

CITY OF SIDNEY, NEBRASKA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
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 of 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, 2013, 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, 2013, 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 Supplemental 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 3 through 11 and 39 through 41 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 and schedules 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 and schedules 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.

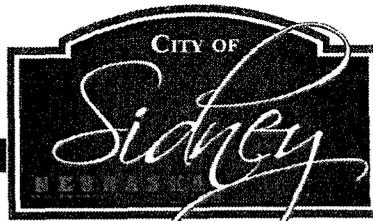
#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



RAUNER & ASSOCIATES, P.C.  
Sidney, Nebraska

February 11, 2014



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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, 2013. 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, 2013, 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, 2013 by \$57,508,875 (net position). Of this amount \$15,424,086 (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 \$3,439,215 in comparison to the prior year. Of the increase, \$1,869,174 or 54.3% was an increase in governmental activities and \$1,570,041 or 45.7% related to business-type activities.
- ◆ The City's Governmental Fund Balance Sheet (Exhibit C) as of September 30, 2013 shows an increase from \$6,620,046 to \$7,309,468 in comparison with the prior year which is an increase of \$689,422. Deferred Inflows of Resources in the amount of \$543,463 is different from years past. This is other long-term assets and property tax revenues that are not available to pay for current period expenditures and, therefore, are deferred in the funds. In past reports, these were shown as Deferred Revenue liability. Current year Fund Balances are as follows: Nonspendable Fund Balance - .8% or \$62,843 (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 - 16.7% or \$1,217,219 (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 - 27.9% or \$2,040,488 (which is \$170,818 in the Insurance Reserve Account and the remainder is LB840 Economic Development, Cemetery Perpetual Care, Golf Development, Unemployment, and Boy Scouts) 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 - 54.6% or \$3,988,918 (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, 2013, indicate there was an increase in the net position of \$1,570,041 compared to \$1,850,365 in 2012. The Electric, Water, Sewer and Landfill Departments each realized an increase in Net Position for FY2013 year end (Exhibit H). Interest income remained about the same as interest rates have not improved. Charges for Services increased this year due to rate increases in Sewer and Electric. Capital Contributions for Sanitary Sewer Extension District No. 20 in the amount of \$46,398 was added to Sewer. Landfill had insurance proceeds again this year for a tub grinder that was destroyed in a fire.
- ◆ In the Statement of Cash Flows for Proprietary Funds (Exhibit I), there is a net decrease again in 2013 in Cash and Cash Equivalents (\$357,965) due to higher operating expenses in Electric.
- ◆ The Governmental Activities total liabilities decreased by \$332,827 due the amount of bonds have decreased.
- ◆ The Business-Type Activities total liabilities decreased by \$1,452,413, due primarily to debt payments.

### USING THIS ANNUAL FINANCIAL REPORT

Our government's presentation of financial statements are in compliance with 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 similar to a private-sector business. The Statement of Net Position presents information on all of 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, 2013. 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, Library. The business-type activities include the Electric, Water, Sewer, and Landfill.

## FUND FINANCIAL STATEMENTS (Exhibits C thru T 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 of 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, the Debt Service Fund, and the Other Governmental Funds which are considered to be major funds. Data from the non-major governmental fund (Exhibits N-O-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, 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 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, 2013 and 2012:

City of Sidney  
Condensed Statement of Net Position  
September 30, 2013 and 2012

|                                   | Governmental Activities |                     | Business-Type Activities |                     | Total               |                     |
|-----------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                                   | 2013                    | 2012                | 2013                     | 2012                | 2013                | 2012                |
| <b>ASSETS</b>                     |                         |                     |                          |                     |                     |                     |
| Current and Other Assets          | \$8,214,740             | \$7,335,465         | \$15,079,366             | \$15,820,768        | \$24,294,102        | \$23,266,233        |
| Capital Assets                    | 16,365,069              | 17,739,003          | 30,865,824               | 30,807,754          | 49,262,393          | 48,049,767          |
| <b>TOTAL ASSETS</b>               | <u>24,610,815</u>       | <u>25,074,468</u>   | <u>46,945,160</u>        | <u>46,628,522</u>   | <u>73,666,995</u>   | <u>71,803,020</u>   |
| <b>LIABILITIES</b>                |                         |                     |                          |                     |                     |                     |
| Long Term Liabilities Outstanding | \$,287,424              | 3,751,168           | 10,644,476               | 11,482,646          | 13,931,900          | 15,214,117          |
| Other Liabilities                 | 795,603                 | 664,685             | 1,320,617                | 1,854,558           | 2,116,220           | 2,510,243           |
| <b>TOTAL LIABILITIES</b>          | <u>4,083,027</u>        | <u>4,415,854</u>    | <u>11,965,093</u>        | <u>13,417,604</u>   | <u>16,048,120</u>   | <u>17,533,360</u>   |
| <b>NET POSITION</b>               |                         |                     |                          |                     |                     |                     |
| Net Investment in Capital Assets  | 16,365,069              | 17,739,003          | 20,862,961               | 19,604,765          | 39,289,050          | 37,243,769          |
| Restricted                        |                         |                     | 2,785,729                | 2,942,469           | 2,795,729           | 2,942,469           |
| Unrestricted                      | 4,181,719               | 2,918,611           | 11,282,367               | 10,983,811          | 16,424,088          | 13,893,422          |
| <b>Net Position</b>               |                         |                     |                          |                     |                     |                     |
| <b>TOTAL NET POSITION</b>         | <u>\$22,527,798</u>     | <u>\$20,659,614</u> | <u>\$34,861,067</u>      | <u>\$33,411,048</u> | <u>\$57,509,876</u> | <u>\$54,089,660</u> |

City of Sidney  
Condensed Statement of Activities  
September 30, 2013 and 2012

|                                    | Governmental Activities |                     | Business-Type Activities |                     | Total               |                     |
|------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                                    | 2013                    | 2012                | 2013                     | 2012                | 2013                | 2012                |
| <b>Revenues:</b>                   |                         |                     |                          |                     |                     |                     |
| <b>Program Revenues:</b>           |                         |                     |                          |                     |                     |                     |
| Charges for Services               | \$904,633               | \$877,558           | \$12,971,920             | \$12,046,973        | \$13,275,653        | \$12,923,531        |
| Operating Grants and Contributions | 782,494                 | 767,551             |                          |                     | 782,494             | 767,551             |
| Capital Grants and Contributions   | 24,136                  | 365,072             | 43,368                   | 104,772             | 70,594              | 639,844             |
| <b>General Revenues:</b>           |                         |                     |                          |                     |                     |                     |
| Property Taxes                     | 1,802,103               | 1,589,617           |                          |                     | 1,802,103           | 1,589,617           |
| Sales and Use Tax                  | 3,430,094               | 2,875,214           |                          |                     | 3,430,094           | 2,875,214           |
| Other Local Taxes                  | 776,783                 | 465,200             |                          |                     | 779,783             | 455,260             |
| Motor Vehicle Taxes                | 200,095                 | 192,431             |                          |                     | 200,095             | 192,431             |
| Franchise Fees                     | 748,290                 | 714,116             |                          |                     | 748,290             | 714,116             |
| Intergovernmental Revenues         | 228,237                 | 205,128             |                          |                     | 228,237             | 205,128             |
| Miscellaneous State Revenues       | 74,279                  | 71,666              |                          |                     | 74,279              | 71,666              |
| Investment Income                  | 10,770                  | 12,503              | 76,142                   | 76,985              | 86,912              | 81,491              |
| Miscellaneous Revenues             | 177,010                 | 405,285             | 289,733                  | 428,112             | 446,743             | 634,367             |
| <b>Total Revenues</b>              | <u>8,958,914</u>        | <u>8,529,933</u>    | <u>12,762,293</u>        | <u>12,737,845</u>   | <u>21,721,207</u>   | <u>21,267,676</u>   |
| <b>Expenses:</b>                   |                         |                     |                          |                     |                     |                     |
| General Government                 | 1,819,142               | 1,836,952           |                          |                     | 1,819,142           | 1,836,952           |
| Public Safety                      | 1,683,388               | 1,809,093           |                          |                     | 1,683,388           | 1,809,093           |
| Public Works                       | 1,420,483               | 1,662,279           |                          |                     | 1,420,483           | 1,662,279           |
| Health & Social Services           | 317,251                 | 384,144             |                          |                     | 317,251             | 384,144             |
| Culture and Recreation             | 1,902,406               | 1,927,145           |                          |                     | 1,902,406           | 1,927,145           |
| Interest on Long-Term Debt         | 144,113                 | 148,332             |                          |                     | 144,113             | 148,332             |
| Electric                           |                         |                     | 6,839,508                | 6,662,000           | 6,839,508           | 6,662,000           |
| Water                              |                         |                     | 1,779,293                | 1,841,056           | 1,779,293           | 1,841,056           |
| Sewer                              |                         |                     | 1,014,897                | 888,710             | 1,014,897           | 988,710             |
| Landfill                           |                         |                     | 1,459,574                | 1,405,854           | 1,459,574           | 1,405,854           |
| <b>Total Expenses</b>              | <u>7,069,740</u>        | <u>7,644,945</u>    | <u>11,192,262</u>        | <u>10,887,480</u>   | <u>19,281,992</u>   | <u>18,432,426</u>   |
| Increase in Net Assets             | 1,869,174               | 984,889             | 1,570,041                | 1,850,365           | 3,439,215           | 2,835,253           |
| Net Assets - Beginning             | 20,659,614              | 19,673,726          | 33,411,048               | 31,560,681          | 54,089,660          | 51,234,407          |
| <b>Net Assets - Ending</b>         | <u>\$22,527,798</u>     | <u>\$20,659,614</u> | <u>\$34,981,089</u>      | <u>\$33,411,046</u> | <u>\$57,509,876</u> | <u>\$54,089,660</u> |

**GOVERNMENTAL ACTIVITIES**

As earlier stated in the Financial Highlights, governmental activities increased the City's net position by \$1,869,174, accounting for 54.3% of the total growth in the net assets of the City of Sidney. The Governmental Activities had an increase in capital position due to \$1,569,454 in capital assets recorded in the current period; i.e. additions to structures, buildings, vehicles, equipment and infrastructure throughout the Governmental funds. See Exhibit K, Note 3, Section B on Pages 29 and 30 for details. Also, additional accumulated depreciation along with other changes in the liabilities and other assets accounted for the net position.

**BUSINESS-TYPE ACTIVITIES**

Business-Type activities (see Exhibit H) increased the city's net position by \$1,570,041, accounting for 45.7% 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 increased by \$166,620 over last year.
- ◆ Electric Fund increased in net position - \$915,774 vs. \$984,059 in 2012.
- ◆ Water Fund change in net position was \$343,466 vs. 471,357 in 2012 due to a decrease in operating income and operating expenses, and a decrease in interest expense.
- ◆ Sewer reflected \$283,572 change in net position vs. \$210,826 in 2012 which is due in part to capital contributions, i.e., Sanitary Sewer Extension District No. 20 which was started in 2012.
- ◆ Landfill reflected \$27,229 in net assets vs. \$184,123 in 2012 due to decreased revenues and increased operating income.

#### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As per Resolution No. 20120102, adopted by the City Council on January 10, 2012, a Fund Balance Policy in Accordance with GASB 54 was adopted. The following categories are in compliance with that resolution: As of September 30, 2013, the City's Governmental Funds reported combined ending fund balances of \$7,309,468, an increase of \$689,422 in comparison with the prior year. For the current year Fund Balance the categories are as follows: .8% is considered Nonspendable which are amounts that are not in a spendable form or are required to be maintained intact such as inventory; 16.7% is considered Restricted which are amounts constrained to specific purposes by their providers, through constitutional provisions or by enabling legislation such as occupation taxes, Economic Development, Cemetery Perpetual Care, Golf Development, Unemployment, and Boy Scouts; 27.9% is considered Committed which is amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority - to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint which is all other General Fund assets; 54.6% is considered Unassigned which is all other General Fund assets and are positive amounts and are available for any purpose in the General Fund.

The General Fund is the chief operating fund of the City. As of September 30, 2013, the Nonspendable fund balance of the General Fund was \$62,843 which represents the Golf Course inventory; the Committed Fund was \$170,818 which is Payroll Insurance Reserve Account; and the Unassigned Fund was \$3,988,918 which is the remainder of the General Fund Balances. Total Liabilities and Fund balance was \$4,513,824. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 71.6% of total general fund expenditures, while Total liabilities, Deferred Inflows of Resources and Fund Balance represents 81% of that same amount. The fund balance of the City's General Fund increased by \$667,851 during this fiscal year.

The Street Fund had a total restricted fund balance of \$953,772, 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 \$263,447 which is entirely reserved for debt payments. The other non-major Governmental Funds had a total committed fund balance of \$1,869,670 which include Economic Development LB840, 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 \$11,292,367. Restricted Assets for the same funds total \$2,795,729 and consist of Customer Deposits, Debt Service, and 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 the sales and property tax revenue. This year the sales tax revenue came in approximately \$171,186 over budget in General Fund and \$35,706 under budget in Street Department. The overall General Fund was under budget due to grants being budgeted but not received and consequently no expenditures made in this particular fund. A contributing factor in the variance between the income and expense side was street projects that were in the budgeted but were not completed in this fiscal year and had to be carried over to the next budget.

The budget and budgetary accounting process for the municipality is explained in detail in Exhibit M Notes to the Supplementary Information that accompanies the schedule entitled Revenues, Expenditures, and Changes in Fund Balances - 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 CURRENTLY KNOWN FACTS, DECISIONS or CONDITIONS ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2012-2013 budget, tax rates and fees that were charged for the proprietary departments. The City of Sidney went through a "normal" budget year in 2012-13 with an uptick in the economy following a stable budget year in 2011-12 that was preceded by two tough budget cycles due to a down economy and the loss of more revenues to pay for state incentive programs than what had been anticipated. This also helped in the planning for the 2013-14 budget cycle that was adopted in September. There will be approximately 7 months of sales tax revenue that will also not be impacted by state refund programs, making it easier to plan for needed capital improvement projects.

Mid-year budget cuts were necessary during those two budget cycles in 2009-10 and 2010-11 because of those unanticipated revenue shortfalls. Some of those budget cuts regarding projects and purchases needed to be made up in the more normal revenue years that occurred in 2011-12 and 2012-13. In addition, an additional half cent sales tax initiative was adopted by the voters in November 2012, going into effect in July 2013. This infusion of "project revenue" also began to be reflected in the 2012-2013 budget cycle and more so in the 2013-14 budget that was adopted. The goal of each budget cycle is to try and keep the overall city property tax rate as close as it can be to the previous year's rate. This also keeps in line with a goal made in previous city budget cycles since the 1980 adoption of a 1 percent sales tax rate to have some property tax relief.

Keeping the status quo property tax rate philosophy in mind, and at the same time trying to provide funding for delayed projects, the general fund budget was still 34 percent below the State mandated lid limitation. Approximately 75 percent of Nebraska's 530 municipalities are near or at their maximum lid limits.

Even though the economy was still sluggish nationally, Sidney fared better than many communities nationwide. Much preparation and ground work was done to set the stage for what should be record setting construction years anticipated in 2014 and 2015, with over \$250 million of new future projects announced or moving through their initial development stages. Unemployment in the local economy remained among the lowest percentages in the nation, but Nebraska overall showed similar results. The general fund levy for the next fiscal year was set at .332729 in the general, plus .079328 in bonded indebtedness for a total of .412120. The maximum rate by state law was .57933. Sidney's levy and bonded indebtedness both had slight reductions from the year reflected in this audit of .417759 and also lower than the .417854 in 2011-12; .418573 in 2010-11 and also below the .420347 in 2009-10. This is a reflection of the budget planning and follow through in those respective years. It is anticipated that bonded indebtedness will increase in the following fiscal years due to major arterial street and bridge replacement projects that will help open new developments in the community. The eventual economic impact will be significant from these projects.

During this fiscal year, the 2012 City Comprehensive Plan was able to be fully implemented and served as a guideline to the Planning Commissioners, City Council and staff for planning and implementation of the budget. The last plan was adopted in 2002. This detailed 400 page plus document provides the growth strategy, goals and objectives for the next decade. Over 18 months of work and citizen input went into the process. In fact heading out of the budget year, it became evident many of the community goals and objectives would be exceeded than what was reflected in the plan.

These indicators were taken into account when adopting the General Fund budget. Total unused restricted fund authority was nearly \$2.4 million below its limitation. The City remains very competitive with its general fund levy in comparison to other First Class Nebraska municipalities despite the fact Sidney ranks last in State Aid revenue among Nebraska's 30 first class communities, because the state formula penalizes lower property tax levies and per capita valuation totals. Sidney has now ranked last in 16 of the past 17 fiscal years in state aid among first class cities. The 2012-13 allocation was \$0, which compares to communities like Hastings, which received \$1,023,111; Lexington \$933,609; South Sioux City \$614,754, etc. just to compare similar communities. Even western Nebraska communities Sidney often competes with in regards to economic development, fare much better in state aid, such as Chadron \$406,130; Alliance \$317,999 and Gering \$155,527. The city is also penalized an additional 3 percent of its local generated sales tax to help subsidize the other communities. This amounts to nearly \$100,000.

In addition, Sidney has lost \$5.25 million in local sales tax revenue to pay for State Incentive business programs

in the past few years. That loss escalated to \$650,822 in 2008-09, then up to \$773,971 in 2009-10, but reduced to \$520,887 loss in 2010-11 and then \$429,478 in 2011-12 and only \$204,240 in 2012-13, providing a much better outlook going into the budget planning cycle towards the end of the fiscal year. The State of Nebraska gives only one month notice when it takes away the community's local sales tax revenue to pay for the State Incentive programs, making it very difficult for local city officials to properly project budgets in the planning process. Sidney worked with state legislative leaders to influence a new law going into effect in January 2014 where the local sales tax loss will be escrowed for a year, so cities can better plan for those losses each respective budget year with known factors, rather than guess work. This should also draw greater attention to state leaders what a negative impact losing local sales tax dollars creates for those communities when they see the accumulated loss results on an annual basis. Despite the heavy local sales tax refund losses, Sidney voters have continued to support sales tax as opposed to rising property taxes to meet the community's needs. This is especially beneficial since Sidney sits on the path of four major highways, including Interstate-80; has 550 motel rooms and 8,000 jobs in the Sidney market, despite a population of only 6,757. In the fall of 2012 the Sidney City Council authorized placement on the November 2012 general election ballot a new one-half cent sales tax for infrastructure needs in relationship to improvements for streets, storm water drainage, new swimming pool, parks and a golf course irrigation system. An active citizen's group helped get the initiative passed by the voters. The results were positive in November 2012 with a 75 percent approval rating making Sidney the only first class community in Nebraska to successfully adopt the issue. The tax went into effect in July and the first revenues were realized in September, so the past fiscal year only reflected one month, but the projections were encouraging that the City could meet its goals that were presented to the public for a vote. Because so many new projects are in the planning stage, there is much optimism about the future revenue stream.

The City's property tax levy resulted in 14.8 percent of the overall property tax rate for Sidney residents (\$2.28 per \$100 of valuation), and its bonded indebtedness another 3.5 percent of the total, in comparison to the other major government entities: Sidney Public Schools (51.2%); Cheyenne County (21.6%); Western Nebraska Community College (4.4%) and South Platte Natural Resources District (2.9%) are other primary recipients of local property taxes.

Total property taxes used by local government entities used during the completed budget year, including their respective bonded indebtedness: Schools \$7,241,704; Cheyenne County \$5,331,330; Western Nebraska Community College \$9,146,221; City \$1,774,060; Educational Service Unit \$1,327,556 and South Platte NRD \$1,269,542.

Sidney's overall budget including proprietary funds was projected at \$28,188,945. The City did close out the year under budget in most departments.

The overall revenue forecast for the \$28.188 million was projected to be gained from 27.5 percent electric rates; 5.7 percent solid waste fees; 7.1 percent water fees; 8.1 percent sales tax; 5 percent license, fees, permits; 4 percent property tax; 4 percent sewer fees; 3.5 percent grants; 2.2 percent street state aid; 2 percent debt service; 1.5 percent re-budgeted funds; 2 percent golf and remaining in a number of smaller revenue sources.

The overall expense forecast of \$28.188 million was 27.5 percent electric, 5.7 percent solid waste; 7.1 percent water; 7.2 percent streets; 5.4 percent police; 23.9 percent grants and special projects; 4 percent general administration; 4.0 percent sewer; 3.2 percent park; 3 percent golf; 1.9 percent debt service; 1.5 percent library/bookmobile and all others making up the remainder of small percentages.

After freezing general wages for all city employees two previous fiscal years ago, the council did approve the normal merit increases based on the previously approved employee wage scale for each job description. The City completed a wage comparability study to compare employee's wages with their peers in other communities in our array during this budget cycle. This has helped the City keep union free for the past 13 years, one of the few first class municipalities without a bargaining association, as well as letting the employees know the city pays competitive wages and benefits in the efforts to keep experienced, trained employees. Certain pay ranges were increased, which will only be reflected over time as it will take longer for certain positions to reach their maximum pay range. This is where inflation is generally accounted.

A major change in the employee health insurance program was implemented towards the end of the fiscal year, as the City chose to go back to self-funding because of pending significant insurance premium hikes. As a result insurance premiums were stabilized. The City had been through a major overhaul and finding a new carrier for the third time in recent years. The changes did create some anxiety with employees because of what seems to be a never-ending cycle of change in the health care industry and the pending implementation of Obamacare, including the federal overhaul of the health care industry that will impact all employers.

Other 2012-13 Budget highlights included:

**FIRE DEPARTMENT** - The budget was fairly standard with the exception that equipment needs of \$31,290. Total request was \$150,117.

**LIBRARY** - The request was status quo with \$433,822 requested with cost-share contribution for the bookmobile services from Cheyenne County at \$98,400.

**INSPECTION - ZONING** - The department went through a personnel change, as well as geared up for what is promising to be record setting new subdivisions and construction years. The City continues to be aggressive on zoning violations and property clean-up issues through its Property Resolution Team.

**POLICE** - The Police Department was fully staffed at 14 sworn officers and two civilian officers at the end of the fiscal year. The City did go through a new police chief search and concluded it during the fiscal year. The total budget was \$1,488,823. It included a \$20,000 feasibility study on a different or new law enforcement building and location. We continued our intergovernmental agreement with the Western Intelligence and Narcotics Group (WING) and the Sidney Public Schools for a school resource officer are still in place where we get reimbursed for costs by those two entities. There were some vehicle replacement and equipment upgrades.

**PUBLIC TRANSPORTATION** - Public Transportation has many funding partners involved including: State (25 percent total cost reimbursement) and federal (50 percent total cost reimbursement) and the Cheyenne County Visitors Committee continued its financial support for the second bus line (Sidney Stage Coach) on a fixed bus route. The total budget request is \$218,908, of which roughly only 20 percent of the total costs are covered by the City. A new dial-a-ride bus was ordered

**POOL** - A feasibility study was conducted by Water Technologies Inc., chosen by the City in an RFP process, for study of a new swimming pool, but the future direction is still pending. The \$105,386 budget reflected \$30,000 on the feasibility study. The existing pool continues to show the wear and tear of its age of 35 plus years.

**CEMETERY** - A major automated digital touch screen kiosk directory upgrade was paid for through the Perpetual Care Fund, which is funded by lot purchases and an occasional donation. Total budget request was \$184,821.

**PARKS** - An updated sprinkler system at the Kiwanis Field and Country Club ditch were completed. Because of the pending decision on the pool situation, other upgrades are being delayed such as relocation of the skate park and tennis court, or possible complete relocation. The City began conversations with the Sidney Public Schools on a partnership with recreational amenities at the site of the north elementary school should a bond issue be adopted in the future on a new elementary school. The City worked through the year with Cabela's staff and planning consultants on new recreational opportunities incorporated into the east Sidney Development. The partnership with the Cheyenne County Community Center for recreational services was also continued during the year. The total Park's budget was \$904,270. Additional work and planning went into finalizing the expansion of the Sidney-Deadwood Trail hiking, biking, walking path approved by the State and the City was successful in getting the State of Nebraska to pledge more money into the project..

**STREETS** - The budget exceeding \$2 million - a considerable increase from two years ago - reflected a number of the larger street and storm drain projects. Project planning gearing up for the next fiscal year included 10<sup>th</sup> Avenue, Fort Sidney Road overlay, six streets in north Sidney, Toledo Street Extension and Greenwood Road improvement projects. The local ballot initiative on the one-half percent infrastructure sales tax would allocate \$500,000 annually from the tax to assist in future projects and began generating revenue towards the end of the fiscal year. Additional public streets were also being planned in the I-80 corridor for the 2014 construction year with four new subdivisions being platted and moving forward.

**ELECTRIC** - The City hired a new electrical superintendent during the course of the year and added a lineman position at the end of the fiscal year. Two years ago the City consolidated the administrative duties and employees of the Power Plant department with the Electrical Distribution system. No rate increases were immediately reflected into the budget planning for next year, though a 5 percent increase in rates was reflected in the budget year just completed. Major ticket items included the beginning of the AMI metering project implementation; continued underground conversion projects; and relay work in the substations and power plant. Planning for a new substation and moving forward with a Master Plan analyzing the entire electrical system were to move forward in 2014.

**ELECTRIC ADMINISTRATION** - This includes the Public Services Director and GIS positions. During the course of the year the GIS specialist served as the interim Chief Building Official, and was made the permanent zoning administrator to better coordinate with the public works departments on the many zoning and platting issues coming forward in this fiscal and next year. The Public Services Director was directly involved in the planning of all the future development projects and street projects, serving as the City's RC to oversee state funded projects and overseeing the public services departments.

**WATER** – The city had another adequate revenue year for water sales and one of the major debts on the 1990's water system upgrade was paid off during the fiscal year, which will help the City address its other major debt structure with the 2005 Water Project. An engineering firm was hired to help further analyze the overall water system.

**SEWER** - A rate adjustment of \$5 on the base fee was implemented on sewer customers to meet the known expenses of the wastewater treatment plant upgrade. A previous \$5 sewer debt assessment fee was sunset. The paid off bond debt service that impacted the water project, also included some previous sewer debt.

**WASTEWATER** – The department gets its revenue for operation and debt service from the Sewer Department and is projected at \$929,481 this year, including the bond payment. It was also determined that an estimated \$325,000 building was needed to cover the existing drying beds to meet new EPA standards and the permitting process.

**SOLID WASTE / LANDFILL** - Major cost items out of the normal operation and maintenance expenses included a purchase of a tandem axle water truck for dust control purposes mandated by the Nebraska Department of Environmental Quality; two bond payments totaling \$157,683 for landfill cell expansion and a rebuild of the landfill baler and other needed overhauls of larger equipment. The tub grinder for handling of trees and limbs for mulch was lost in a fire, and the council chose to go with a contract for services with a local service provider..

**GOLF** – Following the successful passage of the one-half cent sales tax for the irrigation system upgrade for the Hillside Golf Course, the irrigation upgrade plan that was part of the Hillside Master Plan was implemented. Bids were accepted from two contractors handling different aspects of the project and construction began on the reservoir and some of the main line implementation. It is scheduled to be complete in June 2014

**GENERAL ADMINISTRATION AND GENERAL FUND** – The primary functions at City Hall were pretty status quo. This area of the budget also includes the ambulance subsidy at \$69,331 and Cheyenne County Communications Center at \$256,438. Included also was the beginning planning for the Gateway to Sidney Corridor of the 11<sup>th</sup> Avenue and Old Post Road intersection on the property being gifted to the City by Wamsley Development in exchange for the landscaping. **COMMUNITY DEVELOPMENT** - This was the first full year of having the Main Street Manager / Community Development Director located at City Hall. Our economic development efforts have been greatly enhanced the past couple of years with additional programs and certifications added, along with a number of other improvements. The renewal of the Certified Economic Development Community status was accomplished during the year, as well as the second phase of the \$1 million New Neighborhoods Grant moved forward as did other major projects outlined below.

Major projects in the planning and implementation stage at the end of the fiscal year included: **Sidney Regional Medical Center** new facility; **Bell Lumber and Pole Manufacturing Company** under construction; **Adams Industries** rail expansion project / logistic industrial park / rehabilitated truck service facility under construction; bean cleaning, packaging operation; **Cabela's Downtown Redevelopment** project at former corporate headquarters; **Lodgepole Creek Apartment Complex** under construction; **Swimming Pool Project**; **Street Projects** (*Fort Sidney Road, 10th Avenue, North Side CDBG project / 6 streets, Toledo Street* expansion, *Greenwood Road* redesign and paving, possible widening of *Fort Sidney Road* in conjunction with school and *new subdivisions streets* are planned at I-80 locations for Cabela's Corporate Expansion, Reganis Development, Weiser Development, Jennifer Lane and Silverberg Drive Expansions, the Ranch Subdivision streets; **Cabela's I-80 Corporate Headquarters Expansion**; **Other proposed housing projects** excluding "The Ranch" major subdivision; **New Neighborhoods Initiative** 12-plex and some downtown upper floor housing projects; **Golf Course Irrigation Project**; **Hiking, biking, walking trail and 11<sup>th</sup> Avenue trail expansion**; The Ranch Subdivision spanning over 500 acres for **new housing projects**; **Sidney Public Schools grade school consolidation** ; **Sonic Drive-In**; **Fairfield Marriott**; **Holiday Inn Express**; **Dinklage Feed Yards office complex**; **Source Gas new office complex and consolidated operations**; **Hickory Street Square improvements**; and several smaller commercial improvements.

In addition, the City worked in earnest with the South Platte Natural Resources District on **Storm Water management projects**; new storm water ordinance and grant funding applications.

The Airport Authority and Housing Authority have their own independent budgets

**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 Clerk/Treasurer's Office (telephone number 308-254-5300 and email address – [gerianthony@cityofsidney.org](mailto:gerianthony@cityofsidney.org)) or the City Manager's Office (telephone number 308-254-4444 and email address – [garyperson@cityofsidney.org](mailto:garyperson@cityofsidney.org) at 1115 13<sup>th</sup> Avenue, Sidney, Nebraska.



G.F. Anthony, MMC  
City Clerk Treasurer



Gary C. Person  
City Manager/Economic Development Director

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

EXHIBIT A

September 30, 2013

|  | PRIMARY GOVERNMENT      |                          |                      |
|--|-------------------------|--------------------------|----------------------|
|  | Governmental Activities | Business-Type Activities | Total                |
| <b>ASSETS</b>                                      |                         |                          |                      |
| Cash and Cash Equivalents                          | \$ 5,374,698            | \$ 1,980,500             | \$ 7,355,198         |
| Cash with Fiscal Agent                             | 203,575                 | -                        | 203,575              |
| Equity in Pooled Cash and Investments              | 2,056,108               | 8,509,454                | 10,565,562           |
| Receivables (Net of Allowances for Uncollectibles) |                         |                          |                      |
| Taxes  | 768,545                 | -                        | 768,545              |
| Accounts   | -                       | 1,046,201                | 1,046,201            |
| Special Assessments                                | 719,850                 | 10,830                   | 730,680              |
| Accrued Interest                                   | 1,358                   | 11,572                   | 12,930               |
| Interfund Balances                                 | (1,007,393)             | 1,007,393                | -                    |
| Inventory  | 62,843                  | 647,131                  | 709,974              |
| Bond Issue Costs                                   | 35,162                  | 1,122                    | 36,284               |
| Discount on Bonds Payable                          | -                       | 14,795                   | 14,795               |
| Restricted Assets                                  |                         |                          |                      |
| Cash and Cash Equivalents                          | -                       | 1,946,523                | 1,946,523            |
| Investments  | -                       | 530,570                  | 530,570              |
| Equity in Pooled Cash and Investments              | -                       | 373,265                  | 373,265              |
| Capital Assets:                                    |                         |                          |                      |
| Land and Land Improvements                         | 865,819                 | 1,727,441                | 2,593,260            |
| Buildings and Structures                           | 5,783,867               | 20,154,543               | 25,938,410           |
| Vehicles   | 3,092,872               | 1,157,595                | 4,250,467            |
| Equipment  | 5,551,716               | 8,076,810                | 13,628,526           |
| Infrastructure                                     | 14,261,468              | 27,260,115               | 41,521,583           |
| Accumulated Depreciation                           | (11,159,673)            | (27,509,680)             | (38,669,353)         |
| <b>TOTAL ASSETS</b>                                | <b>26,610,815</b>       | <b>46,946,180</b>        | <b>73,556,995</b>    |
| <b>LIABILITIES</b>                                 |                         |                          |                      |
| Current Liabilities:                               |                         |                          |                      |
| Taxes Payable                                      | -                       | 74,736                   | 74,736               |
| Accounts Payable                                   | 121,899                 | 89,522                   | 211,421              |
| Accrued Interest                                   | 26,427                  | 56,804                   | 83,231               |
| Accrued Salaries and Employee Benefits Payable     | 72,779                  | 39,936                   | 112,715              |
| Unearned Revenue                                   | -                       | 550                      | 550                  |
| Compensated Absences Payable within one year       | 34,156                  | 22,387                   | 56,543               |
| Bonds, Notes and Leases Payable within one year    | 498,523                 | 822,532                  | 1,321,055            |
| Other  | 41,819                  | -                        | 41,819               |
| Customer Deposits Payable                          | -                       | 214,150                  | 214,150              |
| <b>Total Current Liabilities</b>                   | <b>795,603</b>          | <b>1,320,617</b>         | <b>2,116,220</b>     |
| Non-Current Liabilities:                           |                         |                          |                      |
| Construction & Demolition Landfill Closure Costs   | -                       | 39,089                   | 39,089               |
| Landfill Closure Care                              | -                       | 1,236,547                | 1,236,547            |
| Compensated Absences                               | 408,226                 | 217,539                  | 625,765              |
| Bonds, Notes and Leases Payable                    | 2,879,198               | 9,151,301                | 12,030,499           |
| <b>Total Non-Current Liabilities</b>               | <b>3,287,424</b>        | <b>10,644,476</b>        | <b>13,931,900</b>    |
| <b>TOTAL LIABILITIES</b>                           | <b>4,083,027</b>        | <b>11,965,093</b>        | <b>16,048,120</b>    |
| <b>NET POSITION</b>                                |                         |                          |                      |
| Net Investment in Capital Assets                   | 18,396,069              | 20,892,991               | 39,289,060           |
| Restricted for:                                    |                         |                          |                      |
| Debt Service                                       | -                       | 1,683,082                | 1,683,082            |
| Customer Deposits                                  | -                       | 214,150                  | 214,150              |
| Landfill Closure                                   | -                       | 898,497                  | 898,497              |
| Unrestricted                                       | 4,131,719               | 11,292,367               | 15,424,086           |
| <b>TOTAL NET POSITION</b>                          | <b>\$ 22,527,788</b>    | <b>\$ 34,981,087</b>     | <b>\$ 57,508,875</b> |

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

CITY OF SIDNEY, NEBRASKA  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

EXHIBIT B

For the Year Ended September 30, 2013

| Functions/Programs                          | Program Revenues     |                            |  |  | Net (Expense) Revenue and Changes in<br>Net Position |                                 |                      |
|---|----------------------|----------------------------|--|--|--|---------------------------------|----------------------|
|   | Expenses             | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital Grants<br>and<br>Contributions | Primary Government                                   |                                 |                      |
|   |                      |                            |  |  | Governmental<br>Activities                           | Business-<br>Type<br>Activities | Total                |
| <b>PRIMARY GOVERNMENT:</b>                  |                      |                            |  |  |  |                                 |                      |
| Governmental Activities                     |                      |                            |  |  |  |                                 |                      |
| General Government                          | \$ 1,619,142         | \$ 541,067                 | \$ -                                     | \$ 24,136                              | \$ (1,053,939)                                       | \$ -                            | \$ (1,053,939)       |
| Public Safety                               | 1,686,366            | -                          | -  | -                                      | (1,686,366)  | -                               | (1,686,366)          |
| Public Works                                | 1,420,463            | 10,335                     | 665,165                                  | -                                      | (744,963)  | -                               | (744,963)            |
| Health & Social Services                    | 317,251              | 3,900                      | 114,829                                  | -                                      | (198,522)  | -                               | (198,522)            |
| Culture and Recreation                      | 1,902,405            | 349,331                    | 2,500                                    | -                                      | (1,550,574)  | -                               | (1,550,574)          |
| Interest on Long-Term debt                  | 144,113              | -                          | -  | -                                      | (144,113)  | -                               | (144,113)            |
| <b>Total Governmental Activities</b>        | <b>7,089,740</b>     | <b>904,633</b>             | <b>782,494</b>                           | <b>24,136</b>                          | <b>(5,378,477)</b>                                   | <b>-</b>                        | <b>(5,378,477)</b>   |
| Business-Type Activities                    |                      |                            |  |  |  |                                 |                      |
| Electric                                    | 6,939,508            | 7,761,022                  | -  | -                                      | -  | 821,514                         | 821,514              |
| Water                                       | 1,778,283            | 2,064,118                  | -  | -                                      | -  | 285,835                         | 285,835              |
| Sewer                                       | 1,014,887            | 1,236,469                  | -  | 46,398                                 | -  | 267,980                         | 267,980              |
| Landfill                                    | 1,459,574            | 1,309,411                  | -  | -                                      | -  | (150,163)                       | (150,163)            |
| <b>Total Business-Type Activities</b>       | <b>11,192,252</b>    | <b>12,371,020</b>          | <b>-</b>                                 | <b>46,398</b>                          | <b>-</b>   | <b>1,225,166</b>                | <b>1,225,166</b>     |
| <b>Total Primary Government</b>             | <b>\$ 18,281,992</b> | <b>\$ 13,275,653</b>       | <b>\$ 782,494</b>                        | <b>\$ 70,534</b>                       | <b>(5,378,477)</b>                                   | <b>1,225,166</b>                | <b>(4,153,311)</b>   |
| General Revenues:                           |                      |                            |  |  |  |                                 |                      |
| Taxes:                                      |                      |                            |  |  |  |                                 |                      |
| Property Taxes                              |                      |                            |  |  | 1,602,103  | -                               | 1,602,103            |
| Sales Tax                                   |                      |                            |  |  | 3,430,094  | -                               | 3,430,094            |
| Other Local Taxes                           |                      |                            |  |  | 778,783  | -                               | 778,783              |
| Motor Vehicle Taxes                         |                      |                            |  |  | 200,085  | -                               | 200,085              |
| Intergovernmental Revenues                  |                      |                            |  |  | 226,237  | -                               | 226,237              |
| Franchise Fees                              |                      |                            |  |  | 748,290  | -                               | 748,290              |
| Miscellaneous State Revenues                |                      |                            |  |  | 74,279   | -                               | 74,279               |
| Investment Income                           |                      |                            |  |  | 10,770   | 76,142                          | 86,912               |
| Miscellaneous Revenues                      |                      |                            |  |  | 129,212  | 160,326                         | 289,538              |
| Insurance Proceeds                          |                      |                            |  |  | 47,798   | 108,407                         | 156,205              |
| <b>Total General Revenues and Transfers</b> |                      |                            |  |  | <b>7,247,651</b>                                     | <b>344,875</b>                  | <b>7,592,526</b>     |
| Change in Net Position                      |                      |                            |  |  | 1,869,174  | 1,570,041                       | 3,439,215            |
| Net Position - Beginning                    |                      |                            |  |  | 20,658,614   | 33,411,046                      | 54,069,660           |
| Net Position - Ending                       |                      |                            |  |  | <b>\$ 22,527,788</b>                                 | <b>\$ 34,981,087</b>            | <b>\$ 57,508,875</b> |

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

CITY OF SIDNEY, NEBRASKA  
BALANCE SHEET  
GOVERNMENTAL FUNDS

EXHIBIT C

September 30, 2013

|   | General Fund        | Street Fund         | Debt Service Fund   | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|---------------------|--------------------------|--------------------------|
| <b>ASSETS</b>   |                     |                     |                     |                          |                          |
| Cash and Cash Equivalents   | \$ 1,939,746        | \$ 867,275          | \$ 1,037,551        | \$ 1,530,126             | \$ 5,374,698             |
| Cash with Fiscal Agent  | 167,100             | -                   | 36,475              | -                        | 203,575                  |
| Equity in Pooled Cash and Investments                                     | 1,724,602           | (647)               | -                   | 332,153                  | 2,056,108                |
| Receivables (Net of Allowances for Uncollectibles)                        | <u>3831448</u>      | <u>866628</u>       | <u>1074024</u>      | -                        | -                        |
| Taxes   | 618,385             | 136,151             | 14,009              | -                        | 768,545                  |
| Due to/Due from Other Funds   | -                   | -                   | -                   | 7,181                    | 7,181                    |
| Special Assessments   | -                   | -                   | 719,850             | -                        | 719,850                  |
| Accrued Interest  | 1,148               | -                   | -                   | 210                      | 1,358                    |
| Inventory   | 62,843              | -                   | -                   | -                        | 62,843                   |
| <b>TOTAL ASSETS</b>   | <b>\$ 4,513,824</b> | <b>\$ 1,002,779</b> | <b>\$ 1,807,885</b> | <b>\$ 1,869,670</b>      | <b>\$ 9,194,158</b>      |
| <b>LIABILITIES</b>  |                     |                     |                     |                          |                          |
| <b>Liabilities</b>  |                     |                     |                     |                          |                          |
| Due to/Due from Other Funds   | \$ 24,859           | \$ -                | \$ 989,715          | \$ -                     | \$ 1,014,574             |
| Accounts Payable  | 88,137              | 33,762              | -                   | -                        | 121,899                  |
| Compensated Absences Payable  | 27,164              | 6,992               | -                   | -                        | 34,156                   |
| Accrued Salaries Payable  | 64,526              | 8,253               | -                   | -                        | 72,779                   |
| Claims Payable  | 41,819              | -                   | -                   | -                        | 41,819                   |
| <b>Total Liabilities</b>  | <b>246,505</b>      | <b>49,007</b>       | <b>989,715</b>      | <b>-</b>                 | <b>1,285,227</b>         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                     |                     |                     |                          |                          |
| Unavailable Property Tax Revenue  | 44,740              | -                   | 10,769              | -                        | 55,509                   |
| Uncollected Special Assessments   | -                   | -                   | 543,954             | -                        | 543,954                  |
| <b>Total Deferred Inflows of Resources</b>                                | <b>44,740</b>       | <b>-</b>            | <b>554,723</b>      | <b>-</b>                 | <b>599,463</b>           |
| <b>FUND BALANCES</b>  |                     |                     |                     |                          |                          |
| Nonspendable  | 62,843              | -                   | -                   | -                        | 62,843                   |
| Restricted  | -                   | 953,772             | 263,447             | -                        | 1,217,219                |
| Committed   | 170,818             | -                   | -                   | 1,869,670                | 2,040,488                |
| Unassigned  | 3,988,918           | -                   | -                   | -                        | 3,988,918                |
| <b>Total Fund Balances</b>  | <b>4,222,579</b>    | <b>953,772</b>      | <b>263,447</b>      | <b>1,869,670</b>         | <b>7,309,468</b>         |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> | <b>\$ 4,513,824</b> | <b>\$ 1,002,779</b> | <b>\$ 1,807,885</b> | <b>\$ 1,869,670</b>      | <b>\$ 9,194,158</b>      |

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

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

EXHIBIT D

September 30, 2013

|   |   |               |
|---|---|---------------|
| Total fund balance - total governmental funds   |   | \$ 7,309,468  |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p>   |   |               |
| <p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.</p>                         |   |               |
|   | Governmental Capital Assets    29,555,742<br>Less: Accumulated Depreciation <u>(11,159,673)</u> | 18,396,069    |
| <p>Other assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:</p>   |   |               |
| Bond Issue Costs  |   | 35,162        |
| <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.</p>   |   |               |
|   | Bonds and Notes Payable    3,377,721<br>Compensated Absences Payable <u>408,228</u>             | (3,785,949)   |
| <p>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.</p> |   |               |
|   |   | (26,427)      |
| <p>Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds.</p>   |   |               |
|   |   | 543,954       |
| <p>Property tax revenues are not available to pay for current period expenditures and, therefore are deferred in the funds.</p>   |   |               |
|   |   | 55,511        |
| Net Position of Governmental Activities   |   | \$ 22,527,788 |

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, 2013

|  | General Fund     | Street Fund      | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|------------------|-------------------|--------------------------|--------------------------|
| <b>Revenues</b>  |                  |                  |                   |                          |                          |
| Taxes  | \$ 4,262,014     | \$ 853,458       | \$ 302,719        | \$ 300,000               | \$ 5,718,191             |
| Special Assessments  | -                | -                | 211,077           | -                        | 211,077                  |
| Franchise Fees   | 748,290          | -                | -                 | -                        | 748,290                  |
| Intergovernmental Revenues   | 267,265          | 675,477          | 22,939            | -                        | 965,681                  |
| Charges for Services   | 890,398          | 10,335           | -                 | 3,900                    | 904,633                  |
| Interest   | 6,564            | 349              | 1,318             | 2,539                    | 10,770                   |
| Grants   | 117,329          | -                | -                 | 24,136                   | 141,465                  |
| Miscellaneous Revenues   | 65,181           | -                | 9,572             | 54,460                   | 129,213                  |
| <b>Total Revenues</b>  | <b>6,357,041</b> | <b>1,539,619</b> | <b>547,625</b>    | <b>385,035</b>           | <b>8,829,320</b>         |
| <b>Expenditures</b>  |                  |                  |                   |                          |                          |
| General Government   | 1,486,277        | -                | 15                | 63,810                   | 1,550,102                |
| Public Safety  | 1,508,420        | -                | -                 | -                        | 1,508,420                |
| Public Works   | -                | 933,117          | -                 | -                        | 933,117                  |
| Health and Social Services   | 292,230          | -                | -                 | -                        | 292,230                  |
| Culture and Recreation   | 1,734,902        | -                | -                 | -                        | 1,734,902                |
| Capital Outlay   | 550,762          | 966,174          | -                 | 52,518                   | 1,569,454                |
| Debt Service   |                  |                  |                   |                          |                          |
| Bond Payments (Principal, Interest and Charges)                                    | -                | -                | 599,471           | -                        | 599,471                  |
| <b>Total Expenditures</b>  | <b>5,572,591</b> | <b>1,899,291</b> | <b>599,486</b>    | <b>116,328</b>           | <b>8,187,696</b>         |
| Excess (Deficiency) of Revenues Over Expenditures                                  | 784,450          | (359,672)        | (51,861)          | 268,707                  | 641,624                  |
| <b>Other Financing Sources (Uses)</b>  |                  |                  |                   |                          |                          |
| Transfers In   | 6,833            | 886,803          | 91,304            | 16,635                   | 1,001,575                |
| Transfers Out  | (159,789)        | (73,487)         | (767,466)         | (833)                    | (1,001,575)              |
| Insurance Proceeds   | 36,357           | 11,441           | -                 | -                        | 47,798                   |
| <b>Total Other Financing Sources (Uses)</b>  | <b>(116,599)</b> | <b>824,757</b>   | <b>(676,162)</b>  | <b>15,802</b>            | <b>47,798</b>            |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | 667,851          | 465,085          | (728,023)         | 284,509                  | 689,422                  |
| Fund Balances, October 1   | 3,554,728        | 488,687          | 991,470           | 1,585,161                | 6,620,046                |
| Fund Balances, September 30  | \$ 4,222,579     | \$ 953,772       | \$ 263,447        | \$ 1,869,670             | \$ 7,309,468             |

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, 2013

|   |                                    |  |
|---|------------------------------------|--|
| Net change in fund balances - total governmental funds  | \$                                 | 689,422                                  |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p>   |                                    |  |
| <p>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.</p>   |                                    | 1,569,454                                |
| <p>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.</p>  |                                    | (912,387)                                |
| <p>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.</p>   |                                    | (3,197)                                  |
| <p>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:</p> |                                    |  |
|   | Principal Payments on Bond Payable | 461,469                                  |
| <p>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.</p>   |                                    | (2,899)                                  |
| <p>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.</p>   |                                    | (14,484)                                 |
| <p>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.</p>   |                                    | 81,796                                   |
|   |                                    | <hr style="border: 0.5px solid black;"/> |
| Change in Net Position of Governmental Funds  | \$                                 | <u>1,869,174</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, 2013

|  | Business-Type Activities - Enterprise Funds |                     |                     |                   | Totals               |
|--|---|---------------------|---------------------|-------------------|----------------------|
|  | Electric                                    | Water               | Sewer               | Landfill          |                      |
| <b>ASSETS</b>                                    |   |                     |                     |                   |                      |
| <b>Current Assets</b>                            |   |                     |                     |                   |                      |
| Cash and Cash Equivalents                        | \$ 76,769                                   | \$ 634,001          | \$ 698,761          | \$ 570,969        | \$ 1,980,500         |
| Equity in Pooled Cash and Investments            | 7,816,878                                   | 226,270             | 466,216             | 90                | 8,509,454            |
| Receivables                                      |   |                     |                     |                   |                      |
| Customer Accounts - Net of Allowances for        |   |                     |                     |                   |                      |
| Uncollectible Accounts                           | 638,399                                     | 203,194             | 93,202              | 111,406           | 1,046,201            |
| Special Assessment                               | -   | 4,515               | 6,315               | -                 | 10,830               |
| Due to/Due from Other Funds                      | 991,963                                     | 4,286               | 3,429               | 7,715             | 1,007,393            |
| Accrued Interest                                 | 10,982                                      | 336                 | 254                 | -                 | 11,572               |
| Inventory  | 625,600                                     | 21,531              | -                   | -                 | 647,131              |
| <b>Total Current Assets</b>                      | <b>10,160,591</b>                           | <b>1,094,133</b>    | <b>1,268,177</b>    | <b>690,180</b>    | <b>13,213,081</b>    |
| <b>Capital Assets:</b>                           |   |                     |                     |                   |                      |
| Land and Land Improvements                       | 152,138                                     | 1,230,416           | 135,087             | 209,800           | 1,727,441            |
| Buildings and Structures                         | 5,446,375                                   | 3,472,509           | 8,135,177           | 3,100,482         | 20,154,543           |
| Vehicles   | 855,641                                     | 86,985              | 196,977             | 17,992            | 1,157,595            |
| Equipment  | 3,139,117                                   | 1,359,595           | 344,582             | 3,233,516         | 8,076,810            |
| Infrastructure                                   | 6,191,458                                   | 14,723,989          | 6,344,668           | -                 | 27,260,115           |
| Accumulated Depreciation                         | (9,189,322)                                 | (8,579,594)         | (5,130,195)         | (4,610,569)       | (27,509,680)         |
| <b>Total Property and Equipment</b>              | <b>6,595,407</b>                            | <b>12,293,900</b>   | <b>10,026,296</b>   | <b>1,951,221</b>  | <b>30,866,824</b>    |
| <b>Other Assets</b>                              |   |                     |                     |                   |                      |
| Bond Issue Costs                                 |   |                     |                     | 1,122             | 1,122                |
| Discount on Bonds Payable                        |   |                     |                     | 14,795            | 14,795               |
| Restricted Assets                                |   |                     |                     |                   |                      |
| Cash and Cash Equivalents                        | 132,238                                     | 536,001             | 379,787             | 898,497           | 1,946,523            |
| Investments                                      | 200,000                                     | 165,300             | 124,700             | 40,570            | 530,570              |
| Equity in Pooled Cash and Investments            | 93,000                                      | 159,751             | 120,514             | -                 | 373,265              |
| <b>Total Other Assets</b>                        | <b>425,238</b>                              | <b>861,052</b>      | <b>625,001</b>      | <b>954,984</b>    | <b>2,866,275</b>     |
| <b>TOTAL ASSETS</b>                              | <b>17,181,236</b>                           | <b>14,249,085</b>   | <b>11,919,474</b>   | <b>3,596,385</b>  | <b>46,946,180</b>    |
| <b>LIABILITIES</b>                               |   |                     |                     |                   |                      |
| <b>Current Liabilities</b>                       |   |                     |                     |                   |                      |
| Taxes Payable                                    | 74,736                                      | -                   | -                   | -                 | 74,736               |
| Accounts Payable                                 | 29,415                                      | 32,041              | 12,222              | 15,844            | 89,522               |
| Accrued Interest                                 | -   | 37,840              | 14,088              | 4,876             | 56,804               |
| Compensated Absences Payable Within One Year     | 7,405                                       | 3,230               | 4,102               | 7,650             | 22,387               |
| Bonds, Notes and Leases Payable Within One Year  | -   | 513,809             | 188,723             | 120,000           | 822,532              |
| Accrued Salaries and Employee Benefits           | 16,077                                      | 8,418               | 4,234               | 11,207            | 39,936               |
| Deferred Revenue                                 | -   | 550                 | -                   | -                 | 550                  |
| Customer Deposits                                | 207,245                                     | 4,730               | -                   | 2,175             | 214,150              |
| <b>Total Current Liabilities</b>                 | <b>334,878</b>                              | <b>600,618</b>      | <b>223,369</b>      | <b>161,752</b>    | <b>1,320,617</b>     |
| <b>Long-Term Liabilities</b>                     |   |                     |                     |                   |                      |
| Compensated Absences Payable                     | 75,187                                      | 53,715              | 10,427              | 78,210            | 217,539              |
| Closure Costs                                    | -   | -                   | -                   | 1,236,547         | 1,236,547            |
| Construction & Demolition Landfill Closure Costs | -   | -                   | -                   | 39,089            | 39,089               |
| Bonds and Notes Payable                          | -   | 4,608,371           | 3,382,930           | 1,160,000         | 9,151,301            |
| <b>Total Long-Term Liabilities</b>               | <b>75,187</b>                               | <b>4,662,086</b>    | <b>3,393,357</b>    | <b>2,513,846</b>  | <b>10,644,476</b>    |
| <b>Total Liabilities</b>                         | <b>410,065</b>                              | <b>5,262,704</b>    | <b>3,616,726</b>    | <b>2,675,598</b>  | <b>11,965,093</b>    |
| <b>NET POSITION</b>                              |   |                     |                     |                   |                      |
| Net Investment in Capital Assets                 | 6,595,407                                   | 7,171,720           | 6,454,643           | 671,221           | 20,892,991           |
| Restricted for:                                  |   |                     |                     |                   |                      |
| Customer Deposits                                | 207,245                                     | 4,730               | -                   | 2,175             | 214,150              |
| Debt Service                                     | 200,000                                     | 858,081             | 625,001             | -                 | 1,683,082            |
| Landfill Closure Costs                           | -   | -                   | -                   | 898,497           | 898,497              |
| Unrestricted                                     | 9,768,519                                   | 951,850             | 1,223,104           | (651,106)         | 11,292,367           |
| <b>Total Net Position</b>                        | <b>\$ 16,771,171</b>                        | <b>\$ 8,986,381</b> | <b>\$ 8,302,748</b> | <b>\$ 920,787</b> | <b>\$ 34,981,087</b> |

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

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

EXHIBIT H

PROPRIETARY FUNDS  
For the Year Ended September 30, 2013

|  | Business-Type Activities - Enterprise Funds |                     |                     |                   |                      |
|--|---|---------------------|---------------------|-------------------|----------------------|
|  | Electric                                    | Water               | Sewer               | Landfill          | Total                |
| Operating Revenue                              |   |                     |                     |                   |                      |
| Charges for Services                           | \$ 7,761,022                                | \$ 2,064,118        | \$ 1,236,469        | \$ 1,309,411      | \$ 12,371,020        |
| Insurance Proceeds                             | -   | -                   | -                   | 108,407           | 108,407              |
| Miscellaneous                                  | 36,607                                      | 46,663              | 11,279              | 65,777            | 160,326              |
| Total Operating Revenue                        | <u>7,797,629</u>                            | <u>2,110,781</u>    | <u>1,247,748</u>    | <u>1,483,595</u>  | <u>12,639,753</u>    |
| Operating Expenses                             |   |                     |                     |                   |                      |
| Administration                                 | 943,415                                     | 658,269             | 437,008             | 731,557           | 2,770,249            |
| Distribution                                   | 1,163,705                                   | 210,546             | -                   | -                 | 1,374,251            |
| Operation                                      | 4,461,716                                   | 220,441             | 180,906             | 551,752           | 5,414,815            |
| Depreciation                                   | 370,672                                     | 555,810             | 346,660             | 132,972           | 1,406,114            |
| Amortization                                   | -   | 500                 | 377                 | 2,768             | 3,645                |
| Total Operating Expenses                       | <u>6,939,508</u>                            | <u>1,645,566</u>    | <u>964,951</u>      | <u>1,419,049</u>  | <u>10,969,074</u>    |
| Operating Income (Loss)                        | <u>858,121</u>                              | <u>465,215</u>      | <u>282,797</u>      | <u>64,546</u>     | <u>1,670,679</u>     |
| Non-Operating Revenue (Expense)                |   |                     |                     |                   |                      |
| Interest Income                                | 57,653                                      | 10,968              | 4,313               | 3,208             | 76,142               |
| Interest Expense                               | -   | (132,717)           | (49,936)            | (40,525)          | (223,178)            |
| Total Other Revenue (Expense)                  | <u>57,653</u>                               | <u>(121,749)</u>    | <u>(45,623)</u>     | <u>(37,317)</u>   | <u>(147,036)</u>     |
| Income (Loss) Before Contributions & Transfers | 915,774                                     | 343,466             | 237,174             | 27,229            | 1,523,643            |
| Capital Contributions                          | -   | -                   | 46,398              | -                 | 46,398               |
| Change in Net Position                         | 915,774                                     | 343,466             | 283,572             | 27,229            | 1,570,041            |
| Net Position at Beginning of Year              | <u>15,855,397</u>                           | <u>8,642,915</u>    | <u>8,019,176</u>    | <u>893,558</u>    | <u>33,411,046</u>    |
| Net Position at End of Year                    | <u>\$ 16,771,171</u>                        | <u>\$ 8,986,381</u> | <u>\$ 8,302,748</u> | <u>\$ 920,787</u> | <u>\$ 34,981,087</u> |

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

CITY OF SIDNEY, NEBRASKA  
STATEMENT OF CASH FLOWS

EXHIBIT I

PROPRIETARY FUNDS  
For the Year Ended September 30, 2013

|   | Business-Type Activities - Enterprise Funds |                     |                     |                     |                     |
|---|---|---------------------|---------------------|---------------------|---------------------|
|   | Electric                                    | Water               | Sewer               | Landfill            | Total               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |   |                     |                     |                     |                     |
| Cash Received from Customers  | \$ 7,691,445                                | \$ 2,115,129        | \$ 1,224,974        | \$ 1,325,545        | \$ 12,357,093       |
| Cash Received from Other Funds for Services   | -   | -                   | -                   | 43,730              | 43,730              |
| Other Cash Operating Receipts   | 36,607                                      | 46,444              | 8,151               | 108,407             | 199,609             |
| Cash Payments to Suppliers and Employees for Goods and Services   | (6,492,714)                                 | (1,113,860)         | (626,919)           | (1,284,935)         | (9,518,428)         |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>   | <b>1,235,338</b>                            | <b>1,047,713</b>    | <b>606,206</b>      | <b>192,747</b>      | <b>3,082,004</b>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |   |                     |                     |                     |                     |
| Transfers to other funds  | 182,382                                     | -                   | -                   | -                   | 182,382             |
| <b>NET CASH (USED FOR) NONCAPITAL FINANCING ACTIVITIES</b>  | <b>182,382</b>                              | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>182,382</b>      |
| <b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>   |   |                     |                     |                     |                     |
| Acquisition and Construction of Capital Assets  | (1,159,528)                                 | (77,284)            | (99,621)            | (28,750)            | (1,365,183)         |
| Principal Paid on Bonds and Notes Payable   | -   | (912,095)           | (397,059)           | (120,000)           | (1,429,154)         |
| Proceeds from Contributed Capital   | -   | -                   | 46,398              | -                   | 46,398              |
| Interest Paid   | -   | (142,993)           | (54,777)            | (40,790)            | (238,560)           |
| <b>NET CASH (USED FOR) CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>                                       | <b>(1,159,528)</b>                          | <b>(1,132,372)</b>  | <b>(505,059)</b>    | <b>(189,540)</b>    | <b>(2,986,499)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |                     |                     |                     |                     |
| Interest on Investments   | 56,501                                      | 11,072              | 4,361               | 3,208               | 75,142              |
| (Increase) Decrease in Investments  | (712,692)                                   | 315                 | 345                 | 1,038               | (710,994)           |
| <b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>   | <b>(656,191)</b>                            | <b>11,387</b>       | <b>4,706</b>        | <b>4,246</b>        | <b>(635,852)</b>    |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | <b>(397,999)</b>                            | <b>(73,272)</b>     | <b>105,853</b>      | <b>7,453</b>        | <b>(357,965)</b>    |
| Cash and Cash Equivalents, October 1  | 607,006                                     | 1,243,274           | 972,695             | 1,462,013           | 4,284,988           |
| Cash and Cash Equivalents, September 30   | <b>\$ 209,007</b>                           | <b>\$ 1,170,002</b> | <b>\$ 1,078,548</b> | <b>\$ 1,469,466</b> | <b>\$ 3,927,023</b> |
| <b>Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:</b> |   |                     |                     |                     |                     |
| Operating Income (Loss)   | \$ 858,121                                  | \$ 465,215          | \$ 282,797          | \$ 64,546           | \$ 1,670,679        |
| <b>Adjustments to Reconcile Net Income to Net Cash Provided by Operations</b>                               |   |                     |                     |                     |                     |
| Depreciation and Amortization   | 370,672                                     | 556,310             | 347,037             | 135,740             | 1,409,759           |
| (Increase) Decrease in Receivables  | (82,392)                                    | 33,291              | (18,053)            | (13,728)            | (80,882)            |
| (Increase) Decrease in Note Receivable  | -   | 13,175              | -                   | -                   | 13,175              |
| (Increase) Decrease in Inventories  | 79,817                                      | (2,666)             | -                   | -                   | 77,151              |
| Increase (Decrease) in Taxes and Accounts Payable   | 13,204                                      | (25,248)            | (8,373)             | (6,273)             | (26,690)            |
| Increase (Decrease) in Other Accruals   | 3,390                                       | -                   | (49)                | 2,057               | 5,398               |
| Increase (Decrease) in Compensated Absences Payable   | (12,735)                                    | 5,331               | 3,290               | 9,546               | 5,432               |
| Increase (Decrease) in Accrued Salaries Payable   | 1,876                                       | 2,265               | (443)               | 759                 | 4,457               |
| Increase (Decrease) in Customer Deposits Payable  | 3,385                                       | 40                  | -                   | 100                 | 3,525               |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>   | <b>\$ 1,235,338</b>                         | <b>\$ 1,047,713</b> | <b>\$ 606,206</b>   | <b>\$ 192,747</b>   | <b>\$ 3,082,004</b> |

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

CITY OF SIDNEY, NEBRASKA  
STATEMENT OF FIDUCIARY NET POSITION

EXHIBIT J

AGENCY FUND  
September 30, 2013

|                          |                   |
|--------------------------|-------------------|
| Assets                   |                   |
| Cash                     | <u>\$ 202,480</u> |
| Total Assets             | <u>202,480</u>    |
| Liabilities              |                   |
| Due to Projects          | 69,055            |
| Due to Other Governments | <u>133,425</u>    |
| Total Liabilities        | <u>202,480</u>    |
| Net Position             | <u>\$ -</u>       |

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Component Units

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

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.
2. The Sidney Housing Authority was reported as a discretely presented component unit in prior years which was comprised of the Sioux Villa Fund and the Western Heritage Fund. The Sidney Housing Authority of the City of Sidney voted on May 10, 2011 to fully separate the operations of the Housing Authority from the City of Sidney, effective as of October 1, 2011.

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.

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

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.

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 account for revenues sources that are legally restricted to expenditure for specific purposes. These, for the City, also happen to be the five non-major governmental funds the City hold. They are an 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 funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

The City reports the following major governmental funds:

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

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

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

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All

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

assets and liabilities are included in the Statement of Net Position. The City reports the following major enterprise funds:

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

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.

Additionally, the City reports the following fund type:

The Agency Fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

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, 2013.

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 are 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 capitalized and amortized over the term of the bonds using the straight-line method.

7. Discount on Bonds Payable

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

8. Restricted Assets

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

9. Capital Assets

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

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

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

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

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

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

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

10. Taxes Payable and Accounts Payable

Taxes Payable includes payroll taxes and sales taxes. Accounts payable represents amounts due for goods or services received but not paid for at September 30, 2013.

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. Due to/Due from Other Funds

Due to/due from other funds is 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 \$55,509 and uncollected special assessments of \$543,954 are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

14. Other Liabilities

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

15. Customer Deposits Payable

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

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

16. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 or not withheld from the actual debt proceeds received, are reported as current 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, \$1,686,053 is restricted for future debt service, \$214,150 customer deposits, and \$898,497 landfill closure.

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

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

Fund Financial Statements:

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

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

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

- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts the City intends to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the City 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 City 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 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 an instance of noncompliance that is considered material to the financial statements or that is required to be reported under *Government Auditing Standards*.

- A. The City did not levy and collect annually a special levy of taxes sufficient in rate and amount to fully pay the principal and interest on the Series 2009 Various Purpose Refund Bonds when due. The City paid a portion of the bond payments from cash reserves and did not levy the full amount for the yearly bond payment.

Note 3: DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Cash Equivalents and Investments

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

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

Internal Investment Pool

The City maintains a cash and investment pool that is available for use by all funds. Each fund types' portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments." Included in this account are certificates of deposit and savings accounts from local banks and investments from a brokerage firm that include certificates of deposit and government securities. In addition, the City has other assets that are classified as investments. Investments are stated at cost, which approximates fair value, with accrued interest shown under a separate caption on the balance sheet.

The following summarizes cash and cash equivalents, equity in pooled cash and investments, investments, and cash with fiscal agent by fund type at September 30, 2013.

|                       | Cash<br>and Cash<br>Equivalents | Equity in<br>Pooled Cash &<br>Investments | Investments | Subtotal      | Cash with<br>Fiscal<br>Agent | Totals        |
|-----------------------|---------------------------------|---|-------------|---------------|------------------------------|---------------|
| General Fund          | \$ 1,939,746                    | \$ 1,724,602                              | \$ -        | \$ 3,664,348  | \$ 167,100                   | \$ 3,831,448  |
| Special Revenue Funds | 2,397,401                       | 331,506                                   | -           | 2,728,907     | -                            | 2,728,907     |
| Debt Service Fund     | 1,037,551                       | -   | -           | 1,037,551     | 36,475                       | 1,074,026     |
| Proprietary Funds     | 3,927,023                       | 8,882,719                                 | 530,570     | 13,340,312    | -                            | 13,340,312    |
| Agency Fund           | 202,480                         | -   | -           | 202,480       | -                            | 202,480       |
| Totals                | \$ 9,504,201                    | \$ 10,938,827                             | \$ 530,570  | \$ 20,973,598 | \$ 203,575                   | \$ 21,177,173 |

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. At September 30, 2013, the City had bank balances of \$22,458,818, (this does not reflect outstanding checks or deposits in transit). Cash and Cash equivalents include demand deposits that at the balance sheet date were entirely insured or collateralized as of September 30, 2013. All securities are held by the City's pledging financial institution, but not in the City's name.

B. Capital Assets

Details of Capital Assets

Capital asset activity for the year fiscal year ended September 30, 2013 is as follows:

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

|                         | October 1, 2012      |                     |             | September 30, 2013   |  |  |
|-------------------------|----------------------|---------------------|-------------|----------------------|--|--|
|                         | Balance              | Additions           | Deletions   | Balance              |  |  |
| Governmental Activities |                      |                     |             |                      |  |  |
| Land/Land Improvements  | \$ 865,819           | \$ -                | \$ -        | \$ 865,819           |  |  |
| Structures              | 3,895,766            | -                   | -           | 3,895,766            |  |  |
| Buildings               | 1,881,751            | 6,350               | -           | 1,888,101            |  |  |
| Vehicles                | 2,977,320            | 115,552             | -           | 3,092,872            |  |  |
| Equipment               | 5,359,706            | 192,010             | -           | 5,551,716            |  |  |
| Infrastructure          | 13,005,926           | 1,255,542           | -           | 14,261,468           |  |  |
| <b>Total</b>            | <b>\$ 27,986,288</b> | <b>\$ 1,569,454</b> | <b>\$ -</b> | <b>\$ 29,555,742</b> |  |  |

|                                | October 1, 2012      |                   |             | September 30, 2013   |  |  |
|--------------------------------|----------------------|-------------------|-------------|----------------------|--|--|
|                                | Balance              | Additions         | Deletions   | Balance              |  |  |
| Less Accumulated Depreciation: |                      |                   |             |                      |  |  |
| Building/Structure             | \$ 1,792,245         | \$ 103,745        | \$ -        | \$ 1,895,990         |  |  |
| Vehicles                       | 1,945,136            | 172,109           | -           | 2,117,245            |  |  |
| Equipment                      | 4,156,572            | 229,848           | -           | 4,386,420            |  |  |
| Infrastructure                 | 2,353,333            | 406,685           | -           | 2,760,018            |  |  |
| <b>Total</b>                   | <b>\$ 10,247,286</b> | <b>\$ 912,387</b> | <b>\$ -</b> | <b>\$ 11,159,673</b> |  |  |

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

|  |                   |
|--|-------------------|
| General Government   | \$ 68,289         |
| Public Safety  | 170,031           |
| Public Works, which includes the depreciation of general infrastructure assets | 483,183           |
| Health & Social Services   | 23,674            |
| Culture and Recreation   | 167,210           |
|  | <u>\$ 912,387</u> |

Business-Type Activities

A summary of the Proprietary Fund Fixed Assets as of September 30, 2013 is as follows:

|                          | October 1, 2012      |                     |             | September 30, 2013   |  |  |
|--------------------------|----------------------|---------------------|-------------|----------------------|--|--|
|                          | Balance              | Additions           | Deletions   | Balance              |  |  |
| Proprietary Activities   |                      |                     |             |                      |  |  |
| Land/Land Improvements   | \$ 1,727,441         | \$ -                | \$ -        | \$ 1,727,441         |  |  |
| Buildings and Structures | 20,002,768           | 151,775             | -           | 20,154,543           |  |  |
| Vehicles                 | 1,066,097            | 91,498              | -           | 1,157,595            |  |  |
| Equipment                | 7,449,432            | 627,378             | -           | 8,076,810            |  |  |
| Infrastructure           | 26,765,582           | 494,533             | -           | 27,260,115           |  |  |
| <b>Total</b>             | <b>\$ 57,011,320</b> | <b>\$ 1,365,184</b> | <b>\$ -</b> | <b>\$ 58,376,504</b> |  |  |

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

| Less Accumulated<br>Depreciation: | October 1, 2012      |                     |             | September 30, 2013   |  |
|-----------------------------------|----------------------|---------------------|-------------|----------------------|--|
|                                   | Balance              | Additions           | Deletions   | Balance              |  |
| Building/Structure                | \$ 9,812,451         | \$ 346,196          | \$ -        | \$ 10,158,647        |  |
| Vehicles                          | 1,022,644            | 31,380              | -           | 1,054,024            |  |
| Equipment                         | 4,230,292            | 203,233             | -           | 4,433,525            |  |
| Infrastructure                    | 11,038,179           | 825,305             | -           | 11,863,484           |  |
| <b>Total</b>                      | <b>\$ 26,103,566</b> | <b>\$ 1,406,114</b> | <b>\$ -</b> | <b>\$ 27,509,680</b> |  |

C. 1. Details of Long-Term Liabilities

Governmental Activities

Bonds Payable – General Obligation Bonds Payable

Special Assessment Bonds Payable at September 30, 2013 is comprised of the following individual issues:

\$1,055,000 General Obligation Bonds issued for the purpose of purchasing and maintaining public safety vehicles and equipment due in annual installments; paying and redeeming \$1,055,000 of Public Safety Bonds dated January 8, 2008; due in annual installments through December 15, 2017; interest at 3.25-3.90% \$ 570,000

Changes in General Obligation Bonds Payable

| Description           | Issue Date | Interest Rate | Balance October 1 | Bonds Issued | Bonds Paid        | Balance September 30 | Amounts Due within One Year |
|-----------------------|------------|---------------|-------------------|--------------|-------------------|----------------------|-----------------------------|
| Various Purpose Bonds |            |               |                   |              |                   |                      |                             |
| Public Safety Bonds   | 1/8/2008   | 3.25 - 3.90%  | \$ 675,000        | \$ -         | \$ 105,000        | \$ 570,000           | \$ 105,000                  |
| <b>Total</b>          |            |               | <b>\$ 675,000</b> | <b>\$ -</b>  | <b>\$ 105,000</b> | <b>\$ 570,000</b>    | <b>\$ 105,000</b>           |

General Obligation Bonds Payable at September 30, 2013 has the following maturities:

| Fiscal Year | Principal         | Interest         | Total             |
|-------------|-------------------|------------------|-------------------|
| 2014        | \$ 105,000        | \$ 19,292        | \$ 124,292        |
| 2015        | 110,000           | 15,475           | 125,475           |
| 2016        | 115,000           | 11,368           | 126,368           |
| 2017        | 120,000           | 6,960            | 126,960           |
| 2018        | 120,000           | 2,340            | 122,340           |
|             | <b>\$ 570,000</b> | <b>\$ 55,435</b> | <b>\$ 625,435</b> |

Bonds Payable – Special Assessment Bonds Payable

Special assessment bonds payable at September 30, 2013 is comprised of the following individual issues:

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

|  |              |
|--|--------------|
| \$500,000 Combined Utility Revenue Bonds, Series 2003,<br>due in annual installments through June 15, 2014;<br>interest at 1.25-4.3%     | \$ 60,000    |
| \$3,315,000 Various Purpose Refunding Bonds, Series<br>2009, due in annual installments through June 15, 2024;<br>interest at 1.050-4.2% | 2,390,000    |
| \$510,000 Tax Increment Revenue Bonds, Series 2011,<br>due in semi-annual installments through December 15, 2023;<br>interest at 4.0%    | 357,721      |
|  | \$ 2,807,721 |

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

Changes in Special Assessments Bonds Payable

| Description                     | Issue<br>Date | Interest<br>Rate | Balance<br>October 1 | Bonds<br>Issued | Bonds<br>Paid | Balance<br>September 30 | Amounts Due<br>Within One Year |
|---------------------------------|---------------|------------------|----------------------|-----------------|---------------|-------------------------|--------------------------------|
| Combined Utility Revenue Bonds  | 09/30/03      | 1.25-4.3%        | \$ 115,000           | \$ -            | \$ 55,000     | \$ 60,000               | \$ 60,000                      |
| Various Purpose Refunding Bonds | 12/01/09      | 1.05-4.2%        | 2,645,000            | -               | 255,000       | 2,390,000               | 260,000                        |
| Tax Increment Revenue Bond      | 07/01/11      | 4.00%            | 404,190              | -               | 46,469        | 357,721                 | 73,523                         |
| Total                           |               |                  | \$ 3,164,190         | \$ -            | \$ 356,469    | \$ 2,807,721            | \$ 393,523                     |

Special Assessment Bonds Payable at September 30, 2013 has the following maturities:

| Fiscal Year | Principal    | Interest   | Total        |
|-------------|--------------|------------|--------------|
| 2014        | \$ 393,523   | \$ 93,435  | \$ 486,958   |
| 2015        | 351,007      | 82,649     | 433,656      |
| 2016        | 369,683      | 71,468     | 441,151      |
| 2017        | 313,508      | 60,024     | 373,532      |
| 2018        | 190,000      | 50,240     | 240,240      |
| 2019-2023   | 1,000,000    | 136,628    | 1,136,628    |
| 2024        | 190,000      | 3,990      | 193,990      |
|             | \$ 2,807,721 | \$ 498,432 | \$ 3,306,153 |

Tax Increment Revenue Bond

During a past 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 per cent. Payments shall be paid from available funds which include levied real estate taxes and proceeds of the business occupation tax imposed on businesses with respect to certain real estate located within the project area. The bonds were purchased by the City of Sidney Electric Fund and are shown as a long term investment of that fund.

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

Changes in Long-Term Liabilities

| Description                      | Balance<br>October 1 | Debt<br>Issued   | Debt<br>Retired   | Balance<br>September 30 | Amounts Due<br>Within One Year |
|----------------------------------|----------------------|------------------|-------------------|-------------------------|--------------------------------|
| General Obligation Bonds Payable | \$ 675,000           | \$ -             | \$ 105,000        | \$ 570,000              | \$ 105,000                     |
| Special Assessment Bonds Payable | 3,164,190            | -                | 356,469           | 2,807,721               | 393,523                        |
| Compensated Absences             | 418,959              | 23,425           | -                 | 442,384                 | 34,156                         |
|                                  | <u>\$ 4,258,149</u>  | <u>\$ 23,425</u> | <u>\$ 461,469</u> | <u>\$ 3,820,105</u>     | <u>\$ 532,679</u>              |

2. Business-Type Activities – Long-Term Liabilities

Bonds and Notes Payable

|  |                     |
|--|---------------------|
| \$5,190,000 of Combined Revenues and Refunding Bonds due in annual installments through November 1, 2012 with 3.65-4.70% interest rates. Payments were made out of Water and Sewer Funds. The Water Fund's balance of the payable is \$0 (57%) and the Sewer Fund's balance of the payable is \$0 (43%). This was the final year of repayment. | \$ -                |
| \$770,000 Revenue Refunding Bonds issued to the Sidney Area Solid Waste due in annual installments through August 15, 2016 with .900-2.95% interest rates  | 365,000             |
| \$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   | 915,000             |
| Total Bonds Payable  | <u>1,280,000</u>    |
| \$1,156,000 Drawdown Note Payable to Nebraska Department of Environmental Quality for a new water tower, due in semi-annual installments through June 15, 2013 with a 3% interest rate and a 1% administration fee. This was the final year of repayment.  | -                   |
| \$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.   | 4,644,655           |
| \$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.  | 477,525             |
| \$2,750,000 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 2.00 % interest rate and administration fee waived for the life of the loan.  | 2,402,903           |
| \$1,375,000 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 0.00 % interest rate and administration fee waived for the life of the loan (ARRA funding).   | 1,168,750           |
| Total Notes Payable  | <u>8,693,833</u>    |
| Total Bonds and Notes Payable  | <u>\$ 9,973,833</u> |

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

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                |
|-------------|---------------------|---------------------|----------------------|
| 2014        | \$ 822,532          | \$ 212,013          | \$ 1,034,545         |
| 2015        | 837,973             | 194,052             | 1,032,025            |
| 2016        | 858,793             | 175,173             | 1,033,966            |
| 2017        | 830,001             | 155,276             | 985,277              |
| 2018        | 851,607             | 136,991             | 988,598              |
| 2019-2023   | 3,898,047           | 389,173             | 4,287,220            |
| 2024-2028   | 1,410,720           | 98,892              | 1,509,612            |
| 2029-2030   | 464,160             | 8,209               | 472,369              |
|             | <u>\$ 9,973,833</u> | <u>\$ 1,369,779</u> | <u>\$ 11,343,612</u> |

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%  | \$ 915,000           | \$ -        | \$ -                | \$ 915,000           | \$ -                        |
| Sidney Area Solid Waste Revenue Refunding Bonds - 2010 Series                 | 02/16/10   | .900 - 2.95%  | 485,000              | -           | 120,000             | 365,000              | 120,000                     |
| Combined Revenue - Refunding Bonds-1999 Series                                | 06/01/99   | 3.65 - 4.70%  | 490,000              | -           | 490,000             | -                    | -                           |
| Note Payable - Nebraska DEQ - Water Tower                                     | 2001       | 3.00%         | 131,694              | -           | 131,694             | -                    | -                           |
| Note Payable - Nebraska DEQ - Water Project                                   | 2004       | 2.52%         | 5,099,040            | -           | 454,385             | 4,644,655            | 465,908                     |
| Note Payable - Nebraska DEQ - Water Project Land                              | 2003       | 2.52%         | 524,242              | -           | 46,717              | 477,525              | 47,901                      |
| Note Payable - Nebraska DEQ - Sewer Construction                              | 2009       | 2.00%         | 2,520,512            | -           | 117,609             | 2,402,903            | 119,973                     |
| Note Payable - Nebraska DEQ ARRA Sewer Construction                           | 2009       | 0.00%         | 1,237,500            | -           | 68,750              | 1,168,750            | 68,750                      |
| Total   |            |               | <u>\$ 11,402,988</u> | <u>\$ -</u> | <u>\$ 1,429,155</u> | <u>\$ 9,973,833</u>  | <u>\$ 822,532</u>           |

D. Interfund Transactions

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

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

| Fund                         | Transfers In        | Transfers Out       |
|------------------------------|---------------------|---------------------|
| General Fund                 | \$ 6,833            | \$ 159,789          |
| Street Fund                  | 886,803             | 73,487              |
| Debt Service Fund            | 91,304              | 767,466             |
| Non-Major Governmental Funds | 16,635              | 833                 |
| Total Operating Transfers    | <u>\$ 1,001,575</u> | <u>\$ 1,001,575</u> |

Transfers are used to utilize the Debt Service Fund by maintaining debt related payments in that fund, therefore, governmental activities funds transfer debt payments to this fund. The remaining transfers were for operating purposes and were within the normal operations of the City.

Due to/Due from Other Funds are advances from other funds. These interfund balances were the result of internal financing. The balance of \$989,715 is not expected to be repaid within one year, with \$148,857 of the balance scheduled to be paid over eight years. The following is a schedule of due to/due from other funds:

| Fund                          | Due From<br>Other Funds | Due to<br>Other Funds |
|-------------------------------|-------------------------|-----------------------|
| Debt Service Fund             | \$ -                    | \$ 989,715            |
| General Fund                  | -                       | 24,859                |
| Non-Major Governmental Fund   | 7,181                   | -                     |
| Electric Fund                 | 991,963                 | -                     |
| Water Fund                    | 4,286                   | -                     |
| Sewer Fund                    | 3,429                   | -                     |
| Landfill Fund                 | 7,715                   | -                     |
| Total Due From/To Other Funds | <u>\$ 1,014,574</u>     | <u>\$ 1,014,574</u>   |

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 postclosure 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 postclosure 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, 2013, which represents 53.67 percent of the cumulative landfill closure and post closure care liability of \$2,303,802. As a result of the new landfill cell configuration that was completed during the prior fiscal year, the City has used approximately 17.60 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$1,066,535 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 \$2,303,802 in fiscal year 2013. The City expects to close the landfill in the year 2043. 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.

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

The \$39,089 reported as construction and demolition landfill closure and post closure care liability at September 30, 2013, 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 \$57,968 as the remaining estimated years end. These amounts are based on what it would cost to perform all closure and post closure cares of \$95,434 in fiscal year 2013. The City expects to close the landfill in the year 2043. 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, 2013, investments of \$98,497.30 are held for these purposes. These are reported as restricted assets on the balance sheet. The City expects future inflation costs to be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined (because of changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

B. Tax Increment Financing (TIF)

During the 1996 - 1997 year, the City 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, 2013 the Agency has four contracts issued. To finance these grants the Agency originally issued separate bonds totaling \$4,324,502. The outstanding balance of these bonds, as of September 30, 2013 was \$4,520,038. 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 a half percent to six percent. Contributions are submitted monthly. Contributions to the plan by the City were \$135,437 for the year while employee contributions totaled \$175,901.

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

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

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 six percent of the participating employee's salary. Employer contributions to the plan for the year ended September 30, 2013, were \$45,238 and employee contributions were \$42,141.

F. Contingencies and Commitments

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 2013-2014 year. In addition, the full impact of current legislation and proposed initiatives regarding spending and revenue limitations cannot be assessed.

G. Compensated Absences

Compensated absences payable has been recorded in accordance with GASB (Governmental Accounting Standards Board), Statement 16. Employees earn vacation leave based on hours worked and years of employee service. Sick leave accrues at the rate of eight hours per full month of service. Upon termination, an employee is paid for unused vacation accrued. After two full years of continued service, employees will be 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 \$25,000 per individual and with an unlimited lifetime maximum benefit on eligible expenses. The aggregate stop loss contract has a minimum attachment of \$505,356. The attachment may go up based on increased enrollment, but the minimum or lowest it will ever be is \$505,356. The aggregate contract will pay up to \$1,000,000 on total claims over the attachment point. The total annual maximum outlay for premiums, claims, administration, and laser liability as of September 30, 2013 is \$883,288.

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, 2013, the amount of estimated claims payable was \$41,819. Changes in the reported liability since October 1, 2012 resulted from the following:

| Fiscal Year | Balance<br>October 1 | Current Year<br>Claims | Claim<br>Payments | Balance<br>September 30 |
|-------------|----------------------|------------------------|-------------------|-------------------------|
| 2012-2013   | \$ -                 | \$ 41,819              | \$ -              | \$ 41,819               |
| Total       | \$ -                 | \$ 41,819              | \$ -              | \$ 41,819               |

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

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

I. Fund Equity

Reservations of fund balances and net assets represent amounts that are legally segregated and that cannot be appropriated in subsequent years. Designations of unreserved fund equity reflect tentative management plans or intent for future use of available financial resources. At September 30, 2013, \$263,447 of the Debt Service Fund's fund balance was reserved for repayments of debt.

At September 30, 2013, the following amounts of net position were reserved: The Landfill Fund's reserve includes \$898,497 reserved for landfill closure costs and \$2,175 for customer deposits. The Electric Fund reserved \$207,245 for customer deposits and \$200,000 for bond reserves. The Water fund reserved \$4,730 for customer deposits and \$861,052 for future bond payments, where the City is collecting a \$15 per month fee to pay the payments when due. The Sewer Fund reserved \$625,001 for future bond payments, where the City is collecting a \$5.50 per month fee to pay the payments when due.

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, 2013, the Foundation had the \$4,397 in a checking account, and \$182,461 invested in a savings account and certificates of deposit.

K. Subsequent Event

On January 2, 2014, the City issued Recreational Facilities Public Infrastructure Bonds – Golf Course Project Series 2014 (Limited Sales and Property Tax Supported) in the amount of \$1,520,000 for the purpose of paying the costs of improvements and equipment for the City's municipal golf course. The interest rate on the obligation is 0.40 to 3.0 percent and the maturity date is December 15, 2024.

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, 2013

|                                       | General Fund              |  |  | Street Fund               |  |  |
|---------------------------------------|---------------------------|--|--|---------------------------|--|--|
|                                       | Original and Final Budget | Actual Amounts Budgetary Basis<br>See Note | Variance with Final Budget Positive (Negative) | Original and Final Budget | Actual Amounts Budgetary Basis<br>See Note | Variance with Final Budget Positive (Negative) |
| Budgetary Fund Balance October 1      | \$ 2,973,313              | \$ 2,973,313                               | \$ -   | \$ 532,160                | \$ 532,160                                 | \$ -   |
| Resources (inflows):                  |                           |  |  |                           |  |  |
| Personal and Real Property Taxes      | 1,224,025                 | 1,168,671                                  | (55,354)                                       | 150,806                   | 99,869                                     | (50,937)                                       |
| Federal Receipts                      | 1,082,090                 | -  | (1,082,090)                                    | -                         | -  | -  |
| Motor Vehicle Pro-Rate                | 3,900                     | 4,129                                      | 229  | -                         | -  | -  |
| Highway Allocation and Incentive      | -                         | -  | -  | 629,167                   | 665,165                                    | 35,998   |
| Motor Vehicle Fee                     | -                         | -  | -  | 56,000                    | 58,052                                     | 2,052  |
| State Aid                             | -                         | -  | -  | -                         | -  | -  |
| State Receipts Other                  | 82,090                    | 256,118                                    | 174,028  | -                         | 10,311                                     | 10,311   |
| Motor Vehicle Tax                     | 138,934                   | 142,033                                    | 3,099  | -                         | -  | -  |
| Sales Tax                             | 2,563,567                 | 2,754,641                                  | 191,074  | -                         | 265,272                                    | 265,272  |
| Local Receipts Local                  | 7,311,314                 | 2,005,516                                  | (5,305,798)                                    | 836,250                   | 342,836                                    | (493,414)                                      |
| Other Financing Sources               | -                         | 43,190                                     | 43,190   | -                         | 886,803                                    | 886,803  |
| Amounts available for appropriation   | 12,405,920                | 6,374,298                                  | (6,074,812)                                    | 1,672,223                 | 2,328,308                                  | 656,085  |
| Charges to appropriations (outflows): |                           |  |  |                           |  |  |
| General Government                    | 8,005,339                 | 1,448,758                                  | 6,556,581                                      | -                         | -  | -  |
| Public Safety                         | 1,566,447                 | 1,508,420                                  | 58,027   | -                         | -  | -  |
| Streets                               | -                         | -  | -  | 942,377                   | 899,457                                    | 42,920   |
| Health & Social Services              | 363,929                   | 292,230                                    | 71,699   | -                         | -  | -  |
| Culture and Recreation                | 1,678,445                 | 1,725,842                                  | (47,397)                                       | -                         | -  | -  |
| Debt Service                          | -                         | -  | -  | -                         | -  | -  |
| Capital Outlay                        | 1,254,860                 | 550,762                                    | 704,098  | 1,095,026                 | 966,174                                    | 128,852  |
| Other Financing Uses                  | -                         | 159,789                                    | (159,789)                                      | -                         | 73,487                                     | (73,487)                                       |
| Total charges to appropriations       | 12,869,020                | 5,685,801                                  | 7,183,219                                      | 2,037,403                 | 1,939,118                                  | 98,285   |
| Budgetary Fund Balance, September 30  | \$ 2,510,213              | \$ 3,661,810                               | \$ 1,108,407                                   | \$ 166,980                | \$ 921,350                                 | \$ 754,370                                     |

See accompanying note to Supplemental Information budgetary comparison schedules.

CITY OF SIDNEY, NEBRASKA

EXHIBIT M

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

SEPTEMBER 30, 2013

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 January 1. Taxes are due as of that date. One-half of the real estate taxes due January 1 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 SUPPLEMENTARY INFORMATION (SI) -  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGETARY BASIS

September 30, 2013

|   | General<br>Fund     | Street<br>Fund      |
|---|---------------------|---------------------|
| Sources/inflows of resources:   |                     |                     |
| Actual amounts (budgetary basis) "available for appropriation"<br>from the budgetary comparison schedule                                  | \$ 6,374,295        | \$ 2,328,308        |
| Differences--budget to GAAP:  |                     |                     |
| Receipts from accounts receivable are a budgetary resource but<br>may not be a current year revenue for financial reporting purposes      |                     |                     |
| Taxes Receivables   | 2,618               | -                   |
| MV Sales Tax Receivable   |                     | 89,247              |
| Sales Tax Receivable  | 21,161              | 20,533              |
| Business Tax Receivable   | -                   | (225)               |
| Accrued Interest  | (1,300)             | -                   |
|   | <u>22,479</u>       | <u>109,555</u>      |
| Revenue from deferred property taxes are not a budgetary resource<br>but is recognized as a current year revenue for financial reporting  |                     |                     |
| Deferred Revenue Taxes  | 3,457               | -                   |
| Total revenues as reported on the statement of revenues, expenditures,<br>and changes in fund balances-governmental funds                 | <u>\$ 6,400,231</u> | <u>\$ 2,437,863</u> |
| Uses/outflows of resources:   |                     |                     |
| Actual amounts (budgetary basis) "total charges to appropriation"<br>from the budgetary comparison schedule                               | \$ 5,685,801        | \$ 1,939,118        |
| Differences--budget to GAAP   |                     |                     |
| The City budgets for claims and compensated absences only to the<br>extent expected to be paid, rather than on the modified accrual basis |                     |                     |
| Compensated Absences  | 5,106               | 3,835               |
| Accrued Salaries and Benefit Payables   | 12,976              | 1,527               |
|   | <u>18,082</u>       | <u>5,362</u>        |
| The City budgets for inventory purchases expected to be paid,<br>rather than on the modified accrual basis                                |                     |                     |
| Accounts Payable  | 19,437              | 28,298              |
| Inventory   | 9,060               | -                   |
|   | <u>28,497</u>       | <u>28,298</u>       |
| Total expenditures as reported on the statement of revenues, expenditures<br>and changes in fund balance-governmental funds               | <u>\$ 5,732,380</u> | <u>\$ 1,972,778</u> |

CITY OF SIDNEY, NEBRASKA  
COMBINING BALANCE SHEET

EXHIBIT N

NON-MAJOR GOVERNMENTAL FUNDS  
September 30, 2013

|  | Special Revenue         |                   |                     |                  |                 | Totals              |
|--|-------------------------|-------------------|---------------------|------------------|-----------------|---------------------|
|  | Economic<br>Development | Cemetery          | Golf<br>Development | Unemployment     | Scouts          |                     |
| <b>ASSETS</b>                              |                         |                   |                     |                  |                 |                     |
| Cash and Cash Equivalents                  | \$ 1,521,047            | \$ -              | \$ -                | \$ -             | \$ 9,079        | \$ 1,530,126        |
| Equity in Pooled Cash and Investments      | -                       | 209,974           | 26,859              | 95,320           | -               | 332,153             |
| Due to/Due from Other Funds                | -                       | 7,181             | -                   | -                | -               | 7,181               |
| Accrued Interest                           | -                       | 210               | -                   | -                | -               | 210                 |
| <b>TOTAL ASSETS</b>                        | <b>\$ 1,521,047</b>     | <b>\$ 217,365</b> | <b>\$ 26,859</b>    | <b>\$ 95,320</b> | <b>\$ 9,079</b> | <b>\$ 1,869,670</b> |
| <b>FUND BALANCES</b>                       |                         |                   |                     |                  |                 |                     |
| Fund Balances                              |                         |                   |                     |                  |                 |                     |
| Committed                                  | \$ 1,521,047            | \$ 217,365        | \$ 26,859           | \$ 95,320        | \$ 9,079        | \$ 1,869,670        |
| <b>TOTAL FUND BALANCES</b>                 | <b>1,521,047</b>        | <b>217,365</b>    | <b>26,859</b>       | <b>95,320</b>    | <b>9,079</b>    | <b>1,869,670</b>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 1,521,047</b>     | <b>\$ 217,365</b> | <b>\$ 26,859</b>    | <b>\$ 95,320</b> | <b>\$ 9,079</b> | <b>\$ 1,869,670</b> |

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, 2013

|   | Special Revenue         |                   |                     |                  |                 | Totals              |
|---|-------------------------|-------------------|---------------------|------------------|-----------------|---------------------|
|   | Economic<br>Development | Cemetery          | Golf<br>Development | Unemployment     | Scouts          |                     |
| Revenues  |                         |                   |                     |                  |                 |                     |
| Taxes   | \$ 300,000              | \$ -              | \$ -                | \$ -             | \$ -            | \$ 300,000          |
| Charges for Services  | -                       | 3,900             | -                   | -                | -               | 3,900               |
| Interest  | 695                     | 607               | 10                  | 1,213            | 14              | 2,539               |
| Grants  | 24,136                  | -                 | -                   | -                | -               | 24,136              |
| Miscellaneous Revenues  | 53,277                  | 413               | 600                 | -                | 170             | 54,460              |
| Total Revenues  | <u>378,108</u>          | <u>4,920</u>      | <u>610</u>          | <u>1,213</u>     | <u>184</u>      | <u>385,035</u>      |
| Expenditures  |                         |                   |                     |                  |                 |                     |
| Operating Expenses  | 52,361                  | 856               | 9,509               | 947              | 137             | 63,810              |
| Capital Outlay  | 29,448                  | 23,070            | -                   | -                | -               | 52,518              |
| Total Expenditures  | <u>81,809</u>           | <u>23,926</u>     | <u>9,509</u>        | <u>947</u>       | <u>137</u>      | <u>116,328</u>      |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures  | <u>296,299</u>          | <u>(19,006)</u>   | <u>(8,899)</u>      | <u>266</u>       | <u>47</u>       | <u>268,707</u>      |
| Other Financing Sources (Uses)  |                         |                   |                     |                  |                 |                     |
| Transfers In  | -                       | -                 | 16,635              | -                | -               | 16,635              |
| Transfers Out   | -                       | (833)             | -                   | -                | -               | (833)               |
| Total Other Financing Sources (Uses)  | <u>-</u>                | <u>(833)</u>      | <u>16,635</u>       | <u>-</u>         | <u>-</u>        | <u>15,802</u>       |
| Excess (Deficiency) of Revenues and<br>Other Sources (Uses) Over (Under)<br>Expenditures and Other Uses | <u>296,299</u>          | <u>(19,839)</u>   | <u>7,736</u>        | <u>266</u>       | <u>47</u>       | <u>284,509</u>      |
| Fund Balance, October 1   | <u>1,224,748</u>        | <u>237,204</u>    | <u>19,123</u>       | <u>95,054</u>    | <u>9,032</u>    | <u>1,585,161</u>    |
| Fund Balance, September 30  | <u>\$ 1,521,047</u>     | <u>\$ 217,365</u> | <u>\$ 26,859</u>    | <u>\$ 95,320</u> | <u>\$ 9,079</u> | <u>\$ 1,869,670</u> |

CITY OF SIDNEY, NEBRASKA  
INDIVIDUAL SCHEDULE OF REVENUES

EXHIBIT P

GENERAL FUND  
For the Years Ended September 30, 2013

|  | <u>2013</u>         |
|--|---------------------|
| Revenues                                   |                     |
| Taxes/Shared Intergovernmental Revenue     |                     |
| General Property                           | \$ 1,174,746        |
| Motor Vehicle                              | 142,033             |
| Sales                                      | 2,775,799           |
| Occupation                                 | 169,436             |
|  | <u>4,262,014</u>    |
| Licenses, Fees and Permits                 |                     |
| Franchise Fees                             | 748,290             |
|  | <u>748,290</u>      |
| Intergovernmental Revenues                 |                     |
| Bookmobile and Police Reimbursement        | 153,537             |
| Economic Development Reimbursement         | 22,917              |
| Homestead                                  | 40,632              |
| Motor Vehicle Pro-Rate                     | 4,129               |
| Miscellaneous                              | 46,050              |
|  | <u>267,265</u>      |
| Charges for Services                       |                     |
| Administration Fees                        | 413,970             |
| Licenses and Permits                       | 119,061             |
| Cemetery Lots, Openings and Perpetual Care | 23,100              |
| Swimming Pool and Handibus Fees            | 24,295              |
| Golf Fees, Storage and Merchandise         | 301,936             |
| Library Fees                               | 3,792               |
| Animal Control                             | 4,244               |
|  | <u>890,398</u>      |
| Interest                                   | <u>6,564</u>        |
| State and Federal Grants                   | <u>117,329</u>      |
| Miscellaneous                              | <u>65,181</u>       |
| Total Revenues                             | <u>6,357,041</u>    |
| Other Financing Sources                    |                     |
| Transfers In                               | 6,833               |
| Insurance Proceeds                         | 36,357              |
|  | <u>43,190</u>       |
| Total Revenues and Other Sources           | <u>\$ 6,400,231</u> |

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

EXHIBIT Q

GENERAL GOVERNMENT  
For the Year Ended September 30, 2013

|                                   | Engineering<br>and  |                   | Total               |
|-----------------------------------|---------------------|-------------------|---------------------|
|                                   | Administration      | Inspection        |                     |
| <b>Expenditures</b>               |                     |                   |                     |
| <b>Current Commodities</b>        |                     |                   |                     |
| Office Supplies                   | \$ 52,289           | \$ 7,766          | \$ 60,055           |
| Department Supplies               | 27,142              | 1,173             | 28,315              |
| Maintenance/Repairs               | 30,150              | 17,123            | 47,273              |
|                                   | <u>109,581</u>      | <u>26,062</u>     | <u>135,643</u>      |
| <b>Personal Services</b>          |                     |                   |                     |
| Salaries - Other                  | 521,030             | 31,141            | 552,171             |
| Employee Benefits                 | 118,025             | 17,863            | 135,888             |
|                                   | <u>639,055</u>      | <u>49,004</u>     | <u>688,059</u>      |
| <b>Contractual Services</b>       |                     |                   |                     |
| Insurance                         | 25,220              | 2,796             | 28,016              |
| Utilities                         | 24,206              | 447               | 24,653              |
| Travel/Training                   | 8,915               | 1,644             | 10,559              |
| Dues and Subscriptions            | 21,957              | 693               | 22,650              |
| Professional Fees                 | 101,531             | -                 | 101,531             |
| Advertising and Promotion         | 26,384              | -                 | 26,384              |
| Janitorial Service                | 12,600              | -                 | 12,600              |
| County E911                       | 205,602             | -                 | 205,602             |
| Economic Development              | 71,182              | -                 | 71,182              |
| Ambulance Subsidy                 | 69,194              | -                 | 69,194              |
| Miscellaneous                     | 76,317              | 13,887            | 90,204              |
|                                   | <u>643,108</u>      | <u>19,467</u>     | <u>662,575</u>      |
| <b>Total Current Expenditures</b> | <u>1,391,744</u>    | <u>94,533</u>     | <u>1,486,277</u>    |
| Capital Outlay                    | -                   | 6,351             | 6,351               |
| Transfers Out                     | 119,337             | -                 | 119,337             |
|                                   | <u>119,337</u>      | <u>6,351</u>      | <u>125,688</u>      |
| <b>Total Expenditures</b>         | <u>\$ 1,511,081</u> | <u>\$ 100,884</u> | <u>\$ 1,611,965</u> |

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

EXHIBIT R

PUBLIC SAFETY  
For the Year Ended September 30, 2013

|                            | Police              | Fire              | Total               |
|----------------------------|---------------------|-------------------|---------------------|
| Expenditures               |                     |                   |                     |
| Current Commodities        |                     |                   |                     |
| Supplies                   | \$ 66,180           | \$ 19,366         | \$ 85,546           |
| Maintenance/Repairs        | 57,800              | 13,898            | 71,698              |
|                            | <u>123,980</u>      | <u>33,264</u>     | <u>157,244</u>      |
| Personal Services          |                     |                   |                     |
| Salaries                   | 829,503             | 29,144            | 858,647             |
| Employee Benefits          | 318,706             | 16,676            | 335,382             |
|                            | <u>1,148,209</u>    | <u>45,820</u>     | <u>1,194,029</u>    |
| Contractual Services       |                     |                   |                     |
| Insurance                  | 42,919              | 16,598            | 59,517              |
| Contract Labor             | 12,345              | 11,700            | 24,045              |
| Utilities                  | 15,053              | 3,048             | 18,101              |
| Travel and Training        | 10,101              | 1,723             | 11,824              |
| Volunteer Funds            | -                   | 8,974             | 8,974               |
| Miscellaneous              | 34,646              | 40                | 34,686              |
|                            | <u>115,064</u>      | <u>42,083</u>     | <u>157,147</u>      |
| Total Current Expenditures | <u>1,387,253</u>    | <u>121,167</u>    | <u>1,508,420</u>    |
| Capital Outlay             | 107,930             | 15,536            | 123,466             |
| Transfers Out              | 23,817              | -                 | 23,817              |
|                            | <u>131,747</u>      | <u>15,536</u>     | <u>147,283</u>      |
| Total Expenditures         | <u>\$ 1,519,000</u> | <u>\$ 136,703</u> | <u>\$ 1,655,703</u> |

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

EXHIBIT S

HEALTH AND SOCIAL SERVICES  
For the Year Ended September 30, 2013

|                        | Cemetery              | Handibus              | Total                 |
|------------------------|-----------------------|-----------------------|-----------------------|
| Expenditures           |                       |                       |                       |
| Current Commodities    |                       |                       |                       |
| Supplies               | \$ 6,214              | \$ 36,366             | \$ 42,580             |
| Maintenance/Repairs    | 15,163                | 10,266                | 25,429                |
|                        | <u>21,377</u>         | <u>46,632</u>         | <u>68,009</u>         |
| Personal Services      |                       |                       |                       |
| Salaries               | 52,479                | 81,559                | 134,038               |
| Employee Benefits      | 25,458                | 21,777                | 47,235                |
|                        | <u>77,937</u>         | <u>103,336</u>        | <u>181,273</u>        |
| Contractual Services   |                       |                       |                       |
| Insurance              | 7,212                 | 8,316                 | 15,528                |
| Utilities              | 5,709                 | 5,055                 | 10,764                |
| Travel and Training    | 171                   | -                     | 171                   |
| Rent                   | -                     | 12,000                | 12,000                |
| Miscellaneous          | 4,485                 | -                     | 4,485                 |
|                        | <u>17,577</u>         | <u>25,371</u>         | <u>42,948</u>         |
| <br>Total Expenditures | <br><u>\$ 116,891</u> | <br><u>\$ 175,339</u> | <br><u>\$ 292,230</u> |

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

EXHIBIT T

CULTURE AND RECREATION  
For the Year Ended September 30, 2013

|                                      | Park              | Pool              | Golf              | Library           | Total               |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| <b>Expenditures</b>                  |                   |                   |                   |                   |                     |
| <b>Current Commodities</b>           |                   |                   |                   |                   |                     |
| Supplies                             | \$ 47,736         | \$ 13,834         | \$ 143,816        | \$ 15,160         | \$ 220,546          |
| Maintenance/Repairs                  | 72,662            | 1,840             | 20,447            | 11,002            | 105,951             |
| Books and Periodicals                | -                 | -                 | -                 | 38,692            | 38,692              |
| Printing                             | -                 | -                 | -                 | 742               | 742                 |
| Pro Shop Merchandise and Concessions | -                 | -                 | 27,034            | -                 | 27,034              |
|                                      | <u>120,398</u>    | <u>15,674</u>     | <u>191,297</u>    | <u>65,596</u>     | <u>392,965</u>      |
| <b>Personal Services</b>             |                   |                   |                   |                   |                     |
| Salaries                             | 285,917           | 36,700            | 211,732           | 241,405           | 775,754             |
| Employees Benefits                   | 111,870           | 2,533             | 35,363            | 77,779            | 227,545             |
|                                      | <u>397,787</u>    | <u>39,233</u>     | <u>247,095</u>    | <u>319,184</u>    | <u>1,003,299</u>    |
| <b>Contractual Services</b>          |                   |                   |                   |                   |                     |
| Insurance                            | 27,816            | 2,467             | 20,299            | 5,668             | 56,250              |
| Recreation Coordination              | 120,000           | -                 | -                 | -                 | 120,000             |
| Utilities                            | 34,112            | 9,898             | 16,687            | 11,886            | 72,583              |
| Travel and Training                  | 1,231             | 1,197             | 2,633             | 1,635             | 6,696               |
| Dues and Subscriptions               | -                 | -                 | 1,103             | 519               | 1,622               |
| Advertising and Promotion            | -                 | -                 | 1,337             | 388               | 1,725               |
| Janitorial Service                   | -                 | -                 | -                 | 12,600            | 12,600              |
| Contract Services                    | -                 | -                 | 29,144            | 12,996            | 42,140              |
| Miscellaneous                        | 6,926             | 2,525             | 15,538            | 33                | 25,022              |
|                                      | <u>190,085</u>    | <u>16,087</u>     | <u>86,741</u>     | <u>45,725</u>     | <u>338,638</u>      |
| <b>Total Current Expenditures</b>    | <u>708,270</u>    | <u>70,994</u>     | <u>525,133</u>    | <u>430,505</u>    | <u>1,734,902</u>    |
| <b>Capital Outlay</b>                | 66,117            | 36,842            | 317,986           | -                 | 420,945             |
| <b>Transfers Out</b>                 | -                 | -                 | 16,635            | -                 | 16,635              |
| <b>Total Expenditures</b>            | <u>\$ 774,387</u> | <u>\$ 107,836</u> | <u>\$ 859,754</u> | <u>\$ 430,505</u> | <u>\$ 2,172,482</u> |

SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended September 30, 2013

2013.1: SIGNIFICANT DEFICIENCY, Contract Noncompliance

*Condition:* The City did not comply with a contract to levy and collect annually a special levy of taxes sufficient in rate and amount to fully pay the principal and interest on the Series 2009 Various Purpose Refunding Bonds.

*Criteria:* The City should have staff, or legal counsel, review contracts to ensure that all requirements of new contracts are satisfied.

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

*Recommendation:* A remedy for this situation would be for the City to assign a staff person to read all contracts.

*Response:* The City will review all new contracts to ensure that contractual requirements and specifications are being met.