

CITY OF SIDNEY, NEBRASKA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
AND
ACCOUNTANT'S OPINION THEREON

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sidney (the City), Sidney, Nebraska, as of and for the year ended September 30, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 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 and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

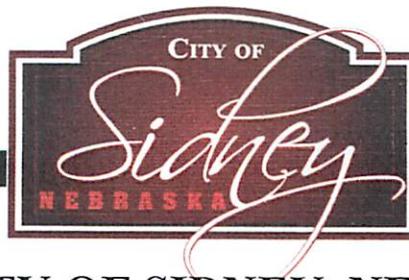
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



RAUNER & ASSOCIATES, P.C.
Sidney, Nebraska

January 31, 2018



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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, 2017. 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, 2017, 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, 2017 by \$73,289,553 (net position). Of this amount \$25,801,278 (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 \$3,546,739 in comparison to the prior year. Of the increase, \$2,467,106 or 70% was an increase in governmental activities and \$1,079,633 or 30% related to business-type activities.
- ◆ The City's Governmental Fund Balance Sheet (Exhibit C) as of September 30, 2017 shows an increase from \$13,746,829 to \$16,174,952 in comparison with the prior year which is an increase of \$2,428,123. Deferred Inflows of Resources in the amount of \$5,277,813 is \$1,723,886 higher from last year. This is uncollected property tax and special assessment revenues that are not available to pay for current period expenditures and, therefore, are deferred in the funds. In past reports, these were shown as Deferred Revenue liability. Current year Fund Balances are as follows: Nonspendable Fund Balance - .43% or \$44,106 (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 - 49.5% or \$5,058,500 (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 -22% \$2,228,603 (which is \$1,365,547 in the General Fund (of which approximately \$999,382 is committed to the Insurance Reserve Fund), \$337,067 is LB840 Economic Development, Cemetery Perpetual Care, Golf Development, Unemployment, police grants, golf credit card balances, Dare, Crime Prevention Fund and Boy Scouts, and \$425,974 in the Economic Development Fund) is defined as amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed amounts that cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. Unassigned Fund Balance - 28.2% or \$2,879,234 (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, 2017, indicate there was an increase in the net position of \$1,079,633 compared to \$1,270,887 in 2016. The Electric, Water, Sewer, Landfill Departments each realized an increase in Net Position for FY2017 year end (Exhibit H). Capital Contributions were significantly lower for Water and Sewer Departments for FY2016 and none are reported for FY2017. Operating Revenues were higher this year in Electric, Water, and Sewer and lower in Landfill. Operating Expenses were higher in Electric. And basically, the same for Water, Sewer and Landfill. None of these Departments realized a loss this year.

- ◆ In the Statement of Cash Flows for Proprietary Funds (Exhibit I), there is a net increase in 2016 Cash and Cash Equivalents of \$822,581 and \$884,484 in 2017 due to funding of completion of capital projects.
- ◆ The Governmental Activities total liabilities increased by \$3,068,479 due to a decrease in total current liabilities and the amount of bonds being added.
- ◆ The Business-Type Activities total liabilities shows a slight increase of \$186,423.

USING THIS ANNUAL FINANCIAL REPORT

Our government's presentation of financial statements is 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, 2017. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes, earned but unused vacation and sick leave, etc.)

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

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 Capital Projects Fund which are considered to be major funds. Data from the non-major governmental fund (Exhibits P-Q-individual fund data) are combined into a single, aggregated presentation. They include Economic Development LB840, Cemetery Perpetual Care, Golf Development, Unemployment Compensation, and Boy Scouts. The City adopts an annual appropriation budget ordinance for its General Fund and all other governmental funds. Exhibit L provides supplementary information which presents budgetary comparison information. The basic governmental fund financial statements for individual schedules for General Fund Accounts can be found on Exhibits R-V of this report. Exhibit N-0 is added this year for expenditures made for projects completed due to Federal-Awards

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

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

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in Exhibit K of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following is the Condensed Statement of Net Position and the Condensed Statement of Activities for September 30, 2016 and 2017:

City of Sidney Condensed Statement of Net Position September 30, 2017 and 2016						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and Other Assets	\$ 16,020,393	\$ 9,904,102	\$ 15,358,488	\$ 14,451,422	\$ 31,378,881	\$ 24,355,524
Capital Assets	39,856,486	40,437,192	36,482,613	36,123,623	76,339,099	76,560,815
TOTAL ASSETS	55,876,879	50,341,294	51,841,101	50,575,045	107,717,980	100,916,339
LIABILITIES						
Long Term Liabilities Outstanding	20,356,486	7,650,157	10,323,145	10,363,130	30,679,631	18,013,287
Other Liabilities	2,245,917	11,883,767	1,502,879	1,276,471	3,748,796	13,160,238
TOTAL LIABILITIES	22,602,403	19,533,924	11,826,024	11,639,601	34,428,427	31,173,525
NET POSITION						
Net Investment in Capital Assets	17,953,401	19,977,008	26,642,916	26,423,206	44,596,317	46,400,214
Restricted	-	-	2,891,958	2,897,284	2,891,958	2,897,284
Unrestricted	15,321,075	10,830,362	10,480,203	9,614,954	25,801,278	20,445,316
TOTAL NET POSITION	\$ 33,274,476	\$ 30,807,370	\$ 40,015,077	\$ 38,935,444	\$ 73,289,553	\$ 69,742,814

City of Sidney
Condensed Statement of Activities
September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 912,572	\$ 887,592	\$ 13,903,774	\$ 13,464,296	\$ 14,816,346	\$ 14,351,888
Operating Grants and Contributions	1,090,136	900,828	-	-	1,090,136	900,828
Capital Grants and Contributions	1,160,596	756,312	-	-	1,160,596	756,312
General Revenues:						
Property Taxes	1,929,082	1,874,355	-	-	1,929,082	1,874,355
Sales and Use Tax	3,627,078	3,583,623	-	-	3,627,078	3,583,623
Other Local Taxes	2,466,631	3,520,430	-	-	2,466,631	3,520,430
Motor Vehicle Taxes	141,499	151,662	-	-	141,499	151,662
Franchise Fees	818,968	828,700	-	-	818,968	828,700
Intergovernmental Revenues	240,586	245,494	-	-	240,586	245,494
Miscellaneous State Revenues	118,746	109,087	-	-	118,746	109,087
Investment Income	9,540	15,517	71,678	65,351	81,218	80,868
Miscellaneous Revenues	150,539	196,745	226,105	277,720	376,644	474,465
Bond Premiums	324,474	-	-	-	324,474	-
Capital Contribution	-	(558,082)	-	558,082	-	-
Insurance Proceeds	182,530	-	-	-	182,530	-
Total Revenues	13,172,977	12,512,263	14,201,557	14,365,449	27,374,534	26,877,712
Expenses:						
General Government	3,437,037	2,022,124	-	-	3,437,037	2,022,124
Public Safety	1,758,477	1,744,577	-	-	1,758,477	1,744,577
Public Works	2,144,847	2,173,664	-	-	2,144,847	2,173,664
Health & Social Services	347,581	345,192	-	-	347,581	345,192
Culture and Recreation	2,313,567	2,124,058	-	-	2,313,567	2,124,058
Interest on Long-Term debt	704,362	204,776	-	-	704,362	204,776
Electric	-	-	9,029,995	8,835,461	9,029,995	8,835,461
Water	-	-	1,736,622	1,763,382	1,736,622	1,763,382
Sewer	-	-	1,109,535	1,131,628	1,109,535	1,131,628
Landfill	-	-	1,245,772	1,364,091	1,245,772	1,364,091
Total Expenses	10,705,871	8,614,391	13,121,924	13,094,562	23,827,795	21,708,953
Increase in Net Assets	2,467,106	3,897,872	1,079,633	1,270,887	3,546,739	5,168,759
Net Assets - Beginning	30,807,370	26,909,498	38,935,444	37,664,557	69,742,814	64,574,055
Net Assets - Ending	\$ 33,274,476	\$ 30,807,370	\$ 40,015,077	\$ 38,935,444	\$ 73,289,553	\$ 69,742,814

GOVERNMENTAL ACTIVITIES

As earlier stated in the Financial Highlights, governmental activities increased the City's net position by \$2,467,106, accounting for 70% of the total growth in the net assets of the City of Sidney. The Governmental Activities had an increase in capital position due to approximately \$878,233 in capital assets recorded in the current period; i.e. additions to structures, buildings, vehicles, equipment and infrastructure throughout the Governmental funds. See Exhibit D and Exhibit K, Note 3, Section B on Page 27 and 28 for details as well as increase in non-current liabilities.

BUSINESS-TYPE ACTIVITIES

Business-Type activities (see Exhibit H) increased the city's net position by \$1,079,633, accounting for 30% 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 \$387,863.
- ◆ Electric Fund increased in net position - \$348,548 vs. \$254,842 in 2016.
- ◆ Water Fund change in net position was \$428,900 vs. 650,156 in 2016 due to less contributed capital, Water Extension Districts.
- ◆ Sewer reflected \$122,667 change in net position vs. \$272,466 in 2016 which is due a decrease in capital contributions.
- ◆ Landfill reflected a gain of \$179,518 in net assets in 2017.

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, 2017, the City's Governmental Funds reported combined ending fund balances of \$10,210,443 an increase of \$4,671,936 in comparison with the prior year.

The Governmental Funds are the chief operating funds of the City. As of September 30, 2017, the **Nonspendable Fund** balance of the General Fund was \$44,106 which represents the Golf Course inventory; the **Committed Fund** was \$2,228,603. Committed Funds includes the Payroll Insurance Reserve Account and Economic Development funds; the **Unassigned Fund** was \$2,879,234 which is the remainder of the Governmental Fund Balances; and **Restricted Funds** was \$5,058,500 which is committed for Street Department and Debt Service. Total Liabilities, Deferred Inflows of Resources and Fund balance for Governmental Funds was \$686,696. As a measure of the Governmental Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 49.79% of total general fund expenditures, while Total liabilities, Deferred Inflows of Resources and Fund Balance represents 83.4% of that same amount. The fund balance of the City's General Fund increased by \$392,427 during this fiscal year.

The Street Fund had a total restricted fund balance of \$2,657,370, which was carried over to the next fiscal year budget to fund scheduled street projects. The Debt Service Fund had a total restricted fund balance of \$2,401,130 which is entirely reserved for debt payments. The other non-major Governmental Funds had a total committed fund balance of \$337,067 which include Capital Projects, Cemetery Perpetual Care, Golf Development, Unemployment and Boy Scouts.

PROPRIETARY FUNDS

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Sewer, Water, Electric, and Landfill amounted to a total of \$10,480,203. Restricted Assets for the same funds consist \$233,511 for Customer Deposits, \$1,616,705 for Debt Service, and \$1,041,742 for Landfill Closure costs. Factors concerning the finances of these funds have already been addressed in the discussion of the city's business-type activities.

General Fund Budgetary Highlights

There was no difference between the original advertised budget and the final approved budget. The budget relies heavily on the sales and property tax revenue. This year the sales tax revenue came in approximately \$652,556 under budget in General Fund and \$148,429 under budget in Street Department. The overall General Fund was under budget due to grants issued being budgeted but not received and consequently no expenditures made in this particular fund. Also, bond issues were budgeted for but only partially received. In the Street Fund, a contributing factor in the variance between the income and expense side was street projects that were in the budget but were not completed in this fiscal year and had to be carried over to the next budget.

The budget and budgetary accounting process for the municipality is explained in detail in Exhibit M Notes to the 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 AND NEXT YEAR'S BUDGETS AND RATES

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

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

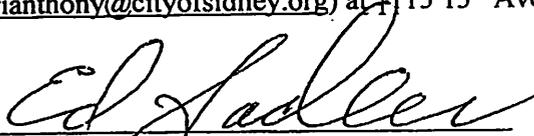
More locally, CommScope, maker of copper wiring and fiber was purchased by a firm from back east and was subsequently consolidated with the other locations and the Sidney facility was closed. This move adversely affected Anderson Forest products (maker of pallets and wooden spools) which then significantly reduced production.

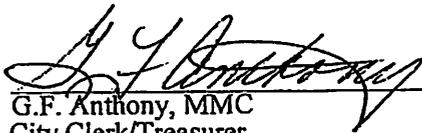
Of even larger impact locally is the purchase by Bass Pro of Cabela's, Sidney's largest employer with almost 2,000 employees. This consolidation of operations is not yet final, however, due to the fear of the unknown and the probable, numerous employees have sought employment elsewhere and the town is feeling the effects of impacts of economic and development paralysis. A final decision of some type one way or another will I believe lead to forward movement. This move has directly affected home sales which have slowed significantly, and prices have dropped as more houses enter the market. Previously homes were a scarce commodity in Sidney. Retail sales have dropped significantly as doubt continues to permeate the economy as exemplified by decreased sales taxes.

On the flip side, the good news over the last couple years is plentiful. New construction includes a new hospital, new office headquarters building for Cabela's and remodeling and renovation of other Cabela's facilities, two new hotels, a new Appleby's, a new Love's truck stop with apartments, an IHOP, and a truck service facility, a renovated hotel complex, new roads to facilitate proposed new housing projects, new apartment complex, new trails, a new water park, a new veterinary office, a new airport terminal, a new private commercial development park, utilities and roads were built in the City's industrial park, and the industrial park outside of town has added more property, more rail lines (already served by three railroads) and Bell Pole to its already burgeoning repertoire. New and expanding businesses in and around Sidney include Lukjan Metals, Progress Rail, a new medical clinic, Agri-plastics, Sand Hills Publishing, Quad Graphics, and Bomgaars, with more approaching the City and State each week regarding opening new facilities in Sidney.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the city's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Manager or City Clerk/Treasurer's Office (telephone number 308-254-5300 and email address – esadler@cityofsidney.org or gerianthony@cityofsidney.org) at 115 13th Avenue, Sidney, Nebraska.


Ed Sadler
City Manager


G.F. Anthony, MMC
City Clerk/Treasurer

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

EXHIBIT A

September 30, 2017

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 7,553,092	\$ 4,192,677	\$ 11,745,769
Cash with Fiscal Agent	74,876	-	74,876
Equity in Pooled Cash and Investments	2,429,339	6,345,753	8,775,092
Receivables (Net of Allowances for Uncollectibles)			
Taxes	689,107	-	689,107
Accounts	-	1,180,448	1,180,448
Special Assessments	5,383,860	10,830	5,394,690
Accrued Interest	572	11,124	11,696
Interfund Balances	(176,935)	176,935	-
Inventory	44,106	487,400	531,506
Bond Issue Costs	22,376	2,768	25,144
Discount on Bonds Payable	-	4,060	4,060
Restricted Assets			
Cash and Cash Equivalents	-	2,043,648	2,043,648
Investments	-	774,580	774,580
Equity in Pooled Cash and Investments	-	128,265	128,265
Capital Assets:			
Land and Land Improvements	2,070,781	1,738,338	3,809,119
Buildings and Structures	5,710,696	25,582,000	31,292,696
Vehicles	2,710,954	1,428,810	4,139,764
Equipment	4,127,205	8,024,617	12,151,822
Infrastructure	38,640,506	29,711,910	68,352,416
Accumulated Depreciation	(13,403,656)	(30,003,062)	(43,406,718)
TOTAL ASSETS	55,876,879	51,841,101	107,717,980
LIABILITIES			
Current Liabilities:			
Taxes Payable	-	75,650	75,650
Accounts Payable	74,123	64,713	138,836
Accrued Interest	216,468	56,194	272,662
Accrued Salaries and Employee Benefits Payable	121,832	66,096	187,928
Unearned Revenue	-	550	550
Compensated Absences Payable within one year	27,171	21,571	48,742
Bonds, Notes and Leases Payable within one year	1,519,688	984,594	2,504,282
Other	286,635	-	286,635
Customer Deposits Payable	-	233,511	233,511
Total Current Liabilities	2,245,917	1,502,879	3,748,796
Non-Current Liabilities:			
Construction & Demolition Landfill Closure Costs	-	48,632	48,632
Landfill Closure Care	-	1,236,547	1,236,547
Compensated Absences	399,063	182,863	581,926
Bonds, Notes and Leases Payable	19,957,423	8,855,103	28,812,526
Total Non-Current Liabilities	20,356,486	10,323,145	30,679,631
TOTAL LIABILITIES	22,602,403	11,826,024	34,428,427
NET POSITION			
Net Investment in Capital Assets	17,953,401	26,642,916	44,596,317
Restricted for:			
Debt Service	-	1,616,705	1,616,705
Customer Deposits	-	233,511	233,511
Landfill Closure	-	1,041,742	1,041,742
Unrestricted	15,321,075	10,480,203	25,801,278
TOTAL NET POSITION	\$ 33,274,476	\$ 40,015,077	\$ 73,289,553

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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities							
General Government	\$ 3,437,037	\$ 12,500	\$ 30,587	\$ 1,024,000	\$ (2,369,950)	\$ -	\$ (2,369,950)
Public Safety	1,758,477	-	-	-	(1,758,477)	-	(1,758,477)
Public Works	2,144,847	12,214	798,735	136,596	(1,197,302)	-	(1,197,302)
Health & Social Services	347,581	4,488	203,503	-	(139,590)	-	(139,590)
Culture and Recreation	2,313,567	883,370	57,311	-	(1,372,886)	-	(1,372,886)
Interest on Long-Term debt	704,362	-	-	-	(704,362)	-	(704,362)
Total Governmental Activities	10,705,871	912,572	1,090,136	1,160,596	(7,542,567)	-	(7,542,567)
Business-Type Activities							
Electric	9,029,995	9,175,042	-	-	-	145,047	145,047
Water	1,736,622	2,134,856	-	-	-	398,234	398,234
Sewer	1,109,535	1,223,196	-	-	-	113,661	113,661
Landfill	1,245,772	1,370,680	-	-	-	124,908	124,908
Total Business-Type Activities	13,121,924	13,903,774	-	-	-	781,850	781,850
Total Primary Government	\$ 23,827,795	\$ 14,816,346	\$ 1,090,136	\$ 1,160,596	(7,542,567)	781,850	(6,760,717)

General Revenues:

Taxes:

Property Taxes	1,929,082	-	1,929,082
Sales Tax	3,627,078	-	3,627,078
Other Local Taxes	753,948	-	753,948
Motor Vehicle Taxes	141,499	-	141,499
Miscellaneous Special Assessments	1,712,683	-	1,712,683
Intergovernmental Revenues	240,586	-	240,586
Franchise Fees	818,968	-	818,968
Miscellaneous State Revenues	118,746	-	118,746
Investment Income	9,540	71,678	81,218
Miscellaneous Revenues	150,539	226,105	376,644
Bond Premiums	324,474	-	324,474
Insurance Proceeds	182,530	-	182,530
Total General Revenues and Transfers	10,009,673	297,783	10,307,456
Change in Net Position	2,467,106	1,079,633	3,546,739
Net Position - Beginning	30,807,370	38,935,444	69,742,814
Net Position - Ending	\$ 33,274,476	\$ 40,015,077	\$ 73,289,553

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

CITY OF SIDNEY, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS

EXHIBIT C

September 30, 2017

	General Fund	Street Fund	Economic Development Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 2,086,446	\$ 2,659,424	\$ 425,974	\$ 2,371,976	\$ 9,272	\$ 7,553,092
Cash with Fiscal Agent	52,818	-	-	22,058	-	74,876
Equity in Pooled Cash and Investments	2,103,503	(1,938)	-	-	327,774	2,429,339
Receivables (Net of Allowances for Uncollectibles)						
Taxes	534,978	123,645	-	30,484	-	689,107
Special Assessments	-	-	-	5,383,860	-	5,383,860
Accrued Interest	551	-	-	-	21	572
Inventory	44,106	-	-	-	-	44,106
TOTAL ASSETS	\$ 4,822,402	\$ 2,781,131	\$ 425,974	\$ 7,808,378	\$ 337,067	\$ 16,174,952
LIABILITIES						
Liabilities						
Advances from Other Funds	\$ -	\$ -	\$ -	\$ 176,935	\$ -	\$ 176,935
Accounts Payable	71,379	2,744	-	-	-	74,123
Compensated Absences Payable	19,663	7,508	-	-	-	27,171
Accrued Salaries Payable	108,338	13,494	-	-	-	121,832
Claims Payable	45,410	-	-	-	-	45,410
Deferred Claims	241,225	-	-	-	-	241,225
Total Liabilities	486,015	23,746	-	176,935	-	686,696
DEFERRED INFLOWS OF RESOURCES						
Unavailable Property Tax Revenue	47,500	-	-	22,349	-	69,849
Uncollected Special Assessments	-	-	-	5,207,964	-	5,207,964
Total Deferred Inflows of Resources	47,500	-	-	5,230,313	-	5,277,813
FUND BALANCES						
Nonspendable	44,106	-	-	-	-	44,106
Restricted	-	2,657,370	-	2,401,130	-	5,058,500
Committed	1,365,547	100,015	425,974	-	337,067	2,228,603
Unassigned	2,879,234	-	-	-	-	2,879,234
Total Fund Balances	4,288,887	2,757,385	425,974	2,401,130	337,067	10,210,443
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,822,402	\$ 2,781,131	\$ 425,974	\$ 7,808,378	\$ 337,067	\$ 16,174,952

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, 2017

Total fund balance - total governmental funds		\$ 10,210,443
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		
	Governmental Capital Assets	53,260,142
	Less: Accumulated Depreciation	<u>(13,403,656)</u>
		39,856,486
Other assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:		
	Bond Issue Costs	22,376
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
	Bonds and Notes Payable	21,477,111
	Compensated Absences Payable	<u>399,063</u>
		(21,876,174)
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.		
		(216,468)
Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds.		
		5,207,964
Property tax revenues are not available to pay for current period expenditures and, therefore are deferred in the funds.		
		69,849
		<hr/>
Net Position of Governmental Activities		<u><u>\$ 33,274,476</u></u>

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

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

EXHIBIT E

GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	General Fund	Street Fund	Economic Development Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 4,141,400	\$ 872,179	\$ 300,000	\$ 658,330	\$ -	\$ 5,971,909
Special Assessments	-	-	-	467,564	-	467,564
Franchise Fees	818,968	-	-	-	-	818,968
Intergovernmental Revenues	238,901	863,781	-	55,387	-	1,158,069
Charges for Services	883,370	12,214	-	931	4,488	901,003
Interest	3,086	1,536	324	1,087	3,506	9,539
Grants	223,033	131,877	1,054,587	-	-	1,409,497
Donations	-	-	-	42,500	-	42,500
Miscellaneous Revenues	55,330	-	13,599	93,560	549	163,038
Total Revenues	6,364,088	1,881,587	1,368,510	1,319,359	8,543	10,942,087
Expenditures						
General Government	1,750,092	-	1,598,927	-	2,650	3,351,669
Public Safety	1,577,318	-	-	-	-	1,577,318
Public Works	-	925,265	-	-	-	925,265
Health and Social Services	332,555	-	-	-	-	332,555
Culture and Recreation	1,878,090	-	-	-	-	1,878,090
Capital Outlay	244,233	312,677	404,094	-	359,835	1,320,839
Bond Payments (Principal, Interest and Charges)	-	-	-	11,566,419	-	11,566,419
Total Expenditures	5,782,288	1,237,942	2,003,021	11,566,419	362,485	20,952,155
Excess (Deficiency) of Revenues Over Expenditures	581,800	643,645	(634,511)	(10,247,060)	(353,942)	(10,010,068)
Other Financing Sources (Uses)						
Insurance Proceeds	182,530	-	-	-	-	182,530
Transfers In	-	-	-	851,192	-	851,192
Transfers Out	(371,903)	(37,574)	-	-	(441,715)	(851,192)
Bond Premiums	-	-	-	324,474	-	324,474
Bond Proceeds	-	-	-	10,620,000	3,555,000	14,175,000
Total Other Financing Sources (Uses)	(189,373)	(37,574)	-	11,795,666	3,113,285	14,682,004
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	392,427	606,071	(634,511)	1,548,606	2,759,343	4,671,936
Fund Balances, October 1	3,896,460	2,151,314	1,060,485	852,524	(2,422,276)	5,538,507
Fund Balances, September 30	\$ 4,288,887	\$ 2,757,385	\$ 425,974	\$ 2,401,130	\$ 337,067	\$ 10,210,443

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, 2017

Net change in fund balances - total governmental funds		\$ 4,671,936
<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>		1,320,839
Deletion of Retired Capital Assets	(442,606)	
Deletion of Accumulated Depreciation of Retired Capital Assets	<u>437,917</u>	(4,689)
<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>		(1,896,856)
<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	11,060,186
	Issuance of Long-Term Debt	<u>(14,175,000)</u>
		(3,114,814)
<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>		(187,755)
<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>		(42,244)
<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>		<u>1,723,886</u>
Change in Net Position of Governmental Funds		<u><u>\$ 2,467,106</u></u>

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

CITY OF SIDNEY, NEBRASKA
STATEMENT OF NET POSITION

EXHIBIT G

PROPRIETARY FUNDS
September 30, 2017

	Business-Type Activities - Enterprise Funds				Totals
	Electric	Water	Sewer	Landfill	
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 1,100,010	\$ 1,268,670	\$ 1,150,143	\$ 673,854	\$ 4,192,677
Equity in Pooled Cash and Investments	5,880,999	(2,718)	467,206	266	6,345,753
Receivables					
Customer Accounts - Net of Allowances for					
Uncollectible Accounts	710,033	227,336	115,373	127,706	1,180,448
Special Assessment	-	4,515	6,315	-	10,830
Advances from Other Funds	176,935	-	-	-	176,935
Accrued Interest	7,422	1,602	2,100	-	11,124
Inventory	469,572	17,828	-	-	487,400
Total Current Assets	8,344,971	1,517,233	1,741,137	801,826	12,405,167
Capital Assets:					
Land and Land Improvements	152,138	1,241,313	135,087	209,800	1,738,338
Buildings and Structures	5,230,602	2,678,117	14,410,507	3,262,774	25,582,000
Vehicles	860,568	73,373	235,006	259,863	1,428,810
Equipment	4,782,297	837,574	484,589	1,920,157	8,024,617
Infrastructure	8,708,148	19,873,385	1,130,377	-	29,711,910
Accumulated Depreciation	(10,047,440)	(9,614,182)	(6,352,888)	(3,988,552)	(30,003,062)
Total Property and Equipment	9,686,313	15,089,580	10,042,678	1,664,042	36,482,613
Other Assets					
Bond Issue Costs	-	-	-	2,768	2,768
Discount on Bonds Payable	-	-	-	4,060	4,060
Restricted Assets					
Cash and Cash Equivalents	150,321	457,804	393,781	1,041,742	2,043,648
Investments	200,000	304,950	230,050	39,580	774,580
Equity in Pooled Cash and Investments	93,000	20,101	15,164	-	128,265
Total Other Assets	443,321	782,855	638,995	1,088,150	2,953,321
TOTAL ASSETS	18,474,605	17,389,668	12,422,810	3,554,018	51,841,101
LIABILITIES					
Current Liabilities					
Taxes Payable	75,650	-	-	-	75,650
Accounts Payable	18,053	17,486	17,699	11,475	64,713
Accrued Interest	-	40,922	11,564	3,708	56,194
Compensated Absences Payable Within One Year	10,958	1,777	1,839	6,997	21,571
Bonds, Notes and Leases Payable Within One Year	-	700,103	199,491	85,000	984,594
Accrued Salaries and Employee Benefits	30,974	12,041	7,552	15,529	66,096
Deferred Revenue	-	550	-	-	550
Customer Deposits	225,645	5,145	-	2,721	233,511
Total Current Liabilities	361,280	778,024	238,145	125,430	1,502,879
Long-Term Liabilities					
Compensated Absences Payable	84,831	33,357	13,846	50,829	182,863
Closure Costs	-	-	-	1,236,547	1,236,547
Construction & Demolition Landfill Closure Costs	-	-	-	48,632	48,632
Bonds and Notes Payable	-	5,502,883	2,602,220	750,000	8,855,103
Total Long-Term Liabilities	84,831	5,536,240	2,616,066	2,086,008	10,323,145
Total Liabilities	446,111	6,314,264	2,854,211	2,211,438	11,826,024
NET POSITION					
Net Investment in Capital Assets	9,686,313	8,886,594	7,240,967	829,042	26,642,916
Restricted for:					
Customer Deposits	225,645	5,145	-	2,721	233,511
Debt Service	200,000	777,710	638,995	-	1,616,705
Landfill Closure Costs	-	-	-	1,041,742	1,041,742
Unrestricted	7,916,536	1,405,955	1,688,637	(530,925)	10,480,203
Total Net Position	\$ 18,028,494	\$ 11,075,404	\$ 9,568,599	\$ 1,342,580	\$ 40,015,077

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, 2017

	Business-Type Activities - Enterprise Funds				Total
	Electric	Water	Sewer	Landfill	
Operating Revenue					
Charges for Services	\$ 9,175,042	\$ 2,134,856	\$ 1,223,196	\$ 1,370,680	\$ 13,903,774
Miscellaneous	146,926	25,997	2,148	51,034	226,105
Total Operating Revenue	<u>9,321,968</u>	<u>2,160,853</u>	<u>1,225,344</u>	<u>1,421,714</u>	<u>14,129,879</u>
Operating Expenses					
Administration	849,062	660,542	563,235	680,453	2,753,292
Distribution	7,644,178	278,196	-	-	7,922,374
Operation	-	176,074	173,366	365,384	714,824
Depreciation	536,755	484,584	333,612	169,728	1,524,679
Amortization	-	-	-	784	784
Total Operating Expenses	<u>9,029,995</u>	<u>1,599,396</u>	<u>1,070,213</u>	<u>1,216,349</u>	<u>12,915,953</u>
Operating Income (Loss)	<u>291,973</u>	<u>561,457</u>	<u>155,131</u>	<u>205,365</u>	<u>1,213,926</u>
Non-Operating Revenue (Expense)					
Interest Income	56,575	4,669	6,858	3,576	71,678
Interest Expense	-	(137,226)	(39,322)	(29,423)	(205,971)
Total Other Revenue (Expense)	<u>56,575</u>	<u>(132,557)</u>	<u>(32,464)</u>	<u>(25,847)</u>	<u>(134,293)</u>
Income (Loss) Before Contributions & Transfers	348,548	428,900	122,667	179,518	1,079,633
Net Position at Beginning of Year	<u>17,679,946</u>	<u>10,646,504</u>	<u>9,445,932</u>	<u>1,163,062</u>	<u>38,935,444</u>
Net Position at End of Year	<u>\$ 18,028,494</u>	<u>\$ 11,075,404</u>	<u>\$ 9,568,599</u>	<u>\$ 1,342,580</u>	<u>\$ 40,015,077</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, 2017

	Business-Type Activities - Enterprise Funds				
	Electric	Water	Sewer	Landfill	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 9,228,972	\$ 2,126,173	\$ 1,198,636	\$ 1,363,807	\$ 13,917,588
Cash Received from Other Funds for Services	-	-	-	51,034	51,034
Other Cash Operating Receipts	-	25,997	-	-	25,997
Cash Payments to Suppliers and Employees for Goods and Services	(8,408,871)	(1,112,639)	(722,185)	(1,038,096)	(11,281,791)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	820,101	1,039,531	476,451	376,745	2,712,828
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Repayment of Interfund Receivable	21,265	-	-	-	21,265
NET CASH (USED FOR) NONCAPITAL FINANCING ACTIVITIES	21,265	-	-	-	21,265
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(909,164)	(958,546)	(15,960)	-	(1,883,670)
Principal Paid on Bonds and Notes Payable	-	(553,897)	(196,491)	(80,000)	(830,388)
Proceeds from Notes	-	969,667	-	-	969,667
Interest Paid	-	(135,632)	(39,694)	(29,423)	(204,749)
NET CASH (USED FOR) CAPITAL & RELATED FINANCING ACTIVITIES	(909,164)	(678,408)	(252,145)	(109,423)	(1,949,140)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	56,459	3,068	6,556	3,576	69,659
(Increase) Decrease in Investments	34,466	(496)	(1,539)	(2,559)	29,872
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	90,925	2,572	5,017	1,017	99,531
Net Increase (Decrease) in Cash and Cash Equivalents	23,127	363,695	229,323	268,339	884,484
Cash and Cash Equivalents, October 1	1,227,204	1,362,779	1,314,601	1,447,257	5,351,841
Cash and Cash Equivalents, September 30	\$ 1,250,331	\$ 1,726,474	\$ 1,543,924	\$ 1,715,596	\$ 6,236,325
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 291,973	\$ 561,457	\$ 155,131	\$ 205,365	\$ 1,213,926
Adjustments to Reconcile Net Income to Net Cash Provided by Operations					
Depreciation and Amortization	536,755	484,584	333,612	170,512	1,525,463
(Increase) Decrease in Receivables	(93,961)	(9,002)	(26,707)	(6,873)	(136,543)
(Increase) Decrease in Inventories	63,454	605	-	-	64,059
Increase (Decrease) in Taxes and Accounts Payable	15,983	17,250	17,234	9,716	60,183
Increase (Decrease) in Other Accruals	3,228	-	(188)	3,089	6,129
Increase (Decrease) in Compensated Absences Payable	(134)	(18,021)	(2,330)	(6,564)	(27,049)
Increase (Decrease) in Accrued Salaries Payable	1,838	2,338	(301)	1,500	5,375
Increase (Decrease) in Customer Deposits Payable	965	320	-	-	1,285
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 820,101	\$ 1,039,531	\$ 476,451	\$ 376,745	\$ 2,712,828

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, 2017

Assets	
Cash	\$ 604,192
Total Assets	<u>604,192</u>
Liabilities	
Due to Projects	450,181
Due to Other Governments	154,011
Total Liabilities	<u>604,192</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 unit:

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. Fiduciary activities, whose resources are not available to finance the City's programs, are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

Government funds include the following fund types:

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

The special revenue funds 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 a Capital Projects, 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, the construction of major capital projects not being financed by proprietary funds, and the future acquisition of capital endeavors.

The City reports the following major governmental funds:

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

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

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

The Economic Development Fund is used to account for funds received and expended for business development partnerships and incentives that the City partakes in to bring businesses to town.

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

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

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

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

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

The Landfill Fund accounts for all operations of the Sidney Area Solid Waste Agency and the activities of the City's sanitation operations. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Landfill debt.

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, 2017.

2. Equity in Pooled Cash and Investments

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

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

3. Receivables

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

4. Inventory

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

5. Interfund Transactions

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

6. Bond Issue Costs

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

7. Bond Premiums

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

8. Discount on Bonds Payable

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

8. Restricted Assets

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

9. Capital Assets

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

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

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

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

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

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

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

10. Taxes Payable and Accounts Payable

Taxes Payable includes payroll taxes and sales taxes. Accounts payable represents amounts due for goods or services received but not paid for at September 30, 2017.

11. Compensated Absences Payable and Accrued Salaries Payable

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

12. Advances from Other Funds

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

13. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the fund level financial statements will sometimes report a separate section for deferred outflows of resources and for deferred inflows of resources. A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Accordingly, the unavailable revenue of property taxes of \$69,849 and uncollected special assessments of \$5,207,964 are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

14. Other Liabilities

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

15. Customer Deposits Payable

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

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

16. Long-Term Liabilities

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current debt service expenditures.

17. Deferred Loss on Early Retirement of Debt

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

18. Fund Equity

Government-Wide Statements:

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

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

b. *Restricted* – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets with restriction constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Of the total net position, \$1,841,739 is restricted for future debt service, \$233,511 customer deposits, and \$1,116,764 landfill closure.

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

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

Fund Financial Statements:

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

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

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

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

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

The City strives to maintain an unassigned fund balance to be used for unanticipated emergencies that should arise from state 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 no instances of noncompliance that are considered material to the financial statements or that is required to be reported under *Government Auditing Standards*.

Note 3: DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Cash Equivalents and Investments

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

Internal Investment Pool

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

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

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, 2017.

	Cash and Cash Equivalents	Equity in Pooled Cash & Investments	Investments	Subtotal	Cash with Fiscal Agent	Totals
General Fund	\$ 2,086,446	\$ 2,103,503	\$ -	\$ 4,189,949	\$ 52,818	\$ 4,242,767
Special Revenue Funds	3,093,158	325,836	-	3,418,994	-	3,418,994
Debt Service Fund	2,371,976	-	-	2,371,976	22,058	2,394,034
Capital Project Fund	1,512	-	-	1,512	-	1,512
Proprietary Funds	6,236,325	6,474,018	774,580	13,484,923	-	13,484,923
Agency Fund	604,192	-	-	604,192	-	604,192
Totals	\$ 14,393,609	\$ 8,903,357	\$ 774,580	\$ 24,071,546	\$ 74,876	\$ 24,146,422

Deposits and Investments

Deposit risks include:

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

The City has not adopted a specific risk management policy for deposits, but does require all deposits and investments be in compliance with the provisions of State statutes. Statutes authorize the City to invest in time deposits at banks selected as depositories of City funds, direct debt securities of the United States government, and certain government agency bonds.

Cash and investments are stated at cost, which approximates fair value. The City's cash deposits, including certificates of deposit, are insured by the Federal Deposit Insurance Corporation ("FDIC") and securities held in safekeeping pledged to the entity where the security is held. At September 30, 2017, the City had bank balances of \$23,978,585, (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, 2017. All securities are held by the City's pledging financial institution, but not in the City's name.

Cash held by the Cheyenne County Treasurer of \$74,876 was covered by collateral held by the County or was invested in U.S. Government Securities held by the County and are held by the County's agent in the City's name.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets.

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. All of the City's certificate of deposits as of September 30, 2017 are categorized as level 2 investments.

B. Capital Assets

Details of Capital Assets

Capital asset activity for the year fiscal year ended September 30, 2017 is as follows:

	October 1, 2016 Balance	Additions	Deletions	September 30, 2017 Balance
Governmental Activities				
Land/Land Improvements	\$ 2,061,711	\$ 9,070	\$ -	\$ 2,070,781
Buildings & Structures	5,698,938	74,192	62,434	5,710,696
Vehicles	2,626,216	100,956	16,218	2,710,954
Equipment	4,268,619	222,540	363,954	4,127,205
Infrastructure	37,726,425	914,081	-	38,640,506
Total	\$ 52,381,909	\$ 1,320,839	442,606	\$ 53,260,142
Less Accumulated Depreciation:				
	October 1, 2016 Balance	Additions	Deletions	September 30, 2017 Balance
Building/Structure	\$ 1,993,338	\$ 281,179	\$ 59,311	\$ 2,215,206
Vehicles	2,071,029	182,522	16,218	2,237,333
Equipment	3,003,029	235,201	362,388	2,875,842
Infrastructure	4,877,321	1,197,954	-	6,075,275
Total	\$ 11,944,717	\$ 1,896,856	\$ 437,917	\$ 13,403,656

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

*Depreciation expense was charged to governmental functions as follows:

General Government	\$	46,334
Public Safety		163,772
Public Works, which includes the depreciation of general infrastructure assets		1,222,854
Health & Social Services		12,846
Culture and Recreation		451,050
		\$ 1,896,856

Business-Type Activities

A summary of the Proprietary Fund Fixed Assets as of September 30, 2017 is as follows:

	October 1, 2016			September 30, 2017	
	Balance	Additions	Deletions	Balance	
Proprietary Activities					
Land/Land Improvements	\$ 1,738,338	\$ -	\$ -	\$	1,738,338
Buildings and Structures	25,604,458	-	22,458		25,582,000
Vehicles	1,387,241	41,569	-		1,428,810
Equipment	7,371,940	700,318	47,641		8,024,617
Infrastructure	28,573,654	1,141,783	3,527		29,711,910
Total	\$ 64,675,631	\$ 1,883,670	\$ 73,626	\$	66,485,675
Less Accumulated					
Depreciation:					
Building/Structure	\$ 11,470,611	\$ 397,335	\$ 22,458	\$	11,845,488
Vehicles	830,149	143,487	-		973,636
Equipment	3,569,110	272,826	47,641		3,794,295
Infrastructure	12,682,138	711,032	3,527		13,389,643
Total	\$ 28,552,008	\$ 1,524,680	\$ 73,626	\$	30,003,062

C. Details of Long-Term Liabilities

Governmental Activities

1. Bonds Payable – General Obligation Bonds Payable

General Obligation Bonds Payable at September 30, 2017 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%.	\$ 120,000
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NOTES TO THE BASIC FINANCIAL STATEMENTS – EXHIBIT K
(Continued)

2. 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
Public Safety Bonds	1/8/2008	3.25 - 3.90%	\$ 240,000	\$ -	\$ 120,000	\$ 120,000	\$ 120,000
Total			\$ 240,000	\$ -	\$ 120,000	\$ 120,000	\$ 120,000

General Obligation Bonds Payable at September 30, 2017 has the following maturities:

Fiscal Year	Principal	Interest	Total
2018	\$ 120,000	\$ 2,340	\$ 122,340
	\$ 120,000	\$ 2,340	\$ 122,340

3. Bonds Payable – Various Purpose Bonds Payable

On December 15, 2016 the City issued General Obligation Various Purpose Bonds, Series 2016 in the amount of \$9,625,000 for the purpose of providing permanent financing for street, sewer, and water projects originally financed with the City's (a) Bond Anticipation Notes, Series 2015 issued in the amount of \$3,035,000 and the City's (b) Bond Anticipation Notes, Series 2015B issued in the amount of \$3,035,000, and (c) certain warrants previously issued by the City. The interest rate on the obligation is 2.0 to 4.0 percent and the maturity date is December 15, 2036.

On February 15, 2017 the City issued General Obligation Various Purpose Bonds, Series 2017 in the amount of \$4,620,000 for the purpose of providing permanent financing for certain projects in the City including certain street projects originally financed with the City's (a) Bond Anticipation Notes, Series 2014 issued in the amount of \$ 4,045,000 and (b) certain street, sewer, and water projects originally financed with certain warrants previously issued by the City. The interest rate on the obligation is 2.0 to 4.0 percent and the maturity date is December 15, 2036.

Various Purpose Bonds and Debt Payable at September 30, 2017 is comprised of the following Individual issues:

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

\$1,915,000 Various Purpose Refunding Bonds, Series 2014, due in annual installments through December 15, 2023; interest at 0.40-2.450%	\$ 1,385,000
\$1,520,000 Recreational Facilities Infrastructure Bonds, Series 2014, due in annual installments through December 15, 2023; interest at 0.40-3.0%	1,085,000
\$1,075,000 SID & SSED Various Purpose Bonds, Series 2014, due in annual installments through December 15, 2029; interest at 0.40-3.40%	945,000
\$4,000,000 Pool Notes, Quarterly payments beginning August 1, 2016; interest at 3.20%	3,580,773
\$510,000 Tax Increment Revenue Bonds, Series 2011, due in semi-annual installments through December 15, 2023; interest at 4.0%	186,338
\$4,550,000 Various Purpose Bonds, Series 2017, due in semi-annual installments through December 15, 2036; interest at 2.00-4.00%	4,550,000
\$9,625,000 Various Purpose Bonds, Series 2016, due in semi-annual installments through December 15, 2036; interest at 2.00-4.00%	9,625,000
	\$ 21,357,111

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

4. Changes in Various Purpose Bonds and Debt Payable

Description	Issue Date	Interest Rate	Balance October 1	Bonds Issued	Bonds Paid	Balance September 30	Amounts Due Within One Year
Various Purpose Refunding Bonds	09/30/14	0.40-2.45%	\$ 1,620,000	\$ -	\$ 235,000	\$ 1,385,000	\$ 205,000
Recreational Facility Public Infra. Bonds	01/02/14	0.40-3.00%	1,230,000	-	145,000	1,085,000	150,000
SID & SSED Various Purpose Bonds	07/03/14	0.40-3.40%	1,010,000	-	65,000	945,000	65,000
SID 58 & 59 Bond Anticipation Notes	07/02/14	0.75%	4,045,000	-	4,045,000	-	-
SID Bond Anticipation Note	06/30/15	0.65%	3,035,000	-	3,035,000	-	-
SID-A Bond Anticipation Note	08/18/15	0.65%	3,035,000	-	3,035,000	-	-
Pool Note	03/31/16	3.20%	3,917,711	-	336,938	3,580,773	347,668
Tax Increment Revenue Bond	07/01/11	4.00%	229,586	-	43,248	186,338	52,020
2016 G. O. Various Purpose Bonds	02/15/17	2.0-4.0%	-	4,550,000	-	4,550,000	200,000
2017 G. O. Various Purpose Bonds	12/15/16	2.0-4.0%	-	9,625,000	-	9,625,000	380,000
Total			\$ 18,122,297	\$ 14,175,000	\$ 10,940,186	\$ 21,357,111	\$ 1,399,688

Various Purpose Bonds Payable at September 30, 2017 has the following maturities:

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

Fiscal Year	Principal	Interest	Total
2018	\$ 1,399,688	\$ 793,252	\$ 2,192,940
2019	1,441,570	575,411	2,016,981
2020	1,463,374	544,490	2,007,864
2021	1,438,208	508,120	1,946,328
2022	1,400,991	474,470	1,875,461
2023-2027	5,963,280	1,818,741	7,782,021
2028-2032	3,910,000	1,171,560	5,081,560
2033-2037	4,340,000	439,287	4,779,287
	<u>\$ 21,357,111</u>	<u>\$ 6,325,331</u>	<u>\$ 27,682,442</u>

5. Tax Increment Revenue Bond

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

6. Changes in Long-Term Liabilities

Description	Balance October 1	Debt Issued	Debt Retired	Balance September 30	Amounts Due Within One Year
General Obligation Bonds Payable	\$ 240,000	\$ -	\$ 120,000	\$ 120,000	\$ 120,000
Various Purpose Bonds & Debt Payable	18,122,297	14,175,000	10,940,186	21,357,111	1,399,688
Compensated Absences	400,538	25,695	-	426,233	27,170
	<u>\$ 18,762,835</u>	<u>\$ 14,200,695</u>	<u>\$ 11,060,186</u>	<u>\$ 21,903,344</u>	<u>\$ 1,546,858</u>

D. Business-Type Activities – Long-Term Liabilities

Bonds and Notes Payable

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

\$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	\$ 835,000
Total Bonds Payable	835,000
\$7,975,000 Note Payable to Nebraska Department of Environmental Quality for improvements to public water supply, storage, and distribution, due in semi-annual installments through June 15, 2022 with a 2.52% interest rate and a 1% administration fee.	2,708,928
\$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.	278,510
\$3,215,548 Note Payable to Nebraska Department of Environmental Quality for improvements to public water booster, due in semi-annual installments through January 25, 2019 with a 2.00 % interest rate and a 0.5% administration fee.	3,215,548
\$4,125,000 Note Payable to Nebraska Department of Environmental Quality for improvements to wastewater treatment system, due in semi-annual installments through June 15, 2030 with a 1.33 % interest rate and administration fee waived for the life of the loan. This note is the result of previously issued separate \$2,750,000 and \$1,375,000 notes being combined into one by the State agency during the current year.	2,801,711
Total Notes Payable	9,004,697
Total Bonds and Notes Payable	\$ 9,839,697

- 1: 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.

2. On January 25, 2016 the City entered into a loan agreement, with the principal sum not to exceed \$7,400,000 with the Nebraska Department of Environmental Quality (NDEQ). The City receives advances on the loan as invoices are submitted to and approved by the NDEQ. The repayment of the loan will begin once the project is completed and must be paid in full no later than 20 years from the date the project is placed in operation with semi-annual payments due at 2.00%. At September 30, 2017, the City had received \$3,215,548 in loan advances from the NDEQ for the purpose of funding a water booster project.

Bonds and Notes Payable have the following maturities:

Fiscal Year	Principal	Interest	Total
2018	\$ 984,594	\$ 199,866	\$ 1,184,460
2019	1,004,372	178,007	1,182,379
2020	1,024,554	155,486	1,180,040
2021	1,050,201	132,289	1,182,490
2022	1,071,325	108,329	1,179,654
2023-2027	2,255,040	343,811	2,598,851
2028-2032	1,522,007	155,471	1,677,478
2033-2037	927,604	51,782	979,386
	\$ 9,839,697	\$ 1,325,041	\$ 11,164,738

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

Changes in Bonds and Notes Payable

Description	Issue Date	Interest Rate	Balance October 1	Debt Issued	Debt Retired	Balance September 30	Amounts Due Within One Year
Sidney Area Solid Waste Waste Disposal Facilities Revenue Bonds - 2011 Series	07/19/11	2.10 - 3.95%	\$ 915,000	\$ -	\$ 80,000	\$ 835,000	\$ 85,000
Note Payable - Nebraska DEQ - Water Project	2004	2.52%	3,211,187	-	502,259	2,708,928	514,996
Note Payable - Nebraska DEQ - Water Project Land	2003	2.52%	330,148	-	51,638	278,510	52,948
Note Payable - Nebraska DEQ - Sewer Construction	2009	1.33%	2,998,202	-	196,491	2,801,711	199,491
Note Payable - Nebraska DEQ - Water Booster	2016	2.00%	2,245,881	969,667	-	3,215,548	132,159
Total			<u>\$ 9,700,418</u>	<u>\$ 969,667</u>	<u>\$ 830,388</u>	<u>\$ 9,839,697</u>	<u>\$ 984,594</u>

E. Interfund Transactions

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

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 371,903
Street Fund	-	37,574
Debt Service Fund	851,192	-
Non-Major Governmental Funds	-	441,715
Total Operating Transfers	<u>\$ 851,192</u>	<u>\$ 851,192</u>

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

Advances from Other Funds are proceeds from other funds. These interfund balances were the result of internal financing. The balance of \$176,935 is not expected to be repaid within one year. The following is a schedule of due to/due from other funds:

Fund	Advances from Other Funds	Advances from Other Funds
Debt Service Fund	\$ -	\$ 176,935
Electric Fund	176,935	-
Total Due From/To Other Funds	<u>\$ 176,935</u>	<u>\$ 176,935</u>

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

Note 4: OTHER INFORMATION

A. Landfill Closure and Post-Closure Cost

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

The amount of \$1,236,547 was reported as landfill closure and post closure care liability at September 30, 2017, which represents 50.99 percent of the cumulative landfill closure and post closure care liability of \$2,425,179. As a result of the new landfill cell configuration that was completed during the prior fiscal years, the City has used approximately 22.28 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$1,188,632 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 \$2,425,179 in fiscal year 2017. The City expects to close the landfill in the year 2047. Actual cost may be higher because of inflation, changes in technology, or changes in regulations.

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

The \$48,632 reported as construction and demolition landfill closure and post closure care liability at September 30, 2017, 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 \$82,428 as the remaining estimated years end. These amounts are based on what it would cost to perform all closure and post closure cares of \$131,060 in fiscal year 2017. The City expects to close the landfill in the year 2046. 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, 2017, investments of \$1,041,741 are held for these purposes. These are reported as restricted assets on the balance sheet. The City expects future inflation costs to be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined (because of changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

B. Tax Increment Financing (TIF)

During the 1996 - 1997 year, the Council created the Community Development Agency of the City of Sidney, Nebraska. The purpose of the Agency is to assist with redevelopment of real estate located within the City. The Agency has all of the powers of a redevelopment authority provided for under the Community Development Law of the State of Nebraska. As of September 30, 2017, the Agency has ten contracts issued. To finance these grants the Agency originally issued separate bonds totaling \$11,316,450. The outstanding balance of these bonds including interest, as of September 30, 2017 was \$11,665,498. 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.

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

C. Unemployment Insurance

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

D. Risk Management

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

E. Pension Plans

General Government – The City participates in the City of Sidney, Nebraska 401(K) Employee Savings Plan, which covers all employees except for police. Under the plan, each employee participating in the plan can contribute up to 15 percent of salary to the plan. The City will make a contribution on behalf of the employee in the amount matching the percent of the contribution made by the employee up to a maximum of six percent. City contributions for the employees range from three and one-half percent to seven percent. Contributions are submitted monthly. Contributions to the plan by the City were \$176,739 for the year while employee contributions totaled \$179,440.

Police Employees – City of Sidney police sworn officers are covered by a separate pension plan, which was amended on January 1, 1989. Each police officer participating in the retirement system must contribute six and one-half percent of salary. Such payment shall be made by regular payroll deductions from said salary and shall be credited to the employees account on a monthly basis. The City contributed to the retirement system a sum equal to seven percent of the participating employee's salary. Employer contributions to the plan for the year ended September 30, 2017, were \$53,999 and employee contributions were \$53,999.

F. Contingencies and Commitments

1. Property Tax Receipts:

A movement towards property tax reduction is present in the political and legal environment in the State of Nebraska. The City will be subject to a tax levy limit of \$.45 per hundred dollars of assessed valuation for the 2017-2018 year. In addition, the full impact of current legislation and proposed initiatives regarding spending and revenue limitations cannot be assessed.

2. Economic Uncertainty:

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

G. Compensated Absences

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

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

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 total expected claim liability of \$1,108,676. The liability may go up based on increased enrollment, but the minimum or lowest it will ever be is \$1,108,676. The aggregate contract will pay up to \$1,000,000 on total claims over the attachment point. The total annual maximum outlay expected for premiums, claims, administration, and laser liability as of September 30, 2017 is \$1,580,337.

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, 2017, the amount of estimated claims payable was \$45,410. Changes in the reported liability since October 1, 2012 resulted from the following:

Fiscal Year	Balance October 1	Current Year Claims	Claim Payments	Balance September 30
2012-2013	\$ -	\$ 41,819	\$ -	\$ 41,819
2013-2014	41,819	951,109	920,314	72,614
2014-2015	72,614	1,645,710	1,664,753	53,571
2015-2016	53,571	1,833,260	1,624,679	262,152
2016-2017	262,152	1,568,620	1,785,362	45,410

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, 2017, \$2,401,130 of the Debt Service Fund's fund balance and \$2,657,370 of the Street Fund's fund balance were reserved for repayments of debt.

At September 30, 2017, the following amounts of net position were reserved: The Landfill Fund's reserve includes \$1,116,764 reserved for landfill closure costs and \$2,721 for customer deposits. The Electric Fund reserved \$225,645 for customer deposits and \$200,000 for bond reserves. The Water fund reserved \$5,145 for customer deposits and \$877,725 for future bond payments. The Sewer Fund reserved \$764,014 for future bond payments.

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

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, 2017, the Foundation had the \$1,472 in a checking account, and \$190,302 invested in a savings account and certificates of deposit.

K. Subsequent Events

On October 5, 2017 the City issued General Obligation Limited Tax Refunding Bonds, Series 2017B in the amount of \$3,600,000 for the purpose of providing permanent financing for a pool capital project originally financed with local loan funds originally issued in the amount of \$4,000,000 in May 2016. The interest rate on the obligation is 2.0 to 4.0 percent and the maturity date is May 1, 2026.

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, 2017

	General Fund			Street Fund			Economic Development Fund		
	Original and Final Budget	Actual Amounts Budgetary Basis See Note	Variance with Final Budget Positive (Negative)	Original and Final Budget	Actual Amounts Budgetary Basis See Note	Variance with Final Budget Positive (Negative)	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance October 1	\$ 3,430,375	\$ 3,430,375	\$ -	\$ 1,960,946	\$ 1,960,946	\$ -	\$ 1,477,594	\$ 1,477,594	\$ -
Resources (inflows):									
Personal and Real Property Taxes	1,343,772	1,257,360	(86,412)	9,500	8,754	(746)	-	-	-
Federal Receipts	112,500	223,033	110,533	126,279	-	(126,279)	-	1,054,587	1,054,587
Motor Vehicle Pro-Rate	3,900	3,395	(505)	-	-	-	-	-	-
Highway Allocation and Incentive	-	-	-	785,297	798,735	13,438	-	-	-
Motor Vehicle Fee	-	-	-	63,000	64,333	1,333	-	-	-
State Receipts Other	37,500	223,328	185,828	1,200,000	132,590	(1,067,410)	24,000	-	(24,000)
Motor Vehicle Tax	143,375	141,499	(1,876)	-	-	-	-	-	-
Sales Tax	3,123,000	2,470,444	(652,556)	801,776	653,347	(148,429)	300,000	300,000	-
Local Receipts Local	5,085,611	1,892,822	(3,192,789)	312,046	179,321	(132,725)	15,100	13,923	(1,177)
Other Financing Sources	-	182,530	182,530	-	-	-	-	-	-
Amounts available for appropriation	9,849,658	6,394,411	(3,455,247)	3,297,898	1,837,080	(1,460,818)	339,100	1,368,510	1,029,410
Charges to appropriations (outflows):									
General Government	5,701,034	1,787,858	3,913,176	-	-	-	34,000	1,598,927	(1,564,927)
Public Safety	1,853,874	1,577,318	276,556	-	-	-	-	-	-
Streets	-	-	-	3,751,420	973,591	2,777,829	-	-	-
Health & Social Services	422,637	332,555	90,082	-	-	-	-	-	-
Culture and Recreation	1,945,460	1,875,926	69,534	-	-	-	-	-	-
Capital Outlay	483,713	244,233	239,480	36,000	312,677	(276,677)	850,000	404,094	445,906
Other Financing Uses	357,140	371,903	(14,763)	766,333	37,574	728,759	-	-	-
Total charges to appropriations	10,763,858	6,189,793	4,574,065	4,553,753	1,323,842	3,229,911	884,000	2,003,021	(1,119,021)
Budgetary Fund Balance, September 30	\$ 2,516,175	\$ 3,634,993	\$ 1,118,818	\$ 705,091	\$ 2,474,184	\$ 1,769,093	\$ 932,694	\$ 843,083	\$ (89,611)

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

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

SEPTEMBER 30, 2017

A. Budget and Budgetary Accounting

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

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

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

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

Public hearings are conducted to obtain taxpayer comments.

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

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

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

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

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

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

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

CITY OF SIDNEY, NEBRASKA

EXHIBIT M
(Continued)

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

September 30, 2017

	General Fund	Street Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 6,394,411	\$ 1,837,080
Differences--budget to GAAP:		
Receipts from accounts receivable are a budgetary resource but may not be a current year revenue for financial reporting purposes		
Taxes Receivables	(10,476)	-
MV Sales Tax Receivable	-	19,204
Sales Tax Receivable	158,772	25,303
	148,296	44,507
Revenue from deferred property taxes are not a budgetary resource but is recognized as a current year revenue for financial reporting		
Deferred Revenue Taxes	3,911	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	\$ 6,546,618	\$ 1,881,587
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule	\$ 6,189,793	\$ 1,323,842
Differences--budget to GAAP		
The City budgets for claims and compensated absences only to the extent expected to be paid, rather than on the modified accrual basis		
Compensated Absences	(19,936)	3,386
Accrued Salaries and Benefit Payables	2,857	951
	(17,079)	4,337
The City budgets for inventory purchases expected to be paid, rather than on the modified accrual basis		
Accounts Payable	(20,687)	(52,663)
Inventory	2,164	-
	(18,523)	(52,663)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance-governmental funds	\$ 6,154,191	\$ 1,275,516

CITY OF SIDNEY, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EXHIBIT N

For the Year Ended September 30, 2017

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
 <u><i>U.S. Department of Environmental Protection Agency</i></u>			
Passed through the Nebraska Department of Environmental Quality:			
Drinking Water State Revolving Fund Cluster: Capitalization Grants for Drinking Water State Revolving Funds	66.468	SRFD-311604	\$ 762,307
 <i>Total U.S. Department of Environmental Protection Agency</i>			<u>\$ 762,307</u>
 <u><i>U.S. Department of the Interior</i></u>			
Passed through the Nebraska Department of Economic Development:			
Community Development Block Grants - National Parks Service Historic Preservation Fund Grant	15.904	31-13-022	\$ 24,000
 <i>Total U.S. Department of the Interior</i>			<u>\$ 24,000</u>
 <u><i>U.S. Department of Housing and Urban Development</i></u>			
Passed through the Nebraska Department of Economic Development:			
* Community Development Block Grant	14.228	17-ED-001	\$ 1,000,000
 <i>Total U.S. Department of Housing and Urban Development</i>			<u>\$ 1,000,000</u>
 <u><i>U.S. Department of Transportation</i></u>			
Passed through the Nebraska Department of Roads:			
Formula Grants for Other than Urbanized Area	20.509	RPT-M171	\$ 115,963
 <i>Total U.S. Department of Transportation</i>			<u>\$ 115,963</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,902,270</u></u>

* Major Program

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF SIDNEY, NEBRASKA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EXHIBIT O

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Note 1. Basis of Presentation

The accompanying supplementary schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended September 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, with the cost principles in *Office of Management and Budget, Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF SIDNEY, NEBRASKA
 COMBINING BALANCE SHEET

EXHIBIT P

NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2017

	Special Revenue					Totals
	Capital Projects	Cemetery	Golf Development	Unemployment	Scouts	
ASSETS						
Cash and Cash Equivalents	\$ 1,512	\$ -	\$ -	\$ -	\$ 7,760	\$ 9,272
Equity in Pooled Cash and Investments	-	229,550	7,554	90,670	-	327,774
Accrued Interest	-	21	-	-	-	21
TOTAL ASSETS	\$ 1,512	\$ 229,571	\$ 7,554	\$ 90,670	\$ 7,760	\$ 337,067
FUND BALANCES						
Fund Balances						
Committed	\$ 1,512	\$ 229,571	\$ 7,554	\$ 90,670	\$ 7,760	\$ 337,067
TOTAL FUND BALANCES	1,512	229,571	7,554	90,670	7,760	337,067
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,512	\$ 229,571	\$ 7,554	\$ 90,670	\$ 7,760	\$ 337,067

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

EXHIBIT Q

NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	Special Revenue					Totals
	Capital Projects	Cemetery	Golf Development	Unemployment	Scouts	
Revenues						
Charges for Services	\$ -	\$ 4,488	\$ -	\$ -	\$ -	\$ 4,488
Interest	1	3,449	3	44	9	3,506
Miscellaneous Revenues	-	-	500	-	49	549
Total Revenues	1	7,937	503	44	58	8,543
Expenditures						
Operating Expenses	-	234	1,343	-	1,073	2,650
Capital Outlay	359,835	-	-	-	-	359,835
Total Expenditures	359,835	234	1,343	-	1,073	362,485
Excess (Deficiency) of Revenues Over (Under) Expenditures	(359,834)	7,703	(840)	44	(1,015)	(353,942)
Other Financing Sources (Uses)						
Transfers Out	(441,715)	-	-	-	-	(441,715)
Proceeds from Bond	3,555,000	-	-	-	-	3,555,000
Total Other Financing Sources (Uses)	3,113,285	-	-	-	-	3,113,285
Excess (Deficiency) of Revenues and Other Sources (Uses) Over (Under) Expenditures and Other Uses	2,753,451	7,703	(840)	44	(1,015)	2,759,343
Fund Balance, October 1	(2,751,939)	221,868	8,394	90,626	8,775	(2,422,276)
Fund Balance, September 30	\$ 1,512	\$ 229,571	\$ 7,554	\$ 90,670	\$ 7,760	\$ 337,067

CITY OF SIDNEY, NEBRASKA
INDIVIDUAL SCHEDULE OF REVENUES

EXHIBIT R

GENERAL FUND
For the Years Ended September 30, 2017

	2017
Revenues	
Taxes/Shared Intergovernmental Revenue	
General Property	\$ 1,250,795
Motor Vehicle	141,499
Sales	2,629,216
Occupation	119,890
	4,141,400
Licenses, Fees and Permits	
Franchise Fees	818,968
	818,968
Intergovernmental Revenues	
Bookmobile and Police Reimbursement	112,068
Economic Development Reimbursement	20,000
Homestead	40,504
Motor Vehicle Pro-Rate	3,395
Miscellaneous	62,934
	238,901
Charges for Services	
Administration Fees	413,970
Licenses and Permits	30,403
Cemetery Lots, Openings and Perpetual Care	34,111
Swimming Pool and Handibus Fees	95,471
Golf Fees, Storage and Merchandise	302,955
Library Fees	2,917
Animal Control	3,543
	883,370
Interest	3,086
State and Federal Grants	223,033
Miscellaneous	55,330
Total Revenues	6,364,088
Other Financing Sources	
Insurance Proceeds	182,530
	182,530
Total Revenues and Other Sources	\$ 6,546,618

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

EXHIBIT S

GENERAL GOVERNMENT
For the Year Ended September 30, 2017

	Administration	Economic Development	Engineering and Inspection	Total
Expenditures				
Current Commodities				
Office Supplies	\$ 5,000	\$ -	\$ 1,767	\$ 6,767
Department Supplies	14,233	1,346	826	16,405
Maintenance/Repairs	41,769	-	7,958	49,727
	<u>61,002</u>	<u>1,346</u>	<u>10,551</u>	<u>72,899</u>
Personal Services				
Salaries - Other	550,535	39,455	62,198	652,188
Employee Benefits	109,184	15,769	8,361	133,314
	<u>659,719</u>	<u>55,224</u>	<u>70,559</u>	<u>785,502</u>
Contractual Services				
Insurance	33,084	-	3,347	36,431
Utilities	23,867	1,434	525	25,826
Travel/Training	7,266	330	1,215	8,811
Dues and Subscriptions	26,730	1,421	235	28,386
Professional Fees	158,805	936	-	159,741
Advertising and Promotion	12,435	24,478	-	36,913
Janitorial Service	12,600	-	-	12,600
County E911	390,735	-	-	390,735
Economic Development	-	41,170	-	41,170
Ambulance Subsidy	71,384	-	-	71,384
Miscellaneous	78,330	-	1,364	79,694
	<u>815,236</u>	<u>69,769</u>	<u>6,686</u>	<u>891,691</u>
Total Current Expenditures	<u>1,535,957</u>	<u>126,339</u>	<u>87,796</u>	<u>1,750,092</u>
Capital Outlay	33,820	-	-	33,820
Transfers Out	334,372	-	-	334,372
	<u>368,192</u>	<u>-</u>	<u>-</u>	<u>368,192</u>
Total Expenditures	<u>\$ 1,904,149</u>	<u>\$ 126,339</u>	<u>\$ 87,796</u>	<u>\$ 2,118,284</u>

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

EXHIBIT T

PUBLIC SAFETY
For the Year Ended September 30, 2017

	Police	Fire	Total
Expenditures			
Current Commodities			
Supplies	\$ 52,796	\$ 52,770	\$ 105,566
Maintenance/Repairs	40,230	14,279	54,509
	<u>93,026</u>	<u>67,049</u>	<u>160,075</u>
Personal Services			
Salaries	911,328	29,167	940,495
Employee Benefits	297,746	18,188	315,934
	<u>1,209,074</u>	<u>47,355</u>	<u>1,256,429</u>
Contractual Services			
Insurance	58,210	21,394	79,604
Contract Labor	21,326	9,625	30,951
Utilities	16,640	3,206	19,846
Travel and Training	9,318	7,417	16,735
Volunteer Funds	-	2,882	2,882
Miscellaneous	10,796	-	10,796
	<u>116,290</u>	<u>44,524</u>	<u>160,814</u>
Total Current Expenditures	<u>1,418,390</u>	<u>158,928</u>	<u>1,577,318</u>
Capital Outlay	62,434	29,680	92,114
Transfers Out	22,541	-	22,541
	<u>84,975</u>	<u>29,680</u>	<u>114,655</u>
Total Expenditures	<u>\$ 1,503,365</u>	<u>\$ 188,608</u>	<u>\$ 1,691,973</u>

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

EXHIBIT U

HEALTH AND SOCIAL SERVICES
For the Year Ended September 30, 2017

	Cemetery	Handibus	Total
Expenditures			
Current Commodities			
Supplies	\$ 9,315	\$ 17,544	\$ 26,859
Maintenance/Repairs	12,858	10,462	23,320
	<u>22,173</u>	<u>28,006</u>	<u>50,179</u>
Personal Services			
Salaries	83,916	106,074	189,990
Employee Benefits	16,065	24,026	40,091
	<u>99,981</u>	<u>130,100</u>	<u>230,081</u>
Contractual Services			
Insurance	8,335	11,800	20,135
Utilities	4,969	4,589	9,558
Travel and Training	37	1,028	1,065
Rent	-	12,000	12,000
Miscellaneous	7,437	2,100	9,537
	<u>20,778</u>	<u>31,517</u>	<u>52,295</u>
Total Current Expenditures	<u>142,932</u>	<u>189,623</u>	<u>332,555</u>
Capital Outlay	4,974	58,381	63,355
	<u>4,974</u>	<u>58,381</u>	<u>63,355</u>
Total Expenditures	<u>\$ 147,906</u>	<u>\$ 248,004</u>	<u>\$ 395,910</u>

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

EXHIBIT V

CULTURE AND RECREATION
For the Year Ended September 30, 2017

	Park	Pool	Golf	Library	Total
Expenditures					
Current Commodities					
Supplies	\$ 27,596	\$ 22,741	\$ 118,762	\$ 16,539	\$ 185,638
Maintenance/Repairs	104,566	14,762	31,342	5,431	156,101
Books and Periodicals	-	-	-	36,226	36,226
Printing	-	-	-	490	490
Pro Shop Merchandise and Concessions	-	5,662	33,367	-	39,029
	<u>132,162</u>	<u>43,165</u>	<u>183,471</u>	<u>58,686</u>	<u>417,484</u>
Personal Services					
Salaries	295,885	98,181	234,528	263,200	891,794
Employees Benefits	73,555	8,341	15,423	80,784	178,103
	<u>369,440</u>	<u>106,522</u>	<u>249,951</u>	<u>343,984</u>	<u>1,069,897</u>
Contractual Services					
Insurance	39,196	18,487	19,330	9,656	86,669
Recreation Coordination	120,000	-	-	-	120,000
Utilities	48,456	20,975	34,047	13,964	117,442
Travel and Training	827	2,371	2,401	1,227	6,826
Dues and Subscriptions	-	-	1,551	892	2,443
Advertising and Promotion	-	-	2,742	414	3,156
Janitorial Service	-	-	-	11,550	11,550
Contract Services	-	-	29,040	5,509	34,549
Miscellaneous	2,227	1,220	4,627	-	8,074
	<u>210,706</u>	<u>43,053</u>	<u>93,738</u>	<u>43,212</u>	<u>390,709</u>
Total Current Expenditures	<u>712,308</u>	<u>192,740</u>	<u>527,160</u>	<u>445,882</u>	<u>1,878,090</u>
Capital Outlay	18,377	-	36,567	-	54,944
Transfers Out	-	-	14,990	-	14,990
	<u>18,377</u>	<u>-</u>	<u>51,557</u>	<u>-</u>	<u>69,934</u>
Total Expenditures	<u>\$ 730,685</u>	<u>\$ 192,740</u>	<u>\$ 578,717</u>	<u>\$ 445,882</u>	<u>\$ 1,948,024</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sidney (the City), Sidney, Nebraska, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 31, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Rauner & Associates P.C." with a stylized flourish at the end.

RAUNER & ASSOCIATES, P.C.
Sidney, Nebraska

January 31, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Sidney's (the City), Sidney, Nebraska, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



RAUNER & ASSOCIATES, P.C.
Sidney, Nebraska

January 31, 2018

CITY OF SIDNEY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EXHIBIT W

For the Year Ended September 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors report issued: Unmodified

Internal Control over financial reporting:

Material weakness identified? _____ Yes _____ X No

Significant deficiencies identified? _____ Yes _____ X None Reported

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

Material weakness identified? _____ Yes _____ X No

Significant deficiencies identified? _____ Yes _____ X None Reported

Type of auditors report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.156(a)? _____ Yes _____ X No

Identification of major program/cluster:

CFDA 14.228

*Community Development
Block Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes _____ X No

CITY OF SIDNEY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EXHIBIT W
(Cont.)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section II – Financial Statement Findings

No findings were noted related to the fund financial statements.

Section III – Federal Award Findings and Questioned Costs

No findings were noted related to the Schedule of Federal Awards

CITY OF SIDNEY, NEBRASKA
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS

EXHIBIT X

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Findings for the year ended September 30, 2016:

Finding 2016.001: SIGNIFICANT DEFICIENCY, Schedule of Expenditures of Federal Awards

Status: Corrected. The City of Sidney conducted a detailed review of all proper identification in the Schedule of Expenditures of Federal Awards before presenting the current year information to the auditors.