



Financial Statements  
June 30, 2016  
**City of Wells**



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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wells as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wells, as of June 30, 2016, 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.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the schedules of budgetary comparison and reconciliation information on pages 46 through 52, the Schedule of City's Share of Net Pension Liability on page 53, and the Schedule of City's Contributions on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis, the Schedule of City's Share of Net Pension Liability, and the Schedule of the City's Contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The schedules of budgetary comparison and reconciliation information and related notes are the responsibility of management and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison and reconciliation information and related notes are fairly stated, in all material aspects, in relation to the basic financial statements as a whole.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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**Prior – Year Comparative Information**

Certain supplementary information and required supplementary information includes partial summarized comparative information for the year ending June 30, 2015. The summarized comparative information was derived from the City of Wells' June 30, 2015 financial statements, which expressed an opinion that the accompanying supplementary information and the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Budgetary Basis) and Actual – General Fund, the Reconciliation of the General Fund (Budgetary Basis) to the Schedules of Revenues, Expenditures, and Changes in Fund Balances – General Fund (GAAP Basis) and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Recreation Fund and Silver Sage Senior Center Fund required supplementary information as of and for the year ended June 30, 2015, was fairly stated in all material respects in relation to the 2015 financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elko Sully LLP". The signature is written in a cursive, flowing style.

Elko, Nevada  
November 28, 2016

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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, 2016.

## **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City of Wells exceeded liabilities and deferred inflows of resources at June 30, 2016 by \$13,896,938. Of this, \$1,789,793 (unrestricted) may be used to meet ongoing obligations to citizens and creditors.
- Net position increased by \$238,789.

## **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; and community support. 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.

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### 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, proprietary and fiduciary funds.

### Governmental Funds

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

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

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

### Proprietary Funds

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

### Notes to Financial Statements

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

### Other Information

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

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Wells, net position exceeded liabilities and deferred inflows of resources by \$13,896,938 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 of related debt used to acquire those assets that is still outstanding of \$11,516,033. 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 (\$1,789,793) may be used to meet the City of Wells' ongoing obligations to citizens and creditors.

Total government-wide general revenues increased by \$86,623. The majority of the increase was due to consolidated sales tax, ad valorem tax, and room tax receipts being up by \$52,472; \$42,022; and \$40,962 higher than the prior year respectively. Regional construction, sales and the general economy were steady with a slight up-turn. Because these revenues are so dependent on one industry and not on a diversified economy, the board remains reluctant to expend for non-essential activities.

Activities during the year included a curb, gutter, and sidewalk project, a downtown pavilion, and an economic development/master plan for the City of Wells.

Capital grants and contributions increased by \$51,726 from the prior fiscal year to \$180,326. The City has been continuing to expand plan for future growth and development. The current year amount for capital grants and contributions is much more reflective of normal business operations.

At the end of the current fiscal year, the City of Wells is able to report positive balances in all categories of net position. In addition, net pension liability increased slightly from \$1,274,979 to \$1,295,498.

The following table provides a summary of the City's net position at June 30, 2016:

Summary of Net Position:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 2,789,237	\$ 2,589,413	\$ 1,176,624	\$ 1,031,216
Capital assets	<u>9,525,159</u>	<u>9,727,563</u>	<u>2,906,768</u>	<u>3,077,570</u>
Total assets	<u>12,314,396</u>	<u>12,316,976</u>	<u>4,083,392</u>	<u>4,108,786</u>
Deferred Outflows of Resources	<u>137,016</u>	<u>117,345</u>	<u>79,804</u>	<u>68,347</u>
Long-term liabilities	892,735	905,975	1,402,419	1,473,280
Other liabilities	<u>60,255</u>	<u>154,451</u>	<u>47,825</u>	<u>47,466</u>
Total liabilities	<u>952,990</u>	<u>1,060,426</u>	<u>1,450,244</u>	<u>1,520,746</u>
Deferred Inflows of Resources	<u>173,797</u>	<u>207,788</u>	<u>140,639</u>	<u>164,345</u>
Net Position				
Net investment in capital assets	9,497,139	9,686,355	2,018,894	2,124,334
Restricted	122,705	55,244	468,407	418,490
Unrestricted	<u>1,704,781</u>	<u>1,424,508</u>	<u>85,012</u>	<u>(50,782)</u>
Total net position	<u>\$ 11,324,625</u>	<u>\$ 11,166,107</u>	<u>\$ 2,572,313</u>	<u>\$ 2,492,042</u>



Totals		Amount Change	%
2016	2015		
\$ 3,965,861	\$ 3,620,629	\$ 345,232	9.54%
<u>12,431,927</u>	<u>12,805,133</u>	<u>(373,206)</u>	<u>(2.91%)</u>
16,397,788	16,425,762	(27,974)	(0.17%)
<u>216,820</u>	<u>185,692</u>	<u>31,128</u>	<u>16.76%</u>
2,295,154	2,379,255	(84,101)	(3.53%)
<u>108,080</u>	<u>201,917</u>	<u>(93,837)</u>	<u>(46.47%)</u>
<u>2,403,234</u>	<u>2,581,172</u>	<u>(177,938)</u>	<u>(6.89%)</u>
<u>314,436</u>	<u>372,133</u>	<u>(57,697)</u>	<u>(15.50%)</u>
11,516,033	11,810,689	(294,656)	(2.49%)
591,112	473,734	117,378	24.78%
<u>1,789,793</u>	<u>1,373,726</u>	<u>416,067</u>	<u>30.29%</u>
<u>\$ 13,896,938</u>	<u>\$ 13,658,149</u>	<u>\$ 238,789</u>	<u>1.75%</u>

Summary of Changes in Net Position:

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 280,952	\$ 277,515	\$ 1,027,093	\$ 966,150
Operating grants and contributions	262,492	233,660	-	-
Capital grants and contributions	125,607	102,606	54,719	25,994
General Revenues				
Ad valorem taxes	289,489	247,467	-	-
Consolidated taxes	1,163,450	1,110,978	-	-
Motor vehicle taxes	74,214	134,749	-	-
Room taxes	219,212	178,250	-	-
Gaming tax	20,768	18,023	-	-
Interest Income	21,615	18,765	1,619	482
Miscellaneous revenues	95,608	89,501	-	-
Total revenues	<u>2,553,407</u>	<u>2,411,514</u>	<u>1,083,431</u>	<u>992,626</u>
<b>Expenses</b>				
General government	277,997	319,291	-	-
Public safety	529,186	531,644	-	-
Health and sanitation	17,075	14,547	-	-
Culture and recreation	673,256	712,877	-	-
Public works	740,789	795,427	-	-
Judicial	38,140	43,072	-	-
Community support	117,064	79,751	-	-
Interest on long-term debt	1,382	1,915	-	-
Water utilities	-	-	479,850	503,837
Sewer utilities	-	-	277,011	302,240
Sanitation utilities	-	-	246,299	249,647
Total expenses	<u>2,394,889</u>	<u>2,498,524</u>	<u>1,003,160</u>	<u>1,055,724</u>
Change in Net Position	158,518	(87,010)	80,271	(63,098)
Beginning Net Position	<u>11,166,107</u>	<u>11,253,117</u>	<u>2,492,042</u>	<u>2,555,140</u>
Ending Net Position	<u>\$ 11,324,625</u>	<u>\$ 11,166,107</u>	<u>\$ 2,572,313</u>	<u>\$ 2,492,042</u>

Totals		Amount Change	%
2016	2015		
\$ 1,308,045	\$ 1,243,665	\$ 64,380	5.18%
262,492	233,660	28,832	12.34%
180,326	128,600	51,726	40.22%
289,489	247,467	42,022	16.98%
1,163,450	1,110,978	52,472	4.72%
74,214	134,749	(60,535)	(44.92%)
219,212	178,250	40,962	22.98%
20,768	18,023	2,745	15.23%
23,234	19,247	3,987	20.71%
95,608	89,501	6,107	6.82%
<u>3,636,838</u>	<u>3,404,140</u>	<u>232,698</u>	<u>6.84%</u>
277,997	319,291	(41,294)	(12.93%)
529,186	531,644	(2,458)	(0.46%)
17,075	14,547	2,528	17.38%
673,256	712,877	(39,621)	(5.56%)
740,789	795,427	(54,638)	(6.87%)
38,140	43,072	(4,932)	(11.45%)
117,064	79,751	37,313	46.79%
1,382	1,915	(533)	(27.83%)
479,850	503,837	(23,987)	(4.76%)
277,011	302,240	(25,229)	(8.35%)
246,299	249,647	(3,348)	(1.34%)
<u>3,398,049</u>	<u>3,554,248</u>	<u>(156,199)</u>	<u>(4.39%)</u>
238,789	(150,108)	388,897	(259.08%)
<u>13,658,149</u>	<u>13,808,257</u>	<u>(150,108)</u>	<u>(1.09%)</u>
<u>\$ 13,896,938</u>	<u>\$ 13,658,149</u>	<u>\$ 238,789</u>	<u>1.75%</u>

## **Fund Basis Financial Analysis**

### *Governmental Funds*

As discussed, governmental funds are reported in the funds statements with 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 \$2,360,700. Of this year-end total, \$66,945 is non-spendable, \$122,705 is restricted by enabling legislation and debt agreements, \$335,705 is committed by city council, \$72,339 is assigned for the subsequent year operations, public safety and capital improvement, and \$1,763,006 is unassigned. The City's 2016-2017 budget includes \$2,404,848 in expenditures for governmental funds.

The total ending fund balances of governmental funds show an increase of \$297,220 over the prior year. The increase is primarily the result of the City cutting back on capital projects.

In preparation of the 2015-2016 budget, City officials held numerous meetings with department heads and held many work sessions to identify major programs needed to meet citizen's needs for services. Fiscal year 2016 marked a year of slight increases to financial change as worldwide economies were recovering, and at the county level, economies also saw a slight financial increase. Overall the State of Nevada has stabilized a bit but continues salary caps, hiring freezes and increased fees to support revenues.

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 \$192,327. Key factors contributing to this were increased revenue and economic growth resulting in higher ad valorem tax. In addition, lower gas prices yielded an increase in sales tax.

The Recreation Fund, which is funded by room taxes, shows a fund balance increase of \$42,263. Even so, the Board of Council still authorized a transfer of \$242,800 from the general fund.

The Silver Sage Senior Center Fund, accounts for the activities related to the senior center operations. The fund balance increased by \$16,786, mainly due to a decrease in salary and benefits as a result of director turnover. These funds are not directly tax generated and therefore the Center is subservient to local fund raising and grant revenues, which makes it more vulnerable during harder economic times. Because of the extensive services to the community, the Board of Council Members stays on top of the activities and costs as necessary.

The Capital Improvement Fund, which is used to purchase capital assets, had expenditures for a tractor at the golf course and the fund continues rebuilding the fund balance. The fund balance is \$80,832.

The other funds – Cemetery Perpetual Fund, Administrative Assessment Fund, Court Facilities Fund, and the Fire Department Fund – are minor funds and reflect low dollars and low activity. The Judge and Nevada Revised Statutes closely regulate the administrative and court facilities funds.

### *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 18-22. These funds experienced revenues and expenses consistent with

the prior year. As cost of operation continues to rise and these funds are dependent upon fees for service, the severity of this issue is growing as well.

To summarize, these funds will be analyzed closely as the future mining activities next year clearly could result in similar revenues and expenses as was seen with the Ruby Gas pipeline activity. So far, mining construction has led to transient residential increases such as RV living workers. It will be very important to adjust rates and charge hook-up fees that directly correlate to the current cost of service. Old rates and fees lagging to current costs will only be magnified as populations increase in all these proprietary funds.

### **Budgetary Highlights – Fiscal Year Ended June 30, 2016**

The budget statements reflect a comparison of budgeted revenues and expenditures to actual for the year ended June 30, 2016. The budget statements were prepared from the final and augmented budgets as filed with the Nevada Department of Taxation.

#### *Governmental Activities*

Governmental activities are budgeted on a fund basis.

General Fund - Actual revenues received by the City were \$1,988,872 which was \$64,155 greater than the budgeted amount of \$1,924,717. This was primarily due to an increase in consolidated tax. In general, most revenue line items held close to their forecasts.

Actual expenditures of the General Fund were \$1,498,555 which was \$182,894 less than the budgeted amount of \$1,681,449. Capital outlay or purchase of capital assets was \$386,481. This was primarily due to street and airport activity as well as the purchase of a new police vehicle.

Recreation Fund – The Recreation Fund under-spent its budget by \$5,269 in the current year and therefore gained in ending fund balance. While expenditures decreased, the fund still required a transfer of \$242,800 from the general fund to remain in a positive position. The Board has employed a consultant to suggest ways to diversify golf course activities in the hopes of increasing revenues through participation.

Capital Improvement Fund – The Capital Improvement Fund had capital expenses of \$17,000 for a tractor at the golf course budgeted and now has a fund balance of \$80,832. The board reviews this fund and the ongoing projects on a continuous basis and incorporates planned projects in its capital improvement plan.

Silver Sage Senior Center Fund – The Silver Sage Senior Center Fund under-spent its budget by \$6,755 in the current year and therefore gained in ending fund balance.

#### *Business-type Activities*

Business-type activities revenues for services performed by the City were \$1,027,093, which was \$78,307 less than the budgeted amount. Operating expenses, before depreciation, of \$798,032, were less than the budgeted amount by \$147,904 and covered all of the depreciation expenses (\$170,802).

Overall, the net position at the end of the year decreased by \$80,271 for the business-type activities.

Additional budget information can be found on pages 72 through 74 of this report.

### **Capital Assets**

The City of Wells' investment in capital assets as of June 30, 2016, amounts to \$11,516,033 (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 and projects at the airport.

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

### **Long-term Debt Activity**

Long-term debt outstanding at June 30, 2016 totaled \$915,894 a decrease of \$104,146 from the prior year. The city did not incur any additional debt. 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 \$1,295,498 at June 30, 2016. 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.

### **Next Year's Budgets and Rates**

Newmont Mining Corporation has started construction on their Long Canyon Mine located 26 miles east of Wells. They are projecting 200-300 employees during construction and 150 Newmont employees after mining commences. This does not take into consideration of other support personnel needed. While all the employees will not locate within Wells, Nevada, a significant amount could impact the area. It will be paramount that the city has rate and hook-up fees directly in line with expenses and that planning for housing and commercial development is underway and detailed. This City has started planning for this growth as well as updated the master plan. The city has also hired economic development consultants to analyze sustainability and diversification with the mining impacts. The future budgets will be growing. Therefore, these changes will reflect on the City of Wells' financial position in the 2016-2017 fiscal year and on into the future. Overall, the financial condition of the City of Wells could be described as stable but this will not continue if the charges for services are not directly in line with costs. Previous and current administrations have made necessary infrastructure commitments and internal cut backs to insure the current condition and prepare for future growth. The devastation from the 2008 earthquake is now deeply seated in the past and propelling the community to the future is the key to long term success.

The City has replaced the eliminated salaried position at city hall to gain more financial control as growth impacts change the city. Administrative staff has continually been training at a more aggressive rate than in previous years to cross train and replace the normal clerk duties to others.

**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, Wells, Nevada 89835.

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City of Wells  
Statement of Net Position  
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 2,029,331	\$ 570,266	\$ 2,599,597
Accounts receivable	35,040	103,494	138,534
Interest receivable	132,956	-	132,956
Due from other governments	275,564	-	275,564
Inventory	66,945	34,457	101,402
Note receivable - Heart	236,000	-	236,000
Restricted cash	13,401	468,407	481,808
Capital assets			
Land and construction in progress	576,357	45,591	621,948
Other capital assets (net of accumulated depreciation)	8,948,802	2,861,177	11,809,979
Total assets	<u>12,314,396</u>	<u>4,083,392</u>	<u>16,397,788</u>
<b>Deferred Outflows of Resources</b>			
Pensions	<u>137,016</u>	<u>79,804</u>	<u>216,820</u>
<b>Liabilities</b>			
Accounts payable	31,718	29,912	61,630
Accrued expenses	27,263	5,212	32,475
Accrued interest	674	12,701	13,375
Other current liabilities	600	-	600
Long-term liabilities			
Portion due or payable within one year			
Compensated absences	46,040	29,422	75,462
Bonds and notes payable	13,732	54,440	68,172
Portion due or payable after one year			
Bonds and notes payable	14,288	833,434	847,722
Net pension liability	818,675	476,823	1,295,498
Deposits	-	8,300	8,300
Total liabilities	<u>952,990</u>	<u>1,450,244</u>	<u>2,403,234</u>
<b>Deferred Inflows of Resources</b>			
Pensions	173,797	101,227	275,024
Deferred loss on refunding	-	39,412	39,412
	<u>173,797</u>	<u>140,639</u>	<u>314,436</u>
<b>Net Position</b>			
Net investment in capital assets	9,497,139	2,018,894	11,516,033
Restricted for			
Court improvements	47,246	-	47,246
Debt service	13,401	72,790	86,191
Capital projects	62,058	395,617	457,675
Unrestricted	1,704,781	85,012	1,789,793
Total net position	<u>\$ 11,324,625</u>	<u>\$ 2,572,313</u>	<u>\$ 13,896,938</u>

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 277,997	\$ 26,434	\$ -	\$ -
Public safety	529,186	10,807	-	-
Health and sanitation	17,075	3,866	-	-
Culture and recreation	673,256	69,445	166,637	-
Public works	740,789	137,504	84,665	107,107
Judicial	38,140	32,896	-	-
Community support	117,064	-	11,190	18,500
Interest on long-term debt	1,382	-	-	-
Total governmental activities	<u>2,394,889</u>	<u>280,952</u>	<u>262,492</u>	<u>125,607</u>
Business-type activities				
Water	479,850	502,656	-	27,496
Sewer	277,011	267,594	-	27,223
Sanitation	246,299	256,843	-	-
Total business-type activities	<u>1,003,160</u>	<u>1,027,093</u>	<u>-</u>	<u>54,719</u>
Total primary government	<u>\$ 3,398,049</u>	<u>\$ 1,308,045</u>	<u>\$ 262,492</u>	<u>\$ 180,326</u>
General revenues				
Ad valorem taxes				
Consolidated taxes				
Motor vehicle taxes				
Room taxes				
Gaming tax				
Interest income				
Miscellaneous revenues				
Total general revenues				
Change in Net Position				
Net Position, Beginning of Year				
Net Position, End of Year				

See Notes to Financial Statements

Net (Expense) and Revenue Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (251,563)	\$ -	\$ (251,563)
(518,379)	-	(518,379)
(13,209)	-	(13,209)
(437,174)	-	(437,174)
(411,513)	-	(411,513)
(5,244)	-	(5,244)
(87,374)	-	(87,374)
(1,382)	-	(1,382)
<u>(1,725,838)</u>	<u>-</u>	<u>(1,725,838)</u>
-	50,302	50,302
-	17,806	17,806
<u>-</u>	<u>10,544</u>	<u>10,544</u>
-	78,652	78,652
<u>(1,725,838)</u>	<u>78,652</u>	<u>(1,647,186)</u>
289,489	-	289,489
1,163,450	-	1,163,450
74,214	-	74,214
219,212	-	219,212
20,768	-	20,768
21,615	1,619	23,234
<u>95,608</u>	<u>-</u>	<u>95,608</u>
<u>1,884,356</u>	<u>1,619</u>	<u>1,885,975</u>
<u>158,518</u>	<u>80,271</u>	<u>238,789</u>
<u>11,166,107</u>	<u>2,492,042</u>	<u>13,658,149</u>
<u>\$ 11,324,625</u>	<u>\$ 2,572,313</u>	<u>\$ 13,896,938</u>

	General Fund	Recreation Fund	Capital Improvement Fund
<b>Assets</b>			
Cash and investments	\$ 1,578,624	\$ 86,857	\$ 75,080
Restricted cash - debt service	13,401	-	-
Accounts receivable	5,643	27,087	-
Interest receivable	-	-	132,956
Note receivable - Heart	-	-	236,000
Due from other governments	268,762	1,000	5,752
Inventory	54,999	8,824	-
	<u>\$ 1,921,429</u>	<u>\$ 123,768</u>	<u>\$ 449,788</u>
<b>Liabilities</b>			
Accounts payable	\$ 14,390	\$ 15,190	\$ -
Accrued liabilities	21,609	4,452	-
Other Current Liabilities	600	-	-
	<u>36,599</u>	<u>19,642</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - HEART note	-	-	368,956
<b>Fund Balances</b>			
Nonspendable			
Inventory	54,999	8,824	-
Restricted			
Debt service fund	13,401	-	-
Judicial	-	-	-
Capital projects	-	-	62,058
Committed			
Culture and recreation	-	95,262	-
Capital projects	-	-	-
Health and sanitation	-	-	-
Assigned			
Public safety	38,763	-	-
Capital projects	-	-	18,774
Subsequent year operations	14,802	-	-
Unassigned	1,762,865	40	-
	<u>1,884,830</u>	<u>104,126</u>	<u>80,832</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 1,921,429</u>	<u>\$ 123,768</u>	<u>\$ 449,788</u>

See Notes to Financial Statements

City of Wells  
Balance Sheet – Governmental Funds  
June 30, 2016

Silver Sage Senior Center Fund	Other Governmental Funds	Total Governmental Funds
\$ 184,255	\$ 104,515	\$ 2,029,331
-	-	13,401
2,310	-	35,040
-	-	132,956
-	-	236,000
50	-	275,564
3,122	-	66,945
<u>\$ 189,737</u>	<u>\$ 104,515</u>	<u>\$ 2,789,237</u>
\$ 1,958	\$ 180	\$ 31,718
1,202	-	27,263
-	-	600
<u>3,160</u>	<u>180</u>	<u>59,581</u>
-	-	368,956
3,122	-	66,945
-	-	13,401
-	47,246	47,246
-	-	62,058
183,354	-	278,616
-	49,886	49,886
-	7,203	7,203
-	-	38,763
-	-	18,774
-	-	14,802
101	-	1,763,006
<u>186,577</u>	<u>104,335</u>	<u>2,360,700</u>
<u>\$ 189,737</u>	<u>\$ 104,515</u>	<u>\$ 2,789,237</u>

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City of Wells  
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
 June 30, 2016

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Total fund balances for the governmental funds as shown on the balance sheet	\$ 2,360,700
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	9,525,159
Unearned revenue and deferred inflows of resources represent amounts that are not available to fund current expenditures and, therefore, are not reported in the Governmental Funds.	368,956
Deferred outflows and deferred inflows or resources related pensions are applicable to future periods and, therefore are not reported in the funds.	
Deferred outflows of resources related to pension	137,016
Deferred inflows of resources related to pension	(173,797)
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>(893,409)</u>
Total net position for governmental activities as shown on the statement of net position	<u><u>\$ 11,324,625</u></u>

	General Fund	Recreation Fund	Capital Improvement Fund
Revenues			
Taxes	\$ 267,816	\$ 219,212	\$ 28,113
Licenses and permits	80,455	-	-
Intergovernmental	1,480,695	9,336	-
Charges for services	95,823	56,278	-
Fines and forfeits	20,014	-	-
Miscellaneous revenues	52,143	2,654	3,185
Total revenues	<u>1,996,946</u>	<u>287,480</u>	<u>31,298</u>
Expenditures			
Current			
General government	167,652	-	743
Public safety	462,475	-	-
Health and sanitation	9,035	-	-
Culture and recreation	-	465,512	-
Public works	368,781	-	-
Judicial	29,459	-	-
Community support	117,064	-	-
Capital outlay	392,465	22,505	17,000
Debt service			
Principal	13,188	-	-
Interest	1,700	-	-
Total expenditures	<u>1,561,819</u>	<u>488,017</u>	<u>17,743</u>
Excess (Deficiency) of Revenues over Expenditures	<u>435,127</u>	<u>(200,537)</u>	<u>13,555</u>
Other Financing Sources (Uses)			
Transfers in	-	242,800	-
Transfers out	(242,800)	-	-
Total other financing sources (uses)	<u>(242,800)</u>	<u>242,800</u>	<u>-</u>
Net Change in Fund Balances	192,327	42,263	13,555
Fund Balances, Beginning of Year	<u>1,692,503</u>	<u>61,863</u>	<u>67,277</u>
Fund Balances, End of Year	<u><u>\$ 1,884,830</u></u>	<u><u>\$ 104,126</u></u>	<u><u>\$ 80,832</u></u>

See Notes to Financial Statements



City of Wells  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2016

Silver Sage Senior Center Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 515,141
-	-	80,455
157,301	-	1,647,332
12,642	13,932	178,675
-	-	20,014
15,305	28,664	101,951
<u>185,248</u>	<u>42,596</u>	<u>2,543,568</u>
-	-	168,395
-	-	462,475
-	-	9,035
168,462	-	633,974
-	-	368,781
-	10,307	39,766
-	-	117,064
-	-	431,970
-	-	13,188
-	-	1,700
<u>168,462</u>	<u>10,307</u>	<u>2,246,348</u>
<u>16,786</u>	<u>32,289</u>	<u>297,220</u>
-	-	242,800
-	-	(242,800)
<u>-</u>	<u>-</u>	<u>-</u>
16,786	32,289	297,220
<u>169,791</u>	<u>72,046</u>	<u>2,063,480</u>
<u>\$ 186,577</u>	<u>\$ 104,335</u>	<u>\$ 2,360,700</u>

City of Wells

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities

June 30, 2016

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Net change in fund balances for governmental funds as shown on the statement of revenues, expenditures and changes in fund balances	\$ 297,220
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 outlays exceeded depreciation in the current period and the effect of the disposal of capital assets.	(202,404)
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.	26,529
Governmental funds report City PERS contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned is reported as pension expense:	
City PERS contributions	124,517
City pension expense	(83,827)
Property 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>(3,517)</u>
Changes in net position of governmental activities as shown on the statement of activities	<u><u>\$ 158,518</u></u>

City of Wells  
Statement of Net Position – Proprietary Funds  
June 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			Total Enterprise Funds
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	
<b>Assets</b>				
<b>Current assets</b>				
Cash	\$ 194,676	\$ 336,814	\$ 38,776	\$ 570,266
Restricted cash	69,441	326,176	-	395,617
Accounts receivable	49,946	29,345	24,203	103,494
Inventory	33,608	849	-	34,457
Total current assets	<u>347,671</u>	<u>693,184</u>	<u>62,979</u>	<u>1,103,834</u>
<b>Noncurrent assets</b>				
<b>Restricted cash</b>				
Debt service	72,790	-	-	72,790
<b>Capital assets</b>				
Land	21,960	5,806	-	27,766
Buildings	30,861	2,380	-	33,241
Improvements other than buildings	4,914,975	3,140,064	58,783	8,113,822
Machinery and equipment	408,371	259,121	-	667,492
Construction in progress	-	17,825	-	17,825
Less accumulated depreciation	<u>(2,706,828)</u>	<u>(3,225,485)</u>	<u>(21,065)</u>	<u>(5,953,378)</u>
Total capital assets (net of accumulated depreciation)	<u>2,669,339</u>	<u>199,711</u>	<u>37,718</u>	<u>2,906,768</u>
Total noncurrent assets	<u>2,742,129</u>	<u>199,711</u>	<u>37,718</u>	<u>2,979,558</u>
Total assets	<u>3,089,800</u>	<u>892,895</u>	<u>100,697</u>	<u>4,083,392</u>
<b>Deferred Outflows of Resources</b>				
Pensions	39,093	38,656	2,055	79,804
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	7,456	2,432	20,024	29,912
Accrued salaries	2,483	2,446	283	5,212
Compensated absences	14,120	15,052	250	29,422
<b>Current liabilities payable from restricted assets</b>				
Current maturities of bonds payable	54,440	-	-	54,440
Accrued interest	12,701	-	-	12,701
Total current liabilities	<u>91,200</u>	<u>19,930</u>	<u>20,557</u>	<u>131,687</u>

City of Wells  
Statement of Net Position – Proprietary Funds  
June 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			Total Enterprise Funds
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	
Noncurrent liabilities				
General obligation bonds payable, net of unamortized discounts	833,434	-	-	833,434
Net pension liability	233,579	230,963	12,281	476,823
Other long-term liabilities - deposits	1,500	6,800	-	8,300
Total noncurrent liabilities	<u>1,068,513</u>	<u>237,763</u>	<u>12,281</u>	<u>1,318,557</u>
Total liabilities	<u>1,159,713</u>	<u>257,693</u>	<u>32,838</u>	<u>1,450,244</u>
Deferred Inflows of Resources				
Pensions	49,589	49,031	2,607	101,227
Deferred charge on refunding	39,412	-	-	39,412
Total deferred inflows of resources	<u>89,001</u>	<u>49,031</u>	<u>2,607</u>	<u>140,639</u>
Net Position				
Net investment in capital assets	1,781,465	199,711	37,718	2,018,894
Restricted for				
Capital projects	69,441	326,176	-	395,617
Debt service	72,790	-	-	72,790
Unrestricted (deficit)	(43,517)	98,940	29,589	85,012
Total net position	<u>\$ 1,880,179</u>	<u>\$ 624,827</u>	<u>\$ 67,307</u>	<u>\$ 2,572,313</u>

City of Wells  
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
Year Ended June 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			Total Enterprise Funds
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	
Operating Revenues				
Charges for services	\$ 502,656	\$ 267,594	\$ 256,843	\$ 1,027,093
Total operating revenues	<u>502,656</u>	<u>267,594</u>	<u>256,843</u>	<u>1,027,093</u>
Operating Expenses				
Salaries and wages	117,071	115,693	12,169	244,933
Employee benefits	50,586	49,848	4,580	105,014
Services and supplies	151,075	70,399	226,611	448,085
Depreciation	126,792	41,071	2,939	170,802
Total operating expenses	<u>445,524</u>	<u>277,011</u>	<u>246,299</u>	<u>968,834</u>
Operating Income (Loss)	<u>57,132</u>	<u>(9,417)</u>	<u>10,544</u>	<u>58,259</u>
Nonoperating Revenues (Expenses)				
Sewer improvement user fees	-	21,223	-	21,223
Interest income	467	1,152	-	1,619
Interest expense	(38,235)	-	-	(38,235)
Amortization	3,909	-	-	3,909
Total nonoperating revenues (expenses)	<u>(33,859)</u>	<u>22,375</u>	<u>-</u>	<u>(11,484)</u>
Income (Loss) Before Capital Contributions	<u>23,273</u>	<u>12,958</u>	<u>10,544</u>	<u>46,775</u>
Capital Contributions				
Connection fees	<u>27,496</u>	<u>6,000</u>	<u>-</u>	<u>33,496</u>
Change in Net Position	<u>50,769</u>	<u>18,958</u>	<u>10,544</u>	<u>80,271</u>
Total Net Position, Beginning of Year	<u>1,829,410</u>	<u>605,869</u>	<u>56,763</u>	<u>2,492,042</u>
Total Net Position, End of Year	<u>\$ 1,880,179</u>	<u>\$ 624,827</u>	<u>\$ 67,307</u>	<u>\$ 2,572,313</u>

City of Wells  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Water Fund	Sewer Fund	Sanitation Fund	
<b>Operating Activities</b>				
Cash received from customers	\$ 504,676	\$ 261,466	\$ 255,513	\$ 1,021,655
Cash payments to suppliers for goods and services	(154,494)	(71,287)	(227,059)	(452,840)
Cash payments to employees for services and benefits	(184,138)	(181,721)	(17,230)	(383,089)
<b>Net Cash from Operating Activities</b>	<u>166,044</u>	<u>8,458</u>	<u>11,224</u>	<u>185,726</u>
<b>Capital and Related Financing Activities</b>				
Principal paid on debt	(65,362)	-	-	(65,362)
Interest paid on debt	(38,235)	-	-	(38,235)
Cash received from capital improvement user fees	-	21,223	-	21,223
Receipt of customer contributions	27,496	6,000	-	33,496
<b>Net Cash from (used for) Capital and Related Financing Activities</b>	<u>(76,101)</u>	<u>27,223</u>	<u>-</u>	<u>(48,878)</u>
<b>Investing Activity</b>				
Interest on investments	467	1,152	-	1,619
<b>Net Change in Cash and Cash Equivalents</b>	90,410	36,833	11,224	138,467
Cash and Cash Equivalents, Beginning of Year	246,497	626,157	27,552	900,206
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 336,907</u>	<u>\$ 662,990</u>	<u>\$ 38,776</u>	<u>\$ 1,038,673</u>
<b>Cash and Cash Equivalents Consist of</b>				
Restricted cash and cash equivalents	\$ 142,231	\$ 326,176	\$ -	\$ 468,407
Unrestricted cash and cash equivalents	194,676	336,814	38,776	570,266
<b>Total Cash and Cash Equivalents</b>	<u>\$ 336,907</u>	<u>\$ 662,990</u>	<u>\$ 38,776</u>	<u>\$ 1,038,673</u>
<b>Non Cash Items</b>				
Amortization of bonds	\$ 3,909	\$ -	\$ -	\$ 3,909

City of Wells  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Total Enterprise Funds</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	
Reconciliation of operating income (loss) to net cash from (used for) operating activities				
Operating income (loss)	\$ 57,132	\$ (9,417)	\$ 10,544	\$ 58,259
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities				
Depreciation	126,792	41,071	2,939	170,802
Pension expense	23,912	23,647	1,256	48,815
City pension contributions	(35,527)	(35,129)	(1,868)	(72,524)
Changes in				
Accounts receivable	1,020	(4,654)	(1,330)	(4,964)
Due from other governments	-	-	-	-
Inventory	(2,171)	197	-	(1,974)
Accounts payable	(1,250)	(1,085)	(444)	(2,779)
Accrued liabilities	(4,864)	(4,698)	127	(9,435)
Customer deposits	1,000	(1,474)	-	(474)
Net Cash from (used for) Operating Activities	<u>\$ 166,044</u>	<u>\$ 8,458</u>	<u>\$ 11,224</u>	<u>\$ 185,726</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 and organizations for which the primary government is financially accountable.

### **Accounting Changes**

As of July 1, 2015, the City adopted GASB Statement No. 72, *Fair Value Measurement and Application*. The implementation of this standard requires governments measure investments at fair value. The additional disclosures required by this standard are included in Note 4.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements report information on all of the activities of the primary government. Services provided by the General Fund to other funds are reported as expenditures or expenses, as appropriate, in the funds receiving the services and as reductions of expenditures in the General Fund. 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 support. The statement of activities demonstrates the degree to which the direct expenses of a function or business-type activity are offset by program revenues. Direct expenses are those that are associated with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants, contributions and interest income that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.



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

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

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, postemployment benefits and claims and judgments, are recorded only when payment is due.

Property taxes, consolidated tax revenue (sales taxes, cigarette taxes, government services tax, and liquor taxes), gaming taxes, gasoline taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, franchise fees, charges for services and fines and forfeits are not susceptible to accrual because generally they are not measurable until received in cash.

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

The **Water Fund** accounts for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operating, maintenance, and billing and collection.

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

The **Sanitation Fund** accounts for the provision of sanitation services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt services, and billing and collection.

### **Cash, Cash Equivalents and Investments**

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

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

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

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

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

### **Interfund Receivables and Payables**

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

### **Accounts Receivable**

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

### **Property Taxes**

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

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

Taxes may be paid in four installments, the first installment is due on the third Monday of August and the remaining three installments are payable on the first Monday in October, January and March to the Treasurer of Elko County in which the City of Wells is located. Penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. After a two year waiting period, if the taxes remain unpaid, a tax deed is issued conveying the property to the County with a lien for back taxes and accumulated charges. Redemption may be made by the owner or such persons as described by statute by paying all back taxes and accumulated penalties, interest and costs before sale. As such, real property taxes receivable reflect 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 2012-13 have been written off. No provision for uncollectable accounts has been established, as management does not anticipate any material collection losses with respect to the remaining balances.

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

### **Inventories**

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

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

### **Capital Assets**

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

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

Buildings	10 to 50 years
Improvements other than buildings	5 to 50 years
Machinery and equipment	3 to 50 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 position liability and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of the State of Nevada (PERS) Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Deferred Inflows and Outflows of Resources**

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

In addition to liabilities, the Statement of Net Position/Governmental Funds Balance Sheet may report a separate section for deferred inflows of resources. This separate statement element represents an acquisition of net position/fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reflects deferred inflows of resources which are unavailable revenue reported in the government fund balance sheet for delinquent property taxes, the HEART note receivable and related interest receivable, and for revenue received beyond 60 days of the year end, under the modified accrual basis of accounting. The City reported deferred inflows of resources related to pensions resulting from differences between expected and actual experience, the difference between the projected and actual earnings on pension plan investments and change in the City's proportion and difference between the City's contributions and the City's proportionate contribution 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

Medium term obligations	\$ (28,020)
Accrued interest	(674)
Net Pension Liability	(818,675)
Compensated absences	<u>(46,040)</u>
 Net difference in reporting long-term liabilities	 <u><u>\$ (893,409)</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 follows:

Capital outlay	\$ 409,149
Depreciation expense	<u>(611,553)</u>
 Net difference in reporting capital asset activity	 <u><u>\$ (202,404)</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 follows:

Net change in accrued interest	\$	318
Net change in compensated absences		13,023
Principal repayments:		
Medium term obligation		13,188
Net difference in reporting long-term debt transactions	\$	26,529

### **Note 3 - Stewardship, Compliance and Accountability**

#### **Budgetary Information**

The City of Wells adheres to the Local Government Budget and Finance Act incorporated within state statutes, which includes 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 on the third Tuesday 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.

**Excess of Expenditures/Expenses over Appropriations**

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

Nonmajor Administrative Assessment Fund	
Judicial Function	\$ 10,307
Sanitation Fund	99

The above are potential violations of Nevada Revised Statute 354.626. The City plans to monitor expenditures in 2016-2017 to help prevent potential violations.

**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, 2016, is as follows:

Balances Classified by Depository and Category

Cash on hand	\$ 370
Deposits	
Nevada State Bank	
Demand deposit	1,169,305
Total cash	1,169,675
Investments	
Nevada State Treasurer	
Local Government Pooled Investment Fund (LGIP)	1,911,730
	\$ 3,081,405
Governmental Activities – cash and investments	\$ 2,029,331
Governmental Activities – restricted cash	13,401
Business-type Activities – cash and investments	570,266
Business-type Activities – restricted cash - debt	72,790
Business-type Activities – restricted cash - capital	395,617
	\$ 3,081,405

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using level 3 inputs.

As of June 30, 2016, the City of Wells had the following recurring fair value measurements as of June 30, 2016:

<u>Investment Type by Fair Value Level</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>	
		<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Local government investment pool*	\$ 1,911,730	\$ 520,755	\$ 1,390,975

\*Average weighted maturity – 142 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. The City's investment in the LGIP is reported at fair value, which is the same as the value of pool shares.

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

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

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

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

#### **Note 5 - Note Receivable - Heart**

In September 2004, the City sold real property to Humboldt Environmental and Renewable Technologies, Inc. (HEART) and in return received \$25,000 and a note totaling \$236,660, one interest only payment was received on the note in September 2015 totaling \$18,932. On March 14, 2006, the City entered into an amended purchase and sale agreement and the note was adjusted to \$236,000 with annual payments of \$18,937 including 5% interest. HEART made interest only payments through June 30, 2014, totaling \$14,200 and twelve interest only payments during the year ending June 30, 2015 and 2016 totaling \$1,200. Principal payments were to be made annually and no principal payments have been made since the amended date of the note. 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 and related interest receivable are 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, 2016 is as follows:

	Transfer Out	Transfers In
Major Governmental Funds		
General Fund	\$ 242,800	\$ -
Recreation Fund		242,800
	\$ 242,800	\$ 242,800

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

**Note 7 - Ad Valorem Capital Projects Tax**

Pursuant to NRS 354.598155, the City is required to list the projects that ad valorem taxes are used to pay for in the Capital Improvement Fund. For the year ended June 30, 2016, \$17,000 was spent on equipment for the golf course.

**Note 8 - Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Investments are managed by the plan's trustee under one of five investment options, or a combination thereof. The choice of the investment option is made by the participants. The assets of the plan are held in trust and for the exclusive benefits of plan participants and their beneficiaries. Therefore, in accordance with GASB 32, the assets are not recorded as an Agency Fund of the City.

**Note 9 - Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions and Transfers In	Deletions and Transfers Out	Completed Construction	Balance June 30, 2016
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 392,275	\$ -	\$ -	\$ -	\$ 392,275
Construction in progress	41,569	142,513	-	-	184,082
Total capital assets, not being depreciated	433,844	142,513	-	-	576,357
Capital assets, being depreciated					
Buildings	5,578,390	26,547	-	-	5,604,937
Improvements other than buildings	8,995,077	148,186	-	-	9,143,263
Machinery and equipment	1,676,807	91,903	-	-	1,768,710
Golf course	339,937	-	-	-	339,937
Total capital assets, being depreciated	16,590,211	266,636	-	-	16,856,847
Less accumulated depreciation for					
Buildings	1,221,256	143,404	-	-	1,364,660
Improvements other than buildings	4,548,572	377,747	-	-	4,926,319
Machinery and equipment	1,214,612	88,505	-	-	1,303,117
Golf course	312,052	1,897	-	-	313,949
Total accumulated depreciation	7,296,492	611,553	-	-	7,908,045
Total capital assets, being depreciated, net	9,293,719	(344,917)	-	-	8,948,802
Governmental activities capital assets, net	<u>\$ 9,727,563</u>	<u>\$ (202,404)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,525,159</u>

City of Wells  
Notes to Financial Statements  
June 30, 2016

	Balance June 30, 2015	Additions and Transfers In	Deletions and Transfers Out	Completed Construction	Balance June 30, 2016
<b>Business-Type Activities</b>					
Capital assets, not being depreciated					
Land	\$ 27,766	\$ -	\$ -	\$ -	\$ 27,766
Construction in progress	17,825	-	-	-	17,825
Total capital assets, not being depreciated	45,591	-	-	-	45,591
Capital assets, being depreciated					
Buildings	33,241	-	-	-	33,241
Improvements other than buildings	8,113,822	-	-	-	8,113,822
Machinery and equipment	667,492	-	-	-	667,492
Total capital assets, being depreciated	8,814,555	-	-	-	8,814,555
Less accumulated depreciation for					
Buildings	30,237	261	-	-	30,498
Improvements other than buildings	5,185,830	152,759	-	-	5,338,589
Machinery and equipment	566,509	17,782	-	-	584,291
Total accumulated depreciation	5,782,576	170,802	-	-	5,953,378
Total capital assets, being depreciated, net	3,031,979	(170,802)	-	-	2,861,177
Business-type activities capital assets, net	<u>\$ 3,077,570</u>	<u>\$ (170,802)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,906,768</u>

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

<b>Governmental Activities</b>	
General government	\$ 121,348
Public safety	41,817
Public works	380,006
Culture and recreation	60,342
Health and sanitation	8,040
Total depreciation expense - governmental activities	<u>\$ 611,553</u>
<b>Business-Type Activities</b>	
Water Fund	\$ 126,792
Sewer Fund	41,071
Sanitation Fund	2,939
Total depreciation expense - business-type activities	<u>\$ 170,802</u>

## **Note 10 - Defined Benefit Pension Plan**

### **Plan Description**

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

### **Benefits Provided**

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering PERS on or after January 1, 2010. 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 as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier. 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 are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty 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 age 62 with 10 years of service, or any age with thirty years of service.

Police/Fire members are eligible for retirement at age 65 with five years of service, at age 55 with ten years of service, at age 50 with twenty years of service, or at any age with twenty-five years of service. Police/Fire members entering PERS on or after January 1, 2010, are eligible for retirement at 65 with five years of service, or age 60 with ten years of service, or age 50 with twenty years of service, or at any age with thirty years of service. Only service performed in a position as a police officer or firefighter may be counted towards to 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. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

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 Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2016, the Statutory Employer/employee matching rate was 14.50% for Regular and 20.75% for Police/Fire. The Employer-pay contribution (EPC) rate for the fiscal year ending June 30, 2016, was 28.00% for Regular and 40.50% for Police/Fire respectively.

The City's contributions were \$197,041 for the year ended June 30, 2016.

## **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, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Expected Real Rate of Return</u>
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

As of June 30, 2015, PERS' long-term inflation assumption was 3.5%.

### Net Pension Liability

At June 30, 2016, the City reported a liability of \$1,295,498 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the PERS pension plan relative to the total contributions of all participating PERS employers and members. At June 30, 2015, the City's proportion was 0.01131 percent, which is a decrease of 0.00093 from its proportion measured as of June 30, 2014 of 0.01224. .

### Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the City as of June 30, 2016, calculated using the discount rate of 8.00%, 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 (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	<u>1% Decrease in Discount Rate (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase in Discount Rate (9.00%)</u>
Net Pension Liability	\$ 1,974,080	\$ 1,295,498	\$ 731,210

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.



### Actuarial Assumptions

The City's net pension liability was measured as of June 30, 2015, 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	3.50%
Payroll Growth	5.00% including inflation
Investment Rate of Return	8.00%
Productivity Pay Increase	0.75%
Projected Salary Increases	Regular: 4.60% to 9.75%, depending on service Police/Fire: 5.25% to 14.5%, depending on service Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other Assumptions	Same as those used in the June 30, 2015 funding actuarial valuation

Mortality rates for non-disabled male regular members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA. Mortality rates for non-disabled female regular members were based on the RP-2000 Combined Healthy Mortality Table, projected to 2013 with Scale AA, set back one year. Mortality rates for all non-disabled police/fire members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set forward one year. The mortality table used in the actuarial valuation to project mortality rates for all disabled regular members and all disabled police/fire members is the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2015, was projected to be available to make all projected future benefit payments of current active and inactive employees. 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, 2015.

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

For the year ended June 30, 2016, the City recognized pension expense of \$127,880. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 97,444
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	70,172
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	19,779	107,408
City contributions subsequent to the measurement date	197,041	-
	\$ 216,820	\$ 275,024

The \$197,041 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2014 (the beginning of the measurement period ended June 30, 2015) is 6.7 years.

Other estimated amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(67,663)
2018		(67,663)
2019		(67,663)
2020		(5,794)
2021		(32,093)
Thereafter		(14,369)
	\$	(255,245)

**Note 11 - Changes in Long-Term Debt**

	<u>Date of Issue</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>
<b>Governmental Activities</b>			
Medium term obligation			
USDA Sweeper Loan	11/19/2007	\$ 120,000	4.125%
Compensated absences	N/A	<u>N/A</u>	N/A
Total governmental activities		<u>120,000</u>	
<b>Business-Type Activities</b>			
Water Fund			
2008 Water Revenue Bond	11/25/2008	220,000	4.125%
2013 Refunding Bond Series 2013A	2/20/2013	710,000	3.0% - 5.0%
2003 Water Revenue Bond	6/25/2003	<u>200,000</u>	4.250%
		<u>1,130,000</u>	
Compensated absences	N/A	<u>N/A</u>	N/A
Total business-type activities		<u>1,130,000</u>	
Total debt		<u>\$ 1,250,000</u>	

Restricted Cash in the General Fund consists of the following at June 30, 2016:

USDA Sweeper Loan - debt service reserve	<u>\$ 13,401</u>
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Restricted Cash in the Water Fund consists of the following at June 30, 2016:

2008 Water Revenue Bond - current debt service	\$ 940
2008 Water Revenue Bond - debt service reserve	9,024
2003 Water Bond - current debt service	868
2003 Water Bond - debt service reserve	10,416
2013 Refunding Bond - current debt service	<u>51,542</u>

Total Water Fund Restricted Cash	<u>\$ 72,790</u>
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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 City was, in accordance with Nevada Revised Statutes, within the legal debt limit at June 30, 2016.

<u>Year of Final Payment</u>	<u>Principal Outstanding July 1, 2015</u>	<u>Issued During Period</u>	<u>Principal Paid During Period</u>	<u>Principal Outstanding June 30, 2016</u>	<u>Principal Due in 2016 - 2017</u>
2018	\$ 41,208	\$ -	\$ 13,188	\$ 28,020	\$ 13,732
N/A	<u>59,063</u>	<u>27,016</u>	<u>40,039</u>	<u>46,040</u>	<u>46,040</u>
	<u>100,271</u>	<u>27,016</u>	<u>53,227</u>	<u>74,060</u>	<u>59,772</u>
2048	198,133	-	3,139	194,994	3,272
2027	630,000	-	40,000	590,000	45,000
2043	<u>125,103</u>	<u>-</u>	<u>22,223</u>	<u>102,880</u>	<u>6,168</u>
	<u>953,236</u>	<u>-</u>	<u>65,362</u>	<u>887,874</u>	<u>54,440</u>
N/A	<u>41,995</u>	<u>24,938</u>	<u>37,511</u>	<u>29,422</u>	<u>29,422</u>
	<u>995,231</u>	<u>24,938</u>	<u>102,873</u>	<u>917,296</u>	<u>83,862</u>
	<u>\$ 1,095,502</u>	<u>\$ 51,954</u>	<u>\$ 156,100</u>	<u>\$ 991,356</u>	<u>\$ 143,634</u>

The annual requirements to amortize all debt outstanding as of June 30, 2016, are as follows:

Governmental Activities

Year Ended June 30:	Medium Term Obligation	
	Principal	Interest
2017	\$ 13,732	\$ 1,156
2018	14,288	589
Total governmental activities	\$ 28,020	\$ 1,745

Business-type Activities

Year Ended June 30:	Revenue Bonds	
	Principal	Interest
2017	\$ 54,440	\$ 35,833
2018	54,842	33,178
2019	60,265	30,383
2020	60,704	27,444
2021	66,161	24,361
2022-2026	348,388	78,374
2027-2031	114,413	32,286
2032-2036	32,804	23,603
2037-2041	40,234	16,172
2042-2046	49,346	7,062
2047-2048	6,277	145
Total business-type activities	\$ 887,874	\$ 308,841
Total debt outstanding	\$ 915,894	\$ 310,586

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 is 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. The refunding 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. These two amounts are reflected as a deferred inflow of resources on the proprietary fund and government-wide statements of net position.

To provide for the next year payment of principal and interest on the June 25, 2003 \$200,000 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 \$133,550 payable through September 24, 2039. For the current year, principal and interest paid and total net revenues from the use of the water system were \$26,615 and \$186,580, respectively.

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 \$344,864, 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 \$11,282 and \$186,580, 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 \$718,300, 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 \$64,871 and \$186,580, respectively.

## **Note 12 - 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 workers compensation policy through a third party carrier.

Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

## **Note 13 - Postemployment Healthcare Plans**

### **Plan Description**

The City of Wells contributes to an agent multiple-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 Authority 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, 2016, five 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. Premium rates determined by PEBP are the same for all participating members. Plan members receiving benefits have their monthly contribution deducted from their pension checks based on the health plan chosen by the retiree, as reduced by the amount of the subsidy, therefore their contributions are not available. For the plan year ended June 30, 2016, retirees qualified for a monthly subsidy ranging from \$3 to \$155 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 2016, the City of Wells contributed \$1,856 to the plan.

The City of Wells was determined to be a Level 3 governmental entity for the phase-in of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, reporting requirements. This means the City of Wells should have implemented these provisions beginning in fiscal year 2010. As part of GASB 45 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 both 4.25% and 5.25% interest rates currently available to the City of Wells, 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 (phase-in of the unfunded portion of the liability) 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 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, 2016, not all information required to be reported by GASB 45 is available and therefore is not included in this report.

### **Note 14 - Subsequent Events**

On August 9, 2016, the City awarded a construction contract for work on Moor Avenue and Tobar Street totaling \$159,221. The project will be paid for with monies in the General Fund.





Required Supplementary Information  
June 30, 2016

**City of Wells**

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City of Wells  
Schedule of Revenues, Expenditures, and Changes in Fund Balances –  
Budget (Budgetary Basis) and Actual – General Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	Original	Final Budget	Actual	Variance to Final Budget	2015
Revenues					
Taxes					
Ad valorem	\$ 241,399	\$ 241,399	\$ 267,816	\$ 26,417	\$ 221,519
Licenses and permits					
Business licenses					
Business license	25,000	25,000	20,424	(4,576)	25,200
Liquor license	4,500	4,500	4,795	295	4,447
Gaming license	8,300	8,300	5,970	(2,330)	6,060
Animal license	2,300	2,300	1,666	(634)	1,966
Franchise fees					
Other	2,300	2,300	40	(2,260)	25
Permits					
Building and sign	40,000	40,000	47,560	7,560	25,681
Total licenses and permits	82,400	82,400	80,455	(1,945)	63,379
Intergovernmental revenues					
Grants					
Federal and state grants	-	220,605	220,605	-	132,450
State shared revenues					
Consolidated tax distribution	1,050,000	1,050,000	1,163,450	113,450	1,110,978
Motor vehicle fuel tax	29,683	29,683	29,726	43	29,287
Other local government shared revenues					
Gaming tax	22,000	22,000	20,768	(1,232)	18,023
Road tax commission	50,000	50,000	36,416	(13,584)	98,073
Aviation fuel tax	500	500	248	(252)	342
County option gas tax	7,980	7,980	8,072	92	7,389
Total intergovernmental revenues	1,160,163	1,380,768	1,479,285	98,517	1,396,542
Charges for services					
Police fees	7,000	7,000	4,602	(2,398)	5,742
Airport gas sales	115,000	115,000	89,543	(25,457)	102,429
Building, planning and zoning fees	250	250	153	(97)	150
Recreation fees					
Park pavilion	200	200	525	325	450
Health fees					
Cemetery charge	500	500	1,000	500	1,600
Total charges for services	122,950	122,950	95,823	(27,127)	110,371
Fines and forfeitures					
Municipal court	19,500	19,500	20,014	514	20,578
Total fines and forfeitures	19,500	19,500	20,014	514	20,578
Miscellaneous					
Investment earnings	800	800	2,619	1,819	746
Rents	55,000	55,000	37,817	(17,183)	65,289
Public defender reimbursements	900	900	150	(750)	280
Contributions - private sources	-	-	-	-	650
Other income	21,000	21,000	4,893	(16,107)	4,044
Total miscellaneous	77,700	77,700	45,479	(32,221)	71,009
Total revenues	1,704,112	1,924,717	1,988,872	64,155	1,883,398

City of Wells  
Schedule of Revenues, Expenditures, and Changes in Fund Balances –  
Budget (Budgetary Basis) and Actual – General Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

Expenditures	Original	Final Budget	Actual	Variance to Final Budget	2015
General government					
Administration					
Salaries and wages	\$ 80,700	\$ 80,700	\$ 76,473	\$ 4,227	\$ 81,068
Employee benefits	39,150	39,150	34,391	4,759	37,626
Services and supplies	65,500	61,500	56,788	4,712	73,491
Capital outlay	5,000	5,000	-	5,000	4,438
Total general government	190,350	186,350	167,652	18,698	196,623
Public Safety					
Police Department					
Salaries and wages	17,500	17,500	17,178	322	16,545
Employee benefits	11,150	11,150	9,602	1,548	10,858
Services and supplies	440,700	440,700	378,415	62,285	381,655
Capital outlay	30,000	30,000	28,500	1,500	30,274
Total public safety	499,350	499,350	433,695	65,655	439,332
Health and sanitation department					
Cemetery					
Services and supplies	7,600	11,100	9,035	2,065	6,110
Culture and recreation					
Park department					
Salaries and wages	-	-	-	-	35,681
Employee benefits	-	-	-	-	18,154
Services and supplies	-	-	-	-	37,758
Capital outlay	-	-	-	-	1,339
Total culture and recreation	-	-	-	-	92,932
Public Works					
Street department					
Salaries and wages	128,000	128,000	134,263	(6,263)	125,763
Employees and benefits	64,400	64,400	63,876	524	64,355
Services and supplies	99,556	99,556	75,410	24,146	76,020
Capital outlay	220,000	220,000	233,277	(13,277)	102,066
Total public works	511,956	511,956	506,826	5,130	368,204
Airport					
Employee benefits	300	300	-	300	-
Services and supplies	119,950	125,050	95,232	29,818	109,653
Capital outlay	-	99,750	100,000	(250)	86,062
Total airport	120,250	225,100	195,232	29,868	195,715
Total public works	632,206	737,056	702,058	34,998	563,919

City of Wells  
Schedule of Revenues, Expenditures, and Changes in Fund Balances –  
Budget (Budgetary Basis) and Actual – General Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	Original	Final Budget	Actual	Variance to Final Budget	2015
Judicial					
Salaries and wages	\$ 18,000	\$ 18,000	\$ 18,055	\$ (55)	\$ 17,522
Employee benefits	8,200	8,200	6,858	1,342	6,344
Services and supplies	3,700	5,700	4,546	1,154	4,496
Total judicial	29,900	31,900	29,459	2,441	28,362
Community support					
Services and supplies	73,950	162,305	117,064	45,241	79,751
Capital outlay	-	18,500	24,704	(6,204)	-
Total community support	73,950	180,805	141,768	39,037	79,751
Debt service					
Principal	12,832	12,832	13,188	(356)	12,666
Interest	2,056	2,056	1,700	356	2,222
Total debt service	14,888	14,888	14,888	-	14,888
Contingency	20,000	20,000	-	20,000	-
Total expenditures	1,468,244	1,681,449	1,498,555	182,894	1,421,917
Excess (Deficiency) of Revenues over Expenditures	235,868	243,268	490,317	247,049	461,481
Other Financing Sources (Uses)					
Operating transfers					
Transfers-in	-	-	-	-	7,294
Transfers out	(312,800)	(312,800)	(312,800)	-	(282,572)
Total other financing sources (uses)	(312,800)	(312,800)	(312,800)	-	(275,278)
Net Change in Fund Balance	(76,932)	(69,532)	177,517	247,049	186,203
Fund Balance, Beginning of Year	1,382,410	1,382,410	1,668,550	286,140	1,482,347
Fund Balance, End of Year	\$ 1,305,478	\$ 1,312,878	\$ 1,846,067	\$ 533,189	\$ 1,668,550

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, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)

	General Fund (Budget Basis)	Fire Department Fund	Eliminations	General Fund (GAAP Basis)	2015
<b>Revenues</b>					
Taxes	\$ 267,816	\$ -	\$ -	\$ 267,816	\$ 221,519
Licenses and permits	80,455	-	-	80,455	63,379
Intergovernmental	1,479,285	1,410	-	1,480,695	1,400,447
Charges for services	95,823	-	-	95,823	110,371
Fines and forfeits	20,014	-	-	20,014	20,578
Miscellaneous revenues	45,479	6,664	-	52,143	73,182
<b>Total revenues</b>	<b>1,988,872</b>	<b>8,074</b>	<b>-</b>	<b>1,996,946</b>	<b>1,889,476</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	167,652	-	-	167,652	196,623
Public safety	433,695	63,264	-	496,959	513,679
Health and sanitation	9,035	-	-	9,035	6,110
Culture and recreation	-	-	-	-	92,932
Public works	702,058	-	-	702,058	563,919
Judicial	29,459	-	-	29,459	28,362
Community support	141,768	-	-	141,768	79,751
<b>Debt service</b>					
Principal	13,188	-	-	13,188	12,666
Interest	1,700	-	-	1,700	2,222
<b>Total expenditures</b>	<b>1,498,555</b>	<b>63,264</b>	<b>-</b>	<b>1,561,819</b>	<b>1,496,264</b>
<b>Excess (Deficiency) of</b>					
Revenues Over Expenditures	490,317	(55,190)	-	435,127	393,212
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	70,000	(70,000)	-	7,294
Transfers out	(312,800)	-	70,000	(242,800)	(192,572)
<b>Total other financing sources (uses)</b>	<b>(312,800)</b>	<b>70,000</b>	<b>-</b>	<b>(242,800)</b>	<b>(185,278)</b>
<b>Net Change in Fund Balances</b>	<b>177,517</b>	<b>14,810</b>	<b>-</b>	<b>192,327</b>	<b>207,934</b>
<b>Fund Balances, Beginning of Year</b>	<b>1,668,550</b>	<b>23,953</b>	<b>-</b>	<b>1,692,503</b>	<b>1,484,569</b>
<b>Fund Balances, End of Year</b>	<b>\$ 1,846,067</b>	<b>\$ 38,763</b>	<b>\$ -</b>	<b>\$ 1,884,830</b>	<b>\$ 1,692,503</b>

City of Wells  
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
Recreation Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2015</u>
<b>Revenues</b>					
<b>Taxes</b>					
Room tax	\$ 213,500	\$ 213,500	\$ 219,212	\$ 5,712	178,250
<b>Intergovernmental</b>					
Local government revenues					
County grants	17,000	17,000	9,336	(7,664)	15,287
<b>Charges for services</b>					
Membership and green fees	18,000	18,000	16,329	(1,671)	13,190
Season passes	20,700	20,700	12,437	(8,263)	14,235
Cart rental and storage	8,100	8,100	5,925	(2,175)	6,300
Value pack	1,700	1,700	975	(725)	975
Swimming pool fees	31,800	31,800	20,612	(11,188)	15,314
Facility Fees	1,000	1,000	-	(1,000)	6,110
Total charges for services	81,300	81,300	56,278	(25,022)	56,124
<b>Miscellaneous</b>					
Interest income	150	150	104	(46)	11
Other income	4,800	4,800	2,550	(2,250)	2,825
Total miscellaneous	4,950	4,950	2,654	(2,296)	2,836
Total revenues	316,750	316,750	287,480	(29,270)	252,497
<b>Expenditures</b>					
<b>Culture and Recreation</b>					
<b>Golf Course</b>					
Salaries and wages	73,000	76,700	79,397	(2,697)	70,537
Employee benefits	33,913	33,913	33,241	672	30,162
Services and supplies	107,150	107,150	103,039	4,111	95,558
Capital outlay	10,000	29,750	20,946	8,804	3,947
Total culture and recreation	224,063	247,513	236,623	10,890	200,204
<b>Other recreation</b>					
Salaries and wages	90,000	86,300	94,364	(8,064)	52,720
Employee benefits	49,753	43,603	34,014	9,589	25,783
Services and supplies	112,070	110,870	121,457	(10,587)	95,734
Capital outlay	10,000	5,000	1,559	3,441	5,627
Total other recreation	261,823	245,773	251,394	(5,621)	179,864
Total expenditures	485,886	493,286	488,017	5,269	380,068

City of Wells  
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
Recreation Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2015</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (169,136)	\$ (176,536)	\$ (200,537)	\$ (24,001)	(127,571)
Other Financing Sources (Uses) Operating Transfers in	<u>242,800</u>	<u>242,800</u>	<u>242,800</u>	<u>-</u>	<u>192,572</u>
Net Change in Fund Balance	73,664	66,264	42,263	(24,001)	65,001
Fund Balance, Beginning of Year	<u>5,905</u>	<u>5,905</u>	<u>61,863</u>	<u>55,958</u>	<u>(3,138)</u>
Fund Balance, End of Year	<u>\$ 79,569</u>	<u>\$ 72,169</u>	<u>\$ 104,126</u>	<u>\$ 31,957</u>	<u>61,863</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, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	Original	Final Budget	Actual	Variance to Final Budget	2015
<b>Revenues</b>					
Intergovernmental					
Federal grants	\$ 78,160	\$ 78,160	\$ 94,180	\$ 16,020	\$ 110,023
County grants	61,318	61,318	63,121	1,803	81,878
Total intergovernmental	139,478	139,478	157,301	17,823	191,901
Charges for services					
Program income	16,000	16,000	12,642	(3,358)	9,356
Miscellaneous					
Interest Income	100	100	208	108	67
Contributions	8,600	8,600	9,520	920	8,713
Other income	13,000	13,000	5,577	(7,423)	5,682
Total miscellaneous	21,700	21,700	15,305	(6,395)	14,462
Total revenues	177,178	177,178	185,248	8,070	215,719
<b>Expenditures</b>					
Culture and Recreation					
Salaries and wages	72,755	72,755	71,956	799	67,060
Employee benefits	47,644	47,644	32,000	15,644	35,811
Services and supplies	54,818	54,818	64,506	(9,688)	85,620
Total expenditures	175,217	175,217	168,462	6,755	188,491
Net Change in Fund Balance	1,961	1,961	16,786	14,825	27,228
Fund Balance, Beginning of Year	123,524	123,524	169,791	46,267	142,563
Fund Balance, End of Year	\$ 125,485	\$ 125,485	\$ 186,577	\$ 61,092	\$ 169,791

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

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	2014	2015
City's portion of net the pension liability	0.01224%	0.01131%
City's proportionate share of the net pension liability	\$ 1,274,978	\$ 1,295,498
City's covered-employee payroll	\$ 770,989	\$ 737,984
City's proportional share of the net pension liability as a percentage of its covered-employee payroll	165.37%	175.55%
Plan fiduciary net position as a percentage of the total pension liability	76.30%	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.

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

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	2015	2016
Statutorily required contribution	\$ 177,886	\$ 197,041
Contributions in relation to the statutorily required contribution	\$ 177,886	\$ 197,041
Contribution (deficiency) excess	\$ -	\$ -
Employer's covered-employee payroll	\$ 737,984	\$ 737,819
Contributions as a percentage of covered-employee payroll	24.10%	26.71%

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

**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.



Supplementary Information  
June 30, 2016

**City of Wells**

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City of Wells  
Combining Balance Sheet – Reconciliation of the General Fund (Budgetary Basis)  
to the General Fund (GAAP Basis)  
Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)

	General Fund (Budget Basis)	Fire Department Fund	Eliminations	General Fund (GAAP Basis)	2015
<b>Assets</b>					
Cash and investments	\$ 1,539,588	\$ 39,036	\$ -	\$ 1,578,624	\$ 1,574,569
Restricted cash	13,401	-	-	13,401	10,423
Accounts receivable	5,643	-	-	5,643	9,947
Taxes receivable	-	-	-	-	6,440
Due from other governments	268,402	360	-	268,762	214,247
Inventory	54,999	-	-	54,999	28,715
	<u>\$ 1,882,033</u>	<u>\$ 39,396</u>	<u>\$ -</u>	<u>\$ 1,921,429</u>	<u>\$ 1,844,341</u>
<b>Liabilities</b>					
Accounts payable	13,757	633	-	14,390	74,671
Accrued liabilities	21,609	-	-	21,609	54,367
Due to other governments	-	-	-	-	3,235
Other current liabilities	600	-	-	600	625
	<u>35,966</u>	<u>633</u>	<u>-</u>	<u>36,599</u>	<u>132,898</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue					
Received beyond 60 days	-	-	-	-	12,500
Delinquent property taxes	-	-	-	-	6,440
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,940</u>
<b>Fund Balances</b>					
Nonspendable					
Inventory	54,999	-	-	54,999	28,715
Restricted					
Debt service fund	13,401	-	-	13,401	10,423
Assigned					
Public safety	-	38,763	-	38,763	23,953
Subsequent year operations	76,932	-	-	76,932	76,932
Unassigned	1,700,735	-	-	1,700,735	1,552,480
	<u>1,846,067</u>	<u>38,763</u>	<u>-</u>	<u>1,884,830</u>	<u>1,692,503</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 1,882,033</u>	<u>\$ 39,396</u>	<u>\$ -</u>	<u>\$ 1,921,429</u>	<u>\$ 1,844,341</u>

City of Wells

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –  
Capital Improvement Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2015</u>
Revenues				
Taxes				
Ad valorem	\$ 18,000	\$ 28,113	\$ 10,113	\$ 32,836
Miscellaneous				
Interest earnings	400	3,185	2,785	1,877
Land Sales	-	-	-	500
Total miscellaneous	400	3,185	2,785	2,377
Total revenues	18,400	31,298	12,898	35,213
Expenditures				
General government				
Service and supplies	-	743	(743)	3,602
Culture and recreation				
Capital outlay	18,000	17,000	1,000	-
Total general government	18,000	17,743	257	3,602
Total expenditures	18,000	17,743	257	3,602
Net Change in Fund Balance	400	13,555	13,155	31,611
Fund Balance, Beginning of Year	61,066	67,277	6,211	35,666
Fund Balance, End of Year	<u>\$ 61,466</u>	<u>\$ 80,832</u>	<u>\$ 19,366</u>	<u>\$ 67,277</u>



City of Wells  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)

	Special Revenue Funds	Capital Projects Fund	Total	2015
<b>Assets</b>				
Cash and investments	\$ 54,629	\$ 49,886	\$ 104,515	\$ 72,226
<b>Liabilities</b>				
Accounts payable	\$ 180	\$ -	\$ 180	\$ 180
<b>Fund Balances</b>				
Restricted				
Judicial	47,246	-	47,246	44,821
Committed				
Capital projects	-	49,886	49,886	21,222
Health and sanitation	7,203	-	7,203	6,003
Total fund balances	54,449	49,886	104,335	72,046
<b>Total Liabilities and Fund Balances</b>	<b>\$ 54,629</b>	<b>\$ 49,886</b>	<b>\$ 104,515</b>	<b>\$ 72,226</b>

City of Wells  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Non-Major Governmental Funds  
Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)

	Special Revenue Funds	Capital Projects Fund	Total	2015
Revenues				
Charges for services	\$ 13,932	\$ -	\$ 13,932	\$ 13,180
Miscellaneous	-	28,664	28,664	25
Total revenues	<u>13,932</u>	<u>28,664</u>	<u>42,596</u>	<u>13,205</u>
Expenditures				
Current				
Judicial	<u>10,307</u>	-	<u>10,307</u>	<u>14,951</u>
Excess (Deficiency) of Revenues Over Expenditures	3,625	28,664	32,289	(1,746)
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,294)</u>
Net Change in Fund Balances	3,625	28,664	32,289	(9,040)
Fund Balances, Beginning of Year	<u>50,824</u>	<u>21,222</u>	<u>72,046</u>	<u>81,086</u>
Fund Balances, End of Year	<u>\$ 54,449</u>	<u>\$ 49,886</u>	<u>\$ 104,335</u>	<u>\$ 72,046</u>

### **Non-Major Special Revenue Funds**

Special Revenue Funds are 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.

Forensic Service Fund - revenues received from fines to cover the State of Nevada's forensic fees established under NRS 453.575. The fund was discontinued in the fiscal year ending June 30, 2015.

Administrative Assessment Fund - account 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 - account 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, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)

	Cemetery Perpetual Care Fund	Administrative Assessment Fund	Court Facilities Administrative Assessment Fund	Total	2015
<b>Assets</b>					
Cash and investments	\$ 7,203	\$ 15,826	\$ 31,600	\$ 54,629	\$ 51,004
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 180	\$ -	\$ 180	\$ 180
<b>Fund Balances</b>					
Restricted					
Judicial	-	15,646	31,600	47,246	44,821
Committed					
Health and sanitation	7,203	-	-	7,203	6,003
Unassigned	-	-	-	-	-
Total fund balances	7,203	15,646	31,600	54,449	50,824
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,203</b>	<b>\$ 15,826</b>	<b>\$ 31,600</b>	<b>\$ 54,629</b>	<b>\$ 51,004</b>

City of Wells  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Non-Major Special Revenue Funds  
Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)

	Cemetery Perpetual Care Fund	Administrative Assessment Fund	Court Facilities Administrative Assessment Fund	Total	2015
Revenues					
Charges for services	\$ 1,200	\$ 11,042	\$ 1,690	\$ 13,932	\$ 13,180
Expenditures					
Judicial	-	10,307	-	10,307	14,951
Excess (Deficiency) of Revenues over Expenditures	1,200	735	1,690	3,625	(1,771)
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	(7,294)
Net Change in Fund Balances	1,200	735	1,690	3,625	(9,065)
Fund Balances, Beginning of Year	6,003	14,911	29,910	50,824	59,889
Fund Balances, End of Year	<u>\$ 7,203</u>	<u>\$ 15,646</u>	<u>\$ 31,600</u>	<u>\$ 54,449</u>	<u>\$ 50,824</u>

City of Wells

Schedule of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual –  
Cemetery Perpetual Care Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

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	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2015</u>
Revenues				
Charges for services				
Cemetery charges	\$ 600	\$ 1,200	\$ 600	\$ 1,000
Net Change In Fund Balance	600	1,200	600	1,000
Fund Balance, Beginning of Year	5,603	6,003	400	5,003
Fund Balance, End of Year	<u>\$ 6,203</u>	<u>\$ 7,203</u>	<u>\$ 1,000</u>	<u>\$ 6,003</u>

City of Wells  
Schedule of Revenues, Expenditures, and Changes in Fund Balances –Budget and Actual –  
Forensic Service Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2015</u>
Revenues				
Charges for services				
Forensic service fees	\$ 900	\$ -	\$ (900)	\$ 60
Excess (Deficiency) of Revenues Over Expenditures	<u>900</u>	<u>-</u>	<u>(900)</u>	<u>60</u>
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,294)</u>
Net Change in Fund Balance	900	-	(900)	(7,234)
Fund Balance, Beginning of Year	<u>8,134</u>	<u>-</u>	<u>(8,134)</u>	<u>7,234</u>
Fund Balance, End of Year	<u>\$ 9,034</u>	<u>\$ -</u>	<u>\$ (9,034)</u>	<u>\$ -</u>

City of Wells

Schedule of Revenues, Expenditures, and Changes in Fund Balances –Budget and Actual –  
Administrative Assessment Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2015</u>
Revenues				
Charges for services				
Administrative assessments	\$ -	\$ 11,042	\$ 11,042	\$ 10,550
Expenditures				
Judicial				
Services and supplies	-	10,307	(10,307)	14,951
Excess (Deficiency) of Revenues Over Expenditures	-	735	735	(4,401)
Net Change in Fund Balance	-	735	735	(4,401)
Fund Balance, Beginning of Year	17,862	14,911	(2,951)	19,312
Fund Balance, End of Year	<u>\$ 17,862</u>	<u>\$ 15,646</u>	<u>\$ (2,216)</u>	<u>\$ 14,911</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, 2016  
 (With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2015</u>
Revenues				
Charges for services				
Court facility assessment fee	\$ 1,500	\$ 1,690	\$ 190	\$ 1,570
Expenditures				
Judicial				
Services and supplies	25,000	-	25,000	-
Excess (Deficiency) of Revenues Over Expenditures	(23,500)	1,690	25,190	1,570
Net Change in Fund Balance	(23,500)	1,690	25,190	1,570
Fund Balance, Beginning of Year	29,840	29,910	70	28,340
Fund Balance, End of Year	<u>\$ 6,340</u>	<u>\$ 31,600</u>	<u>\$ 25,260</u>	<u>\$ 29,910</u>

### **Non-Major Capital Projects Fund**

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Capital Projects Funds are comprised of the following:

Pacific Addition #2 Subdivision Fund - accounts for funds from sale of land designated as Pacific Addition #2 Subdivision for use of completion of certain improvements.

City of Wells  
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Pacific Addition #2  
Subdivision Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2015</u>
Revenues				
Miscellaneous				
Land sales and fees	\$ -	\$ 28,587	\$ 28,587	\$ -
Interest earnings	300	77	(223)	25
Total revenues	<u>300</u>	<u>28,664</u>	<u>28,364</u>	<u>25</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>300</u>	<u>28,664</u>	<u>28,364</u>	<u>25</u>
Net Change in Fund Balance	300	28,664	28,364	25
Fund Balance, Beginning of Year	<u>21,497</u>	<u>21,222</u>	<u>(275)</u>	<u>21,197</u>
Fund Balance, End of Year	<u><u>\$ 21,797</u></u>	<u><u>\$ 49,886</u></u>	<u><u>\$ 28,089</u></u>	<u><u>\$ 21,222</u></u>

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

The Fire Department Fund - account 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, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2015</u>
<b>Revenues</b>				
Intergovernmental				
NDF fees	\$ 2,500	\$ 1,410	\$ (1,090)	3,905
Miscellaneous				
Fundraising income	12,500	6,664	(5,836)	1,987
Other income	-	-	-	186
	<u>12,500</u>	<u>6,664</u>	<u>(5,836)</u>	<u>2,173</u>
Total revenues	<u>15,000</u>	<u>8,074</u>	<u>(6,926)</u>	<u>6,078</u>
<b>Expenditures</b>				
Public safety				
Salaries and wages	1,200	1,200	-	1,200
Employee benefits	8,800	9,728	(928)	9,743
Services and supplies	45,700	46,352	(652)	38,404
Capital outlay	25,000	5,984	19,016	25,000
Total expenditures	<u>80,700</u>	<u>63,264</u>	<u>17,436</u>	<u>74,347</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(65,700)</u>	<u>(55,190)</u>	<u>10,510</u>	<u>(68,269)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in				
General Fund	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>90,000</u>
Net Change in Fund Balance	4,300	14,810	10,510	21,731
Fund Balance, Beginning of Year	<u>9,122</u>	<u>23,953</u>	<u>14,831</u>	<u>2,222</u>
Fund Balance, End of Year	<u>\$ 13,422</u>	<u>\$ 38,763</u>	<u>\$ 25,341</u>	<u>\$ 23,953</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 Fund Net Position – Budget and Actual  
Water Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2015</u>
Operating Revenues				
Charges for services				
Water user fees	\$ 562,500	\$ 502,656	\$ (59,844)	\$ 462,336
Total Operating Revenues	<u>562,500</u>	<u>502,656</u>	<u>(59,844)</u>	<u>462,336</u>
Operating Expenses				
Administration				
Salaries and wages	136,913	117,071	19,842	126,869
Employee benefits	67,050	50,586	16,464	61,046
Services and supplies	<u>219,141</u>	<u>151,075</u>	<u>68,066</u>	<u>151,101</u>
Operating expenses before depreciation	<u>423,104</u>	<u>318,732</u>	<u>104,372</u>	<u>339,016</u>
Depreciation	<u>134,700</u>	<u>126,792</u>	<u>7,908</u>	<u>128,312</u>
Total operating expenses	<u>557,804</u>	<u>445,524</u>	<u>112,280</u>	<u>467,328</u>
Operating Income (Loss)	<u>4,696</u>	<u>57,132</u>	<u>52,436</u>	<u>(4,992)</u>
Nonoperating Revenues (Expenses)				
Interest income	200	467	267	134
Interest expense	(40,105)	(38,235)	1,870	(40,418)
Amortization	<u>-</u>	<u>3,909</u>	<u>3,909</u>	<u>3,909</u>
Total nonoperating revenues (expenses)	<u>(39,905)</u>	<u>(33,859)</u>	<u>6,046</u>	<u>(36,375)</u>
Income (Loss) Before Capital Contributions	<u>(35,209)</u>	<u>23,273</u>	<u>58,482</u>	<u>(41,367)</u>
Capital Contributions				
Connection fees	<u>-</u>	<u>27,496</u>	<u>27,496</u>	<u>3,500</u>
Change in Net Position	<u>\$ (35,209)</u>	<u>50,769</u>	<u>\$ 85,978</u>	<u>(37,867)</u>
Net Position, Beginning of Year		<u>1,829,410</u>		<u>1,867,277</u>
Net Position, End of Year		<u>\$ 1,880,179</u>		<u>\$ 1,829,410</u>

City of Wells  
Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual  
Sewer Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	Budget	Actual	Variance to Final Budget	2015
Operating Revenues				
Charges for services				
Sewer user fees	\$ 296,000	\$ 267,594	\$ (28,406)	\$ 252,973
Miscellaneous				
Other	42,000	-	(42,000)	2,325
Total operating revenues	<u>338,000</u>	<u>267,594</u>	<u>(70,406)</u>	<u>255,298</u>
Operating Expenses				
Administration				
Salaries and wages	129,882	115,693	14,189	125,440
Employee benefits	66,400	49,848	16,552	59,643
Services and supplies	83,850	70,399	13,451	69,147
Operating expenses before depreciation	<u>280,132</u>	<u>235,940</u>	<u>44,192</u>	<u>254,230</u>
Depreciation	<u>60,000</u>	<u>41,071</u>	<u>18,929</u>	<u>48,010</u>
Total operating expenses	<u>340,132</u>	<u>277,011</u>	<u>63,121</u>	<u>302,240</u>
Operating Income (Loss)	<u>(2,132)</u>	<u>(9,417)</u>	<u>(7,285)</u>	<u>(46,942)</u>
Nonoperating Revenues (Expenses)				
Sewer improvement user fees	-	21,223	21,223	22,194
Interest income	400	1,152	752	348
Total nonoperating revenues (expenses)	<u>400</u>	<u>22,375</u>	<u>21,975</u>	<u>22,542</u>
Income (Loss) Before Capital Contributions	<u>(1,732)</u>	<u>12,958</u>	<u>14,690</u>	<u>(24,400)</u>
Capital Contributions				
Federal grants	-	-	-	3,300
Connection fees	3,000	6,000	3,000	(3,000)
Total capital contributions	<u>3,000</u>	<u>6,000</u>	<u>3,000</u>	<u>300</u>
Change in Net Position	<u>\$ 1,268</u>	18,958	<u>\$ 17,690</u>	(24,100)
Net Position, Beginning of Year		<u>605,869</u>		<u>629,969</u>
Net Position, End of Year		<u>\$ 624,827</u>		<u>\$ 605,869</u>



City of Wells  
Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual  
Sanitation Fund  
Year Ended June 30, 2016  
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>	<u>2015</u>
Operating Revenues				
Charges for services				
Sanitation fees	\$ 246,900	\$ 256,843	\$ 9,943	\$ 248,516
Operating Expenses				
Administration				
Salaries and wages	12,804	12,169	635	9,000
Employee benefits	6,796	4,580	2,216	4,274
Services and supplies	223,100	226,611	(3,511)	233,433
Operating expenses before depreciation	242,700	243,360	(660)	246,707
Depreciation	3,500	2,939	561	2,940
Total operating expenses	246,200	246,299	(99)	249,647
Operating Income (Loss)	700	10,544	9,844	(1,131)
Change in Net Position	<u>\$ 700</u>	10,544	<u>\$ 9,844</u>	(1,131)
Net Position, Beginning of Year		56,763		57,894
Net Position, End of Year		<u>\$ 67,307</u>		<u>\$ 56,763</u>

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Compliance Section  
June 30, 2016

**City of Wells**

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**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  
Wells, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wells, State of Nevada as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the City of Wells' basic financial statements, and have issued our report thereon dated November 28, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Wells' internal control over financial reporting (internal control) to determine the 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 of Wells' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Wells' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

*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. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness. (2016-A)

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

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

### **City of Wells, State of Nevada's Response to Findings**

The City of Wells' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Wells' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Elko, Nevada  
November 28, 2016

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**2016-A      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, 2016, we proposed the following material audit adjustments to properly state various account balances in order to fairly present the financial statements in accordance with generally accepted accounting principles:

- An adjustment for recording room tax receivables and revenues totaling \$27,087.
- An adjustment for recording cash and due from other governments in the incorrect fund totaling \$4,574.
- An adjustment for reporting compensated absences in the incorrect fund totaling \$4,753.
- An adjustment for recording revenues and due from other governments for the capital projects tax totaling \$5,752.

*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:* Management has recorded the correcting journal entry and updated the financial statements for presentation related matters. Inadequate review to ensure transactions are properly accounted for may result in a material misstatement to the City's financial statements.

*Recommendation:* Management should 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.



CPAs & BUSINESS ADVISORS

## Auditor's Comments

The Board of Directors  
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, 2016, 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's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

### **Current Year Statute Compliance**

The City of Wells conformed to all significant statutory constraints on its financial administration during the year except for those items identified in Note 3 of the accompanying financial statements.

### **Progress on Prior Year Statute Compliance**

In the prior year, apparent violations of NRS 354.626 occurred in various funds. The City monitored expenditures during the current year in order to prevent over expenditures, however, as reported in Note 3 to the financial statements, there were isolated instances of overexpenditures at June 30, 2016.

### **Disposition of Prior Year Recommendations**

All findings were corrected, except for 2015-A which is included in the Schedule of Findings and Responses as finding 2016-A.

### **Current Year Audit Recommendations**

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

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

Elko Nevada  
November 28, 2016

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City of Wells

Schedule of Fees Imposed Subject to the Provision of NRS 354.5989 Limitation of Fees for Business Licenses  
Year Ended June 30, 2016

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Flat Fixed Fees	
Business license revenue for the year ended June 30, 1991 (base year) adjusted through June 30, 2015	\$ 23,476
Adjustment to Base	
Base year adjusted percentage increase in population of the local government	7.90%
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	0.50%
	8.40%
	1,972
Adjusted Base at June 30, 2016	25,448
Actual Revenue	20,424
Amount Over (Under) Allowable Amount	\$ (5,024)

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