>11,036</u> | <u>7,837</u> |
| Public Works | | | | | |
| Street department | | | | | |
| Salaries and wages | 167,500 | 167,500 | 173,722 | (6,222) | 175,122 |
| Employees and benefits | 78,550 | 78,550 | 73,657 | 4,893 | 76,678 |
| Services and supplies | 167,790 | 218,190 | 105,339 | 112,851 | 128,040 |
| Capital outlay | 393,500 | 393,500 | 370,366 | 23,134 | 404,614 |
| Total street department | <u>807,340</u> | <u>857,740</u> | <u>723,084</u> | <u>134,656</u> | <u>784,454</u> |
| Airport | | | | | |
| Salaries | 14,062 | 14,062 | 15,370 | (1,308) | 13,969 |
| Employees and benefits | 7,304 | 7,304 | 2,345 | 4,959 | 2,203 |
| Services and supplies | 101,201 | 223,134 | 212,893 | 10,241 | 139,779 |
| Capital outlay | - | 2,849,649 | 2,924,429 | (74,780) | 33,519 |
| Total airport | <u>122,567</u> | <u>3,094,149</u> | <u>3,155,037</u> | <u>(60,888)</u> | <u>189,470</u> |
| Total public works | <u>929,907</u> | <u>3,951,889</u> | <u>3,878,121</u> | <u>73,768</u> | <u>973,924</u> |
| Judicial | | | | | |
| Salaries and wages | 22,550 | 22,550 | 22,547 | 3 | 21,636 |
| Employee benefits | 7,927 | 7,927 | 9,281 | (1,354) | 8,824 |
| Services and supplies | 8,800 | 10,000 | 8,667 | 1,333 | 3,341 |
| Total judicial | <u>39,277</u> | <u>40,477</u> | <u>40,495</u> | <u>(18)</u> | <u>33,801</u> |

City of Wells
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget (Budgetary Basis) and Actual – General Fund
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | Original | Final Budget | Actual | Variance to Final Budget | 2022 |
|--------------------------------------|---------------------|---------------------|---------------------|-----------------------------|---------------------|
| Community support | | | | | |
| Services and supplies | \$ 64,851 | \$ 276,956 | \$ 250,405 | \$ 26,551 | \$ 971,738 |
| Capital outlay | 100,000 | 123,942 | 49,255 | 74,687 | 75,430 |
| Total community support | <u>164,851</u> | <u>400,898</u> | <u>299,660</u> | <u>101,238</u> | <u>1,047,168</u> |
| Debt service | | | | | |
| Principal | 34,466 | 34,466 | 34,872 | (406) | 33,576 |
| Interest | 7,007 | 7,007 | 6,601 | 406 | 7,899 |
| Total debt service | <u>41,473</u> | <u>41,473</u> | <u>41,473</u> | <u>-</u> | <u>41,475</u> |
| Contingency | <u>60,000</u> | <u>60,000</u> | <u>-</u> | <u>60,000</u> | <u>-</u> |
| Total expenditures | <u>1,993,254</u> | <u>5,468,239</u> | <u>4,970,001</u> | <u>498,238</u> | <u>2,828,238</u> |
| Excess of Revenues Over Expenditures | 383,934 | 402,434 | 849,350 | 446,916 | 693,662 |
| Other Financing Sources (Uses) | | | | | |
| Transfers out | <u>(280,000)</u> | <u>(298,500)</u> | <u>(143,500)</u> | <u>155,000</u> | <u>(75,000)</u> |
| Net Change in Fund Balance | 103,934 | 103,934 | 705,850 | 601,916 | 618,662 |
| Fund Balance, Beginning of Year | <u>1,981,617</u> | <u>1,981,617</u> | <u>3,011,863</u> | <u>1,030,246</u> | <u>2,393,201</u> |
| Fund Balance, End of Year | <u>\$ 2,085,551</u> | <u>\$ 2,085,551</u> | <u>\$ 3,717,713</u> | <u>\$ 1,632,162</u> | <u>\$ 3,011,863</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, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | General Fund (Budget Basis) | Fire Department Fund | Eliminations | General Fund (GAAP Basis) | 2022 |
|--|--------------------------------|-------------------------|--------------|------------------------------|---------------------|
| Revenues | | | | | |
| Taxes | \$ 412,448 | \$ - | \$ - | \$ 412,448 | \$ 319,785 |
| Licenses and permits | 139,862 | - | - | 139,862 | 46,734 |
| Intergovernmental | 4,964,332 | 1,435 | - | 4,965,767 | 2,954,040 |
| Charges for services | 215,603 | - | - | 215,603 | 146,975 |
| Fines and forfeits | 3,838 | - | - | 3,838 | 1,807 |
| Miscellaneous revenues | 83,268 | 5,075 | - | 88,343 | 60,289 |
| Total revenues | 5,819,351 | 6,510 | - | 5,825,861 | 3,529,630 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 218,803 | - | - | 218,803 | 237,691 |
| Public safety | 484,885 | 99,210 | - | 584,095 | 560,401 |
| Health and sanitation | 6,564 | - | - | 6,564 | 7,837 |
| Public works | 3,878,121 | - | - | 3,878,121 | 973,924 |
| Judicial | 40,495 | - | - | 40,495 | 33,801 |
| Community support | 299,660 | - | - | 299,660 | 1,047,168 |
| Debt service | | | | | |
| Principal | 34,872 | - | - | 34,872 | 33,576 |
| Interest | 6,601 | - | - | 6,601 | 7,899 |
| Total expenditures | 4,970,001 | 99,210 | - | 5,069,211 | 2,902,297 |
| Excess (Deficiency) of Revenues Over Expenditures | 849,350 | (92,700) | - | 756,650 | 627,333 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | 100,000 | (100,000) | - | - |
| Transfers out | (143,500) | - | 100,000 | (43,500) | (5,000) |
| Total other financing sources (uses) | (143,500) | 100,000 | - | (43,500) | (5,000) |
| Net Change in Fund Balances | 705,850 | 7,300 | - | 713,150 | 622,333 |
| Fund Balances, Beginning of Year | 3,011,863 | 109,785 | - | 3,121,648 | 2,499,315 |
| Fund Balances, End of Year | \$ 3,717,713 | \$ 117,085 | \$ - | \$ 3,834,798 | \$ 3,121,648 |

City of Wells
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Recreation Fund
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | Original | Final Budget | Actual | Variance to Final Budget | 2022 |
|--------------------------------|------------|-----------------|------------|-----------------------------|------------|
| Revenues | | | | | |
| Taxes | | | | | |
| Room tax | \$ 318,500 | \$ 402,700 | \$ 600,034 | \$ 197,334 | \$ 603,125 |
| Intergovernmental | | | | | |
| Local government revenues | | | | | |
| County grants | 18,000 | 18,000 | 13,301 | (4,699) | 19,924 |
| Charges for services | | | | | |
| Membership and green fees | 18,000 | 18,000 | 26,605 | 8,605 | 26,033 |
| Season passes | 20,700 | 20,700 | 20,692 | (8) | 19,120 |
| Yearly cart rental and storage | 7,100 | 7,100 | 5,425 | (1,675) | 6,075 |
| Daily cart rental and storage | 7,000 | 7,000 | 10,074 | 3,074 | 10,381 |
| Golf course food and bar | 34,000 | 34,000 | 41,082 | 7,082 | 34,441 |
| Golf course range | 1,000 | 1,000 | 2,232 | 1,232 | 635 |
| Golf course pro shop | 10,000 | 10,000 | 30,250 | 20,250 | 14,704 |
| Value pack | 1,700 | 1,700 | 275 | (1,425) | 523 |
| Swimming pool fees | 23,850 | 23,850 | 12,032 | (11,818) | 14,784 |
| Facility Fees | 500 | 500 | 1,870 | 1,370 | 550 |
| Total charges for services | 123,850 | 123,850 | 150,537 | 26,687 | 127,246 |
| Miscellaneous | | | | | |
| Interest income | 2,000 | 2,000 | 9,195 | 7,195 | 661 |
| Other income | 6,800 | 6,800 | - | (6,800) | - |
| Total miscellaneous | 8,800 | 8,800 | 9,195 | 395 | 661 |
| Total revenues | 469,150 | 553,350 | 773,067 | 219,717 | 750,956 |
| Expenditures | | | | | |
| Culture and recreation | | | | | |
| Golf course | | | | | |
| Salaries and wages | 51,886 | 51,886 | 36,290 | 15,596 | 43,524 |
| Employee benefits | 21,852 | 21,852 | 9,918 | 11,934 | 14,807 |
| Services and supplies | 176,773 | 206,773 | 215,808 | (9,035) | 208,860 |
| Capital outlay | 5,000 | 5,000 | 1,873 | 3,127 | 5,088 |
| Total golf course | 255,511 | 285,511 | 263,889 | 21,622 | 272,279 |
| Other recreation | | | | | |
| Salaries and wages | 114,210 | 114,210 | 122,139 | (7,929) | 104,455 |
| Employee benefits | 53,462 | 53,462 | 42,634 | 10,828 | 37,742 |
| Services and supplies | 129,570 | 183,770 | 178,268 | 5,502 | 186,590 |
| Capital outlay | 135,000 | 135,000 | - | 135,000 | 10,311 |
| Total other recreation | 432,242 | 486,442 | 343,041 | 143,401 | 339,098 |

City of Wells
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Recreation Fund
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | Original | Final Budget | Actual | Variance to Final Budget | 2022 |
|--|-------------------|-------------------|-------------------|-----------------------------|-------------------|
| Intergovernmental | | | | | |
| County Fair Board room tax | \$ - | \$ - | \$ 26,409 | \$ (26,409) | \$ 25,572 |
| Nevada Tourism room tax | - | - | 15,846 | (15,846) | 15,343 |
| Total intergovernmental | - | - | 42,255 | (42,255) | 40,915 |
| Total culture and recreation | 687,753 | 771,953 | 649,185 | 122,768 | 652,292 |
| Debt service - principal | | | | | |
| Principal | - | - | - | - | 8,784 |
| Interest | - | - | - | - | 404 |
| Total debt service | - | - | - | - | 9,188 |
| Total expenditures | 687,753 | 771,953 | 649,185 | 122,768 | 661,480 |
| Excess (Deficiency) of Revenues Over Expenditures | (218,603) | (218,603) | 123,882 | 342,485 | 89,476 |
| Other Financing Sources (Uses) | | | | | |
| Operating transfers in | 155,000 | 155,000 | - | (155,000) | - |
| Net Change in Fund Balance | (63,603) | (63,603) | 123,882 | 187,485 | 244,476 |
| Fund Balance, Beginning of Year | 263,051 | 263,051 | 362,470 | 99,419 | 232,079 |
| Fund Balance, End of Year | <u>\$ 199,448</u> | <u>\$ 199,448</u> | <u>\$ 486,352</u> | <u>\$ 286,904</u> | <u>\$ 362,470</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, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | Original | Final Budget | Actual | Variance to Final Budget | 2022 |
|---|-------------------|-------------------|-------------------|-----------------------------|-------------------|
| Revenues | | | | | |
| Intergovernmental | | | | | |
| Federal grants | \$ 94,424 | \$ 952,699 | \$ 952,699 | \$ - | \$ 167,101 |
| County grants | 68,000 | 68,000 | 55,780 | (12,220) | 67,156 |
| Total intergovernmental | <u>162,424</u> | <u>1,020,699</u> | <u>1,008,479</u> | <u>(12,220)</u> | <u>234,257</u> |
| Charges for services | | | | | |
| Program income | 16,000 | 16,000 | 10,274 | (5,726) | 12,902 |
| Miscellaneous | | | | | |
| Interest Income | 1,000 | 1,000 | 2,124 | 1,124 | 191 |
| Contributions | 9,100 | 9,100 | 3,230 | (5,870) | 1,241 |
| Other income | 8,600 | 8,600 | 5,389 | (3,211) | 4,491 |
| Total miscellaneous | <u>18,700</u> | <u>18,700</u> | <u>10,743</u> | <u>(7,957)</u> | <u>5,923</u> |
| Total revenues | <u>197,124</u> | <u>1,055,399</u> | <u>1,029,496</u> | <u>(25,903)</u> | <u>253,082</u> |
| Expenditures | | | | | |
| Culture and Recreation | | | | | |
| Salaries and wages | 104,900 | 104,900 | 104,473 | 427 | 96,116 |
| Employee benefits | 44,035 | 44,035 | 41,420 | 2,615 | 38,247 |
| Services and supplies | 51,950 | 125,037 | 108,509 | 16,528 | 134,291 |
| Capital outlay | 11,000 | 814,688 | 808,470 | 6,218 | 1,314 |
| Total expenditures | <u>211,885</u> | <u>1,088,660</u> | <u>1,062,872</u> | <u>25,788</u> | <u>269,968</u> |
| Deficiency of Revenues Over Expenditures | (14,761) | (33,261) | (33,376) | (115) | (16,886) |
| Other Financing Sources (Uses) | | | | | |
| Operating transfers | | | | | |
| Transfers in | 25,000 | 43,500 | 43,500 | - | 5,000 |
| Net Change in Fund Balance | 10,239 | 10,239 | 10,124 | (115) | (11,886) |
| Fund Balance, Beginning of Year | 214,597 | 214,597 | 221,500 | 6,903 | 233,386 |
| Fund Balance, End of Year | <u>\$ 224,836</u> | <u>\$ 224,836</u> | <u>\$ 231,624</u> | <u>\$ 6,788</u> | <u>\$ 221,500</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.

Note 2 - 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.

Note 3 - Comparative Data

Comparative data shown in the supplementary information sections for the prior year has been extracted from the 2022-2023 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 2022-2023. Such information can only be obtained by referring to the audited financial statements for that year.

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Proportion of the net pension liability | 0.01112% | 0.01080% | 0.01003% | 0.01062% | 0.01055% | 0.01087% | 0.01162% | 0.01131% |
| Proportionate share of the net pension liability | \$ 2,007,198 | \$ 984,860 | \$ 1,398,025 | \$ 1,447,814 | \$ 1,438,703 | \$ 1,445,867 | \$ 1,563,719 | \$ 1,295,498 |
| Covered payroll | \$ 812,273 | \$ 765,089 | \$ 711,587 | \$ 724,445 | \$ 695,510 | \$ 695,299 | \$ 708,790 | \$ 676,745 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 247.11% | 128.72% | 196.47% | 199.85% | 206.86% | 207.95% | 220.62% | 191.43% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.12% | 86.51% | 77.04% | 76.46% | 75.24% | 74.42% | 72.23% | 75.13% |

*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 through 2022 | 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/discount rate | 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*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Statutorily required contribution** | \$ 114,347 | \$ 122,419 | \$ 113,060 | \$ 107,313 | \$ 102,198 | \$ 97,881 | \$ 106,581 | \$ 98,521 | \$ 87,250 |
| Contributions in relation to the statutorily required contribution ** | \$ 114,347 | \$ 122,419 | \$ 113,060 | \$ 107,313 | \$ 102,198 | \$ 97,881 | \$ 106,581 | \$ 98,521 | \$ 87,250 |
| Contribution (deficiency) excess | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 756,199 | \$ 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 | 15.12% | 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, 2023

City of Wells

City of Wells
Combining Balance Sheet – Reconciliation of the General Fund (Budgetary Basis)
to the General Fund (GAAP Basis)
June 30, 2023
(With Comparative Totals for June 30, 2022)

| | General Fund (Budget Basis) | Fire Department Fund | Eliminations | General Fund (GAAP Basis) | 2022 |
|--|-----------------------------------|----------------------------|--------------|---------------------------------|---------------------|
| Assets | | | | | |
| Cash and investments | \$ 3,966,851 | \$ 117,969 | \$ - | \$ 4,084,820 | \$ 2,675,032 |
| Accounts receivable | 955 | - | - | 955 | 2,260 |
| Due from other governments | 390,791 | - | - | 390,791 | 523,914 |
| Inventory | 90,968 | - | - | 90,968 | 93,888 |
| Total assets | <u>\$ 4,449,565</u> | <u>\$ 117,969</u> | <u>\$ -</u> | <u>\$ 4,567,534</u> | <u>\$ 3,295,094</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 111,605 | \$ 884 | \$ - | \$ 112,489 | \$ 107,019 |
| Accrued liabilities | 23,326 | - | - | 23,326 | 28,081 |
| Other current liabilities | 675 | - | - | 675 | 550 |
| Unearned revenue | 521,467 | - | - | 521,467 | - |
| Total liabilities | 657,073 | 884 | - | 657,957 | 135,650 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - revenues received beyond 60 days | 74,779 | - | - | 74,779 | 37,796 |
| Total Liabilities and Deferred Inflows of Resources | <u>731,852</u> | <u>884</u> | <u>-</u> | <u>732,736</u> | <u>173,446</u> |
| Fund Balances | | | | | |
| Nonspendable Inventory | 90,968 | - | - | 90,968 | 93,888 |
| Assigned Public safety | - | 117,085 | - | 117,085 | 109,785 |
| Unassigned | 3,626,745 | - | - | 3,626,745 | 2,917,975 |
| Total fund balances | <u>3,717,713</u> | <u>117,085</u> | <u>-</u> | <u>3,834,798</u> | <u>3,121,648</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 4,449,565</u> | <u>117,969</u> | <u>\$ -</u> | <u>\$ 4,567,534</u> | <u>\$ 3,295,094</u> |

City of Wells

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

Capital Improvement Fund

Year Ended June 30, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance to Final Budget</u> | <u>2022</u> |
|---------------------------------|------------------|-------------------|-------------------------------------|-------------------|
| Revenues | | | | |
| Taxes | | | | |
| Ad valorem | \$ 18,000 | \$ 32,969 | \$ 14,969 | \$ 39,172 |
| Licenses and permits | | | | |
| Marijuana fees | 30,000 | 37,672 | 7,672 | 67,272 |
| Intergovernmental | | | | |
| Infrastructure tax | 23,975 | 21,695 | (2,280) | 21,602 |
| Miscellaneous | | | | |
| Land sales | - | 7,085 | 7,085 | 30,488 |
| Miscellaneous | - | - | - | 2,033 |
| Interest earnings | 15,000 | 30,108 | 15,108 | 12,670 |
| Total miscellaneous | 15,000 | 37,193 | 22,193 | 45,191 |
| Total revenues | 86,975 | 129,529 | 42,554 | 173,237 |
| Expenditures | | | | |
| General government | | | | |
| Service and supplies | - | - | - | 1,000 |
| Capital outlay | 320,000 | 23,101 | 296,899 | 109,659 |
| Total expenditures | 320,000 | 23,101 | 296,899 | 110,659 |
| Net Change in Fund Balance | (233,025) | 106,428 | 339,453 | 62,578 |
| Fund Balance, Beginning of Year | 252,275 | 397,878 | 145,603 | 335,300 |
| Fund Balance, End of Year | <u>\$ 19,250</u> | <u>\$ 504,306</u> | <u>\$ 485,056</u> | <u>\$ 397,878</u> |

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, 2023
(With Comparative Totals for June 30, 2022)

| | Cemetery Perpetual Care Fund | Redevelopment Agency Fund | Administrative Assessment Fund | Court Facilities Administrative Assessment Fund | Total | 2022 |
|--|------------------------------------|---------------------------------|--------------------------------------|--|-------------------|-------------------|
| Assets | | | | | | |
| Cash and investments | \$ 14,203 | \$ 357,207 | \$ 36,965 | \$ 37,578 | \$ 445,953 | \$ 221,979 |
| Due from other governments | - | 629 | - | - | 629 | - |
| Total assets | \$ 14,203 | \$ 357,836 | \$ 36,965 | \$ 37,578 | \$ 446,582 | \$ 221,979 |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 1,404 | \$ - | \$ 1,404 | \$ 75 |
| Fund Balances | | | | | | |
| Restricted | | | | | | |
| Redevelopment | - | 357,836 | - | - | 357,836 | 159,162 |
| Judicial | - | - | 35,561 | 37,578 | 73,139 | 49,339 |
| Committed | | | | | | |
| Health and sanitation | 14,203 | - | - | - | 14,203 | 13,403 |
| Total fund balances | 14,203 | 357,836 | 35,561 | 37,578 | 445,178 | 221,904 |
| Total Liabilities and Fund Balances | \$ 14,203 | \$ 357,836 | \$ 36,965 | \$ 37,578 | \$ 446,582 | \$ 221,979 |

City of Wells
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

| | Cemetery Perpetual Care Fund | Redevelopment Agency Fund | Administrative Assessment Fund | Court Facilities Administrative Assessment Fund | Total | 2022 |
|----------------------------------|------------------------------------|---------------------------------|--------------------------------------|--|-------------------|-------------------|
| Revenues | | | | | | |
| Taxes | \$ - | \$ 103,997 | \$ - | \$ - | \$ 103,997 | \$ 61,150 |
| Charges for services | 800 | - | 11,312 | 1,450 | 13,562 | 2,204 |
| Miscellaneous | - | 97,813 | - | - | 97,813 | 2,400 |
| Fine and forfeitures | - | - | 21,189 | - | 21,189 | - |
| Total revenues | <u>800</u> | <u>201,810</u> | <u>32,501</u> | <u>1,450</u> | <u>236,561</u> | <u>65,754</u> |
| Expenditures | | | | | | |
| General Government | - | 3,136 | - | - | 3,136 | - |
| Judicial | - | - | 10,151 | - | 10,151 | 896 |
| Total expenditures | <u>-</u> | <u>3,136</u> | <u>10,151</u> | <u>-</u> | <u>13,287</u> | <u>896</u> |
| Net Change in Fund Balances | 800 | 198,674 | 22,350 | 1,450 | 223,274 | 64,858 |
| Fund Balances, Beginning of Year | <u>13,403</u> | <u>159,162</u> | <u>13,211</u> | <u>36,128</u> | <u>221,904</u> | <u>157,046</u> |
| Fund Balances, End of Year | <u>\$ 14,203</u> | <u>\$ 357,836</u> | <u>\$ 35,561</u> | <u>\$ 37,578</u> | <u>\$ 445,178</u> | <u>\$ 221,904</u> |

City of Wells

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

Cemetery Perpetual Care Fund

Year Ended June 30, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance to Final Budget</u> | <u>2022</u> |
|---------------------------------|------------------|------------------|-------------------------------------|------------------|
| Revenues | | | | |
| Charges for services | | | | |
| Cemetery charges | \$ 600 | \$ 800 | \$ 200 | \$ 1,000 |
| Net Change In Fund Balance | 600 | 800 | 200 | 1,000 |
| Fund Balance, Beginning of Year | <u>13,003</u> | <u>13,403</u> | <u>400</u> | <u>12,403</u> |
| Fund Balance, End of Year | <u>\$ 13,603</u> | <u>\$ 14,203</u> | <u>\$ 600</u> | <u>\$ 13,403</u> |

City of Wells

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
Redevelopment Agency Fund
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance to Final Budget</u> | <u>2022</u> |
|---------------------------------|------------------|-------------------|-------------------------------------|-------------------|
| Revenues | | | | |
| Taxes | | | | |
| Ad valorem | \$ 50,000 | \$ 103,997 | \$ 53,997 | \$ 61,150 |
| Miscellaneous | | | | |
| Other | <u>-</u> | <u>97,813</u> | <u>97,813</u> | <u>2,400</u> |
| Total revenues | <u>50,000</u> | <u>201,810</u> | <u>151,810</u> | <u>63,550</u> |
| Expenditures | | | | |
| General Government | | | | |
| Services and supplies | - | 3,136 | (3,136) | - |
| Capital outlay | <u>85,000</u> | <u>-</u> | <u>85,000</u> | <u>-</u> |
| Total expenditures | <u>85,000</u> | <u>3,136</u> | <u>81,864</u> | <u>-</u> |
| Net Change in Fund Balance | (35,000) | 198,674 | 233,674 | 63,550 |
| Fund Balance, Beginning of Year | <u>60,612</u> | <u>159,162</u> | <u>98,550</u> | <u>95,612</u> |
| Fund Balance, End of Year | <u>\$ 25,612</u> | <u>\$ 357,836</u> | <u>\$ 332,224</u> | <u>\$ 159,162</u> |

City of Wells

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

Administrative Assessment Fund

Year Ended June 30, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance to Final Budget</u> | <u>2022</u> |
|--|-----------------|------------------|-------------------------------------|------------------|
| Revenues | | | | |
| Charges for services | | | | |
| Administrative assessments | \$ 8,650 | \$ 11,312 | \$ 2,662 | \$ 1,024 |
| Fine and forfeitures | | | | |
| Civil penalties | - | 21,189 | - | - |
| Total revenue | <u>8,650</u> | <u>32,501</u> | <u>2,662</u> | <u>1,024</u> |
| Expenditures | | | | |
| Judicial | | | | |
| Services and supplies | 9,500 | 10,151 | (651) | 896 |
| Capital outlay | <u>9,000</u> | <u>-</u> | <u>9,000</u> | <u>-</u> |
| Total expenditures | <u>18,500</u> | <u>10,151</u> | <u>8,349</u> | <u>896</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(9,850)</u> | <u>22,350</u> | <u>32,200</u> | <u>-</u> |
| Net Change in Fund Balance | (9,850) | 22,350 | 32,200 | 128 |
| Fund Balance, Beginning of Year | <u>12,233</u> | <u>13,211</u> | <u>978</u> | <u>13,083</u> |
| Fund Balance, End of Year | <u>\$ 2,383</u> | <u>\$ 35,561</u> | <u>\$ 33,178</u> | <u>\$ 13,211</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, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance to Final Budget</u> | <u>2022</u> |
|--|------------------|------------------|-------------------------------------|------------------|
| Revenues | | | | |
| Charges for services | | | | |
| Court facility assessment fee | \$ 1,500 | \$ 1,450 | \$ (50) | \$ 180 |
| Expenditures | | | | |
| Judicial | | | | |
| Capital outlay | 25,000 | - | 25,000 | - |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(23,500)</u> | <u>1,450</u> | <u>24,950</u> | <u>180</u> |
| Net Change in Fund Balance | (23,500) | 1,450 | 24,950 | 180 |
| Fund Balance, Beginning of Year | <u>37,448</u> | <u>36,128</u> | <u>(1,320)</u> | <u>35,948</u> |
| Fund Balance, End of Year | <u>\$ 13,948</u> | <u>\$ 37,578</u> | <u>\$ 23,630</u> | <u>\$ 36,128</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, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance to Final Budget</u> | <u>2022</u> |
|--|------------------|-------------------|-------------------------------------|-------------------|
| Revenues | | | | |
| Intergovernmental | | | | |
| NDF fees | \$ 5,000 | \$ 1,435 | \$ (3,565) | \$ 1,295 |
| Charges for services | | | | |
| Project income | 6,000 | - | (6,000) | - |
| Miscellaneous | | | | |
| Fundraising income | <u>5,000</u> | <u>5,075</u> | <u>75</u> | <u>6,435</u> |
| Total revenues | <u>16,000</u> | <u>6,510</u> | <u>(9,490)</u> | <u>7,730</u> |
| Expenditures | | | | |
| Public safety | | | | |
| Salaries and wages | 1,200 | 1,200 | - | 1,200 |
| Employee benefits | 8,817 | 5,939 | 2,878 | 12,058 |
| Services and supplies | 55,200 | 48,440 | 6,760 | 54,546 |
| Capital outlay | <u>60,000</u> | <u>43,631</u> | <u>16,369</u> | <u>6,255</u> |
| Total expenditures | <u>125,217</u> | <u>99,210</u> | <u>26,007</u> | <u>74,059</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (109,217) | (92,700) | 16,517 | (66,329) |
| Other Financing Sources (Uses) | | | | |
| Transfer in | | | | |
| General Fund | <u>100,000</u> | <u>100,000</u> | <u>-</u> | <u>70,000</u> |
| Net Change in Fund Balance | (9,217) | 7,300 | 16,517 | 3,671 |
| Fund Balance, Beginning of Year | <u>106,897</u> | <u>109,785</u> | <u>2,888</u> | <u>106,114</u> |
| Fund Balance, End of Year | <u>\$ 97,680</u> | <u>\$ 117,085</u> | <u>\$ 19,405</u> | <u>\$ 109,785</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, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance to Final Budget</u> | <u>2022</u> |
|--|------------------|---------------------|-------------------------------------|---------------------|
| Operating Revenues | | | | |
| Charges for services | | | | |
| Water user fees | \$ 550,000 | \$ 527,137 | \$ (22,863) | \$ 555,929 |
| Miscellaneous | | | | |
| Other | - | - | - | 300 |
| Total operating revenues | <u>550,000</u> | <u>527,137</u> | <u>(22,863)</u> | <u>556,229</u> |
| Operating Expenses | | | | |
| Administration | | | | |
| Salaries and wages | 140,297 | 126,173 | 14,124 | 136,727 |
| Employee benefits | 63,823 | 49,412 | 14,411 | 59,638 |
| Services and supplies | <u>241,827</u> | <u>148,018</u> | <u>93,809</u> | <u>167,799</u> |
| Operating expenses before depreciation | 445,947 | 323,603 | 122,344 | 364,164 |
| Depreciation | <u>131,000</u> | <u>156,400</u> | <u>(25,400)</u> | <u>138,310</u> |
| Total operating expenses | <u>576,947</u> | <u>480,003</u> | <u>96,944</u> | <u>502,474</u> |
| Operating Income (Loss) | <u>(26,947)</u> | <u>47,134</u> | <u>74,081</u> | <u>53,755</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Interest income | 3,000 | 9,157 | 6,157 | 804 |
| Interest expense | (15,679) | (10,844) | 4,835 | (17,524) |
| Net pension liability income | - | 152,410 | 152,410 | 24,153 |
| Amortization of bond costs | <u>-</u> | <u>3,909</u> | <u>3,909</u> | <u>3,909</u> |
| Total nonoperating revenues (expenses) | <u>(12,679)</u> | <u>154,632</u> | <u>167,311</u> | <u>11,342</u> |
| Income (Loss) Before Capital Contributions | <u>(39,626)</u> | <u>201,766</u> | <u>241,392</u> | <u>65,097</u> |
| Capital Contributions | | | | |
| Grants | 22,500 | 104,911 | 82,411 | 291,141 |
| Connection fees | 38,000 | 47,306 | 9,306 | 27,520 |
| Transfer in - capital assets | <u>-</u> | <u>13,613</u> | <u>13,613</u> | <u>-</u> |
| Total capital contributions | <u>60,500</u> | <u>165,830</u> | <u>105,330</u> | <u>318,661</u> |
| Change in Net Position | <u>\$ 20,874</u> | 367,596 | <u>\$ 346,722</u> | 383,758 |
| Net Position, Beginning of Year | | <u>2,709,302</u> | | <u>2,325,544</u> |
| Net Position, End of Year | | <u>\$ 3,076,898</u> | | <u>\$ 2,709,302</u> |

City of Wells

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual

Sewer Fund

Year Ended June 30, 2023

(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance to Final Budget</u> | <u>2022</u> |
|--|-------------------|---------------------|-------------------------------------|-------------------|
| Operating Revenues | | | | |
| Charges for services | | | | |
| Sewer user fees | \$ 294,000 | \$ 298,754 | \$ 4,754 | \$ 280,999 |
| Miscellaneous | | | | |
| Other | 15,000 | 5,193 | (9,807) | 2,359 |
| Total operating revenues | <u>309,000</u> | <u>303,947</u> | <u>(5,053)</u> | <u>283,358</u> |
| Operating Expenses | | | | |
| Administration | | | | |
| Salaries and wages | 140,300 | 118,557 | 21,743 | 130,420 |
| Employee benefits | 65,050 | 47,705 | 17,345 | 58,102 |
| Services and supplies | 121,900 | 91,081 | 30,819 | 91,803 |
| Operating expenses before depreciation | 327,250 | 257,343 | 69,907 | 280,325 |
| Depreciation | 15,000 | 13,748 | 1,252 | 14,128 |
| Total operating expenses | <u>342,250</u> | <u>271,091</u> | <u>71,159</u> | <u>294,453</u> |
| Operating Income (Loss) | <u>(33,250)</u> | <u>32,856</u> | <u>66,106</u> | <u>(11,095)</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Sewer improvement user fees | 22,000 | 24,094 | 2,094 | 22,451 |
| Interest income | 6,000 | 16,434 | 10,434 | 1,496 |
| Net pension liability income | - | 150,323 | 150,323 | 23,744 |
| Total nonoperating revenues (expenses) | <u>28,000</u> | <u>190,851</u> | <u>162,851</u> | <u>47,691</u> |
| Income (Loss) Before Capital Contributions | <u>(5,250)</u> | <u>223,707</u> | <u>228,957</u> | <u>36,596</u> |
| Capital Contributions | | | | |
| Federal grants | - | 23,860 | 23,860 | - |
| Connection fees | 3,000 | 8,000 | 5,000 | 5,812 |
| Total capital contributions | <u>3,000</u> | <u>31,860</u> | <u>28,860</u> | <u>5,812</u> |
| Change in Net Position | <u>\$ (2,250)</u> | 255,567 | <u>\$ 257,817</u> | 42,408 |
| Net Position, Beginning of Year | | <u>854,532</u> | | <u>812,124</u> |
| Net Position, End of Year | | <u>\$ 1,110,099</u> | | <u>\$ 854,532</u> |

City of Wells
Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual
Sanitation Fund
Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

| | <u>Budget</u> | <u>Actual</u> | <u>Variance to Final Budget</u> | <u>2022</u> |
|---|--------------------|-------------------|-------------------------------------|-------------------|
| Operating Revenues | | | | |
| Charges for services | | | | |
| Sanitation fees | \$ 303,500 | \$ 314,114 | \$ 10,614 | \$ 300,601 |
| Miscellaneous | | | | |
| Other | 4,900 | 800 | (4,100) | - |
| Total operating revenues | <u>308,400</u> | <u>314,914</u> | <u>6,514</u> | <u>300,601</u> |
| Operating Expenses | | | | |
| Administration | | | | |
| Salaries and wages | 17,700 | 18,631 | (931) | 17,701 |
| Employee benefits | 7,457 | 6,211 | 1,246 | 5,965 |
| Services and supplies | 290,600 | 280,337 | 10,263 | 269,356 |
| Operating expenses before depreciation | 315,757 | 305,179 | 10,578 | 293,022 |
| Depreciation | 3,500 | 3,499 | 1 | 3,501 |
| Total operating expenses | <u>319,257</u> | <u>308,678</u> | <u>10,579</u> | <u>296,523</u> |
| Operating Income (Loss) | <u>(10,857)</u> | <u>6,236</u> | <u>17,093</u> | <u>4,078</u> |
| Nonoperating Revenues | | | | |
| Net pension liability income | - | 2,972 | 2,972 | 1,950 |
| Change in Net Position | <u>\$ (10,857)</u> | 9,208 | <u>\$ 20,065</u> | 6,028 |
| Net Position, Beginning of Year | | <u>100,057</u> | | <u>94,029</u> |
| Net Position, End of Year | | <u>\$ 109,265</u> | | <u>\$ 100,057</u> |

Schedule of Fees Imposed Subject to the Provision of NRS 354.5989 Limitation of Fees for Business Licenses
Year Ended June 30, 2023

| | |
|--|---------------------------|
| Flat Fixed Fees | |
| Business license revenue for the year ended June 30, 1991 (base year) adjusted through June 30, 2022 | \$ 28,321 |
| Adjustment to Base | |
| Base year adjusted percentage decrease in population of the local government | -1.85% |
| 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 | 6.30% |
| | <u>4.45%</u> |
| | <u>1,260</u> |
| Adjusted Base at June 30, 2023 | 29,581 |
| Actual Revenue | <u>18,838</u> |
| Amount Under Allowable Amount | <u><u>\$ (10,743)</u></u> |



Compliance Section
June 30, 2023

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wells, State of Nevada (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated November 8, 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 2023-001 that we consider to be a 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 entity'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 cursive script that reads "Eide Bailly LLP".

Elko, Nevada
November 8, 2023



**Independent Auditor’s Report on Compliance for Each 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

Qualified and Unmodified Opinions

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 each of the City’s major federal programs for the year ended June 30, 2023. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Airport Improvement Program

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Airport Improvement Program for the year ended June 30, 2023.

Unmodified Opinion on the Other Major Federal Program

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 other major federal program identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

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 qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on the Airport Improvement Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Assistance Listing Number 20.106, Airport Improvement Program as described in finding 2023-002 for reporting.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

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 programs.

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 each 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. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 2023-002 to be a material weakness.

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.



Elko, Nevada
November 8, 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, 2023, 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 required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 3 to the financial statements.

Progress on Prior Year Statute Compliance

In the prior year, the City of Wells conformed to all significant statutory constraints on its financial administration.

Disposition of Prior Year Recommendations

Finding 2022-001 was reported in the current year as finding 2023-001 in the Schedule of Findings and Questioned Costs.

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
November 8, 2023

City of Wells
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing | Pass-Through Entity Identifying Number | 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 | \$ 52,358 |
| <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 | | | |
| Wells Main Street Retail Center | 14.228 | CDBG 22/AVQ/10 | 150,000 |
| Senior Center Facility Project | 14.228 | CDBG - CV 20/PF/08 | 803,688 |
| Woodhills Trails Feasibility Study Project | 14.228 | CDBG - CV 22/PCB/11 | 24,461 |
| COVID - 19 - Rural Business Assistance Program | 14.228 | CDBG/CVR3 20/PS/49 | 1,728 |
| Total U.S. Department of Housing and Urban Development | | | 979,877 |
| <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 | 333,528 |
| <u>U.S. Department of Transportation</u> | | | |
| Direct - Federal Aviation Administration | | | |
| COVID - 19 - Airport Improvement Program | 20.106 | n/a | 15,033 |
| Airport Improvement Program | 20.106 | n/a | 193,217 |
| Airport Improvement Program | 20.106 | n/a | 2,731,212 |
| Total U.S. Department of Transportation | | | 2,939,462 |
| <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 | | | |
| Congregate Meals | 93.045 | 05-002-07-1X-22 | 6,959 |
| Congregate Meals | 93.045 | 05-002-07-1X-23 | 17,970 |
| Categorical - home delivered meals | 93.045 | 05-002-04-2C2X-23 | 1,830 |
| Categorical - home delivered meals | 93.045 | 05-002-04-24-22 | 21,761 |
| Categorical - home delivered meals | 93.045 | 05-002-04-24-23 | 6,288 |
| Nutrition | 93.053 | 05-002-57-NX-22 | 3,514 |
| Nutrition | 93.053 | 05-002-57-NX-23 | 3,490 |
| Total Aging Cluster | | | 61,812 |
| Total U.S. Department of Health and Human Services | | | 61,812 |
| Total Federal Financial Assistance | | | \$ 4,367,037 |

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, 2023. 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.

Note 4 - Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the City had food commodities totaling \$4,407 in inventory.

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 | Yes |
| Significant deficiency identified not considered to be material weaknesses | None reported |
| Type of auditor's report issued on compliance for major programs | Unmodified for the Community Development Block Grants/State's Program and qualified for the Airport Improvement Program. |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516 | Yes |

Identification of major programs:

| <u>Name of Federal Program</u> | <u>Federal Financial Assistance Listing</u> |
|--|---|
| Community Development Block Grants/State's Program | 14.228 |
| Airport Improvement Program | 20.106 |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings

**2023-001 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, 2023, we proposed the following audit adjustment 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 contract retainage payable and expenditures in the General Fund and contract retainage payable and capital assets in the Governmental Activities government wide financial statements totaling \$74,779.
- To adjust for unrecorded due from other governments and deferred inflows of resources – unavailable revenue in the General Fund and due from other governments and grant revenue in the Governmental Activities government wide financial statements totaling \$74,779.
- To adjust for unrecorded due from other governments and deferred inflows of resources – unavailable revenue in the Capital Improvement Fund and due from other governments and infrastructure tax revenue in the Governmental Activities government wide financial statements totaling \$21,695.
- Inventory was overstated and expenses were understated in the Water Fund and the Business-Type Activities government wide financial statements totaling \$122,299.
- To adjust for golf tournament revenue in the Recreation Fund and Governmental Activities government wide financial statements totaling \$13,844, accounts payable totaling \$8,476, expenditures totaling \$5,368.

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

**2023-002 U.S. Department of Transportation
COVID 19 - Airport Improvement Program Federal Financial Assistance Listing Number 20.106**

**Reporting
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Criteria: 2 CFR Part 200 (Uniform Guidance) requires that reports submitted to the Federal Awarding agency include all activity of the reporting period and are presented in accordance with applicable program requirements.

Condition: During our audit testing of reporting over the federal fiscal year ended September 30, 2022 SA-425, *Federal Financial Report*, we noted that two out of the three reports due 90 days after the federal fiscal year end of September 30th, were not submitted by the City of Wells' during the fiscal year.

Cause: The City of Wells did not have adequate controls to ensure that the required SF-425s were submitted.

Effect: The required SF-425s were not submitted in accordance with the program requirements.

Questioned Costs: None reported.

Context/Sampling: All reports were selected for testing.

Repeat Finding from Prior Year: No.

Recommendation: We recommend the City of Wells enhance controls to provide for the submission of required program reports.

Views of Responsible Officials: Management agrees with the finding.