

CITY OF SIDNEY, NEBRASKA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019  
AND  
ACCOUNTANT'S OPINION THEREON

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Sidney, Nebraska 69162

### 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 Sidney (the City), Sidney, Nebraska, as of and for the year ended September 30, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

### ***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, as of September 30, 2019, 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 and budgetary comparison information on pages 4 through 9 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our

testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rauner & Associates P.C." in a cursive, flowing script.

Rauner & Associates, P.C.  
Sidney, Nebraska

January 31, 2020



## CITY OF SIDNEY, NEBRASKA Management's Discussion and Analysis

As financial management of the municipal government, we offer readers of this financial statement an overview and analysis of the financial activities of the City of Sidney, Nebraska for the fiscal year ended September 30, 2019. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the government's financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns. The Management's Discussion and Analysis (MD&A) is designed to focus on the activities of the current fiscal year ended September 30, 2019, the resulting changes and currently known facts. It should be read in conjunction with the City's financial statements that begin with Exhibit A.

### FINANCIAL HIGHLIGHTS

- ◆ The assets of the city (Exhibit A) exceeded its liabilities as of September 30, 2019 by \$77,572,030 (net position). Of this amount \$21,851,802 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The City's total net position increased by \$2,531,663 in comparison to the prior year. Of the increase, \$1,505,353 or 59% was an increase in governmental activities and \$1,026,310 or 41% related to business-type activities.
- ◆ The City's Governmental Fund Balance Sheet (Exhibit C) as of September 30, 2019 shows an increase from \$17,819,347 to \$19,280,602 in comparison with the prior year which is an increase of \$1,461,255. Deferred Inflows of Resources in the amount of \$4,522,308 is \$269,888 less than last year. This is uncollected property tax and special assessment revenues that are not available to pay for current period expenditures and, therefore, are deferred in the funds. In past reports, these were shown as Deferred Revenue liability. Current year Fund Balances are as follows: Nonspendable Fund Balance - .29% or \$42,177 (which is the Golf Inventory) is defined as amounts that are not in a spendable form or are required to be maintained intact. Restricted Fund Balance - 53.55% or \$7,637,204 (which is Street and Debt Service carryover funds) is defined as amounts constrained to specific purposes by their providers, through constitutional provisions or by enabling legislation. Committed Fund Balance - 20.78% \$2,963,841 which is \$1,218,802 in the General Fund (of which approximately \$1,126,558 is committed to the Insurance Reserve Fund), \$1,659,319 is Capital Projects, LB840 Economic Development, Cemetery Perpetual Care, Golf Development, Unemployment, golf credit card balances, Dare, Boy Scouts, and the Economic Development Fund) is defined as amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed amounts that cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. Unassigned Fund Balance - 25.38% or \$3,619,532 (which is all other General Fund assets) is defined as amounts that are available for any purpose - positive amounts are reported only in the General Fund.
- ◆ The City's Statement of Net Position for Proprietary Funds/Business-Type Activities - Enterprise Funds (Exhibit G) as of September 30, 2019, indicate there was an increase in the net position of \$1,026,310 compared to \$889,758 in 2018. The Electric Department realized an increase in Net Position for FY2019 year-end while the Water, Sewer, and Landfill funds realized small decreases (Exhibit H). Operating Revenues were higher this year in Landfill but lower in Water, Sewer and Electric. Operating Expenses were lower in Electric and Water, but higher Sewer and Landfill.
- ◆ In the Statement of Cash Flows for Proprietary Funds (Exhibit I), there was a net decrease in 2018 Cash and Cash Equivalents of \$454,888 and \$424,099 in 2019, decreasing due to the completion

- of capital projects in prior years and new debt payments in Landfill.
- ◆ The Governmental Activities total liabilities decreased by \$1,264,596 due to a decrease in total current liabilities and the amount of bonds being added.
  - ◆ The Business-Type Activities total liabilities shows an decrease of \$1,146,083.

### **USING THIS ANNUAL FINANCIAL REPORT**

Our government's presentation of financial statements follows the Governmental Accounting Standards Board Statement 34. The statements focus on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance the City's accountability.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS (Exhibits A & B of this report)**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner like a private-sector business. The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the year ended September 30, 2019. 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. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes, earned but unused vacation and sick leave, etc.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) or from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include most of the City's basic services including police, fire, general administration, streets, parks, cemetery, golf, library, public transportation, and economic development. Further explanation of individual line items reported for each function are: (1) General Government-Administration and Inspection; (2) Public Safety - Police and Fire; (3) Public Works-Streets; (4) Health & Social Services-Cemetery and Public Transportation; (5) Culture & Recreation-Park, Pool, Golf, and Library. The business-type activities include the Electric, Water, Sewer, and Landfill.

### **FUND FINANCIAL STATEMENTS (Exhibits C-V of this report)**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into the following three categories:

Governmental Funds are used to account for essentially the same functions reported as governmental activities. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and

Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The City maintains three individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Street Fund, and the Debt Service Fund which are considered to be major funds. Data from the non-major governmental fund (Exhibits P-Q-individual fund data) are combined into a single, aggregated presentation. They include Capital Projects, Economic Development LB840, Cemetery Perpetual Care, Golf Development, Unemployment Compensation, and Boy Scouts. The City adopts an annual appropriation budget ordinance for its General Fund and all other governmental funds. Exhibit L provides supplementary information which presents budgetary comparison information. The basic governmental fund financial statements for individual schedules for General Fund Accounts can be found on Exhibits P-T of this report.

**Proprietary Funds** are the business-type activities-enterprise funds which include the Electric, Water, Sewer, and Landfill as major enterprises. These are in Exhibits G-I of this report.

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside the government. In this report, these are shown in Exhibit J and include the Tax Increment Financing Projects, CDBG, the Volunteer Fire Department and its Auxiliary.

### **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in Exhibit K 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. The following is the Condensed Statement of Net Position and the Condensed Statement of Activities for September 30, 2019 and 2018:

City of Sidney Condensed Statement of Net Position September 30, 2019 and 2018						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>						
Current and Other Assets	\$ 18,986,255	\$ 17,422,822	\$ 16,282,839	\$ 15,967,639	\$ 35,269,094	\$ 33,390,461
Capital Assets	37,081,661	38,404,334	36,928,382	37,363,355	74,010,043	75,767,689
<b>TOTAL ASSETS</b>	<b>56,067,916</b>	<b>55,827,156</b>	<b>53,211,221</b>	<b>53,330,994</b>	<b>109,279,137</b>	<b>109,158,150</b>
<b>LIABILITIES</b>						
Long Term Liabilities Outstanding	18,607,714	19,542,258	9,609,156	10,747,131	28,216,870	30,289,389
Other Liabilities	1,819,314	2,149,366	1,670,920	1,679,028	3,490,234	3,828,394
<b>TOTAL LIABILITIES</b>	<b>20,427,028</b>	<b>21,691,624</b>	<b>11,280,076</b>	<b>12,426,159</b>	<b>31,707,104</b>	<b>34,117,783</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	17,322,226	17,762,662	27,649,060	26,944,527	44,971,286	44,707,189
Restricted	7,722,924	6,395,961	3,026,018	2,875,481	10,748,942	9,271,442
Unrestricted	10,595,735	9,976,909	11,256,067	11,084,827	21,851,802	21,061,736
<b>TOTAL NET POSITION</b>	<b>\$ 35,640,885</b>	<b>\$ 34,135,532</b>	<b>\$ 41,931,145</b>	<b>\$ 40,904,835</b>	<b>\$ 77,572,030</b>	<b>\$ 75,040,367</b>

City of Sidney  
Condensed Statement of Activities  
September 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,511,638	\$ 1,550,561	\$ 13,813,914	\$ 13,940,816	\$ 15,325,552	\$ 15,491,377
Operating Grants and Contributions	1,056,034	1,060,489	-	-	1,056,034	1,060,489
Capital Grants and Contributions	705,219	458,566	-	-	705,219	458,566
<b>General Revenues:</b>						
Property Taxes	2,287,149	2,485,748	-	-	2,287,149	2,485,748
Sales and Use Tax	3,791,640	3,396,552	-	-	3,791,640	3,396,552
Other Local Taxes	529,003	544,409	-	-	529,003	544,409
Motor Vehicle Taxes	131,902	134,991	-	-	131,902	134,991
Intergovernmental Revenues	224,398	238,733	-	-	224,398	238,733
Franchise Fees	867,338	839,115	-	-	867,338	839,115
Miscellaneous State Revenues	135,180	152,012	-	-	135,180	152,012
Investment Income	13,350	16,178	133,517	83,772	146,867	99,950
Miscellaneous Revenues	174,026	223,901	597,205	559,978	771,231	783,879
Bond Premiums	-	55,099	-	-	-	55,099
Debt Forgiveness	-	-	-	3,463	-	3,463
Insurance Proceeds	-	156,885	-	-	-	156,885
<b>Total Revenues</b>	<b>11,426,877</b>	<b>11,313,239</b>	<b>14,544,636</b>	<b>14,588,029</b>	<b>25,971,513</b>	<b>25,901,268</b>
<b>Expenses:</b>						
General Government	2,491,808	2,573,176	-	-	2,491,808	2,573,176
Public Safety	1,508,032	1,759,193	-	-	1,508,032	1,759,193
Public Works	2,632,950	2,553,060	-	-	2,632,950	2,553,060
Health & Social Services	366,722	368,719	-	-	366,722	368,719
Culture and Recreation	2,333,744	2,453,638	-	-	2,333,744	2,453,638
Interest on Long-Term debt	588,268	744,397	-	-	588,268	744,397
Electric	-	-	8,604,063	8,892,439	8,604,063	8,892,439
Water	-	-	1,961,327	2,081,261	1,961,327	2,081,261
Sewer	-	-	1,243,067	1,237,127	1,243,067	1,237,127
Landfill	-	-	1,709,869	1,487,444	1,709,869	1,487,444
<b>Total Expenses</b>	<b>9,921,524</b>	<b>10,452,183</b>	<b>13,518,326</b>	<b>13,698,271</b>	<b>23,439,850</b>	<b>24,150,454</b>
<b>Increase in Net Assets</b>	<b>1,505,353</b>	<b>861,056</b>	<b>1,026,310</b>	<b>889,758</b>	<b>2,531,663</b>	<b>1,750,814</b>
<b>Net Assets - Beginning</b>	<b>34,135,532</b>	<b>33,274,476</b>	<b>40,904,835</b>	<b>40,015,077</b>	<b>75,040,367</b>	<b>73,289,553</b>
<b>Net Assets - Ending</b>	<b>\$ 35,640,885</b>	<b>\$ 34,135,532</b>	<b>\$ 41,931,145</b>	<b>\$ 40,904,835</b>	<b>\$ 77,572,030</b>	<b>\$ 75,040,367</b>

### GOVERNMENTAL ACTIVITIES

As earlier stated in the Financial Highlights, governmental activities increased the City's net position by \$1,505,353, accounting for 59% of the total growth in the net assets of the City of Sidney. The Governmental Activities had an increase in capital position due to approximately \$923,913 in capital assets recorded in the current period, i.e. additions to structures, buildings, vehicles, equipment and infrastructure throughout the Governmental funds. See Exhibit D and Exhibit K, Note 3, Section B on Page 28 and 29 for details as well as increase in non-current liabilities.

### BUSINESS-TYPE ACTIVITIES

Business-Type activities (see Exhibit H) increased the city's net position by \$1,026,310, accounting for 41% of the total growth in the government's net position. Some explanatory remarks regarding this statement are as follows: the overall operating revenues for business-type activities decreased by \$89,675, Electric Fund increased in net position - \$1,279,334 vs. \$1,067,872 in 2018, Water Fund change in net position was \$(34,540) vs. \$(32,937) in 2018 due to less operating revenues, Sewer reflected \$(114,122) change in net position vs. \$(52,025) in 2018 which is also due to lower operating revenues, and Landfill reflected a loss of \$(104,362) in net assets in 2019.

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

#### GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing

requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As per Resolution No. 20120102, adopted by the City Council on January 10, 2012, a Fund Balance Policy in Accordance with GASB 54 was adopted. The following categories are in compliance with that resolution: As of September 30, 2019, the City's Governmental Funds reported combined ending fund balances of \$14,262,754 an increase of \$2,197,237 in comparison with the prior year.

The Governmental Funds are the chief operating funds of the City. As of September 30, 2019, the **Nonspendable Fund** balance of the General Fund was \$42,177 which represents the Golf Course inventory; the **Committed Fund** was \$2,963,841. Committed Funds includes the Payroll Insurance Reserve Account and Economic Development funds; the **Unassigned Fund** was \$3,619,532 which is the remainder of the Governmental Fund Balances; and **Restricted Funds** was \$7,637,204 which is committed for Street Department and Debt Service. Total Liabilities, Deferred Inflows of Resources and Fund Balance for Governmental Funds was \$495,540. As a measure of the Governmental Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 66.49% of total general fund expenditures, while Total Liabilities, Deferred Inflows of Resources and Fund Balance represents 89.66% of that same amount. The fund balance of the City's General Fund increased by \$806,773 during this fiscal year.

The Street Fund had a total restricted fund balance of \$4,694,281, which was carried over to the next fiscal year budget to fund scheduled street projects. The Debt Service Fund had a total restricted fund balance of \$2,942,923 which is entirely reserved for debt payments. The other non-major Governmental Funds had a total committed fund balance of \$1,659,319 which include Capital Projects, Economic Development, Cemetery Perpetual Care, Golf Development, Unemployment and Boy Scouts.

#### **PROPRIETARY FUNDS**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Sewer, Water, Electric, and Landfill amounted to a total of \$10,150,755. Restricted Assets for the same funds consist of \$270,481 for Customer Deposits, \$1,105,312 for Capital Improvements, \$1,539,256 for Debt Service, and \$1,216,281 for Landfill Closure Costs. Factors concerning the finances of these funds have already been addressed in the discussion of the city's business-type activities.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

There was no difference between the original advertised budget and the final approved budget. The budget relies heavily on sales and property tax revenue. This year the sales tax revenue came in approximately \$159,257 over budget in General Fund and \$69,285 over budget in the Street Fund. The overall General Fund was under budget due to grants issued being budgeted but not received and consequently no expenditures made in this fund. Also, bond issues were budgeted for but only partially received. In the Street Fund, a contributing factor in the variance between the income and expense side was street projects that were in the budget but were not completed in this fiscal year and had to be carried over to the next budget.

The budget and budgetary accounting process for the municipality is explained in detail in Exhibit M Notes to the Required Supplementary Information that accompanies the schedule entitled Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Major Special Revenue Fund - Budgetary Basis.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

This year's changes in assets and long-term debt are explained in detail in Note 3 of the Financial Statements. The long-term debt is explained in Notes to the Financial Statements in categories for General Obligation, Special Assessment Bonds, Notes Payable, Capital Leases and Proprietary Fund illustrating the changes throughout the fiscal year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Economic factors and conditions which may affect future budgets and revenues:

During the first half of this decade, Sidney saw unprecedented growth along with uncertainty in some areas of business created by outside private forces. Oil and gas prices are still at levels that are far below historic highs earlier this decade. That affected some local energy projects related to oil and gas production, including one company in the area which produced coated piping for oil production which closed, and now has reopened with increased drilling activity in western Nebraska and adjoining states. Even more significant is the affect energy prices have had on the coal market (mainly in NE Wyoming) and the subsequent impact on both railroads running through Sidney as the demand for coal and the price of coal has dropped significantly in favor of cheaper natural gas from fracking. This has reduced the train traffic in the area and thus the staffing necessary to facilitate that rail traffic.

More locally, CommScope, maker of copper wiring and fiber was purchased by a company from back east and was subsequently consolidated with their other locations and the Sidney facility was closed. This move adversely affected Anderson Forest products (maker of pallets and wooden spools) which then significantly reduced production. Of even larger impact locally is the purchase by Bass Pro of Cabela's, Sidney's largest employer with almost 2,000 employees and the reorganization/consolidation has led to a staffing reduction in Sidney of an estimated 1700 positions. This move had directly affected home sales which slowed significantly for a period, and prices dropped as more houses entered the market. Previously homes were a scarce commodity in Sidney. Over the last year to year and a half, home sales skyrocketed with 8 -10 homes closing each week. Over 900 new 'family units" have moved to Sidney over the last three years due to housing and job availability. There are less than 70 homes available for sale at the moment. Retail sales have dropped significantly as six figure salaries to a large extent have disappeared from the economy and have been replaced by blue collar workers and retirees looking for a lower cost and more relaxed lifestyle.

In other good news in that earlier 4-5 year period, new construction in the area included a new hospital, new office headquarters building for Cabela's and remodeling and renovation of other Cabela's facilities, two new hotels, a new Appleby's, a new Love's truck stop with apartments, an IHOP, and a truck service facility, a renovated hotel complex, new roads to facilitate proposed new housing projects, a new apartment complex, new trails, a new water park, a new airport terminal, a new private commercial development park, utilities and roads were built in the City's industrial park (now with its first new business), and the industrial park outside of town has added more property, more rail lines (already served by three railroads) and Bell Pole to its already burgeoning repertoire. New and expanding businesses in and around Sidney over the last three years include Lukjan Metals, Progress Rail, a new medical clinic, an emergency care facility, Agri-plastics, Sand Hills Publishing, GL Huyett, 308 Ag, UST Global/Xpansion, Vitalix, NexGen, Highby Outdoors, Worldwide Trophy Adventures, an expanded Bomgaars and the pipe coating business is back open, with more businesses approaching the City and State each week regarding opening new facilities in Sidney.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Manager or City Clerk/Treasurer's Office (telephone number 308-254-5300 and email address – [esadler@cityofsidney.org](mailto:esadler@cityofsidney.org) or [finance@cityofsidney.org](mailto:finance@cityofsidney.org)) at 1115 13<sup>th</sup> Avenue, Sidney, Nebraska.

  
\_\_\_\_\_  
Ed Sadler, City Manager

  
\_\_\_\_\_  
David Scott, City Finance Director

CITY OF SIDNEY, NEBRASKA  
GOVERNMENT-WIDE STATEMENT OF NET POSITION

EXHIBIT A

September 30, 2019

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 11,543,482	\$ 3,347,794	\$ 14,891,276
Cash with Fiscal Agent	266,765	-	266,765
Equity in Pooled Cash and Investments	2,073,057	7,278,395	9,351,452
Receivables (Net of Allowances for Uncollectibles)			
Taxes	745,669	-	745,669
Accounts	-	1,066,031	1,066,031
Special Assessments	4,609,060	10,830	4,619,890
Accrued Interest	392	5,223	5,615
Interfund Balances	(310,333)	310,333	-
Inventory	42,177	422,393	464,570
Bond Issue Costs	15,983	2,768	18,751
Discount on Bonds Payable	-	2,491	2,491
Restricted Assets			
Cash and Cash Equivalents	-	2,919,320	2,919,320
Investments	-	788,995	788,995
Equity in Pooled Cash and Investments	-	128,266	128,266
Capital Assets:			
Land and Land Improvements	2,045,410	1,738,338	3,783,748
Buildings and Structures	5,726,204	25,528,019	31,254,223
Vehicles	2,839,757	1,504,684	4,344,441
Equipment	4,098,222	9,659,270	13,757,492
Infrastructure	39,737,249	31,806,960	71,544,209
Accumulated Depreciation	(17,365,181)	(33,308,889)	(50,674,070)
<b>TOTAL ASSETS</b>	<b>56,067,913</b>	<b>53,211,221</b>	<b>109,279,134</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Taxes Payable	-	115,927	115,927
Accounts Payable	13,322	44,298	57,620
Accrued Interest	113,198	50,088	163,286
Accrued Salaries and Employee Benefits Payable	21,646	9,007	30,653
Compensated Absences Payable within one year	71,710	19,406	91,116
Bonds, Notes and Leases Payable within one year	1,520,909	1,161,713	2,682,622
Other	78,529	-	78,529
Customer Deposits Payable	-	270,481	270,481
<b>Total Current Liabilities</b>	<b>1,819,314</b>	<b>1,670,920</b>	<b>3,490,234</b>
Non-Current Liabilities:			
Construction & Demolition Landfill Closure Costs	-	56,352	56,352
Landfill Closure Care	-	1,236,547	1,236,547
Compensated Absences	369,188	198,648	567,836
Bonds, Notes and Leases Payable	18,238,526	8,117,609	26,356,135
<b>Total Non-Current Liabilities</b>	<b>18,607,714</b>	<b>9,609,156</b>	<b>28,216,870</b>
<b>TOTAL LIABILITIES</b>	<b>20,427,028</b>	<b>11,280,076</b>	<b>31,707,104</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	17,322,226	27,649,060	44,971,286
Restricted for:			
Debt Service	2,942,923	1,539,256	4,482,179
Street Improvements	4,780,001	-	4,780,001
Landfill Closure	-	1,216,281	1,216,281
Customer Deposits	-	270,481	270,481
Unrestricted	10,595,735	11,256,067	21,851,802
<b>TOTAL NET POSITION</b>	<b>\$ 35,640,885</b>	<b>\$ 41,931,145</b>	<b>\$ 77,572,030</b>

The Notes to the Financial Statements are an integral part of these statements.

CITY OF SIDNEY, NEBRASKA  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

EXHIBIT B

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business- Type Activities	
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities</b>							
General Government	\$ 2,491,808	\$ -	\$ 2,989	\$ 533,781	\$ (1,955,058)	\$ -	\$ (1,955,058)
Public Safety	1,508,032	-	-	-	(1,508,032)	-	(1,508,032)
Public Works	2,632,950	21,933	889,068	171,438	(1,550,511)	-	(1,550,511)
Health & Social Services	366,722	22,367	156,067	-	(188,288)	-	(188,288)
Culture and Recreation	2,333,744	1,467,338	7,930	-	(858,476)	-	(858,476)
Interest on Long-Term debt	588,268	-	-	-	(588,268)	-	(588,268)
<b>Total Governmental Activities</b>	<b>9,921,524</b>	<b>1,511,638</b>	<b>1,056,034</b>	<b>705,219</b>	<b>(6,648,633)</b>	<b>-</b>	<b>(6,648,633)</b>
<b>Business-Type Activities</b>							
Electric	8,604,063	9,317,519	-	-	-	713,456	713,456
Water	1,961,327	1,880,949	-	-	-	(80,378)	(80,378)
Sewer	1,243,067	1,097,876	-	-	-	(145,191)	(145,191)
Landfill	1,709,869	1,517,570	-	-	-	(192,299)	(192,299)
<b>Total Business-Type Activities</b>	<b>13,518,326</b>	<b>13,813,914</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>295,588</b>	<b>295,588</b>
<b>Total Primary Government</b>	<b>\$ 23,439,850</b>	<b>\$ 15,325,552</b>	<b>\$ 1,056,034</b>	<b>\$ 705,219</b>	<b>(6,648,633)</b>	<b>295,588</b>	<b>(6,353,045)</b>

General Revenues:

Taxes:

Property Taxes	2,287,149	-	2,287,149
Sales Tax	3,791,640	-	3,791,640
Other Local Taxes	202,792	-	202,792
Motor Vehicle Taxes	131,902	-	131,902
Miscellaneous Special Assessments	326,211	-	326,211
Intergovernmental Revenues	224,398	-	224,398
Franchise Fees	867,338	-	867,338
Miscellaneous State Revenues	135,180	-	135,180
Investment Income	13,350	133,517	146,867
Miscellaneous Revenues	174,026	597,205	771,231
<b>Total General Revenues and Transfers</b>	<b>8,153,986</b>	<b>730,722</b>	<b>8,884,708</b>
Change In Net Position	1,505,353	1,026,310	2,531,663
Net Position - Beginning	34,135,532	40,904,835	75,040,367
<b>Net Position - Ending</b>	<b>\$ 35,640,885</b>	<b>\$ 41,931,145</b>	<b>\$ 77,572,030</b>

Notes to the Financial Statements are an integral part of these statements.

CITY OF SIDNEY, NEBRASKA  
BALANCE SHEET  
GOVERNMENTAL FUNDS

EXHIBIT C

September 30, 2019

	General Fund	Street Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,671,342	\$ 4,694,256	\$ 2,863,419	\$ 1,314,465	\$ 11,543,482
Cash with Fiscal Agent	149,018	-	117,747	-	266,765
Equity in Pooled Cash and Investments	1,730,141	(1,938)	-	344,854	2,073,057
Receivables (Net of Allowances for Uncollectibles)					
Taxes	501,329	111,555	132,785	-	745,669
Special Assessments	-	-	4,609,060	-	4,609,060
Accrued Interest	392	-	-	-	392
Inventory	42,177	-	-	-	42,177
<b>TOTAL ASSETS</b>	<b>\$ 5,094,399</b>	<b>\$ 4,803,873</b>	<b>\$ 7,723,011</b>	<b>\$ 1,659,319</b>	<b>\$ 19,280,602</b>
<b>LIABILITIES</b>					
Liabilities					
Advances from Other Funds	\$ -	\$ -	\$ 310,333	\$ -	\$ 310,333
Accounts Payable	(587)	13,909	-	-	13,322
Compensated Absences Payable	63,676	8,034	-	-	71,710
Accrued Salaries Payable	19,717	1,929	-	-	21,646
Claims Payable	45,387	-	-	-	45,387
Deferred Claims	33,142	-	-	-	33,142
<b>Total Liabilities</b>	<b>161,335</b>	<b>23,872</b>	<b>310,333</b>	<b>-</b>	<b>495,540</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Property Tax Revenue	52,553	-	32,205	-	84,758
Uncollected Special Assessments	-	-	4,437,550	-	4,437,550
<b>Total Deferred Inflows of Resources</b>	<b>52,553</b>	<b>-</b>	<b>4,469,755</b>	<b>-</b>	<b>4,522,308</b>
<b>FUND BALANCES</b>					
Nonspendable	42,177	-	-	-	42,177
Restricted	-	4,694,281	2,942,923	-	7,637,204
Committed	1,218,802	85,720	-	1,659,319	2,963,841
Unassigned	3,619,532	-	-	-	3,619,532
<b>Total Fund Balances</b>	<b>4,880,511</b>	<b>4,780,001</b>	<b>2,942,923</b>	<b>1,659,319</b>	<b>14,262,754</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
	<b>\$ 5,094,399</b>	<b>\$ 4,803,873</b>	<b>\$ 7,723,011</b>	<b>\$ 1,659,319</b>	<b>\$ 19,280,602</b>

The Notes to the Financial Statements are an integral part of these statements.

CITY OF SIDNEY, NEBRASKA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENTS OF NET POSITION

EXHIBIT D

September 30, 2019

Total fund balance - total governmental funds		\$ 14,262,754
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		
	Governmental Capital Assets	54,446,842
	Less: Accumulated Depreciation	<u>(17,365,181)</u>
		37,081,661
Other assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:		
Bond Issue Costs		15,983
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
	Bonds and Notes Payable	19,759,435
	Compensated Absences Payable	<u>369,188</u>
		(20,128,623)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		
		(113,198)
Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds.		
		4,437,550
Property tax revenues are not available to pay for current period expenditures and, therefore are deferred in the funds.		
		84,758
		<hr/>
Net Position of Governmental Activities		<u><u>\$ 35,640,885</u></u>

The Notes to the Financial Statements are an integral part of these statements.

CITY OF SIDNEY, NEBRASKA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

EXHIBIT E

GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2019

	General Fund	Street Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 3,789,973	\$ 846,442	\$ 1,462,482	\$ 300,450	\$ 6,399,347
Special Assessments	-	-	610,235	-	610,235
Franchise Fees	867,338	-	-	-	867,338
Intergovernmental Revenues	212,417	949,131	80,457	-	1,242,005
Charges for Services	1,467,338	21,933	-	22,367	1,511,638
Interest	791	7,690	3,064	1,805	13,350
Grants	159,036	178,079	-	533,781	870,896
Donations	-	-	5,000	2,930	7,930
Miscellaneous Revenues	71,415	750	70,658	31,204	174,027
<b>Total Revenues</b>	<b>6,568,308</b>	<b>2,004,025</b>	<b>2,231,896</b>	<b>892,537</b>	<b>11,696,766</b>
<b>Expenditures</b>					
General Government	1,719,839	-	-	740,900	2,460,739
Public Safety	1,456,253	-	-	-	1,456,253
Public Works	-	892,218	-	-	892,218
Health and Social Services	355,689	-	-	-	355,689
Culture and Recreation	1,882,361	-	-	-	1,882,361
Capital Outlay	29,482	645,497	-	305,136	980,115
Bond Payments (Principal, Interest and Charges)	-	-	2,071,761	-	2,071,761
<b>Total Expenditures</b>	<b>5,443,624</b>	<b>1,537,715</b>	<b>2,071,761</b>	<b>1,046,036</b>	<b>10,099,136</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,124,684</b>	<b>466,310</b>	<b>160,135</b>	<b>(153,499)</b>	<b>1,597,630</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	156,471	217,000	373,471
Transfers Out	(317,911)	(55,560)	-	-	(373,471)
Loan Proceeds	-	599,607	-	-	599,607
<b>Total Other Financing Sources (Uses)</b>	<b>(317,911)</b>	<b>544,047</b>	<b>156,471</b>	<b>217,000</b>	<b>599,607</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>806,773</b>	<b>1,010,357</b>	<b>316,606</b>	<b>63,501</b>	<b>2,197,237</b>
<b>Fund Balances, October 1</b>	<b>4,073,738</b>	<b>3,769,644</b>	<b>2,626,317</b>	<b>1,595,818</b>	<b>12,065,517</b>
<b>Fund Balances, September 30</b>	<b>\$ 4,880,511</b>	<b>\$ 4,780,001</b>	<b>\$ 2,942,923</b>	<b>\$ 1,659,319</b>	<b>\$ 14,262,754</b>

The Notes to the Financial Statements are an integral part of these statements.

CITY OF SIDNEY, NEBRASKA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

EXHIBIT F

For the Year Ended September 30, 2019

Net change in fund balances - total governmental funds		\$ 2,197,237
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		980,115
Deletion of Retired Capital Assets	(56,201)	
Deletion of Accumulated Depreciation of Retired Capital Assets	<u>55,770</u>	(431)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(2,302,356)
Amortization expense of bond issue costs is reported in the government-wide statement of activities and changes in net position, but the amortization is not recognized as an expenditure in governmental funds.		(3,197)
The issuance of long-term debt (e.g., bonds) 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 net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when the debt is first issued, whereas the amounts 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:		
	Principal Payments on Bond Payable	1,481,844
	Issuance of Long-Term Debt	<u>(599,607)</u>
		882,237
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.		(646)
Compensated absences payments reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		22,282
Some property taxes and assessments will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues in the governmental funds.		<u>(269,888)</u>
Change in Net Position of Governmental Funds		<u>\$ 1,505,353</u>

The Notes to the Financial Statements are an integral part of these statements.

CITY OF SIDNEY, NEBRASKA  
STATEMENT OF NET POSITION

EXHIBIT G

PROPRIETARY FUNDS  
September 30, 2019

	Business-Type Activities - Enterprise Funds				
	Electric	Water	Sewer	Landfill	Totals
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 1,425,691	\$ 1,039,158	\$ 543,665	\$ 339,280	\$ 3,347,794
Equity in Pooled Cash and Investments	6,809,333	(668)	468,474	1,256	7,278,395
Receivables					
Customer Accounts - Net of Allowances for					
Uncollectible Accounts	644,069	196,036	95,418	130,508	1,066,031
Special Assessment	-	4,515	6,315	-	10,830
Advances from Other Funds	310,333	-	-	-	310,333
Accrued Interest	4,177	197	849	-	5,223
Inventory	391,752	30,641	-	-	422,393
<b>Total Current Assets</b>	<b>9,585,355</b>	<b>1,269,879</b>	<b>1,114,721</b>	<b>471,044</b>	<b>12,440,999</b>
<b>Capital Assets:</b>					
Land and Land Improvements	152,138	1,241,313	135,087	209,800	1,738,338
Buildings and Structures	5,169,121	2,678,117	14,410,507	3,270,274	25,528,019
Vehicles	797,096	58,053	371,085	278,450	1,504,684
Equipment	4,845,657	938,588	473,452	3,401,573	9,659,270
Infrastructure	10,803,198	19,873,385	1,130,377	-	31,806,960
Accumulated Depreciation	(11,021,139)	(10,870,796)	(7,087,944)	(4,329,010)	(33,308,889)
<b>Total Property and Equipment</b>	<b>10,746,071</b>	<b>13,918,660</b>	<b>9,432,564</b>	<b>2,831,087</b>	<b>36,928,382</b>
<b>Other Assets</b>					
Bond Issue Costs	-	-	-	2,768	2,768
Discount on Bonds Payable	-	-	-	2,491	2,491
Restricted Assets					
Cash and Cash Equivalents	262,684	376,198	1,046,793	1,233,645	2,919,320
Investments	200,000	304,950	230,050	53,995	788,995
Equity in Pooled Cash and Investments	93,001	20,101	15,164	-	128,266
<b>Total Other Assets</b>	<b>555,685</b>	<b>701,249</b>	<b>1,292,007</b>	<b>1,292,899</b>	<b>3,841,840</b>
<b>TOTAL ASSETS</b>	<b>20,887,111</b>	<b>15,889,788</b>	<b>11,839,292</b>	<b>4,595,030</b>	<b>53,211,221</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Taxes Payable	115,927	-	-	-	115,927
Accounts Payable	40,596	799	1,525	1,378	44,298
Accrued Interest	-	31,003	9,358	9,727	50,088
Compensated Absences Payable Within One Year	7,671	2,775	2,548	6,412	19,406
Bonds, Notes and Leases Payable Within One Year	-	735,849	204,864	221,000	1,161,713
Accrued Salaries and Employee Benefits	3,976	1,606	1,131	2,294	9,007
Customer Deposits	262,680	4,675	-	3,126	270,481
<b>Total Current Liabilities</b>	<b>430,850</b>	<b>776,707</b>	<b>219,426</b>	<b>243,937</b>	<b>1,670,920</b>
<b>Long-Term Liabilities</b>					
Compensated Absences Payable	80,561	30,742	22,217	65,128	198,648
Closure Costs	-	-	-	1,236,547	1,236,547
Construction & Demolition Landfill Closure Costs	-	-	-	56,352	56,352
Bonds and Notes Payable	-	4,074,412	2,195,197	1,848,000	8,117,609
<b>Total Long-Term Liabilities</b>	<b>80,561</b>	<b>4,105,154</b>	<b>2,217,414</b>	<b>3,206,027</b>	<b>9,609,156</b>
<b>TOTAL LIABILITIES</b>	<b>511,411</b>	<b>4,881,861</b>	<b>2,436,840</b>	<b>3,449,964</b>	<b>11,280,076</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	10,746,071	9,108,399	7,032,503	762,087	27,649,060
Restricted for:					
Customer Deposits	262,680	4,675	-	3,126	270,481
Capital Improvements	75,483	309,145	649,325	71,359	1,105,312
Debt Service	200,000	696,574	642,682	-	1,539,256
Landfill Closure Costs	-	-	-	1,216,281	1,216,281
Unrestricted	9,091,466	889,134	1,077,942	(907,787)	10,150,755
<b>TOTAL NET POSITION</b>	<b>\$ 20,375,700</b>	<b>\$ 11,007,927</b>	<b>\$ 9,402,452</b>	<b>\$ 1,145,066</b>	<b>\$ 41,931,145</b>

The Notes to the Financial Statements are an integral part of these statements.

CITY OF SIDNEY, NEBRASKA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

EXHIBIT H

PROPRIETARY FUNDS  
For the Year Ended September 30, 2019

	Business-Type Activities - Enterprise Funds				
	Electric	Water	Sewer	Landfill	Total
Operating Revenue					
Charges for Services	\$ 9,317,519	\$ 1,880,949	\$ 1,097,876	\$ 1,517,570	\$ 13,813,914
Miscellaneous	481,940	38,244	20,740	56,281	597,205
Total Operating Revenue	<u>9,799,459</u>	<u>1,919,193</u>	<u>1,118,616</u>	<u>1,573,851</u>	<u>14,411,119</u>
Operating Expenses					
Administration	748,612	730,412	672,626	661,811	2,813,461
Distribution	7,299,955	294,500	-	-	7,594,455
Operation	-	169,952	156,647	611,000	937,599
Depreciation	555,496	652,731	380,948	354,864	1,944,039
Amortization	-	-	-	784	784
Total Operating Expenses	<u>8,604,063</u>	<u>1,847,595</u>	<u>1,210,221</u>	<u>1,628,459</u>	<u>13,290,338</u>
Operating Income (Loss)	<u>1,195,396</u>	<u>71,598</u>	<u>(91,605)</u>	<u>(54,608)</u>	<u>1,120,781</u>
Non-Operating Revenue (Expense)					
Interest Income	83,938	7,594	10,329	31,656	133,517
Interest Expense	-	(113,732)	(32,846)	(81,410)	(227,988)
Total Other Revenue (Expense)	<u>83,938</u>	<u>(106,138)</u>	<u>(22,517)</u>	<u>(49,754)</u>	<u>(94,471)</u>
Income (Loss) Before Contributions & Transfers	1,279,334	(34,540)	(114,122)	(104,362)	1,026,310
Net Position at Beginning of Year	<u>19,096,366</u>	<u>11,042,467</u>	<u>9,516,574</u>	<u>1,249,428</u>	<u>40,904,835</u>
Net Position at End of Year	<u>\$ 20,375,700</u>	<u>\$ 11,007,927</u>	<u>\$ 9,402,452</u>	<u>\$ 1,145,066</u>	<u>\$ 41,931,145</u>

The Notes to the Financial Statements are an integral part of these statements.

CITY OF SIDNEY, NEBRASKA  
STATEMENT OF CASH FLOWS

EXHIBIT I

PROPRIETARY FUNDS  
For the Year Ended September 30, 2019

	Business-Type Activities - Enterprise Funds				Total
	Electric	Water	Sewer	Landfill	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received from Customers	\$ 9,868,664	\$ 1,901,950	\$ 1,137,307	\$ 1,504,513	\$ 14,412,434
Cash Received from Other Funds for Services	-	-	-	52,971	52,971
Other Cash Operating Receipts	-	38,244	-	3,310	41,554
Cash Payments to Suppliers and Employees for Goods and Services	(7,957,871)	(1,225,357)	(845,150)	(1,271,924)	(11,300,302)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>1,910,793</b>	<b>714,837</b>	<b>292,157</b>	<b>288,870</b>	<b>3,206,657</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Advance of Interfund Receivable	41,046	-	-	-	41,046
<b>NET CASH (USED FOR) NONCAPITAL FINANCING ACTIVITIES</b>	<b>41,046</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,046</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>					
Acquisition and Construction of Capital Assets	(1,297,119)	(1,200)	-	(242,013)	(1,540,332)
Principal Paid on Bonds and Notes Payable	-	(718,348)	(202,160)	(219,000)	(1,139,508)
Interest Paid	-	(118,831)	(34,025)	(75,179)	(228,035)
<b>NET CASH (USED FOR) CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(1,297,119)</b>	<b>(838,379)</b>	<b>(236,185)</b>	<b>(536,192)</b>	<b>(2,907,875)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on Investments	87,443	9,178	11,556	31,656	139,833
(Increase) Decrease in Investments	(883,620)	(4,072)	(845)	(15,223)	(903,760)
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>(796,177)</b>	<b>5,106</b>	<b>10,711</b>	<b>16,433</b>	<b>(763,927)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(141,457)	(118,436)	66,683	(230,889)	(424,099)
Cash and Cash Equivalents, October 1	1,829,832	1,533,792	1,523,775	1,803,814	6,691,213
Cash and Cash Equivalents, September 30	<b>\$ 1,688,375</b>	<b>\$ 1,415,356</b>	<b>\$ 1,590,458</b>	<b>\$ 1,572,925</b>	<b>\$ 6,267,114</b>
<b>Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ 1,195,396	\$ 71,598	\$ (91,605)	\$ (54,608)	\$ 1,120,781
Adjustments to Reconcile Net Income to Net Cash Provided by Operations					
Depreciation and Amortization	555,496	652,731	380,948	355,647	1,944,822
(Increase) Decrease in Receivables	33,420	21,516	18,691	(13,446)	60,181
(Increase) Decrease in Inventories	61,105	(4,970)	-	-	56,135
Increase (Decrease) in Taxes and Accounts Payable	12,751	(19,614)	(13,445)	(27,859)	(48,167)
Increase (Decrease) in Other Accruals	38,790	-	(654)	34,636	72,772
Increase (Decrease) in Compensated Absences Payable	328	3,653	4,207	5,870	14,058
Increase (Decrease) in Accrued Salaries Payable	(22,278)	(9,562)	(5,985)	(11,760)	(49,585)
Increase (Decrease) in Customer Deposits Payable	35,785	(515)	-	390	35,660
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ 1,910,793</b>	<b>\$ 714,837</b>	<b>\$ 292,157</b>	<b>\$ 288,870</b>	<b>\$ 3,206,657</b>

The Notes to the Financial Statements are an integral part of these statements.

CITY OF SIDNEY, NEBRASKA  
STATEMENT OF FIDUCIARY NET POSITION

EXHIBIT J

AGENCY FUND  
September 30, 2019

<b>Assets</b>	
Cash	\$ 425,642
Total Assets	<u>\$ 425,642</u>
<b>Liabilities</b>	
Due to Projects	\$ 265,204
Due to Other Governments	160,438
Total Liabilities	<u>\$ 425,642</u>

Notes to the Financial Statements are an integral part of these statements.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. Reporting Entity**

The City Council (the Council) is the basic level of government, which has oversight responsibility and control over all activities related to the City of Sidney (the City). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The City receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

**Component Units**

The financial statements of the City include the accounts of all City operations. The financial statements include the following component unit:

1. The Sidney Area Solid Waste Agency is a blended component unit, meaning although it is a legally separate entity, it is in substance part of the City's operations. The agency was created pursuant to Sections 13-801 to 13-827 of R.R.S. Nebraska 1943 as amended and is the owner of the Sidney Area's Solid Waste Landfill. The City and the Agency entered into an agreement whereas the City has been designated manager and operator of the Sidney Area Solid Waste Landfill. The agency is included in the Landfill Enterprise Fund.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. Fiduciary activities, whose resources are not available to finance the City's programs, are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. 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 given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the total economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is 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 revenue as soon as all eligibility requirements have been met.

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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 a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, sales taxes, highway user fees, interdepartmental charges, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Special assessments are recorded as revenues in the year the assessments become current. Annual installments not yet due are reflected as special assessment receivables and deferred revenues. Other revenue items are considered to be measurable and available only when cash is received by the City.

Government funds include the following fund types:

The general fund is the government'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 special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditure for specific purposes. These, for the City, happen to be part of the City's non-major governmental funds that the City hold. They are the Economic Development, Cemetery, Golf Development, Unemployment and a Boy Scout Fund.

The debt service fund accounts for the servicing of general long-term debt not being financed by proprietary funds.

The capital projects fund accounts for the purchase of fixed assets, the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds, and the future acquisition of capital endeavors. Funding sources include debt proceeds, intergovernmental sources, third party contributions and General Fund operating transfers.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund.

The Street Fund accounts for the resources accumulated and payments made for the maintenance, construction, and improvement of the streets in the City.

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related expenses of general long-term debt paid primarily from taxes. The fund balance of the Debt Service Fund is reserved to signify that the amounts are restricted exclusively for debt service expenditures.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included in the Statement of Net Position. The City reports the following major enterprise funds:

The Electric Fund accounts for the activities of the City's electric distribution operations. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Electric debt. All costs are financed through charges to utility customers with rates regularly reviewed and adjusted if necessary.

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

The Water Fund accounts for the activities of the City's water distribution operations. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Water debt. All costs are financed through charges to utility customers with rates regularly reviewed and adjusted if necessary.

The Sewer Fund accounts for the activities of the City's wastewater utility. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Sewer debt. All costs are financed through charges to utility customers with rates regularly reviewed and adjusted if necessary.

The Landfill Fund accounts for all operations of the Sidney Area Solid Waste Agency and the activities of the City's sanitation operations. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Landfill debt. All costs are financed through charges to utility customers with rates regularly reviewed and adjusted if necessary.

Additionally, the City reports the following fund type:

The Agency Fund is used to account for assets held by the City in a purely custodial capacity. The reporting entity includes two agency funds at September 30, 2019. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The City's Agency Fund includes the TIF and the Volunteer Fire Department activity.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the business-type functions and various other functions of the government. Elimination of these charges would not distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, fines and forfeitures, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for goods and services. Operating expenses include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

**D. Assets, Liabilities and Net Position or Equity**

**1. Cash and Cash Equivalents and Cash with Fiscal Agent**

Cash is comprised of the City's checking and savings accounts, money market accounts, and certificates of deposit with maturity dates of three months or less from purchase date. Cash with fiscal agent represents taxes collected by the county treasurer but not remitted to the City as of September 30, 2019.

**2. Equity in Pooled Cash and Investments**

Equity in pooled cash and investments consist of each fund's excess cash that is pooled with other funds' cash and invested through a brokerage firm or local banks in certificates of deposits, savings accounts and government securities. This is an internal investment pool between the City's funds. The city treasurer is responsible for making investment decisions and monitors the accounts.

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

3. Receivables

Receivables are stated net of an allowance for uncollectible accounts. In the governmental fund financial statements, taxes receivable is offset by the deferral of the related revenues until payment is received, except amounts received within sixty days of the balance sheet date. Special assessments receivable is investments purchased from external entities. Other receivables include notes and merchandise receivables, and receivables for requested cost reimbursement relating to capital projects.

4. Inventory

Inventory consists of golf resale inventory in the general fund and repair parts and supplies to be used in the Enterprise Funds. Inventory is valued at cost. The costs of inventories are recorded as expenses when consumed rather than when purchased.

5. Interfund Transactions

The City eliminates interfund transactions in the government-wide financial statements, with the exception of charges between the business-type functions and various other functions of the government.

6. Bond Issue Costs

Bond issue costs consist of the costs incurred related to bond issuance in the proprietary funds. These costs are reported as expenditures in the period in which they are incurred.

7. Bond Premiums

Bond Premiums consist of the receipt generated on the pricing of a bond being higher than the par value or the prevailing interest rates being offered. These receipts are reported as income in the period in which they are received.

8. Discount on Bonds Payable

Discount on bonds payable in the proprietary funds are deferred and amortized over the life of the bonds using the straight-line method.

8. Restricted Assets

Investments consist of certificates of deposit with maturity dates of more than three months from the purchase date. Certain bank accounts and investments are used to hold and pay customer deposits in the enterprise funds. The landfill enterprise fund includes cash that is restricted for payment of closure and post-closure costs.

9. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, drainage systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed.

Interest costs for fixed-asset construction within enterprise funds are capitalized. However, all other interest costs are expensed in the debt service fund.

Property, plant and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	10 - 50
Improvements	5 - 40
Infrastructure	20 - 35
Equipment	2 - 20
Utility Plant	30 - 40

10. Taxes Payable and Accounts Payable

Taxes Payable includes payroll taxes and sales taxes. Accounts payable represents amounts due for goods or services received but not paid for at September 30, 2019.

11. Compensated Absences Payable and Accrued Salaries Payable

Compensated absences payable and accrued salaries payable include accrued payroll payable, and vacation and sick leave earned but not paid as of the fiscal year end.

12. Advances from Other Funds

Advances from other funds are long-term borrowing between funds.

13. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the fund level financial statements will sometimes report a separate section for deferred outflows of resources and for deferred inflows of resources. A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Accordingly, the unavailable revenue of property taxes of \$84,758 and uncollected special assessments of \$4,298,727 are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

14. Other Liabilities

Other liabilities include health insurance payables, landfill closure costs payable and payables due on CDBG projects.

15. Customer Deposits Payable

Funds hold cash as a deposit until certain conditions of an agreement are met, at which time the cash is returned to the owner. Occasionally, the owner will default on the conditions and the cash held as a deposit becomes the property of the City and is recorded as revenue at that time.

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

16. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Previously, bond premiums and discounts were deferred and amortized over the life of the bonds using the effective interest method. Under new standards they are reported as income in the year received. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the periods in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as current debt service expenditures.

17. Deferred Loss on Early Retirement of Debt

Deferred loss on early retirement of debt is the result of the proprietary funds advance refunding of utilities revenue and refunding bonds. This deferred loss was capitalized and is amortized over the term of the bonds using the straight-line method.

18. Fund Equity

Government-Wide Statements:

Equity is classified as net position and displayed in three components:

a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for deferred inflows and outflows of resources attributable to capital assets and long-term debt.

b. *Restricted* – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets with restriction constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Of the total net position, \$4,165,573 is restricted for future debt service, \$270,481 customer deposits, \$1,105,312 capital outlay, and \$1,177,860 landfill closure.

c. *Unrestricted* – Net amounts of assets, deferred inflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Fund Financial Statements:

Beginning with fiscal year 2011, the City implemented GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form or are required to be maintained intact;

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint;
- Assigned fund balance – amounts the City intends to use for a specific purpose; intent can be expressed by the Council or by an official or body to which the Council delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the General Fund.

The Council established (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This could typically be done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Council through adoption or amendment of the budget as intended for specific purpose.

The City strives to maintain an unassigned fund balance to be used for unanticipated emergencies that should arise from state or governmental funding shortfalls.

19. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

20. 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reporting period. Actual results could differ from these estimates.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The results of audit tests disclosed instances of noncompliance that are considered material to the financial statements or that are required to be reported under *Government Auditing Standards*.

- A. The City was under collateralized with uninsured cash balances for the year ended September 30, 2019, in the amount of \$202,283.
- B. The City did not follow proper statute to purchase a material real estate investment through a proprietary fund.

Note 3: DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Cash Equivalents and Investments

State laws authorize the City, with the consent of its Council, to invest the funds of the City in securities of which individuals of prudence, discretion and intelligence acquire or retain in dealing with the property of others. The City may also invest in certificates of deposit of banks that are members of the FDIC to the extent that deposits are insured by the FDIC.

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

Internal Investment Pool

The City maintains a cash and investment pool that is available for use by all funds. Each fund types' portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments." Included in this account are certificates of deposit and savings accounts from local banks and investments from a

brokerage firm that include certificates of deposit and government securities. In addition, the City has other assets that are classified as investments. Investments are stated at cost, which approximates fair value, with accrued interest shown under a separate caption on the balance sheet.

The following summarizes cash and cash equivalents, equity in pooled cash and investments, investments, and cash with fiscal agent by fund type at September 30, 2019.

	Cash and Cash Equivalents	Equity in Pooled Cash & Investments	Investments	Subtotal	Cash with Fiscal Agent	Totals
General Fund	\$ 2,671,342	\$ 1,730,141	\$ -	\$ 4,401,483	\$ 149,018	\$ 4,550,501
Special Revenue and Capital Project Funds	6,008,721	342,916	-	6,351,637	-	6,351,637
Debt Service Fund	2,863,419	-	-	2,863,419	117,747	2,981,166
Proprietary Funds	6,267,114	7,406,661	788,995	14,462,770	-	14,462,770
Agency Fund	425,642	-	-	425,642	-	425,642
<b>Totals</b>	<b>\$ 18,236,238</b>	<b>\$ 9,479,718</b>	<b>\$ 788,995</b>	<b>\$ 28,504,951</b>	<b>\$ 266,765</b>	<b>\$ 28,771,716</b>

Deposits and Investments

Deposit risks include:

- Custodial Credit Risk – for deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the City will not be able to recover the value of its deposits or collateral securities in the possession of a third party.
- Credit Risk – for deposits, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the City.
- Interest Rate Risk – for deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates.

The City has not adopted a specific risk management policy for deposits but does require all deposits and investments be in compliance with the provisions of State statutes. As of September 30, 2019, \$202,283 of the City's bank balance of \$27,948,601 (this does not reflect outstanding checks or deposits in transit) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized - Security First Bank	<u>\$ 202,283</u>
Total	<u><u>\$ 202,283</u></u>

Statutes authorize the City to invest in time deposits at banks selected as depositories of City funds, direct debt securities of the United States government, and certain government agency bonds.

Cash and investments are stated at cost, which approximates fair value. The City's cash deposits, including certificates of deposit, are insured by the Federal Deposit Insurance Corporation ("FDIC") and securities held in safekeeping pledged to the entity where the security is held. At September 30, 2019, the City had bank balances of \$27,948,601, (this does not reflect outstanding checks or deposits in transit). All securities are held by the City's pledging financial institution, but not in the City's name.

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

Cash held by the Cheyenne County Treasurer of \$266,765 was covered by collateral held by the County or was invested in U.S. Government Securities held by the County and are held by the County's agent in the City's name.

**Fair Value Measurements**

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 fair value of the assets.

Assets and liabilities are classified into one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. All of the City's certificate of deposits as of September 30, 2019 are categorized as level 2 investments.

**B. Capital Assets**

**Details of Capital Assets**

Capital asset activity for the year fiscal year ended September 30, 2019 is as follows:

	October 1, 2018				September 30, 2019	
	Balance	Additions	Deletions		Balance	
<b>Governmental Activities</b>						
Land/Land Improvements	\$ 2,045,410	\$ -	\$ -	\$ -	\$ 2,045,410	
Buildings & Structures	5,726,204	-	-	-	5,726,204	
Vehicles	2,487,878	351,879	-	-	2,839,757	
Equipment	4,091,771	62,652	56,201	-	4,098,222	
Infrastructure	39,171,666	565,583	-	-	39,737,249	
<b>Total</b>	<b>\$ 53,522,929</b>	<b>\$ 980,114</b>	<b>\$ 56,201</b>	<b>\$ -</b>	<b>\$ 54,446,842</b>	

	October 1, 2018				September 30, 2019	
	Balance	Additions	Deletions		Balance	
<b>Less Accumulated Depreciation:</b>						
Building/Structure	\$ 2,204,964	\$ 284,152	\$ -	\$ -	\$ 2,489,116	
Vehicles	2,174,677	119,427	-	-	2,294,104	
Equipment	3,025,632	229,463	55,770	-	3,199,325	
Infrastructure	7,713,322	1,669,314	-	-	9,382,636	
<b>Total</b>	<b>\$ 15,118,595</b>	<b>\$ 2,302,356</b>	<b>\$ 55,770</b>	<b>\$ -</b>	<b>\$ 17,365,181</b>	

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

\*Depreciation expense was charged to governmental functions as follows:

General Government	\$	49,725
Public Safety		59,750
Public Works, which includes the depreciation of general infrastructure assets		1,738,935
Health & Social Services		8,947
Culture and Recreation		444,999
		444,999
	\$	2,302,356

**Business-Type Activities**

A summary of the Proprietary Fund Fixed Assets as of September 30, 2019 is as follows:

	October 1, 2018			September 30, 2019	
	Balance	Additions	Deletions	Balance	
<b>Proprietary Activities</b>					
Land/Land Improvements	\$ 1,738,338	\$ -	\$ -	\$ 1,738,338	
Buildings and Structures	25,528,019	-	-	25,528,019	
Vehicles	1,504,684	-	-	1,504,684	
Equipment	9,562,646	284,676	188,052	9,659,270	
Infrastructure	30,551,304	1,255,656	-	31,806,960	
<b>Total</b>	<b>\$ 68,884,991</b>	<b>\$ 1,540,332</b>	<b>\$ 188,052</b>	<b>\$ 70,237,271</b>	
<b>Less Accumulated</b>					
<b>Depreciation:</b>					
Building/Structure	\$ 12,194,003	\$ 393,832	\$ -	\$ 12,587,835	
Vehicles	1,045,273	161,132	-	1,206,405	
Equipment	3,999,909	453,253	156,785	4,296,377	
Infrastructure	14,282,451	935,821	-	15,218,272	
<b>Total</b>	<b>\$ 31,521,636</b>	<b>\$ 1,944,038</b>	<b>\$ 156,785</b>	<b>\$ 33,308,889</b>	

**C. Details of Long-Term Liabilities**

**Governmental Activities**

**1. Bonds Payable – Various Purpose Bonds Payable**

On October 5, 2017 the City issued limited tax refunding Series 2017B Bonds of \$102.681 (par value) with an interest rate of 2.319% to advance refund a term note with an interest rate of 3.20%. The term bonds mature on May 1, 2026 and are callable on May 1, 2022. The general obligation bonds were issued at par and, after paying an issuance cost, the net proceeds were \$3,580,773. The net proceeds from the issuance of the general obligation bonds were used to provide permanent financing for the City's past swimming pool project originally financed with a recreational facilities infrastructure bond issued in 2016. The proceeds were deposited in a trust with an escrow agent to provide debt service payments until the term bonds are called on May 1, 2022. The interest rate on the obligation is 2.0 to 4.0 percent through the new debt's maturity. The

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

advance refunding met the requirements of an in-substance debt defeasance and the term note was removed from the City's government-wide financial statements. As a result of the advance refunding, the City reduced its total debt service requirements by \$109,786.02, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of 1.79%.

On December 18, 2015 the City entered into a loan agreement, with the principal sum not to exceed \$1,892,000 with the Nebraska Department of Environmental Quality (NDEQ). The City has started receiving advances on the loan this fiscal period as invoices were submitted to and approved by the NDEQ. The repayment of the loan will begin once the project is completed and must be paid in full no later than 20 years from the date the project is placed in operation with semi-annual payments due at 1.25%. At September 30, 2019, the City had received \$1,186,225 in loan advances from the NDEQ for the purpose of funding a Joint East Sidney Watershed Authority project.

Various Purpose Bonds and Debt Payable at September 30, 2018 is comprised of the following Individual issues:

\$510,000 Tax Increment Revenue Bonds, Series 2011, due in semi-annual installments through December 15, 2023; interest at 4.00%	\$ 104,094
\$1,915,000 Various Purpose Refunding Bonds, Series 2014, due in annual installments through December 15, 2023; interest at 0.40-2.45%	970,000
\$1,520,000 Recreational Facilities Infrastructure Bonds, Series 2014, due in annual installments through December 15, 2023; interest at 0.40-3.00%	785,000
\$1,075,000 SID & SSED Various Purpose Bonds, Series 2014, due in annual installments through December 15, 2029; interest at 0.40-3.40%	815,000
\$9,625,000 Various Purpose Bonds, Series 2016, due in semi- annual installments through December 15, 2036; interest at 2.00-4.00%	8,855,000
\$4,550,000 Various Purpose Bonds, Series 2017, due in semi-annual installments through December 15, 2036; interest at 2.00-4.00%	4,150,000
\$3,600,000 Limited Tax Refunding Bond, Series 2017B, due in semi- annual installments through May 1, 2026; interest at 2.00-4.00%	2,945,000
\$1,186,225 Note Payment to Nebraska Department of Environmental Quality for JESWA, due in semi-annual installments through June 15, 2038 with a 1.25% interest rate and a 1.00% administration fee	1,135,341
	\$ 19,759,435

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

Funds are accumulated from assessments, interest collections and tax levies.

2. Changes in Various Purpose Bonds and Debt Payable

Description	Issue Date	Interest Rate	Balance October 1	Bonds Issued	Bonds Paid	Balance September 30	Amounts Due Within One Year
Tax Increment Revenue Bond	07/01/11	4.00%	\$ 140,054	\$ -	\$ 35,960	\$ 104,094	\$ 63,061
Various Purpose Refunding Bonds	09/30/14	0.40-2.45%	1,180,000	-	210,000	970,000	215,000
Recreational Facility Public Infra. Bonds	01/02/14	0.40-3.00%	935,000	-	150,000	785,000	150,000
SID & SSED Various Purpose Bonds	07/03/14	0.40-3.40%	880,000	-	65,000	815,000	65,000
2017 G. O. Various Purpose Bonds	12/15/16	2.00-4.00%	9,245,000	-	390,000	8,855,000	395,000
2016 G. O. Various Purpose Bonds	02/15/17	2.00-4.00%	4,350,000	-	200,000	4,150,000	200,000
2017-B Limited Tax Refunding Bond	10/05/17	2.00-4.00%	3,325,000	-	380,000	2,945,000	375,000
Joint East Sidney Watershed NDEQ Loan	7/28/2018	1.25%	586,618	599,607	50,884	1,135,341	57,848
Total			\$ 20,641,672	\$ 599,607	\$ 1,481,844	\$ 19,759,435	\$ 1,520,909

Various Purpose Bonds Payable at September 30, 2019 has the following maturities:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,520,909	\$ 539,427	\$ 2,060,336
2021	1,550,322	505,686	2,056,008
2022	1,459,970	474,497	1,934,467
2023	1,510,659	436,137	1,946,796
2024	1,541,357	403,787	1,945,144
2025-2029	4,922,564	1,605,584	6,528,148
2030-2034	4,306,373	924,193	5,230,566
2035-2038	2,947,281	170,655	3,117,936
	\$ 19,759,435	\$ 5,059,966	\$ 24,819,401

3. Tax Increment Revenue Bond

During the 2011 fiscal year, a series 2011 Tax Increment Revenue Bond of \$510,000 was issued for the purpose of paying costs of constructing street improvements serving the East Old Post Road area. The bond is due in semi-annual installments at a rate of four percent. Payments shall be paid from available funds which include levied real estate taxes and proceeds of the business occupation tax imposed on businesses with respect to certain real estate located within the project area. The bonds were purchased by the City of Sidney Electric Fund and are shown as a long-term investment of that fund.

4. Changes in Long-Term Liabilities

Description	Balance October 1	Debt Issued	Debt Retired	Balance September 30	Amounts Due Within One Year
Various Purpose Bonds & Debt Payable	\$ 20,641,672	\$ 599,607	\$ 1,481,844	\$ 19,759,435	\$ 1,520,909
Compensated Absences	428,862	12,036	-	440,898	71,710
	\$ 21,070,534	\$ 611,643	\$ 1,481,844	\$ 20,200,333	\$ 1,592,619

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

D. Business-Type Activities – Long-Term Liabilities

Bonds and Notes Payable

\$915,000 Waste Disposal Facilities Revenue Bonds issued to the Sidney Area Solid Waste due in semi-annual installments through August 15, 2026 with 2.10-3.95% interest rates	\$ 665,000
\$1,538,000 Waste Disposal Facilities Revenue Bonds issued to the Sidney Area Solid Waste due in semi-annual installments through August 15, 2028 with 3.350% interest rates	1,404,000
Total Bonds Payable	<u>2,069,000</u>
\$7,975,000 Note Payable to Nebraska Department of Environmental Quality for improvements to public water supply, storage, and distribution, due in semi-annual installments through June 15, 2022 with a 2.52% interest rate and a 1% administration fee.	1,665,877
\$825,000 Note Payable to Nebraska Department of Environmental Quality for land acquisition for new water well field, due in semi-annual installments through June 15, 2022 with a 2.52% interest rate and a 1% administration fee.	171,272
\$3,215,548 Note Payable to Nebraska Department of Environmental Quality for improvements to public water booster, due in semi-annual installments through June 15, 2037 with a 2.00 % interest rate and a 0.5% administration fee.	2,973,112
\$4,125,000 Note Payable to Nebraska Department of Environmental Quality for improvements to wastewater treatment system, due in semi-annual installments through June 15, 2030 with a 1.33 % interest rate and administration fee waived for the life of the loan. This note is the result of previously issued separate \$2,750,000 and \$1,375,000 notes being combined into one by the State agency during the current year.	2,400,061
Total Notes Payable	<u>7,210,322</u>
Total Bonds and Notes Payable	<u>\$ 9,279,322</u>

The City has included the bonded indebtedness of the Sidney Area Solid Waste Agency into these financial statements. The City has control of the agency with the agency to provide money for the payment of the bonded indebtedness. All receipts and expenditures of the agency will be the City's responsibility.

Bonds and Notes Payable have the following maturities:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,161,713	\$ 202,520	\$ 1,364,233
2021	1,190,043	174,767	1,364,810
2022	1,217,325	146,084	1,363,409
2023	604,237	120,596	724,833
2024	620,024	106,458	726,482
2025-2029	2,796,397	314,454	3,110,851
2030-2034	1,097,365	107,742	1,205,107
2035-2037	592,218	20,033	612,251
	<u>\$ 9,279,322</u>	<u>\$ 1,192,654</u>	<u>\$ 10,471,976</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

Changes in Bonds and Notes Payable

Description	Issue Date	Interest Rate	Balance October 1	Debt Issued	Debt Retired	Balance September 30	Amounts Due Within One Year
Sidney Area Solid Waste Waste Disposal Facilities Revenue Bonds - 2011 Series	07/19/11	2.10 - 3.95%	\$ 750,000	\$ -	\$ 85,000	\$ 665,000	\$ 85,000
Sidney Area Solid Waste Waste Disposal Facilities Revenue Bonds - 2018 Series	08/29/18	3.35%	1,538,000	-	134,000	1,404,000	136,000
Note Payable - Nebraska DEQ - Water Project	2004	2.52%	2,193,932	-	528,055	1,665,877	541,446
Note Payable - Nebraska DEQ - Water Project Land	2003	2.52%	225,562	-	54,290	171,272	55,667
Note Payable - Nebraska DEQ - Sewer Construction	2009	1.33%	2,602,220	-	202,159	2,400,061	204,864
Note Payable - Nebraska DEQ - Water Booster	2016	2.00%	3,109,114	-	136,002	2,973,112	138,736
<b>Total</b>			<b>\$ 10,418,828</b>	<b>\$ -</b>	<b>\$ 1,139,506</b>	<b>\$ 9,279,322</b>	<b>\$ 1,161,713</b>

E. Interfund Transactions

Operating Transfers are authorized cash transfers between funds. The following is a schedule of operating transfers:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 317,911
Street Fund	-	55,560
Debt Service Fund	156,471	-
Non-Major Governmental Funds	217,000	-
<b>Total Operating Transfers</b>	<b>\$ 373,471</b>	<b>\$ 373,471</b>

Transfers are used to service the Debt Service Fund by maintaining debt related payments in that fund and to service the projects taking place in the Capital Projects Fund therefore, governmental activities funds transfer monies to these funds. The remaining transfers were for normal operating purposes and were within the normal operations of the City.

Advances from Other Funds are proceeds from other funds. These interfund balances were the result of internal financing. The balance of \$310,333 is not expected to be repaid within one year. The following is a schedule of due to/due from other funds:

Fund	Advances from Other Funds	Advances from Other Funds
Debt Service Fund	\$ -	\$ 310,333
Electric Fund	310,333	-
<b>Total Due From/To Other Funds</b>	<b>\$ 310,333</b>	<b>\$ 310,333</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

Note 4: OTHER INFORMATION

A. Landfill Closure and Post-Closure Cost

The Nebraska Environmental Protection Act, the Integrated Solid Waste Management Act, and the Nebraska Administrative Code Title 132-Integrated Solid Waste Management Regulations require owners of a solid waste disposal area to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance monitoring functions at the site after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each fiscal year end.

The amount of \$1,236,547 was reported as landfill closure and post closure care liability at September 30, 2019, which represents 48.98 percent of the cumulative landfill closure and post closure care liability of \$2,524,627. As a result of the new landfill cell configuration that was completed during the prior fiscal years, the City has used approximately 24.99 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$1,288,080 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care of \$2,524,627 in fiscal year 2019. The City expects to close the landfill in the year 2047. Actual cost may be higher because of inflation, changes in technology, or changes in regulations.

The City submitted to the State of Nebraska Department of Environmental Quality a request to modify the cell configuration at the facilities. It was accepted November 17, 2011. The cost estimates for new closure costs and post-closure costs were revised when the Department of Environmental Quality approved these modifications. As the result of the cell modification, the life of the landfill has been extended for over 30 years. However, the remaining site life is assumed to be the maximum of 30 years as allowed by the State of Nebraska Department of Environmental Quality.

The \$56,352 reported as construction and demolition landfill closure and post closure care liability at September 30, 2019, represents the cumulative amount reported to date based on the use of the expected life of 30 years. The City will recognize the remaining estimated cost of closure and post closure care of \$127,252 as the remaining estimated years end. These amounts are based on what it would cost to perform all closure and post closure cares of \$183,605 in fiscal year 2019. The City expects to close the landfill in the year 2047. Actual cost may be higher because of inflation, changes in technology, or changes in regulations.

The City is required to make annual contributions to a separate account to finance closure and post-closure care. The City is in compliance with these requirements and, at September 30, 2019, investments of \$1,123,865 are held for these purposes. These are reported as restricted assets on the balance sheet. The City expects future inflation costs to be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined (because of changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

B. Tax Increment Financing (TIF)

During the 1996 - 1997 year, the Council created the Community Development Agency of the City of Sidney, Nebraska. The purpose of the Agency is to assist with redevelopment of real estate located within the City. The Agency has all of the powers of a redevelopment authority provided for under the Community Development Law of the State of Nebraska. As of September 30, 2019, the Agency has eleven contracts issued. To finance these grants the Agency originally issued separate bonds totaling \$12,416,450. The outstanding balance of these bonds including interest, as of September 30, 2019 was \$11,925,252. These bonds constituted limited obligations of the Agency payable exclusively from real estate taxes from certain

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

real estate located within the respected project areas. These real estate taxes have been pledged for the payment of the separate bond issues and are not included in these financial statements. The City acts only as a paying agent by receiving the tax money from the county and paying the bond payments to the bondholders. This activity is included in the Agency Fund.

C. Unemployment Insurance

Unemployment insurance is paid by the City on a reimbursement basis to the State of Nebraska.

D. Risk Management

The City is exposed to various other risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The City is covered by commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years. The City is currently involved in legal actions where certain parties have made tort claims for damages. Management believes the outcome of these proceedings will not have any material financial impact on the City.

E. Pension Plans

General Government – The City participates in the City of Sidney, Nebraska 401(K) Employee Savings Plan, which covers all employees except for police. Under the plan, each employee participating in the plan can contribute up to 15 percent of salary to the plan. The City will make a contribution on behalf of the employee in the amount matching the percent of the contribution made by the employee up to a maximum of six percent. City contributions for the employees range from three and one-half percent to seven percent. Contributions are submitted monthly. Contributions to the plan by the City were \$188,032 for the year while employee contributions totaled \$202,598.

Police Employees – City of Sidney police sworn officers are covered by a separate pension plan, which was amended on January 1, 1989. Each police officer participating in the retirement system must contribute six and one-half percent of salary. Such payment shall be made by regular payroll deductions from said salary and shall be credited to the employees account on a monthly basis. The City contributed to the retirement system a sum equal to seven percent of the participating employee's salary. Employer contributions to the plan for the year ended September 30, 2019, were \$53,148 and employee contributions were \$53,148.

F. Contingencies and Commitments

1. Property Tax Receipts:

A movement towards property tax reduction is present in the political and legal environment in the State of Nebraska. The City will be subject to a tax levy limit of \$.45 per hundred dollars of assessed valuation for the 2019-2020 year. In addition, the full impact of current legislation and proposed initiatives regarding spending and revenue limitations cannot be assessed.

2. Economic Uncertainty:

The City of Sidney has experienced growth in the last few years, but also is experiencing an uncertainty that has been created by outside economic forces. Lower energy prices and consolidations have caused a significant impact on local businesses. Sidney's major employer has gone through a buy-out from an outstate company which has caused economic uncertainty for the community and for the future planned developments.

G. Compensated Absences

Compensated absences payable has been recorded in accordance with GASB (Governmental Accounting Standards Board), Statement 16. Employees earn vacation leave based on hours worked and years of employee service. Sick leave accrues at the rate of eight hours per full month of service. Upon termination, an employee is paid for unused vacation accrued. After two full years of continued service, employees will be

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

paid at termination, one day for every two days of sick leave accrued, based on years of employment and employment status.

Compensated absence liabilities related to governmental funds are recorded in both governmental funds and the government wide. The portion of the liability expected to be funded by current available resources is recognized in the governmental funds. The portion of the liability that is not expected to be funded by current available resources is recognized in the government wide statement. For the proprietary fund types, compensated absence liabilities are recorded as individual fund liabilities.

**H. Group Medical Insurance**

The City's medical insurance program is a "self-insured" plan funded by both the City and participating employees which began on September 1, 2013. The City makes a predetermined contribution to the plan each month for a portion of health insurance coverage. This is done on a bi-monthly basis for qualifying City employees and their dependents. Employees contribute through payroll deductions for the balance of their health insurance coverage.

The City's medical insurance program is made up of two contracts, a specific stop loss contract and an aggregate stop loss contract. The specific stop loss contract has a specific annual deductible of \$40,000 per individual and with an unlimited lifetime maximum benefit on eligible expenses. The aggregate stop loss contract has a total expected claim liability of \$767,594. The liability may go up based on increased enrollment, but the maximum it will ever be is \$959,493. The aggregate contract will pay up to \$1,000,000 on total claims over the attachment point. The total annual maximum outlay expected for premiums, claims, administration, and laser liability as of September 30, 2019 is \$1,908,064.

All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan the city reimburses the insurance company for the amount of each claim paid. The insurance company charges the City for a fee for this service. At September 30, 2019, the amount of estimated claims payable was \$33,142. Changes in the reported liability for the last five years resulted from the following:

Fiscal Year	Balance October 1	Current Year Claims	Claim Payments	Balance September 30
2014-2015	\$ 72,614	\$ 1,645,710	\$ 1,664,753	\$ 53,571
2015-2016	53,571	1,833,260	1,624,679	262,152
2016-2017	262,152	1,568,620	1,785,362	45,410
2017-2018	45,410	1,428,789	1,439,575	34,624
2018-2019	34,624	1,579,340	1,580,822	33,142

Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims and for claims incurred but not yet reported is determined by an independent consultant.

**I. Fund Equity**

Reservations of fund balances and net assets represent amounts that are legally segregated and that cannot be appropriated in subsequent years. Designations of unreserved fund equity reflect tentative management plans or intent for future use of available financial resources. At September 30, 2019, \$2,942,923 of the Debt Service Fund's fund balance and \$4,694,281 of the Street Fund's fund balance were reserved for repayments of debt.

At September 30, 2019, the following amounts of net position were reserved: The Landfill Fund's reserve includes \$1,249,219 reserved for landfill closure costs and capital purchases, and \$3,126 for customer

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K  
(Continued)

deposits. The Electric Fund reserved \$262,680 for customer deposits, \$75,483 for capital purchases, and \$200,000 for bond reserves. The Water fund reserved \$4,675 for customer deposits, \$309,145 for capital purchases, and \$696,574 for future bond payments. The Sewer Fund reserved \$649,325 for capital purchases and \$642,682 for future bond payments.

J. Library Foundation

In 2003, The Library Board, a component of the City, began a foundation primarily for the expansion of the library. These funds are within the City authority. The City will budget for the resource and expenditures of these funds. On September 30, 2019, the Foundation had the \$3,110 in a checking account, and \$192,255 invested in a savings account and certificates of deposit.

K. Subsequent Event

As stated previously, the City purchased a piece of real estate as investment without following proper statute of funding. Upon discovery before audit release, the City has since corrected this transaction in the 2019-2020 fiscal year.

CITY OF SIDNEY, NEBRASKA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND  
MAJOR SPECIAL REVENUE FUND - BUDGETARY BASIS

EXHIBIT L

For the Year Ended September 30, 2019

	General Fund			Street Fund			Debt Service Fund		
	Original and Final Budget	Actual Amounts Budgetary Basis See Note	Variance with Final Budget Positive (Negative)	Original and Final Budget	Actual Amounts Budgetary Basis See Note	Variance with Final Budget Positive (Negative)	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance October 1	\$ 2,833,143	\$ 2,833,143	\$ -	\$ 2,366,107	\$ 2,366,107	\$ -	\$ 2,470,460	\$ 2,787,229	\$ (316,769)
Resources (inflows):									
Personal and Real Property Taxes	1,309,195	1,195,707	(113,488)	9,500	9,500	-	1,108,143	1,109,369	1,226
Federal Receipts	114,500	159,036	44,536	133,830	639,716	505,886	-	-	-
Motor Vehicle Pro-Rate	3,700	3,335	(365)	-	-	-	-	-	-
Highway Allocation and Incentive	-	-	-	885,586	882,427	(3,159)	-	-	-
Motor Vehicle Fee	-	-	-	62,000	66,704	4,704	-	-	-
State Receipts Other	38,500	140,817	102,317	-	137,970	137,970	-	-	-
Motor Vehicle Tax	140,200	131,902	(8,298)	-	-	-	-	-	-
Sales Tax	2,222,475	2,381,732	159,257	617,000	686,285	69,285	391,275	412,019	20,744
Local Receipts Local	2,622,619	2,520,898	(101,721)	1,951,907	176,660	(1,775,247)	61,000	28,405	(32,595)
Other Financing Sources	-	-	-	-	-	-	513,525	686,684	173,159
Amounts available for appropriation	6,451,189	6,533,427	82,238	3,659,823	2,599,262	(1,060,561)	2,073,943	2,236,477	162,534
Charges to appropriations (outflows):									
General Government	1,928,116	1,873,614	254,502	-	-	-	-	-	-
Public Safety	1,890,117	1,456,253	433,864	-	-	-	-	-	-
Streets	-	-	-	2,756,151	890,356	1,865,795	-	-	-
Health & Social Services	401,745	355,689	46,056	-	-	-	-	-	-
Culture and Recreation	2,273,975	1,883,967	390,008	-	-	-	-	-	-
Capital Outlay	-	29,482	(29,482)	165,000	645,497	(480,497)	-	-	-
Other Financing Uses	-	317,911	(317,911)	84,000	55,560	28,440	2,073,943	2,042,540	31,403
Total charges to appropriations	6,493,953	5,716,916	777,037	3,005,151	1,591,413	1,413,738	2,073,943	2,042,540	31,403
Budgetary Fund Balance, September 30	\$ 2,790,379	\$ 3,649,654	\$ 859,275	\$ 3,020,779	\$ 3,373,956	\$ 353,177	\$ 2,470,460	\$ 2,981,166	\$ 193,937

The Notes to the Required Supplementary Information (RSI) is an integral part of the Statements.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (RSI) -  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGETARY BASIS

SEPTEMBER 30, 2019

A. Budget and Budgetary Accounting

The City is required by state law to adopt annual budgets for all funds. The budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act. The City files an All-Purpose Budget for all funds.

State Statutes of the Nebraska Budget Act provide the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditures and/or tax levy limitations. Proprietary funds are also allowed to follow the municipal proprietary function act when filing their budget.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

As of August 1, or shortly thereafter, the department heads submit to the Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comments.

Prior to the budget filing date, the budget is legally adopted by the Council through passage of an ordinance.

Total actual expenditures may not legally exceed the total budget of expenditures. Appropriations for expenditures lapse at year-end. Revisions require a public hearing and council approval.

The property tax request for the prior year shall be the property tax request for the current year for purposes of the levy set by the County Board of Equalization unless the governing body of the City passes, by a majority vote, a resolution or ordinance setting the tax request at a different amount prior to October 13.

The resolutions shall only be passed after a special hearing called for such purpose is held and after notice is published in a newspaper of general circulation in the area of the City at least five days prior to the hearing.

The property tax requirement resulting from the budget process is utilized to establish the tax levy in accordance with the procedures discussed above, which attaches as an enforceable lien on property within the City as of December 31. Taxes are due as of that date. One-half of the real estate taxes due December 31 become delinquent after the following May 1, with the second one-half becoming delinquent after September 1.

B. Budgetary Statement Reconciliation of Generally Accepted Accounting Principles (GAAP) and Budgetary Basis

The accompanying Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual – Budgetary Basis presents comparisons of the budget with actual data on a budgetary basis for the general fund and major special revenue fund. The budget document has a separate line item for capital outlay. On the GAAP-basis financial statements, these expenditures are not broken out by function. Also, debt service requirements are included in other funds' budgets and not as transfers to the debt service fund as shown on the financial statements. The following reconciles the budgetary inflows and outflows and GAAP revenues and expenditures:

CITY OF SIDNEY, NEBRASKA

EXHIBIT M  
(Continued)

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (RSI) -  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGETARY BASIS

September 30, 2019

	General Fund	Street Fund
<b>Sources/inflows of resources:</b>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 6,533,427	\$ 2,599,262
<b>Differences—budget to GAAP:</b>		
Receipts from accounts receivable are a budgetary resource but may not be a current year revenue for financial reporting purposes		
Taxes Receivables	21,074	-
MV Sales Tax Receivable	-	3,401
Sales Tax Receivable	5,873	969
	<u>26,947</u>	<u>4,370</u>
Revenue from deferred property taxes are not a budgetary resource but is recognized as a current year revenue for financial reporting		
Deferred Revenue Taxes	7,934	-
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds</b>	<u><u>\$ 6,568,308</u></u>	<u><u>\$ 2,603,632</u></u>
<b>Uses/outflows of resources:</b>		
Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule	\$ 5,716,916	\$ 1,591,413
<b>Differences—budget to GAAP</b>		
The City budgets for claims and compensated absences only to the extent expected to be paid, rather than on the modified accrual basis		
Compensated Absences	32,530	1,785
Accrued Salaries and Benefit Payables	<u>(90,255)</u>	<u>(11,465)</u>
	(57,725)	(9,680)
The City budgets for inventory purchases expected to be paid, rather than on the modified accrual basis		
Accounts Payable	103,950	11,542
Inventory	<u>(1,606)</u>	-
	102,344	11,542
<b>Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance-governmental funds</b>	<u><u>\$ 5,761,535</u></u>	<u><u>\$ 1,593,275</u></u>

CITY OF SIDNEY, NEBRASKA  
COMBINING BALANCE SHEET

EXHIBIT N

NON-MAJOR GOVERNMENTAL FUNDS  
September 30, 2019

	Capital Project Fund	Special Revenue Funds					Totals
		Economic Development	Cemetery	Golf Development	Unemployment	Scouts	
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 626,194	\$ 680,811	\$ -	\$ -	\$ -	\$ 7,460	\$ 1,314,465
Equity in Pooled Cash & Investments	-	-	247,913	6,178	90,763	-	344,854
<b>TOTAL ASSETS</b>	<u>\$ 626,194</u>	<u>\$ 680,811</u>	<u>\$ 247,913</u>	<u>\$ 6,178</u>	<u>\$ 90,763</u>	<u>\$ 7,460</u>	<u>\$ 1,659,319</u>
<b>FUND BALANCES</b>							
Fund Balances							
Committed	\$ 626,194	\$ 680,811	\$ 247,913	\$ 6,178	\$ 90,763	\$ 7,460	\$ 1,659,319
<b>TOTAL FUND BALANCES</b>	<u>626,194</u>	<u>680,811</u>	<u>247,913</u>	<u>6,178</u>	<u>90,763</u>	<u>7,460</u>	<u>1,659,319</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 626,194</u>	<u>\$ 680,811</u>	<u>\$ 247,913</u>	<u>\$ 6,178</u>	<u>\$ 90,763</u>	<u>\$ 7,460</u>	<u>\$ 1,659,319</u>

CITY OF SIDNEY, NEBRASKA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

EXHIBIT O

NON-MAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2019

	Capital Project Fund	Special Revenue Funds					Totals
		Economic Development	Cemetery	Golf Development	Unemployment	Scouts	
<b>Revenues</b>							
Taxes	\$ -	\$ 300,450	\$ -	\$ -	\$ -	\$ -	\$ 300,450
Charges for Services	-	12,000	10,367	-	-	-	22,367
Interest	281	354	1,113	4	46	7	1,805
Grants	53,934	479,847	-	-	-	-	533,781
Donations	-	2,530	-	400	-	-	2,930
Miscellaneous Revenues	24,218	6,361	-	-	-	625	31,204
<b>Total Revenues</b>	<b>78,433</b>	<b>801,542</b>	<b>11,480</b>	<b>404</b>	<b>46</b>	<b>632</b>	<b>892,537</b>
<b>Expenditures</b>							
Operating Expenses	-	734,755	4,242	1,362	-	541	740,900
Capital Outlay	220,514	84,622	-	-	-	-	305,136
<b>Total Expenditures</b>	<b>220,514</b>	<b>819,377</b>	<b>4,242</b>	<b>1,362</b>	<b>-</b>	<b>541</b>	<b>1,046,036</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(142,081)</b>	<b>(17,835)</b>	<b>7,238</b>	<b>(958)</b>	<b>46</b>	<b>91</b>	<b>(153,499)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers In	217,000	-	-	-	-	-	217,000
<b>Total Other Financing Sources (Uses)</b>	<b>217,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>217,000</b>
<b>Excess (Deficiency) of Revenues and Other Sources (Uses) Over (Under) Expenditures and Other Uses</b>	<b>74,919</b>	<b>(17,835)</b>	<b>7,238</b>	<b>(958)</b>	<b>46</b>	<b>91</b>	<b>63,501</b>
<b>Fund Balance, October 1</b>	<b>551,275</b>	<b>698,646</b>	<b>240,675</b>	<b>7,136</b>	<b>90,717</b>	<b>7,369</b>	<b>1,595,818</b>
<b>Fund Balance, September 30</b>	<b>\$ 626,194</b>	<b>\$ 680,811</b>	<b>\$ 247,913</b>	<b>\$ 6,178</b>	<b>\$ 90,763</b>	<b>\$ 7,460</b>	<b>\$ 1,659,319</b>

CITY OF SIDNEY, NEBRASKA  
INDIVIDUAL SCHEDULE OF REVENUES

EXHIBIT P

GENERAL FUND  
For the Years Ended September 30, 2019

	2019
Revenues	
Taxes/Shared Intergovernmental Revenue	
General Property	\$ 1,224,715
Motor Vehicle	131,902
Sales	2,387,605
Occupation	45,751
	3,789,973
Licenses, Fees and Permits	
Franchise Fees	867,338
	867,338
Intergovernmental Revenues	
Bookmobile and Police Reimbursement	94,016
Economic Development Reimbursement	20,000
Homestead	40,343
Motor Vehicle Pro-Rate	3,335
Miscellaneous	54,723
	212,417
Charges for Services	
Administration Fees	964,903
Licenses and Permits	42,700
Cemetery Lots, Openings and Perpetual Care	44,812
Swimming Pool and Handibus Fees	83,043
Golf Fees, Storage and Merchandise	298,014
Library Fees	4,204
Animal Control	4,997
Miscellaneous	24,665
	1,467,338
Interest	791
State and Federal Grants	159,036
Miscellaneous	71,415
Total Revenues	\$ 6,568,308

CITY OF SIDNEY, NEBRASKA  
INDIVIDUAL SCHEDULE OF EXPENDITURES  
GENERAL FUND ACCOUNTS

EXHIBIT Q

GENERAL GOVERNMENT  
For the Year Ended September 30, 2019

	Administration	Economic Development	Engineering and Inspection	Total
<b>Expenditures</b>				
<b>Current Commodities</b>				
Office Supplies	\$ 4,786	\$ -	\$ 1,401	\$ 6,187
Department Supplies	14,442	531	816	15,789
Maintenance/Repairs	40,576	-	9,775	50,351
	<u>59,804</u>	<u>531</u>	<u>11,992</u>	<u>72,327</u>
<b>Personal Services</b>				
Salaries - Other	642,133	68,366	62,681	773,180
Employee Benefits	150,417	33,787	10,380	194,584
	<u>792,550</u>	<u>102,153</u>	<u>73,061</u>	<u>967,764</u>
<b>Contractual Services</b>				
Insurance	35,062	-	3,328	38,390
Utilities	25,822	5,211	716	31,749
Travel/Training	372	189	480	1,041
Dues and Subscriptions	30,840	3,322	265	34,427
Professional Fees	106,616	350	-	106,966
Advertising and Promotion	9,152	15,072	-	24,224
Janitorial Service	15,000	-	-	15,000
County E911	337,269	-	-	337,269
Economic Development	33,390	-	-	33,390
Miscellaneous	57,014	-	278	57,292
	<u>650,537</u>	<u>24,144</u>	<u>5,067</u>	<u>679,748</u>
<b>Total Current Expenditures</b>	<u>1,502,891</u>	<u>126,828</u>	<u>90,120</u>	<u>1,719,839</u>
<b>Transfers Out</b>	6,000	2,000	7,000	15,000
	<u>6,000</u>	<u>2,000</u>	<u>7,000</u>	<u>15,000</u>
<b>Total Expenditures</b>	<u>\$ 1,508,891</u>	<u>\$ 128,828</u>	<u>\$ 97,120</u>	<u>\$ 1,734,839</u>

CITY OF SIDNEY, NEBRASKA  
INDIVIDUAL SCHEDULE OF EXPENDITURES  
GENERAL FUND ACCOUNTS

EXHIBIT R

PUBLIC SAFETY  
For the Year Ended September 30, 2019

	Police	Fire	Total
<b>Expenditures</b>			
<b>Current Commodities</b>			
Supplies	\$ 39,306	\$ 12,953	\$ 52,259
Maintenance/Repairs	35,658	17,101	52,759
	<u>74,964</u>	<u>30,054</u>	<u>105,018</u>
<b>Personal Services</b>			
Salaries	861,689	26,924	888,613
Employee Benefits	302,723	7,783	310,506
	<u>1,164,412</u>	<u>34,707</u>	<u>1,199,119</u>
<b>Contractual Services</b>			
Insurance	55,568	24,407	79,975
Contract Labor	19,540	10,450	29,990
Utilities	20,786	3,002	23,788
Travel and Training	4,923	644	5,567
Miscellaneous	12,796	-	12,796
	<u>113,613</u>	<u>38,503</u>	<u>152,116</u>
<b>Total Current Expenditures</b>	<u>1,352,989</u>	<u>103,264</u>	<u>1,456,253</u>
<b>Capital Outlay</b>	29,482	-	29,482
<b>Transfers Out</b>	51,903	80,000	131,903
	<u>81,385</u>	<u>80,000</u>	<u>161,385</u>
<b>Total Expenditures</b>	<u>\$ 1,434,374</u>	<u>\$ 183,264</u>	<u>\$ 1,617,638</u>

CITY OF SIDNEY, NEBRASKA  
INDIVIDUAL SCHEDULE OF EXPENDITURES  
GENERAL FUND ACCOUNTS

EXHIBIT S

HEALTH AND SOCIAL SERVICES  
For the Year Ended September 30, 2019

	Cemetery	Handibus	Total
<b>Expenditures</b>			
<b>Current Commodities</b>			
Supplies	\$ 6,977	\$ 19,365	\$ 26,342
Maintenance/Repairs	10,587	8,066	18,653
	<u>17,564</u>	<u>27,431</u>	<u>44,995</u>
<b>Personal Services</b>			
Salaries	85,962	105,624	191,586
Employee Benefits	33,165	27,817	60,982
	<u>119,127</u>	<u>133,441</u>	<u>252,568</u>
<b>Contractual Services</b>			
Insurance	7,236	14,415	21,651
Utilities	5,701	5,021	10,722
Travel and Training	-	86	86
Rent	-	12,000	12,000
Miscellaneous	10,367	3,300	13,667
	<u>23,304</u>	<u>34,822</u>	<u>58,126</u>
<b>Total Current Expenditures</b>	<u>159,995</u>	<u>195,694</u>	<u>355,689</u>
<b>Transfers Out</b>	<u>10,000</u>	<u>5,000</u>	<u>15,000</u>
	10,000	5,000	15,000
<b>Total Expenditures</b>	<u>\$ 169,995</u>	<u>\$ 200,694</u>	<u>\$ 370,689</u>

CITY OF SIDNEY, NEBRASKA  
INDIVIDUAL SCHEDULE OF EXPENDITURES  
GENERAL FUND ACCOUNTS

EXHIBIT T

CULTURE AND RECREATION  
For the Year Ended September 30, 2019

	Park	Pool	Golf	Library	Total
<b>Expenditures</b>					
<b>Current Commodities</b>					
Supplies	\$ 23,937	\$ 19,364	\$ 96,188	\$ 15,508	\$ 154,997
Maintenance/Repairs	81,526	7,393	30,690	5,475	125,084
Books and Periodicals	-	-	-	33,408	33,408
Printing	-	-	-	729	729
Pro Shop Merchandise and Concessions	-	5,742	57,853	-	63,595
	<u>105,463</u>	<u>32,499</u>	<u>184,731</u>	<u>55,120</u>	<u>377,813</u>
<b>Personal Services</b>					
Salaries	295,308	84,954	260,032	253,806	894,100
Employees Benefits	131,189	5,049	40,713	109,005	285,956
	<u>426,497</u>	<u>90,003</u>	<u>300,745</u>	<u>362,811</u>	<u>1,180,056</u>
<b>Contractual Services</b>					
Insurance	34,323	14,790	19,694	10,028	78,835
Recreation Coordination	110,000	-	-	-	110,000
Utilities	38,681	21,597	38,729	14,508	113,515
Travel and Training	577	2,202	45	40	2,864
Dues and Subscriptions	-	-	1,776	1,174	2,950
Advertising and Promotion	-	-	1,614	471	2,085
Janitorial Service	-	-	-	1,250	1,250
Contract Services	-	-	-	5,521	5,521
Miscellaneous	333	1,087	6,052	-	7,472
	<u>183,914</u>	<u>39,676</u>	<u>67,910</u>	<u>32,992</u>	<u>324,492</u>
<b>Total Current Expenditures</b>	<u>715,874</u>	<u>162,178</u>	<u>553,386</u>	<u>450,923</u>	<u>1,882,361</u>
<b>Transfers Out</b>					
	33,000	4,000	119,008	-	156,008
	<u>33,000</u>	<u>4,000</u>	<u>119,008</u>	<u>-</u>	<u>156,008</u>
<b>Total Expenditures</b>	<u>\$ 748,874</u>	<u>\$ 166,178</u>	<u>\$ 672,394</u>	<u>\$ 450,923</u>	<u>\$ 2,038,369</u>



Robert R. Rauner, Jr., CPA, JD

Rachel L. Smith, CPA

Jeffrey J. Jung, CPA, PFS

Julia K. Peetz

Jena R. Hansen

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  
City of Sidney, Nebraska 69162

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sidney (the City), Sidney, Nebraska, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 31, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-001.

## **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, appearing to read "Rauner & Associates, P.C.", with a stylized flourish at the end.

Rauner & Associates, P.C.  
Sidney, Nebraska

January 31, 2020

CITY OF SIDNEY  
SIDNEY, NEBRASKA

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

FINANCIAL STATEMENT FINDINGS

2019-001: INSTANCE OF NONCOMPLIANCE, State Statute Compliance

*Condition:* The City violated Nebraska State Statutes in a real estate transaction. The purchase of an asset of real estate of the General Fund was purchased through incorrect means.

*Criteria:* The City's management should monitor each fund and statute to detect and correct a potential purchase error.

*Effect:* Intentional or unintentional errors could be made and not be detected within a timely period by the City's management in the normal course of performing their assigned functions.

*Recommendation:* A remedy for this situation would be for the City to consult with the State and legal counsel prior to approval of such transactions.

*Response:* At this time, the City's management has corrected the transaction with a resolution in October 2019, prior to audit release, authorizing the transfer of ownership to the City's General Fund from the Electric Fund.