



February 22, 2022

To the City Council
City of Sidney, Nebraska 69162

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sidney (the City), Sidney, Nebraska, for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 25, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City's financial statements was:

Management's estimate of the Property Taxes Receivable is based on historical receipts and levy limit proration. We evaluated the key factors and assumptions used to develop the Property Tax Receivable in determining that it is reasonable in relation to the financial statements taken as a whole and its effect on the budget preparation process, if any.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 22, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The following are offered as constructive suggestions to be considered as part of the ongoing process of modifying and improving the City's policies and procedures:

The City held uninsured cash balances in the amount of \$565,533. This balance is the amount that exceeded FDIC insurance and the combined letter of credit held in the City's name. The City needs to monitor the balance of their accounts at the various banking institutions used, to ensure the balance of all accounts remained insured or collateralized.

The City exceeded its overall expenditure budget by \$5,689,801, due primarily to the unanticipated refunding of its Series 2016 and Series 2017 General Obligation Bonds. An accurate amended budget should have been submitted when it was known that expenditures were higher than originally anticipated.

In the fiscal year ended 2021, total expenditures in the Sewer Fund and the Landfill fund exceeded total revenues by \$137,281 and \$194,868 respectively. We recommend that management analyze receipts, disbursements, transfers, and operating efficiency to ensure that the operations are cost effective and financially feasible.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the budgetary comparison information, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the combining and individual fund financial statements, which accompany the financial statements but are not RSI. Such information has 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 it.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of Sidney and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Rauner & Associates P.C.".

Rauner & Associates, P.C.
Sidney, Nebraska

CITY OF SIDNEY, NEBRASKA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
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, 2021, 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, 2021, 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

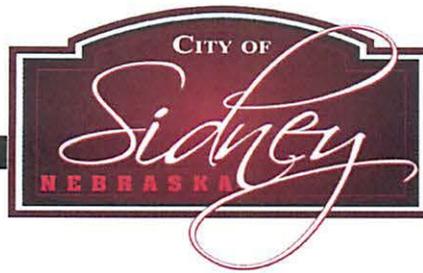
In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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 + Assoc PC". The signature is written in a cursive, flowing style with a large initial 'R'.

Rauner & Associates, P.C.
Sidney, Nebraska

February 22, 2022



SMALL TOWN VALUES

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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, 2021. 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, 2021, 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, 2021 by \$82,272,754 (net position). Of this amount \$29,195,885 (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 \$2,821,147 in comparison to the prior year. Of the increase, \$1,437,335 or 51% was an increase in governmental activities and \$1,383,812 or 49% related to business-type activities.
- ◆ The City's Governmental Fund Balance Sheet (Exhibit C) as of September 30, 2021 shows total assets of \$22,282,614, which is an increase of \$1,945,645 from the prior year. Deferred Inflows of Resources in the amount of \$3,932,577 which is \$300,131 less than last year. Deferred Inflows of Resources reflects uncollected property tax and special assessment revenues that are not available to pay for current period expenditures and, therefore, are deferred in the funds. Current year Fund Balances are as follows: Nonspendable Fund Balance - .07% or \$12,315 (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 - 40.68% or \$7,293,908 (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 - 32.21% or \$5,775,529, which is \$1,872,096 in the General Fund, \$2,937,170 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 - 27.03% or \$4,846,337 (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, 2021, indicate there was an increase in the net position of \$1,383,812 compared to \$1,492,986 in 2020. The Electric and Water Funds realized an increase in Net Position for FYE 2021 while the Sewer and Landfill Funds realized a small decrease (Exhibit H). Operating Revenues were higher this year in Water and Sewer but lower in Electric and Landfill. Operating Expenses were lower in Electric and Water, but higher in Sewer and Landfill.
- ◆ In the Statement of Cash Flows for Proprietary Funds (Exhibit I), there was a net increase in Cash and Cash Equivalents of \$989,270 in 2021 and a net increase of \$1,326,382 in 2020.
- ◆ The Governmental Activities total liabilities increased by \$39,113 while Business-Type Activities total liabilities shows a decrease of \$1,058,839.

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, 2021. 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 four 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, Capital Projects 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 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, 2021 and 2020:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and Other Assets	\$ 22,058,354	\$ 20,086,812	\$ 17,410,455	\$ 16,475,734	\$ 39,468,809	\$ 36,562,546
Capital Assets	36,716,596	36,089,117	35,166,230	35,775,978	71,882,826	71,865,095
TOTAL ASSETS	58,774,950	56,175,929	52,576,685	52,251,712	111,351,635	108,427,641
LIABILITIES						
Long Term Liabilities Outstanding	19,465,499	18,208,185	6,214,159	7,328,497	25,679,658	25,536,682
Other Liabilities	1,844,640	1,940,268	1,554,583	1,499,084	3,399,223	3,439,352
TOTAL LIABILITIES	21,310,139	20,148,453	7,768,742	8,827,581	29,078,881	28,976,034
NET POSITION						
Net Investment in Capital Assets	13,040,731	16,588,883	29,368,005	28,926,369	42,408,736	45,515,252
Restricted	7,474,282	8,742,099	3,193,851	3,406,152	10,668,133	12,148,251
Unrestricted	16,949,798	10,696,494	12,246,087	11,091,610	29,195,885	21,788,104
TOTAL NET POSITION	\$ 37,464,811	\$ 36,027,476	\$ 44,807,943	\$ 43,424,131	\$ 82,272,754	\$ 79,451,607

City of Sidney
Condensed Statement of Activities
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,598,710	\$ 1,476,018	\$ 13,957,981	\$ 13,972,967	\$ 15,556,691	\$ 15,448,985
Operating Grants and Contributions	2,152,929	1,145,241	-	-	2,152,929	1,145,241
Capital Grants and Contributions	387,029	138,860	-	-	387,029	138,860
General Revenues:						
Property Taxes	2,226,594	2,141,106	-	-	2,226,594	2,141,106
Sales and Use Tax	3,385,589	3,305,472	-	-	3,385,589	3,305,472
Other Local Taxes	389,736	373,243	-	-	389,736	373,243
Motor Vehicle Taxes	140,696	138,709	-	-	140,696	138,709
Intergovernmental Revenues	241,404	219,873	-	-	241,404	219,873
Franchise Fees	862,380	846,226	-	-	862,380	846,226
Miscellaneous State Revenues	357,426	192,452	-	-	357,426	192,452
Investment Income	20,155	48,746	123,058	103,752	143,213	152,498
Miscellaneous Revenues	316,925	393,451	270,195	313,068	587,120	706,519
Transfers of Capital	(181,112)	989,701	181,112	(989,701)	-	-
Equity Transfers	-	(1,410,493)	-	1,410,493	-	-
Bond Premiums	(76,655)	-	-	-	(76,655)	-
Debt Forgiveness	-	-	-	-	-	-
Insurance Proceeds	36,465	35,084	-	-	36,465	35,084
Total Revenues	11,858,271	10,033,689	14,532,346	14,810,579	26,390,617	24,844,268
Expenses:						
General Government	2,682,918	2,297,736	-	-	2,682,918	2,297,736
Public Safety	1,484,615	1,544,418	-	-	1,484,615	1,544,418
Public Works	2,610,517	2,534,237	-	-	2,610,517	2,534,237
Health & Social Services	386,249	369,954	-	-	386,249	369,954
Culture and Recreation	2,399,369	2,265,671	-	-	2,399,369	2,265,671
Interest on Long-Term debt	857,268	635,082	-	-	857,268	635,082
Electric	-	-	8,166,783	8,393,517	8,166,783	8,393,517
Water	-	-	1,951,112	2,009,425	1,951,112	2,009,425
Sewer	-	-	1,262,656	1,224,987	1,262,656	1,224,987
Landfill	-	-	1,767,983	1,689,664	1,767,983	1,689,664
Total Expenses	10,420,936	9,647,098	13,148,534	13,317,593	23,569,470	22,964,691
Increase in Net Assets	1,437,335	386,591	1,383,812	1,492,986	2,821,147	1,879,577
Net Assets - Beginning	36,027,476	35,640,885	43,424,131	41,931,145	79,451,607	77,572,030
Net Assets - Ending	\$ 37,464,811	\$ 36,027,476	\$ 44,807,943	\$ 43,424,131	\$ 82,272,754	\$ 79,451,607

GOVERNMENTAL ACTIVITIES

As stated previously in the Financial Highlights, governmental activities increased the City's net position by \$1,437,335, accounting for 51% of the total growth in the net assets of the City of Sidney. The Governmental Activities had an increase in capital position due to a \$2,599,021 increase in total assets, which was only partially offset by a \$1,161,686 increase in total liabilities.

BUSINESS-TYPE ACTIVITIES

Business-Type activities (see Exhibit H) increased the city's net position by \$1,383,812, accounting for 49% 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 \$57,859, Electric Fund change in net position increased from \$165,346 in 2020 to \$1,225,250 in 2021 due to transfers-out totaling \$974,181 in the prior year, Water Fund change in net position increased from \$148,304 in 2020 to \$490,711 in 2021 due to an increase in operating revenues and capital contributions from Economic Development of \$181,112, Sewer Fund change in net position remained relatively flat, and Landfill Fund change in net position decreased from \$1,286,179 in 2020 to (\$194,868) in 2021 due to a \$1,410,493 equity transfer that took place in the prior year.

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. 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, 2021, the City's Governmental Funds reported combined ending fund balances of \$17,928,089, an increase of \$2,206,663 compared to the prior year.

The Governmental Funds are the chief operating funds of the City. As of September 30, 2021, the **Nonspendable Fund** balance of the General Fund was \$12,315 which represents the Golf Course inventory; the **Committed Fund** was \$5,775,529. Committed Funds includes the Payroll Insurance Reserve Account and Economic Development funds; the **Unassigned Fund** was \$4,846,337 which is the remainder of the Governmental Fund Balances; and **Restricted Funds** was \$7,293,908 which is committed for Street Department and Debt Service. Total Liabilities, Deferred Inflows of Resources and Fund Balance for Governmental Funds was \$22,282,614. The fund balance of the City's General Fund increased by \$1,408,943 during this fiscal year.

The Street Fund had a total restricted fund balance of \$4,390,963, 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 \$2,902,945 which is entirely reserved for debt payments. The Capital Projects fund had a total committed fund balance of \$2,937,170 while the other non-major Governmental Funds had a total committed fund balance of \$785,889 which include 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 \$10,933,083. Restricted Assets for the same funds consist of \$306,577 for Customer Deposits, \$1,313,004 for Capital Improvements, \$1,641,810 for Debt Service, and \$1,245,464 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 \$108,119 under budget in General Fund and \$235,477 over budget in the Street Fund. The overall General Fund was over budget due higher than expected federal receipts and effective management of expenditures.

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 last 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 that 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.

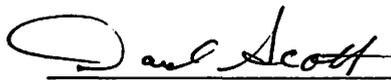
The 2018-2019 trade wars, on-going pandemic, inflation, and reduction of available equipment and supplies due to supply chain bottlenecks has created higher than normal costs for supplies needed to keep the city's departments and infrastructure running. If these conditions persist budgets and utility rates will have to increase in order to maintain stability of city services.

The largest 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 1800 positions. This move originally had a direct effect on 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. Throughout 2018 and 2019, 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 currently less than 40 homes available for sale. Retail sales have dropped significantly as six figure salaries to a large extent have disappeared from the economy and have been replaced by lower paid white-collar and blue-collar workers. Retirees looking for a lower cost and more relaxed lifestyle as well as younger people who can now work from home have made Sidney a popular relocation destination.

In other good news during the last 5-7 years, 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, 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 Global, 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. I believe this is possible due to Sidney's aggressive recruiting strategy, room for growth and available human capital to fill the jobs. There are 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 – citymanager@cityofsidney.org) at 1115 13th Avenue, Sidney, Nebraska.



David Scott, City Manager



Lane Kizzire, City Finance Director

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

EXHIBIT A

September 30, 2021

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 15,252,166	\$ 5,102,722	\$ 20,354,888
Cash with Fiscal Agent	108,536	-	108,536
Equity in Pooled Cash and Investments	2,157,119	6,179,346	8,336,465
Receivables (Net of Allowances for Uncollectibles)			
Taxes	704,347	-	704,347
Accounts	-	1,000,719	1,000,719
Special Assessments	4,047,969	10,830	4,058,799
Accrued Interest	162	2,127	2,289
Interfund Balances	(233,850)	233,850	-
Inventory	12,315	495,472	507,787
Bond Issue Costs	9,590	2,768	12,358
Discount on Bonds Payable	-	923	923
Restricted Assets			
Cash and Cash Equivalents	-	3,480,044	3,480,044
Investments	-	238,388	238,388
Equity in Pooled Cash and Investments	-	663,266	663,266
Capital Assets:			
Land and Land Improvements	2,045,410	1,738,338	3,783,748
Buildings and Structures	6,614,655	25,528,018	32,142,673
Vehicles	2,899,505	1,493,598	4,393,103
Equipment	4,436,005	10,502,883	14,938,888
Infrastructure	42,086,362	33,058,527	75,144,889
Accumulated Depreciation	(21,365,341)	(37,155,134)	(58,520,475)
TOTAL ASSETS	58,774,950	52,576,685	111,351,635
LIABILITIES			
Current Liabilities:			
Taxes Payable	-	73,941	73,941
Accounts Payable	26,560	4,948	31,508
Accrued Interest	41,278	30,794	72,072
Accrued Salaries and Employee Benefits Payable	31,451	18,585	50,036
Compensated Absences Payable within one year	29,299	47,206	76,505
Bonds, Notes and Leases Payable within one year	1,615,264	1,072,532	2,687,796
Other	100,788	-	100,788
Customer Deposits Payable	-	306,577	306,577
Total Current Liabilities	1,844,640	1,554,583	3,399,223
Non-Current Liabilities:			
Construction & Demolition Landfill Closure Costs	-	66,874	66,874
Landfill Closure Care	-	1,236,547	1,236,547
Compensated Absences	342,068	185,045	527,113
Bonds, Notes and Leases Payable	19,123,431	4,725,693	23,849,124
Total Non-Current Liabilities	19,465,499	6,214,159	25,679,658
TOTAL LIABILITIES	21,310,139	7,768,742	29,078,881
NET POSITION			
Net Investment in Capital Assets	13,040,731	29,368,005	42,408,736
Restricted for:			
Debt Service	2,902,945	1,641,810	4,544,755
Street Improvements	4,571,337	-	4,571,337
Landfill Closure	-	1,245,464	1,245,464
Customer Deposits	-	306,577	306,577
Unrestricted	16,949,798	12,246,087	29,195,885
TOTAL NET POSITION	\$ 37,464,811	\$ 44,807,943	\$ 82,272,754

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, 2021

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	
PRIMARY GOVERNMENT:							
Governmental Activities							
General Government	\$ 2,682,918	\$ -	\$ 2,198	\$ 246,031	\$ (2,434,689)	\$ -	\$ (2,434,689)
Public Safety	1,484,615	-	43,436	-	(1,441,179)	-	(1,441,179)
Public Works	2,610,517	29,471	1,697,312	140,998	(742,736)	-	(742,736)
Health & Social Services	386,249	21,157	345,718	-	(19,374)	-	(19,374)
Culture and Recreation	2,399,369	1,548,082	64,265	-	(787,022)	-	(787,022)
Interest on Long-Term debt	857,268	-	-	-	(857,268)	-	(857,268)
Total Governmental Activities	10,420,936	1,598,710	2,152,929	387,029	(6,282,268)	-	(6,282,268)
Business-Type Activities							
Electric	8,166,783	9,196,255	-	-	-	1,029,472	1,029,472
Water	1,951,112	2,177,369	-	-	-	226,257	226,257
Sewer	1,262,656	1,085,491	-	-	-	(177,165)	(177,165)
Landfill	1,767,983	1,498,866	-	-	-	(269,117)	(269,117)
Total Business-Type Activities	13,148,534	13,957,981	-	-	-	809,447	809,447
Total Primary Government	\$ 23,569,470	\$ 15,556,691	\$ 2,152,929	\$ 387,029	(6,282,268)	809,447	(5,472,821)

General Revenues:

Taxes:

Property Taxes	2,226,594	-	2,226,594
Sales Tax	3,385,589	-	3,385,589
Other Local Taxes	181,503	-	181,503
Motor Vehicle Taxes	140,696	-	140,696
Miscellaneous Special Assessments	208,233	-	208,233
Intergovernmental Revenues	241,404	-	241,404
Franchise Fees	862,380	-	862,380
Miscellaneous State Revenues	357,426	-	357,426
Investment Income	20,155	123,058	143,213
Miscellaneous Revenues	316,925	270,195	587,120
Transfers of Capital	(181,112)	181,112	-
Bond Discount/Premium	(76,655)	-	(76,655)
Insurance Proceeds	36,465	-	36,465
Total General Revenues and Transfers	7,719,603	574,365	8,293,968
Change in Net Position	1,437,335	1,383,812	2,821,147
Net Position - Beginning	36,027,476	43,424,131	79,451,607
Net Position - Ending	\$ 37,464,811	\$ 44,807,943	\$ 82,272,754

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

CITY OF SIDNEY, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS

EXHIBIT C

September 30, 2021

	General Fund	Street Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 4,561,132	\$ 4,487,947	\$ 2,937,170	\$ 2,843,812	\$ 422,105	\$ 15,252,166
Cash with Fiscal Agent	65,670	-	-	42,866	-	108,536
Equity in Pooled Cash and Investments	1,795,273	(1,938)	-	-	363,784	2,157,119
Receivables (Net of Allowances for Uncollectibles)						
Taxes	484,592	103,065	-	116,690	-	704,347
Special Assessments	-	-	-	4,047,969	-	4,047,969
Accrued Interest	162	-	-	-	-	162
Inventory	12,315	-	-	-	-	12,315
TOTAL ASSETS	\$ 6,919,144	\$ 4,589,074	\$ 2,937,170	\$ 7,051,337	\$ 785,889	\$ 22,282,614
LIABILITIES						
Liabilities						
Advances from Other Funds	\$ -	\$ -	\$ -	\$ 233,850	\$ -	\$ 233,850
Accounts Payable	22,365	4,195	-	-	-	26,560
Compensated Absences Payable	19,410	9,889	-	-	-	29,299
Accrued Salaries Payable	27,798	3,653	-	-	-	31,451
Claims Payable	34,485	-	-	-	-	34,485
Deferred Claims	66,303	-	-	-	-	66,303
Total Liabilities	170,361	17,737	-	233,850	-	421,948
DEFERRED INFLOWS OF RESOURCES						
Unavailable Property Tax Revenue	18,035	-	-	38,107	-	56,142
Uncollected Special Assessments	-	-	-	3,876,435	-	3,876,435
Total Deferred Inflows of Resources	18,035	-	-	3,914,542	-	3,932,577
FUND BALANCES						
Nonspendable	12,315	-	-	-	-	12,315
Restricted	-	4,390,963	-	2,902,945	-	7,293,908
Committed	1,872,096	180,374	2,937,170	-	785,889	5,775,529
Unassigned	4,846,337	-	-	-	-	4,846,337
Total Fund Balances	6,730,748	4,571,337	2,937,170	2,902,945	785,889	17,928,089
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,919,144	\$ 4,589,074	\$ 2,937,170	\$ 7,051,337	\$ 785,889	\$ 22,282,614

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, 2021

Total fund balance - total governmental funds \$ 17,928,089

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	58,081,937	
	Less: Accumulated Depreciation	<u>(21,365,341)</u>	36,716,596

Other assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:

Bond Issue Costs 9,590

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	20,738,695	
	Compensated Absences Payable	<u>342,068</u>	(21,080,763)

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. (41,278)

Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds. 3,876,435

Property tax revenues are not available to pay for current period expenditures and, therefore are deferred in the funds. 56,142

	<u>Net Position of Governmental Activities</u>	<u>\$ 37,464,811</u>
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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, 2021

	General Fund	Street Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 3,511,261	\$ 810,569	\$ -	\$ 1,337,439	\$ 300,000	\$ 5,959,269
Special Assessments	-	-	-	483,478	-	483,478
Franchise Fees	862,380	-	-	-	-	862,380
Intergovernmental Revenues	444,407	1,055,554	-	87,678	-	1,587,639
Charges for Services	1,548,082	29,471	-	-	21,157	1,598,710
Interest	8,130	8,789	356	1,233	1,647	20,155
Grants	1,009,638	140,998	74,581	15,634	246,031	1,486,882
Donations	-	-	-	-	64,265	64,265
Miscellaneous Revenues	182,276	6,774	17,650	99,436	10,791	316,927
Total Revenues	7,566,174	2,052,155	92,587	2,024,898	643,891	12,379,705
Expenditures						
General Government	1,947,161	-	-	-	651,521	2,598,682
Public Safety	1,434,768	-	-	-	-	1,434,768
Public Works	-	932,569	6,450	-	-	939,019
Health and Social Services	379,460	-	-	-	-	379,460
Culture and Recreation	1,965,700	-	-	-	-	1,965,700
Capital Outlay	198,430	40,420	2,623,066	-	243,628	3,105,544
Bond Payments (Principal, Interest and Charges)	-	-	43,476	2,611,203	-	2,654,679
Total Expenditures	5,925,519	972,989	2,672,992	2,611,203	895,149	13,077,852
Excess (Deficiency) of Revenues Over Expenditures	1,640,655	1,079,166	(2,580,405)	(586,305)	(251,258)	(698,147)
Other Financing Sources (Uses)						
Insurance Proceeds	36,465	-	-	-	-	36,465
Transfers In	-	-	2,378,950	113,944	-	2,492,894
Transfers Out	(268,177)	(2,224,717)	-	-	-	(2,492,894)
Bond Discounts	-	-	-	(139,905)	-	(139,905)
Bond Premiums	-	-	63,250	-	-	63,250
Bond Proceeds	-	-	2,455,000	-	-	2,455,000
Refunding Bond Proceeds	-	-	-	12,435,000	-	12,435,000
Payment for Refunding Bonds	-	-	-	(11,945,000)	-	(11,945,000)
Total Other Financing Sources (Uses)	(231,712)	(2,224,717)	4,897,200	464,039	-	2,904,810
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,408,943	(1,145,551)	2,316,795	(122,266)	(251,258)	2,206,663
Fund Balances, October 1	5,321,805	5,716,888	620,375	3,025,211	1,037,147	15,721,426
Fund Balances, September 30	\$ 6,730,748	\$ 4,571,337	\$ 2,937,170	\$ 2,902,945	\$ 785,889	\$ 17,928,089

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, 2021

Net change in fund balances - total governmental funds		\$ 2,206,663
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.		3,105,544
Deletion of Retired Capital Assets	(332,472)	
Deletion of Accumulated Depreciation of Retired Capital Assets	<u>305,708</u>	(26,764)
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.		(2,270,189)
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	13,651,539
	Issuance of Long-Term Debt	<u>(14,890,000)</u>
		(1,238,461)
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.		94,068
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.		50,914
Transfer of Water Project to the Water Fund resulting in a decrease to net asset activities.		(181,112)
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>(300,131)</u>
Change in Net Position of Governmental Funds		<u><u>\$ 1,437,335</u></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, 2021

	Business-Type Activities - Enterprise Funds				Totals
	Electric	Water	Sewer	Landfill	
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 3,571,023	\$ 736,305	\$ 421,198	\$ 374,196	\$ 5,102,722
Equity in Pooled Cash and Investments	5,707,778	(959)	471,999	528	6,179,346
Receivables					
Customer Accounts - Net of Allowances for					
Uncollectible Accounts	555,071	212,890	99,069	133,689	1,000,719
Special Assessment	-	4,515	6,315	-	10,830
Advances from Other Funds	233,850	-	-	-	233,850
Accrued Interest	1,077	185	865	-	2,127
Inventory	417,133	78,339	-	-	495,472
Total Current Assets	10,485,932	1,031,275	999,446	508,413	13,025,066
Capital Assets:					
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	14,410,506	3,270,274	25,528,018
Vehicles	751,629	58,053	381,462	302,454	1,493,598
Equipment	5,255,412	1,304,739	481,895	3,460,837	10,502,883
Infrastructure	11,873,653	20,054,497	1,130,377	-	33,058,527
Accumulated Depreciation	(12,124,283)	(12,169,784)	(7,774,884)	(5,086,183)	(37,155,134)
Total Property and Equipment	11,077,670	13,166,935	8,764,443	2,157,182	35,166,230
Other Assets					
Bond Issue Costs	-	-	-	2,768	2,768
Discount on Bonds Payable	-	-	-	923	923
Restricted Assets					
Cash and Cash Equivalents	370,397	515,425	1,173,832	1,420,390	3,480,044
Investments	200,000	-	-	38,388	238,388
Equity in Pooled Cash and Investments	93,001	325,051	245,214	-	663,266
Total Other Assets	663,398	840,476	1,419,046	1,462,469	4,385,389
TOTAL ASSETS	22,227,000	15,038,686	11,182,935	4,128,064	52,576,685
LIABILITIES					
Current Liabilities					
Taxes Payable	73,941	-	-	-	73,941
Accounts Payable	17	2,211	781	1,939	4,948
Accrued Interest	-	20,426	7,750	2,618	30,794
Compensated Absences Payable Within One Year	11,352	5,588	12,787	17,479	47,206
Bonds, Notes and Leases Payable Within One Year	-	772,150	210,382	90,000	1,072,532
Accrued Salaries and Employee Benefits	7,937	2,956	2,885	4,807	18,585
Customer Deposits	298,197	4,065	-	4,315	306,577
Total Current Liabilities	391,444	807,396	234,585	121,158	1,554,583
Long-Term Liabilities					
Compensated Absences Payable	69,260	35,865	12,812	67,108	185,045
Closure Costs	-	-	-	1,236,547	1,236,547
Construction & Demolition Landfill Closure Costs	-	-	-	66,874	66,874
Bonds and Notes Payable	-	2,548,483	1,777,210	400,000	4,725,693
Total Long-Term Liabilities	69,260	2,584,348	1,790,022	1,770,529	6,214,159
TOTAL LIABILITIES	460,704	3,391,744	2,024,607	1,891,687	7,768,742
NET POSITION					
Net Investment in Capital Assets	11,077,670	9,846,302	6,776,851	1,667,182	29,368,005
Restricted for:					
Customer Deposits	298,197	4,065	-	4,315	306,577
Capital Improvements	147,480	138,563	813,647	213,314	1,313,004
Debt Service	200,000	836,411	605,399	-	1,641,810
Landfill Closure Costs	-	-	-	1,245,464	1,245,464
Unrestricted	10,042,949	821,601	962,431	(893,898)	10,933,083
TOTAL NET POSITION	\$ 21,766,296	\$ 11,646,942	\$ 9,158,328	\$ 2,236,377	\$ 44,807,943

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, 2021

	Business-Type Activities - Enterprise Funds				
	Electric	Water	Sewer	Landfill	Total
Operating Revenue					
Charges for Services	\$ 9,196,255	\$ 2,177,369	\$ 1,085,491	\$ 1,498,866	\$ 13,957,981
Miscellaneous	122,291	74,659	29,979	43,266	270,195
Total Operating Revenue	9,318,546	2,252,028	1,115,470	1,542,132	14,228,176
Operating Expenses					
Administration	748,100	733,071	648,115	723,918	2,853,204
Distribution	6,846,410	297,124	-	-	7,143,534
Operation	-	184,297	240,414	644,816	1,069,527
Depreciation	572,273	658,573	346,310	378,014	1,955,170
Amortization	-	-	-	784	784
Total Operating Expenses	8,166,783	1,873,065	1,234,839	1,747,532	13,022,219
Operating Income (Loss)	1,151,763	378,963	(119,369)	(205,400)	1,205,957
Non-Operating Revenue (Expense)					
Interest Income	73,487	8,683	9,905	30,983	123,058
Interest Expense	-	(78,047)	(27,817)	(20,451)	(126,315)
Total Other Revenue (Expense)	73,487	(69,364)	(17,912)	10,532	(3,257)
Income (Loss) Before Contributions & Transfers	1,225,250	309,599	(137,281)	(194,868)	1,202,700
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Capital Contribution	-	181,112	-	-	181,112
Change in Net Position	1,225,250	490,711	(137,281)	(194,868)	1,383,812
Net Position at Beginning of Year	20,541,046	11,156,231	9,295,609	2,431,245	43,424,131
Net Position at End of Year	\$ 21,766,296	\$ 11,646,942	\$ 9,158,328	\$ 2,236,377	\$ 44,807,943

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, 2021

	Business-Type Activities - Enterprise Funds				
	Electric	Water	Sewer	Landfill	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 9,390,624	\$ 2,175,471	\$ 1,108,180	\$ 1,495,410	\$ 14,169,685
Cash Received from Other Funds for Services	-	-	-	43,266	43,266
Other Cash Operating Receipts	-	74,659	-	-	74,659
Cash Payments to Suppliers and Employees for Goods and Services	(7,628,230)	(1,240,239)	(884,310)	(1,359,203)	(11,111,982)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	1,762,394	1,009,891	223,870	179,473	3,175,628
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advance of Interfund Receivable	17,424	-	-	-	17,424
Transfers from (to) other funds	-	-	-	-	-
NET CASH (USED FOR) NONCAPITAL FINANCING ACTIVITIES	17,424	-	-	-	17,424
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(730,887)	(542,333)	(27,977)	(44,225)	(1,345,422)
Principal Paid on Bonds and Notes Payable	-	(753,779)	(207,605)	(90,000)	(1,051,384)
Proceeds from Contributed Capital	-	181,112	-	-	181,112
Interest Paid	-	(83,399)	(28,626)	(20,772)	(132,797)
NET CASH (USED FOR) CAPITAL & RELATED FINANCING ACTIVITIES	(730,887)	(1,198,399)	(264,208)	(154,997)	(2,348,491)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	74,665	8,682	10,045	30,983	124,375
(Increase) Decrease in Investments	29,229	(4,295)	(5,179)	579	20,334
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	103,894	4,387	4,866	31,562	144,709
Net Increase (Decrease) in Cash and Cash Equivalents	1,152,825	(184,121)	(35,472)	56,038	989,270
Cash and Cash Equivalents, October 1	2,788,595	1,435,851	1,630,502	1,738,548	7,593,496
Cash and Cash Equivalents, September 30	\$ 3,941,420	\$ 1,251,730	\$ 1,595,030	\$ 1,794,586	\$ 8,582,766
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 1,151,763	\$ 378,963	\$ (119,369)	\$ (205,400)	\$ 1,205,957
Adjustments to Reconcile Net Income to Net Cash Provided by Operations					
Depreciation and Amortization	572,273	658,573	346,310	378,798	1,955,954
(Increase) Decrease in Receivables	59,176	(1,668)	(7,289)	(4,095)	46,124
(Increase) Decrease in Inventories	(222)	(31,213)	-	-	(31,435)
Increase (Decrease) in Taxes and Accounts Payable	(646)	1,691	781	(615)	1,211
Increase (Decrease) in Other Accruals	(274)	-	-	5,374	5,100
Increase (Decrease) in Compensated Absences Payable	(34,535)	3,030	2,582	3,596	(25,327)
Increase (Decrease) in Accrued Salaries Payable	1,957	745	855	1,176	4,733
Increase (Decrease) in Customer Deposits Payable	12,902	(230)	-	639	13,311
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 1,762,394	\$ 1,009,891	\$ 223,870	\$ 179,473	\$ 3,175,628

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

CITY OF SIDNEY, NEBRASKA
STATEMENT OF NET POSITION - FIDUCIARY FUND

EXHIBIT J

AGENCY FUND
September 30, 2021

Assets	
Cash	\$ 494,127
Total Assets	<u>\$ 494,127</u>
Liabilities	
Due to Projects	\$ 329,880
Due to Other Governments	164,247
Total Liabilities	<u>\$ 494,127</u>

CITY OF SIDNEY, NEBRASKA
STATEMENT OF CHANGES IN NET POSITION -
FIDUCIARY FUND

AGENCY FUND
For the Year Ended September 30, 2021

Additions:	
Property Taxes	\$ 1,063,144
Interest Income	225
Total Additions	<u>\$ 1,063,369</u>
Deductions:	
Project Losses	141,313
Capital Outlay	20,000
Taxes Remitted Back	8,597
Project Disbursements	893,459
Total Deductions	<u>1,063,369</u>
Change in Net Position	-
Net Position - September 30, 2020	<u>-</u>
Net Position - September 30, 2021	<u>\$ -</u>

The 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.

The Capital Projects Fund is used to track the financial resources used to acquire and/or construct major capital assets.

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

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

Electric debt. All costs are financed through charges to utility customers with rates regularly reviewed and adjusted if necessary.

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, 2022. 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, 2021.

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

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.

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.

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

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.

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, 2021.

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 \$56,142 and uncollected special assessments of \$3,876,435 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.

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

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.

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, \$4,544,755 is restricted for future debt service, \$306,577 for customer deposits, \$4,571,337 for street improvements, and \$1,245,464 for the 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K

(Continued)

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;
- 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, 2021, in the amount of \$565,533.

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

- B. The City was over budget for the year ended September 30, 2021, due to an unplanned refunding of revenue bonds. Total expenditures for the year were \$38,311,291 versus a budget of \$32,621,490 for a total overage of \$5,689,801.

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.

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, 2021.

	Cash and Cash Equivalents	Equity in Pooled Cash & Investments	Investments	Subtotal	Cash with Fiscal Agent	Totals
General Fund	\$ 4,561,132	\$ 1,795,273	\$ -	\$ 6,356,405	\$ 65,670	\$ 6,422,075
Special Revenue Funds	4,910,052	361,846	-	5,271,898	-	5,271,898
Debt Service Fund	2,843,812	-	-	2,843,812	42,866	2,886,678
Capital Project Fund	2,937,170	-	-	2,937,170	-	2,937,170
Proprietary Funds	8,582,766	6,842,612	238,388	15,663,766	-	15,663,766
Agency Fund	494,127	-	-	494,127	-	494,127
Totals	\$ 24,329,059	\$ 8,999,731	\$ 238,388	\$ 33,567,178	\$ 108,536	\$ 33,675,714

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, 2021, \$565,533 of the City's bank balance of \$34,009,950 (this does not reflect outstanding checks or deposits in transit) was exposed to custodial credit risk as follows:

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

Uninsured and uncollateralized - Security Bank	\$ 565,533
Total	\$ 565,533

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, 2021, the City had bank balances of \$34,009,950, (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.

Cash held by the Cheyenne County Treasurer of \$108,536 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, 2021 are categorized as level 2 investments.

B. Capital Assets

Details of Capital Assets

Capital asset activity for the year fiscal year ended September 30, 2021 is as follows:

	October 1, 2020 Balance	Additions	Deletions	Transfers	September 30, 2021 Balance
Governmental Activities					
Land/Land Improvements	\$ 2,045,410	\$ -	\$ -	\$ -	\$ 2,045,410
Buildings & Structures	6,759,793	-	145,138	-	6,614,655
Vehicles	2,847,522	167,558	115,575	-	2,899,505
Equipment	4,060,356	447,408	71,759	-	4,436,005
Infrastructure	39,776,896	2,490,578	-	(181,112)	42,086,362
Total	\$ 55,489,977	\$ 3,105,544	\$ 332,472	\$ (181,112)	\$ 58,081,937

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

Less Accumulated Depreciation:	October 1, 2020			September 30, 2021
	Balance	Additions	Deletions	Balance
Building/Structure	\$ 2,767,067	\$ 300,467	\$ 145,138	\$ 2,922,396
Vehicles	2,367,179	117,155	115,575	2,368,759
Equipment	3,192,751	169,057	44,995	3,316,813
Infrastructure	11,073,863	1,683,510	-	12,757,373
Total	\$ 19,400,860	\$ 2,270,189	\$ 305,708	\$ 21,365,341

Acc Depr	2020-21
General Government	\$ 80,546
Public Safety	71,786
Public Works, which includes the depreciation of general infrastructure assets	1,667,208
Cemetery	10,886
Culture and recreation	439,763
Total	\$ 2,270,189

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 80,546
Public Safety	71,786
Public Works, which includes the depreciation of general infrastructure assets	1,667,208
Health & Social Services	10,886
Culture and Recreation	439,763
Total	\$ 2,270,189

Business-Type Activities

A summary of the Proprietary Fund Fixed Assets as of September 30, 2021 is as follows:

Proprietary Activities	October 1, 2020			September 30, 2021
	Balance	Additions	Deletions	Balance
Land/Land Improvements	\$ 1,738,338	\$ -	\$ -	\$ 1,738,338
Buildings and Structures	25,528,019	-	-	25,528,019
Vehicles	1,483,221	27,977	17,600	1,493,598
Equipment	10,073,783	438,469	9,370	10,502,882
Infrastructure	32,179,551	878,976	-	33,058,527
Total	\$ 71,002,912	\$ 1,345,422	\$ 26,970	\$ 72,321,364

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

Less Accumulated Depreciation:	October 1, 2020			September 30, 2021
	Balance	Additions	Deletions	Balance
Building/Structure	\$ 12,980,691	\$ 391,340	\$ -	\$ 13,372,031
Vehicles	1,277,899	94,535	17,600	1,354,834
Equipment	4,770,411	483,690	9,370	5,244,731
Infrastructure	16,197,933	985,605	-	17,183,538
Total	\$ 35,226,934	\$ 1,955,170	\$ 26,970	\$ 37,155,134

C. Details of Long-Term Liabilities

Governmental Activities

1. Bonds Payable – Various Purpose Bonds Payable

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 received advances on the loan this fiscal period as invoices were submitted to and approved by the NDEQ. The repayment of the loan began on December 15, 2018, 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, 2021, 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. The project is expected be completed in fiscal year 2022.

On November 10, 2020, the City issued \$780,000 of General Obligation Various Purpose Refunding Bonds, Series 2020A. The proceeds of the Series 2020A bonds were used to refund \$750,000 of 2014 SID & SSED Various Purpose Bonds. The Series 2020A bonds are due in semi-annual installments through December 15, 2029, and bear interest rates ranging from .50% to 1.3%. The refunding results in a net present value savings of approximately \$50,130.

On November 10, 2020, the City issued \$11,655,000 of General Obligation Various Purpose Refunding bonds, Series 2020B. The proceeds of the Series 2020B bonds were used to partially refund \$7,645,000 of General Obligation Various Purpose Bonds, Series 2016, and \$3,550,000 of General Obligation Various Purpose Bonds, Series 2017. The Series 2020B bonds are due in semi-annual installments through December 15, 2036, and bear interest rates ranging from .697% to 2.829%. The refunding results in a net present value savings of approximately \$615,588.

On August 19, 2021, the city issued \$2,455,000 of Highway Allocation Fund Pledge Bonds, Series 2021. The proceeds of the Series 2021 bonds will be used for paying the costs of certain street and other related improvements with the City of Sidney. The Series 2021 bonds are due semi-annual installments through December 15, 2036, and bear an interest rate of 2.00%.

Various Purpose Bonds and Debt Payable at September 30, 2021, is comprised of the following Individual issues:

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

\$1,915,000 Various Purpose Refunding Bonds, Series 2020A, due in annual installments through December 15, 2029; interest at 0.40-2.45%	525,000
\$1,520,000 Recreational Facilities Infrastructure Bonds, Series 2014, due in annual installments through December 15, 2023; interest at 0.40-3.00%	480,000
\$9,625,000 Various Purpose Bonds, Series 2016, due in semi-annual installments through December 15, 2036; interest at 2.00-4.00% Partially refunded in December 2021 by Series 2020B bonds.	410,000
\$4,550,000 Various Purpose Bonds, Series 2017, due in semi-annual installments through December 15, 2036; interest at 2.00-4.00% Partially refunded in December 2021 by Series 2020B bonds.	200,000
\$3,600,000 Limited Tax Refunding Bond, Series 2017B, due in semi-annual installments through May 1, 2026; interest at 2.00-4.00%	2,170,000
\$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	1,011,695
\$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	1,127,000
\$780,000 Various Purpose Refunding Bonds, Series 2020A, due in annual installments through December 15, 2029; interest at 0.50-1.30%	705,000
\$11,655,000 Various Purpose Refunding Bonds, Series 2020B, due in annual installments through December 15, 2036; interest at 0.697-2.829%	11,655,000
\$2,455,000 Highway Allocation Fund Pledge Bonds, Series 2021, due in semi-annual installments through December 15, 2036; interest at 2.00% interest rates	2,455,000
	<u><u>\$ 20,738,695</u></u>

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

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

2. Changes in Various Purpose Bonds and Debt Payable

Description	Issue Date	Interest Rate	Balance October 1	Bonds Issued	Bonds Refunded	Bonds Paid	Balance September 30	Amounts Due Within One Year
Tax Increment Revenue Bond	07/01/11	4.00%	\$ 34,741	\$ -	\$ -	\$ 34,741	\$ -	\$ -
Various Purpose Refunding Bonds	09/30/14	0.40-2.45%	755,000	-	-	230,000	525,000	170,000
Recreational Facility Public Infra. Bonds	01/02/14	0.40-3.00%	635,000	-	-	155,000	480,000	155,000
SID & SSED Various Purpose Bonds	07/03/14	0.40-3.40%	750,000	-	(750,000)	-	-	-
2016 G. O. Various Purpose Bonds	12/15/16	2.00-4.00%	8,460,000	-	(7,645,000)	405,000	410,000	410,000
2017 G. O. Various Purpose Bonds	02/15/17	2.00-4.00%	3,950,000	-	(3,550,000)	200,000	200,000	200,000
2017-B Limited Tax Refunding Bond	10/05/17	2.00-4.00%	2,570,000	-	-	400,000	2,170,000	400,000
Joint East Sidney Watershed NDEQ Loan	07/28/18	1.25%	1,077,493	-	-	65,798	1,011,695	59,264
2018A Solid Waste Disposal Bonds	08/29/18	3.35%	1,268,000	-	-	141,000	1,127,000	146,000
2020A G.O. Various Purpose Refunding	11/10/20	.50-1.30%	-	780,000	-	75,000	705,000	75,000
2020B G.O. Various Purpose Refunding	11/10/20	.70-2.83%	-	11,655,000	-	-	11,655,000	-
2021 Highway Allocation Fund Pledge Bonds	08/19/21	2.00%	-	2,455,000	-	-	2,455,000	-
Total			\$ 19,500,234	\$ 14,890,000	\$ (11,945,000)	\$ 1,706,539	\$ 20,738,695	\$ 1,615,264

Various Purpose Bonds and Debt Payable at September 30, 2021, has the following maturities:

Fiscal Year	Principal	Interest	Total
2022	1,615,264	648,246	\$ 2,263,510
2023	1,880,188	370,251	2,250,439
2024	1,925,880	338,438	2,264,318
2025	1,602,580	308,845	1,911,425
2026	1,623,290	282,331	1,905,621
2027-2031	5,536,405	1,057,246	6,593,651
2032-2036	5,361,525	482,557	5,844,082
2037-2038	1,193,563	16,561	1,210,124
	\$ 20,738,695	\$ 3,504,475	\$ 24,243,170

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. The bond was retired in fiscal 2021.

4. Changes in Long-Term Liabilities

Description	Balance October 1	Debt Issued	Debt Refunded	Debt Retired	Balance September 30	Amounts Due Within One Year
Various Purpose Bonds & Debt Payable	\$ 19,500,234	\$ 14,890,000	\$ (11,945,000)	\$ 1,706,539	\$ 20,738,695	\$ 1,615,264
Compensated Absences	427,236	-	-	55,869	371,367	29,299
	\$ 19,927,470	\$ 14,890,000	\$ (11,945,000)	\$ 1,762,408	\$ 21,110,062	\$ 1,644,563

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	\$ 490,000
Total Bonds Payable	490,000
\$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.	569,255
\$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.	58,526
\$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.	2,692,852
\$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.	1,987,592
Total Notes Payable	5,308,225
Total Bonds and Notes Payable	\$ 5,798,225

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
2022	\$ 1,072,531	\$ 108,768	\$ 1,181,299
2023	455,467	88,148	543,615
2024	466,279	79,010	545,289
2025	472,190	69,450	541,640
2026	483,199	59,641	542,840
2027-2031	1,737,232	184,474	1,921,706
2032-2036	916,914	70,625	987,539
2037	194,413	2,920	197,333
	\$ 5,798,225	\$ 663,036	\$ 6,461,261

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%	\$ 580,000	\$ -	\$ 90,000	\$ 490,000	\$ 90,000
Note Payable - Nebraska DEQ - Water Project	2004	2.52%	1,124,431	-	555,176	569,255	569,255
Note Payable - Nebraska DEQ - Water Project Land	2003	2.52%	115,605	-	57,079	58,526	58,526
Note Payable - Nebraska DEQ - Sewer Construction	2009	1.33%	2,195,197	-	207,605	1,987,592	210,382
Note Payable - Nebraska DEQ - Water Booster	2016	2.00%	2,834,376	-	141,524	2,692,852	144,369
Total			\$ 6,849,609	\$ -	\$ 1,051,384	\$ 5,798,225	\$ 1,072,532

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	\$ -	\$ 268,177
Street Fund	-	2,224,717
Capital Projects Fund	2,378,950	-
Debt Service Fund	113,944	-
Total Operating Transfers	\$ 2,492,894	\$ 2,492,894

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. Additionally, the 13th Street and Elm Street Construction projects were transferred from the Street Fund to the Capital Projects Fund for consolidated management in the amount of \$2,193,450. The remaining transfers were for normal operating purposes and were within the normal operations of the City.

Equity Transfers were utilized for the expenditures of the water portion of the Elm Street project in the capital projects fund. The capital assets will be reported in the water fund as that department is responsible for the maintenance and repairs for that water district.

Fund	Equity Transfers In	Equity Transfers Out
Capital Projects Fund	\$ -	\$ 181,112
Water Fund	181,112	-
Total Equity Transfers	\$ 181,112	\$ 181,112

Advances from Other Funds are proceeds from other funds. These interfund balances were the result of internal financing. The balance of \$233,850 is not expected to be repaid within one year. The following is a schedule of due to/due from other funds:

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

Fund	Advances from Other Funds	Advances from Other Funds
Debt Service Fund	\$ -	\$ 233,850
Electric Fund	233,850	-
Total Due From/To Other Funds	\$ 233,850	\$ 233,850

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, 2021, which represents 46.69 percent of the cumulative landfill closure and post closure care liability of \$2,648,225. As a result of the new landfill cell configuration that was completed during the prior fiscal years, the City has used approximately 27.32 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$1,411,678 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 \$2,648,225 in fiscal year 2021. 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 \$66,874 reported as construction and demolition landfill closure and post closure care liability at September 30, 2021, 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 \$128,242 as the remaining estimated years end. These amounts are based on what it would cost to perform all closure and post closure cares of \$195,116 in fiscal year 2021. 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, 2021, investments of \$1,207,076 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.

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

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, 2021, 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, 2021 was \$10,559,407. These bonds constituted limited obligations of the Agency payable exclusively from real estate taxes from certain 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 \$157,676 for the year while employee contributions totaled \$165,993.

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, 2021, were \$45,531 and employee contributions were \$45,531.

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 2021-2022 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

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

a significant impact on local businesses. Additionally, COVID-19 and its related shutdowns have and will continue to have adverse impacts. Finally, the effects of the Cabela's/Bass Pro merger continues to cause economic uncertainty for the community and for the future planned developments.

G. Compensated Absences

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 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 \$737,207. The liability may go up based on increased enrollment, but the maximum it will ever be is \$921,509. 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, 2021 is \$1,477,718.

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, 2021, the amount of estimated claims payable was \$66,304. 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
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
2019-2020	33,142	1,139,464	1,138,223	34,383
2020-2021	34,383	1,395,714	1,363,793	66,304

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

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

plans or intent for future use of available financial resources. At September 30, 2021, \$2,902,945 of the Debt Service Fund's fund balance and \$4,390,963 of the Street Fund's fund balance were reserved for repayments of debt.

At September 30, 2021, the following amounts of net position were reserved: The Landfill Fund's reserve includes \$1,458,778 reserved for landfill closure costs and capital purchases, and \$4,315 for customer deposits. The Electric Fund reserved \$298,197 for customer deposits, \$147,480 for capital purchases, and \$200,000 for bond reserves. The Water fund reserved \$4,065 for customer deposits, \$138,563 for capital purchases, and \$836,411 for future bond payments. The Sewer Fund reserved \$813,647 for capital purchases and \$605,399 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, 2021, the Foundation had the \$3,753 in a checking account, and \$197,593 invested in a savings account and certificates of deposit.

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, 2021

	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	\$ 3,918,375	\$ 3,918,375	\$ -	\$ 5,380,379	\$ 5,380,379	\$ -	\$ 3,311,503	\$ 3,033,363	\$ 278,140
Resources (inflows):									
Personal and Real Property Taxes	1,364,335	1,308,507	(55,828)	-	-	-	1,063,862	1,060,992	(2,870)
Federal Receipts	95,200	1,009,638	914,438	137,970	1,107	(136,863)	-	-	-
Motor Vehicle Pro-Rate	3,700	4,002	302	-	-	-	-	-	-
Highway Allocation and Incentive	-	-	-	803,616	872,244	68,628	-	-	-
Motor Vehicle Fee	-	-	-	65,000	64,632	(368)	-	-	-
State Receipts Other	203,769	335,825	132,056	-	134,707	134,707	-	15,634	15,634
Motor Vehicle Tax	132,800	140,696	7,896	-	-	-	-	-	-
Sales Tax	2,146,725	2,038,606	(108,119)	403,750	639,227	235,477	-	358,317	358,317
Local Receipts Local	2,623,944	2,721,208	97,264	742,419	163,997	(578,422)	1,180,196	27,645	(1,152,551)
Other Financing Sources	-	36,465	36,465	-	-	-	-	13,047,305	13,047,305
Amounts available for appropriation	6,570,473	7,594,947	1,024,474	2,152,755	1,875,914	(276,841)	2,244,058	14,509,893	12,265,835
Charges to appropriations (outflows):									
General Government	2,119,375	1,946,012	173,363	-	-	-	-	-	-
Public Safety	1,813,186	1,434,768	378,418	-	-	-	-	-	-
Streets	-	-	-	1,843,030	924,062	918,968	-	-	-
Health & Social Services	374,147	379,460	(5,313)	-	-	-	-	-	-
Culture and Recreation	2,206,076	1,972,150	233,926	-	-	-	-	-	-
Capital Outlay	-	198,430	(198,430)	4,053,500	40,420	4,013,080	-	-	-
Other Financing Uses	-	268,177	(268,177)	-	2,224,717	(2,224,717)	2,244,058	14,656,578	(12,412,520)
Total charges to appropriations	6,512,784	6,198,997	313,787	5,896,530	3,189,199	2,707,331	2,244,058	14,656,578	(12,412,520)
Budgetary Fund Balance, September 30	\$ 3,976,064	\$ 5,314,325	\$ 1,338,261	\$ 1,636,604	\$ 4,067,094	\$ 2,430,490	\$ 3,311,503	\$ 2,886,678	\$ (146,685)

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, 2021

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, 2021

	General Fund	Street Fund
	<u> </u>	<u> </u>
Sources/inflows of resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 7,594,947	\$ 1,875,914
Differences--budget to GAAP:		
Receipts from accounts receivable are a budgetary resource but may not be a current year revenue for financial reporting purposes		
Taxes Receivables	8,065	-
MV Sales Tax Receivable	-	(12,710)
Sales Tax Receivable	28,393	4,685
	<u>36,458</u>	<u>(8,025)</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	(28,766)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 7,602,639</u>	<u>\$ 1,867,889</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule	\$ 6,198,997	\$ 3,189,199
Differences--budget to GAAP		
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	(8,648)	3,692
Accrued Salaries and Benefit Payables	6,680	620
	<u>(1,968)</u>	<u>4,312</u>
The City budgets for inventory purchases expected to be paid, rather than on the modified accrual basis		
Accounts Payable	3,116	4,195
Inventory	(6,450)	-
	<u>(3,334)</u>	<u>4,195</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance-governmental funds	<u>\$ 6,193,695</u>	<u>\$ 3,197,706</u>

CITY OF SIDNEY, NEBRASKA
COMBINING BALANCE SHEET

EXHIBIT N

NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2021

	Special Revenue Funds					Totals
	Economic Development	Cemetery	Golf Development	Unemployment	Scouts	
ASSETS						
Cash and Cash Equivalents	\$ 415,766	\$ -	\$ -	\$ -	\$ 6,339	\$ 422,105
Equity in Pooled Cash & Investments	-	267,541	5,759	90,484	-	363,784
TOTAL ASSETS	\$ 415,766	\$ 267,541	\$ 5,759	\$ 90,484	\$ 6,339	\$ 785,889
FUND BALANCES						
Committed	\$ 415,766	\$ 267,541	\$ 5,759	\$ 90,484	\$ 6,339	\$ 785,889
TOTAL FUND BALANCES	415,766	267,541	5,759	90,484	6,339	785,889
TOTAL FUND BALANCES	\$ 415,766	\$ 267,541	\$ 5,759	\$ 90,484	\$ 6,339	\$ 785,889

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, 2021

	Special Revenue Funds					Totals
	Economic Development	Cemetery	Golf Development	Unemployment	Scouts	
Revenues						
Taxes	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ 300,000
Charges for Services	12,000	9,157	-	-	-	21,157
Interest	322	1,227	6	61	31	1,647
Grants	246,031	-	-	-	-	246,031
Donations	63,615	-	650	-	-	64,265
Miscellaneous Revenues	10,785	-	-	-	6	10,791
Total Revenues	632,753	10,384	656	61	37	643,891
Expenditures						
Operating Expenses	650,138	500	413	-	470	651,521
Capital Outlay	243,628	-	-	-	-	243,628
Total Expenditures	893,766	500	413	-	470	895,149
Excess (Deficiency) of Revenues Over (Under) Expenditures	(261,013)	9,884	243	61	(433)	(251,258)
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources (Uses) Over (Under) Expenditures and Other Uses	(261,013)	9,884	243	61	(433)	(251,258)
Fund Balance, October 1	676,779	257,657	5,516	90,423	6,772	1,037,147
Fund Balance, September 30	\$ 415,766	\$ 267,541	\$ 5,759	\$ 90,484	\$ 6,339	\$ 785,889

CITY OF SIDNEY, NEBRASKA
INDIVIDUAL SCHEDULE OF REVENUES

EXHIBIT P

GENERAL FUND
For the Years Ended September 30, 2021

	2021
Revenues	
Taxes/Shared Intergovernmental Revenue	
General Property	\$ 1,287,806
Motor Vehicle	140,696
Sales	2,066,999
Occupation	15,760
	3,511,261
Licenses, Fees and Permits	
Franchise Fees	862,380
	862,380
Intergovernmental Revenues	
Bookmobile and Police Reimbursement	100,340
Economic Development Reimbursement	20,000
Homestead	50,318
Motor Vehicle Pro-Rate	4,002
Miscellaneous	269,747
	444,407
Charges for Services	
Administration Fees	955,928
Licenses and Permits	40,689
Cemetery Lots, Openings and Perpetual Care	46,428
Swimming Pool and Handibus Fees	84,874
Golf Fees, Storage and Merchandise	382,982
Library Fees	2,442
Animal Control	3,040
Miscellaneous	31,699
	1,548,082
Interest	8,130
State and Federal Grants	1,009,638
Other Revenue	
Rent	104,411
Miscellaneous	77,865
	182,276
Total Revenues	7,566,174
Other Financing Sources	
Insurance Proceeds	36,465
	36,465
Total Revenues	\$ 7,602,639

GENERAL GOVERNMENT
For the Year Ended September 30, 2021

	Administration	Economic Development	Engineering and Inspection	Total
Expenditures				
Current Commodities				
Office Supplies	\$ 3,931	\$ -	\$ 2,013	\$ 5,944
Department Supplies	12,373	1,425	921	14,719
Maintenance/Repairs	113,755	-	5,952	119,707
	<u>130,059</u>	<u>1,425</u>	<u>8,886</u>	<u>140,370</u>
Personal Services				
Salaries - Other	512,615	63,850	63,056	639,521
Employee Benefits	177,782	26,589	13,919	218,290
	<u>690,397</u>	<u>90,439</u>	<u>76,975</u>	<u>857,811</u>
Contractual Services				
Insurance	38,200	-	6,080	44,280
Utilities	21,730	10,661	453	32,844
Travel/Training	10,953	4,040	536	15,529
Dues and Subscriptions	20,291	7,276	145	27,712
Professional Fees	103,098	1,394	-	104,492
Advertising and Promotion	7,544	11,254	-	18,798
Janitorial Service	1,600	-	-	1,600
County E911	360,255	-	-	360,255
Economic Development	40,852	-	-	40,852
Contracted Services	36,527	-	-	36,527
Recreation Coordination	108,000	-	-	108,000
13th Ave. Building Expense	107,086	-	-	107,086
Miscellaneous	50,377	-	627	51,004
	<u>906,513</u>	<u>34,625</u>	<u>7,841</u>	<u>948,979</u>
Total Current Expenditures	<u>1,726,969</u>	<u>126,489</u>	<u>93,702</u>	<u>1,947,160</u>
Capital Outlay	-	-	56,278	56,278
Transfers Out	5,000	2,000	3,500	10,500
	<u>5,000</u>	<u>2,000</u>	<u>59,778</u>	<u>66,778</u>
Total Expenditures	<u>\$ 1,731,969</u>	<u>\$ 128,489</u>	<u>\$ 153,480</u>	<u>\$ 2,013,938</u>

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

EXHIBIT R

PUBLIC SAFETY
For the Year Ended September 30, 2021

	Police	Fire	Total
Expenditures			
Current Commodities			
Supplies	\$ 38,736	\$ 15,590	\$ 54,326
Maintenance/Repairs	35,597	21,711	57,308
	<u>74,333</u>	<u>37,301</u>	<u>111,634</u>
Personal Services			
Salaries	760,533	25,871	786,404
Employee Benefits	319,093	6,779	325,872
	<u>1,079,626</u>	<u>32,650</u>	<u>1,112,276</u>
Contractual Services			
Insurance	93,940	32,250	126,190
Contract Labor	20,926	11,530	32,456
Utilities	22,141	3,341	25,482
Travel and Training	14,537	1,925	16,462
Dues and Subscription	-	871	871
Advertising	-	1,625	1,625
Miscellaneous	7,671	101	7,772
	<u>159,215</u>	<u>51,643</u>	<u>210,858</u>
Total Current Expenditures	<u>1,313,174</u>	<u>121,594</u>	<u>1,434,768</u>
Capital Outlay	-	-	-
Transfers Out	36,500	55,000	91,500
	<u>36,500</u>	<u>55,000</u>	<u>91,500</u>
Total Expenditures	<u>\$ 1,349,674</u>	<u>\$ 176,594</u>	<u>\$ 1,526,268</u>

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

EXHIBIT S

HEALTH AND SOCIAL SERVICES
For the Year Ended September 30, 2021

	Cemetery	Handibus	Total
Expenditures			
Current Commodities			
Supplies	\$ 4,904	\$ 18,192	\$ 23,096
Maintenance/Repairs	9,670	4,999	14,669
	<u>14,574</u>	<u>23,191</u>	<u>37,765</u>
Personal Services			
Salaries	89,668	105,584	195,252
Employee Benefits	35,714	39,697	75,411
	<u>125,382</u>	<u>145,281</u>	<u>270,663</u>
Contractual Services			
Insurance	15,443	20,313	35,756
Utilities	7,606	5,448	13,054
Travel and Training	160	110	270
Rent	-	12,000	12,000
Miscellaneous	9,902	50	9,952
	<u>33,111</u>	<u>37,921</u>	<u>71,032</u>
Total Current Expenditures	<u>173,067</u>	<u>206,393</u>	<u>379,460</u>
Capital Outlay	-	77,349	77,349
Transfers Out	7,000	3,000	10,000
	<u>7,000</u>	<u>80,349</u>	<u>87,349</u>
Total Expenditures	<u>\$ 180,067</u>	<u>\$ 286,742</u>	<u>\$ 466,809</u>

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

EXHIBIT T

CULTURE AND RECREATION
For the Year Ended September 30, 2021

	Park	Pool	Golf	Library	Total
Expenditures					
Current Commodities					
Supplies	\$ 25,823	\$ 1,284	\$ 144,033	\$ 16,865	\$ 188,005
Maintenance/Repairs	136,486	16,856	49,753	5,966	209,061
Books and Periodicals	-	-	-	30,541	30,541
Printing	-	-	-	455	455
Pro Shop Merchandise and Concessions	-	7,313	67,886	-	75,199
	<u>162,309</u>	<u>25,453</u>	<u>261,672</u>	<u>53,827</u>	<u>503,261</u>
Personal Services					
Salaries	300,560	58,741	268,676	230,076	858,053
Employees Benefits	142,770	4,494	63,161	109,690	320,115
	<u>443,330</u>	<u>63,235</u>	<u>331,837</u>	<u>339,766</u>	<u>1,178,168</u>
Contractual Services					
Insurance	58,938	11,572	24,702	14,731	109,943
Utilities	43,071	17,465	39,018	11,847	111,401
Travel and Training	957	2,055	186	464	3,662
Dues and Subscriptions	110	-	4,242	998	5,350
Advertising and Promotion	-	-	655	377	1,032
Janitorial Service	-	-	-	2,243	2,243
Contract Services	-	-	12,867	14,388	27,255
Miscellaneous	29	199	20,770	2,387	23,385
	<u>103,105</u>	<u>31,291</u>	<u>102,440</u>	<u>47,435</u>	<u>284,271</u>
Total Current Expenditures	<u>708,744</u>	<u>119,979</u>	<u>695,949</u>	<u>441,028</u>	<u>1,965,700</u>
Capital Outlay	53,500	-	11,304	-	64,804
Transfers Out	33,000	3,500	113,677	6,000	156,177
	<u>86,500</u>	<u>3,500</u>	<u>124,981</u>	<u>6,000</u>	<u>220,981</u>
Total Expenditures	<u>\$ 795,244</u>	<u>\$ 123,479</u>	<u>\$ 820,930</u>	<u>\$ 447,028</u>	<u>\$ 2,186,681</u>



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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 22, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 cursive script that reads "Rauner & Associates P.C.".

Rauner & Associates, P.C.
Sidney, Nebraska

February 22, 2022