

CITY OF SIDNEY
RICHLAND COUNTY, MONTANA
Fiscal Year Ended June 30, 2022

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SIDNEY
 RICHLAND COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

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CITY OF SIDNEY
RICHLAND COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2022

CITY COUNCIL

Frank DiFonzo
Tami Christensen
Kysa Rasmussen
Kali Godfrey
Ken Koffler
Joe Stevenson

Council Member
Council Member
Council Member
Council Member
Council Member
Council Member

CITY OFFICIALS

Rick Norby
Jessica Chamberlin
Karmen Schmierer
Thomas Kalil
Luke Savage
Mark Kraft

Mayor
Clerk/Treasurer
Utility Billing Clerk
Attorney
Judge
Chief of Police

City of Sidney, Richland County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2022

This management discussion and analysis provides an overview of the City of Sidney's financial activities for the fiscal year ended June 30, 2022. Please review this information in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS-PRIMARY GOVERNMENT

- Government-Wide Highlights

The total assets of the City of Sidney (\$56,703,603) exceeded its total liabilities (\$17,842,327) as of June 30, 2022 by \$37,785,701 compared \$34,091,391 for the fiscal year ending June 30, 2021. The unrestricted amount of \$10,633,767 may be used to meet the government's general obligations.

- Fund Highlights

The City's government activity funds reported a total net position of \$10,240,319. Of this amount, \$2,684,391 is restricted, \$4,573,702 is the net investment in capital assets, and the unrestricted balance is \$2,982,226.

The City's business-type activity funds reported a net position of \$27,545,382. Of this amount, \$1,194,819 is restricted, \$18,699,022 is net investment in capital assets, and the unrestricted balance is \$7,651,541.

- Long-term Debt

The City's total bonds, notes payable, OPEB and compensated absences for governmental activities increased to \$3,144,735 from \$4,788,653 in fiscal year 2021.

Business type activities bonds, notes payable, OPEB and compensated absences reported total \$15,773,167 in fiscal year 2022, increased from \$14,709,883 in fiscal year 2021.

The City of Sidney has completed the three phases of the City Lagoon bonding project that had rate increases for the sewer to cover bonding requirements done in the previous fiscal years. The City of Sidney also started the bonding process for several water projects, to be done each fiscal year over the 5 years. The first and second SRF bonding water project was the Holly Street Project and the West Holly Water Project. The third and final projects are anticipated in the upcoming fiscal years. Incremental rate increases will happen each year for each project, if the projects are to be done, to be in effect January of that year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Sidney's basic financial statements include three components: 1. the government-wide financial statements, 2. fund financial statements, and 3. notes to the financial statements. The report also includes additional supplementary information.

City of Sidney, Richland County, Montana
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2022

- **Government-wide Financial Statements**

The government-wide financial statements provide a broad view of the City’s operations in a manner similar to a private-sector business. The statements include two statements. The *Statement of Net Assets* presents all of the government’s assets and liabilities. The difference between the assets and liabilities is reported as “net assets”. Over time, increases or decreases 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 government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave.

The two above financial statements have separate sections for the two different types of city activities as follows:

- **Governmental Activities** – The activities in this section are mostly supported by taxes and intergovernmental revenues. Services reported here include, but are not limited to, general government (legislative, accounting and legal), public safety (law enforcement and fire), public works (streets and roads), and culture and recreation (parks).
- **Business-type Activities** – These functions are normally intended to recover all or a significant portion of their costs through user fees and charges. The major business-type activities of the City include water, sewer, and solid waste.

The City of Sidney does not have any component units.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The City’s funds can be divided into three categories as follows:

- **Governmental Funds** – Governmental funds are to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. This is known as the modified accrual basis of accounting. Revenues should be recognized in the accounting period in which they become available and measurable. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on long-term debt, which should be recognized when due. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government’s near-term financing requirements.

City of Sidney, Richland County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2022

The City's three major funds for reporting purposes for fiscal year 2021 are the General Fund, SID #102 Debt Service Fund, and SID#104 Debt Service Fund.

- Propriety Funds – The City charges customers for the services it provides. The three major services the City of Sidney provides are for water, sewer, and solid waste. Propriety funds utilize the accrual accounting. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place.
- Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside state government. They are not included in the financial statements as the City is not allowed to use these funds to finance its operations.

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.

Required Supplementary Information

Presented in this section of the Annual Financial Summary submitted to the State are the combined statements of non-major funds, cash receipts and disbursements, and the cash reconciliation.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENT'S FUNDS

At the 2022 fiscal year end, the City of Sidney reported fund balances for the governmental funds of \$5,940,966. Of that amount, \$2,968,727 is listed as restricted and committed. The balance of \$2,972,239 is reported as unrestricted and is therefore available for financing future appropriated expenditures.

At the 2022 fiscal year end, the City of Sidney reported fund balances for the business type funds of \$27,545,382. Of that amount, \$1,194,819 is listed as restricted. The balance of \$7,651,541 is reported as unrestricted and is therefore available for financing future appropriated expenditures.

General Fund

The General Fund is the chief operating fund of the City. The revenue is generated primarily from property taxes, licenses and permits, intergovernmental (state entitlements and court allocations), swimming pool user fees, and investment earnings. This fund maintains the overall functions of the governmental unit.

In fiscal year 2022, the City of Sidney appropriated \$2,649,545 in expenditures, but only spent \$2,282,393. The difference of \$367,152 in unused appropriation is due to multiple causes, including not purchasing all capital outlay budgeted, and employee shortages.

City of Sidney, Richland County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2022

In fiscal year 2022, the City of Sidney budgeted a total of \$2,523,653 in revenue to be received, but actually received \$2,617,358. The over revenue of \$93,705 was due to receiving more than anticipated in taxes and assessments, primarily from back tax payments, and building permits.

Special Revenue funds

The majority of the revenue in these funds is from local property taxes, assessments, or shared revenue from another government.

The Oil/Gas Severance Funds is one of the city's major funds. There was substantial increase in revenue in the Oil/Gas Severance Fund this fiscal year, with receiving revenue from the Board of Oil and Gas from the licensing fees. The majority of oil reserve was used for supplementing the General Fund, including but not limited to the Police and Fire Departments, parks, and streets.

Debt Service Funds

The City of Sidney has set up separate debt service for each bond. The purpose of each of these funds is to account for the payment of principal and interest on bonded debt.

Debt service funds related to special improvement districts include SID 101A, SID 102, SID 103, and SID 104.

Capital Projects Funds

These funds are used to acquire or construct capital facilities.

Enterprise Funds

The Enterprise Funds are used to account for self-supporting activities of the City. These funds are primarily financed from user charges. The City of Sidney has four enterprise funds:

- Water – Major Fund
- Sewer – Major Fund
- Solid Waste- Major Fund
- Sweeping

There were no major increases in rates for any of these accounts in fiscal year 2019.

The City of Sidney has no Internal Service Funds or Permanent Funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets includes land, buildings, and improvements other than buildings, machinery and equipment, infrastructure (roads, lighting systems, curb, gutters, etc.), source of supply, treatment plant, general plant and land which is not depreciable. Only assets with a cost of \$5,000 or more are capitalized.

City of Sidney, Richland County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Fiscal Year Ended June 30, 2022

ECONOMIC CONDITION AND OUTLOOK

Looking to the future, the plans include completing the lagoon replacement, continuing with the planned water projects, replacing aged equipment, purchasing solid waste and road equipment, and budgeting for additional staff that will be needed for the expanding services provided by the City while filling current open positions.

There were 158.76 mills authorized for the City levy for fiscal year 2022. Of those mills, 115.51 were appropriated to the General Fund, to help in the cost of the public safety, welfare, and happiness.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City of Sidney's finances for all those with an interest in the government's finances and to demonstrate the City of Sidney's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the City of Sidney, 115 2nd St. SE, Sidney, MT 59270.

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY21	FY20	Change Inc (Dec)	FY21	FY20	Change Inc (Dec)
Current and other assets	\$ 8,516,784	\$ 8,099,186	\$ 417,598	\$ 10,585,853	\$ 10,280,428	\$ 305,425
Capital assets	4,868,270	5,234,424	(366,154)	32,732,696	29,978,889	2,753,807
Total assets	\$ 13,385,054	\$ 13,333,610	\$ 51,444	\$ 43,318,549	\$ 40,259,317	\$ 3,059,232
Long-term debt outstanding	\$ 1,617,458	\$ 2,462,077	\$ (844,619)	\$ 14,876,423	\$ 14,076,252	\$ 800,171
Other liabilities	1,527,277	2,326,576	(799,299)	896,744	633,631	263,113
Total liabilities	\$ 3,144,735	\$ 4,788,653	\$ (1,643,918)	\$ 15,773,167	\$ 14,709,883	\$ 1,063,284
Net investment in capital assets	\$ 4,573,702	\$ 4,809,207	\$ (235,505)	\$ 18,699,022	\$ 17,439,555	\$ 1,259,467
Restricted	2,684,391	2,917,904	(233,513)	1,194,819	1,069,519	125,300
Unrestricted (deficit)	2,982,226	817,846	2,164,380	7,651,541	7,040,360	611,181
Total net position	\$ 10,240,319	\$ 8,544,957	\$ 1,695,362	\$ 27,545,382	\$ 25,549,434	\$ 1,995,948

City of Sidney, Richland County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Fiscal Year Ended June 30, 2022

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY22</u>	<u>FY21</u>	<u>Change Inc (Dec)</u>	<u>FY22</u>	<u>FY21</u>	<u>Change Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 945,767	\$ 910,284	\$ 35,483	\$ 4,906,244	\$ 4,806,724	\$ 99,520
Operating grants and contributions	1,855,576	275,561	1,580,015	-	-	-
Capital grants and contributions	-	70,517	(70,517)	15,000	15,000	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	1,599,781	1,769,263	(169,482)	-	-	-
Licenses and permits	135,543	44,794	90,749	-	-	-
Video poker apportionment	19,925	23,400	(3,475)	-	-	-
P I L T	214	2,317	(2,103)	-	-	-
Miscellaneous	36,531	57,648	(21,117)	43,063	40,003	3,060
Interest/investment earnings	39,916	36,488	3,428	10,134	11,906	(1,772)
Unrestricted federal/state shared revenues	22,000	-	22,000	-	-	-
Montana oil and gas production tax	257,375	123,034	134,341	-	-	-
State entitlement	911,574	895,544	16,030	-	-	-
Contributions & donations	6,561	27,070	(20,509)	-	-	-
State contributions to retirement	69,236	91,342	(22,106)	46,595	70,448	(23,853)
Total revenues	<u>\$ 5,899,999</u>	<u>\$ 4,327,262</u>	<u>\$ 1,572,737</u>	<u>\$ 5,021,036</u>	<u>\$ 4,944,081</u>	<u>\$ 76,955</u>
Program expenses						
General government	\$ 421,649	\$ 683,851	\$ (262,202)	\$ -	\$ -	\$ -
Public safety	2,016,144	2,019,848	(3,704)	-	-	-
Public works	1,116,676	1,224,198	(107,522)	-	-	-
Public health	72	-	72	-	-	-
Culture and recreation	620,150	582,778	37,372	-	-	-
Housing and community development	2,215	2,215	-	-	-	-
Debt service - interest	27,731	26,793	938	-	-	-
Water	-	-	-	1,032,727	1,094,578	(61,851)
Sewer	-	-	-	1,015,392	1,231,855	(216,463)
Solid Waste	-	-	-	769,763	818,938	(49,175)
Sweeping	-	-	-	243,206	247,361	(4,155)
Total expenses	<u>\$ 4,204,637</u>	<u>\$ 4,539,683</u>	<u>\$ (335,046)</u>	<u>\$ 3,061,088</u>	<u>\$ 3,392,732</u>	<u>\$ (331,644)</u>
Excess (deficiency) before special items and transfers	\$ 1,695,362	\$ (212,421)	\$ 1,907,783	\$ 1,959,948	\$ 1,551,349	\$ 408,599
Gain (loss) on sale of capital assets	-	-	-	36,000	-	36,000
Increase (decrease) in net position	<u>\$ 1,695,362</u>	<u>\$ (212,421)</u>	<u>\$ 1,907,783</u>	<u>\$ 1,995,948</u>	<u>\$ 1,551,349</u>	<u>\$ 444,599</u>

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Sidney
Richland County
Sidney, Montana

Opinions

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, Richland County, Montana as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Sidney, Richland County, Montana basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sidney, Richland County, Montana, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibility under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of City of Sidney, Richland County, Montana, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, City of Sidney, Richland County, Montana adopted new accounting guidance, GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021 per GASB Statement No. 95). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sidney, Richland County, Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Sidney, Richland County, Montana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sidney, Richland County, Montana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, schedule of changes in the entity's total OPEB liability and related ratios, schedules of proportionate share of the net pension liability and the schedule of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 content. 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report June 8, 2023, on our consideration of the City of Sidney, Richland County, Montana'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 of Sidney, Richland County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sidney, Richland County, Montana's internal control over financial reporting and compliance.

Denning, Downey and Associates, CPA's, P.C.

June 8, 2023

City of Sidney, Richland County, Montana
Statement of Net Position
June 30, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 6,802,759	\$ 8,606,890	\$ 15,409,649
Taxes and assessments receivable, net	981,725	197,213	1,178,938
Accounts receivable - net	-	373,969	373,969
Due from other governments	744	-	744
Capital Credits	38,312	56,102	94,414
Total current assets	<u>\$ 7,823,540</u>	<u>\$ 9,234,174</u>	<u>\$ 17,057,714</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 1,194,819	\$ 1,194,819
Deferred assessments receivable	460,162	-	460,162
Capital assets - land	364,410	566,125	930,535
Capital assets - construction in progress	14,969	23,253,976	23,268,945
Capital assets - depreciable, net	4,488,891	8,912,595	13,401,486
Total noncurrent assets	<u>\$ 5,328,432</u>	<u>\$ 33,927,515</u>	<u>\$ 39,255,947</u>
Total assets	<u>\$ 13,151,972</u>	<u>\$ 43,161,689</u>	<u>\$ 56,313,661</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 233,082	\$ 156,860	\$ 389,942
Total deferred outflows of resources	<u>\$ 233,082</u>	<u>\$ 156,860</u>	<u>\$ 389,942</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,385,054</u>	<u>\$ 43,318,549</u>	<u>\$ 56,703,603</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 613,039	\$ -	\$ 613,039
Accounts payable	206,810	345,781	552,591
Due to other governments	672	-	672
Revenues collected in advance	-	3,680	3,680
Payroll liabilities	42,016	-	42,016
Current portion of long-term capital liabilities	73,512	732,237	805,749
Current portion of compensated absences payable	250,786	118,604	369,390
Total current liabilities	<u>\$ 1,186,835</u>	<u>\$ 1,200,302</u>	<u>\$ 2,387,137</u>
Noncurrent liabilities			
Other post employment benefits	\$ 21,831	\$ 114,617	\$ 136,448
Noncurrent portion of long-term capital liabilities	221,056	13,301,437	13,522,493
Noncurrent portion of compensated absences	71,308	50,629	121,937
Net pension liability	1,000,796	673,516	1,674,312
Total noncurrent liabilities	<u>\$ 1,314,991</u>	<u>\$ 14,140,199</u>	<u>\$ 15,455,190</u>
Total liabilities	<u>\$ 2,501,826</u>	<u>\$ 15,340,501</u>	<u>\$ 17,842,327</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 642,909	\$ 432,666	\$ 1,075,575
Total deferred inflows of resources	<u>\$ 642,909</u>	<u>\$ 432,666</u>	<u>\$ 1,075,575</u>
NET POSITION			
Net investment in capital assets	\$ 4,573,702	\$ 18,699,022	\$ 23,272,724
Restricted for debt service	487,762	1,194,819	1,682,581
Restricted for special projects	2,196,629	-	2,196,629
Unrestricted	2,982,226	7,651,541	10,633,767
Total net position	<u>\$ 10,240,319</u>	<u>\$ 27,545,382</u>	<u>\$ 37,785,701</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 13,385,054</u>	<u>\$ 43,318,549</u>	<u>\$ 56,703,603</u>

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:							
Governmental activities:							
General government	\$ 421,649	\$ 1,755	\$ -	\$ -	\$ (419,894)	\$ -	\$ (419,894)
Public safety	2,016,144	173,900	1,597,264	-	(244,980)	-	(244,980)
Public works	1,116,676	729,088	258,312	-	(129,276)	-	(129,276)
Public health	72	-	-	-	(72)	-	(72)
Culture and recreation	620,150	41,024	-	-	(579,126)	-	(579,126)
Housing and community development	2,215	-	-	-	(2,215)	-	(2,215)
Debt service - interest	27,731	-	-	-	(27,731)	-	(27,731)
Total governmental activities	\$ <u>4,204,637</u>	\$ <u>945,767</u>	\$ <u>1,855,576</u>	\$ <u>-</u>	\$ <u>(1,403,294)</u>	\$ <u>-</u>	\$ <u>(1,403,294)</u>
Business-type activities:							
Water	\$ 1,032,727	\$ 1,943,218	\$ -	\$ -	\$ -	\$ 910,491	\$ 910,491
Sewer	1,015,392	1,917,940	-	15,000	-	917,548	917,548
Solid Waste	769,763	749,272	-	-	-	(20,491)	(20,491)
Sweeping	243,206	295,814	-	-	-	52,608	52,608
Total business-type activities	\$ <u>3,061,088</u>	\$ <u>4,906,244</u>	\$ <u>-</u>	\$ <u>15,000</u>	\$ <u>-</u>	\$ <u>1,860,156</u>	\$ <u>1,860,156</u>
Total primary government	\$ <u>7,265,725</u>	\$ <u>5,852,011</u>	\$ <u>1,855,576</u>	\$ <u>15,000</u>	\$ <u>(1,403,294)</u>	\$ <u>1,860,156</u>	\$ <u>456,862</u>
General Revenues:							
Property taxes for general purposes					\$ 1,599,781	\$ -	\$ 1,599,781
Licenses and permits					135,543	-	135,543
Video poker apportionment					19,925	-	19,925
P I L T					214	-	214
Miscellaneous					36,531	43,063	79,594
Interest/investment earnings					39,916	10,134	50,050
Unrestricted federal/state shared revenues					22,000	-	22,000
Montana oil and gas production tax					257,375	-	257,375
State entitlement					911,574	-	911,574
Contributions & donations					6,561	-	6,561
State contributions to retirement					69,236	46,595	115,831
Gain (loss) on sale of capital assets					-	36,000	36,000
Total general revenues, special items and transfers					\$ <u>3,098,656</u>	\$ <u>135,792</u>	\$ <u>3,234,448</u>
Change in net position					\$ <u>1,695,362</u>	\$ <u>1,995,948</u>	\$ <u>3,691,310</u>
Net position - beginning					\$ <u>8,544,957</u>	\$ <u>25,549,434</u>	\$ <u>34,094,391</u>
Net position - end					\$ <u>10,240,319</u>	\$ <u>27,545,382</u>	\$ <u>37,785,701</u>

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Balance Sheet
Governmental Funds
June 30, 2022

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Current assets:			
Cash and investments	\$ 3,771,899	\$ 3,030,860	\$ 6,802,759
Taxes and assessments receivable, net	376,243	605,482	981,725
Due from other funds	201,770	-	201,770
Due from other governments	-	744	744
Capital Credits	38,312	-	38,312
Total current assets	\$ 4,388,224	\$ 3,637,086	\$ 8,025,310
Noncurrent assets:			
Deferred assessments receivable	\$ -	\$ 460,162	\$ 460,162
Total noncurrent assets	-	460,162	460,162
TOTAL ASSETS	\$ 4,388,224	\$ 4,097,248	\$ 8,485,472
LIABILITIES			
Current liabilities:			
Warrants payable	\$ 613,039	\$ -	\$ 613,039
Accounts payable	144,755	62,055	206,810
Due to other funds	-	201,770	201,770
Due to other governments	-	672	672
Payroll liabilities	42,016	-	42,016
Total liabilities	\$ 799,810	\$ 264,497	\$ 1,064,307
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - taxes and assessments	\$ 376,243	\$ 1,065,644	\$ 1,441,887
Deferred inflows of resources - capital credits	38,312	-	38,312
Total deferred inflows of resources	\$ 414,555	\$ 1,065,644	\$ 1,480,199
FUND BALANCES			
Restricted	\$ -	\$ 1,729,028	\$ 1,729,028
Committed	-	1,239,699	1,239,699
Unassigned fund balance	3,173,859	(201,620)	2,972,239
Total fund balance	\$ 3,173,859	\$ 2,767,107	\$ 5,940,966
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 4,388,224	\$ 4,097,248	\$ 8,485,472

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2022

Total fund balances - governmental funds	\$	5,940,966
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,868,270
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		1,441,887
Deferred inflows related to capital credits are recognized in the funds as an offset to the receivables because the resources have not been received and are not available to the City.		38,312
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(638,493)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(1,000,796)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.		233,082
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.		(642,909)
Total net position - governmental activities	\$	<u><u>10,240,319</u></u>

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes and assessments	\$ 1,269,573	\$ 1,268,520	\$ 2,538,093
Licenses and permits	135,543	-	135,543
Intergovernmental	2,792,592	293,632	3,086,224
Charges for services	46,212	17,312	63,524
Fines and forfeitures	172,561	1,339	173,900
Miscellaneous	36,421	4,488	40,909
Investment earnings	28,695	11,221	39,916
Total revenues	\$ 4,481,597	\$ 1,596,512	\$ 6,078,109
EXPENDITURES			
General government	\$ 413,893	\$ 40,224	\$ 454,117
Public safety	1,523,642	341,018	1,864,660
Public works	2,297	809,992	812,289
Public health	72	-	72
Culture and recreation	265,384	236,787	502,171
Debt service - principal	-	130,649	130,649
Debt service - interest	-	27,731	27,731
Capital outlay	106,902	128,135	235,037
Total expenditures	\$ 2,312,190	\$ 1,714,536	\$ 4,026,726
Excess (deficiency) of revenues over expenditures	\$ 2,169,407	\$ (118,024)	\$ 2,051,383
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 164,500	\$ 164,500
Transfers out	(164,500)	-	(164,500)
Total other financing sources (uses)	\$ (164,500)	\$ 164,500	\$ -
Net Change in Fund Balance	\$ 2,004,907	\$ 46,476	\$ 2,051,383
Fund balances - beginning	\$ 1,168,952	\$ 2,720,631	\$ 3,889,583
Fund balance - ending	\$ 3,173,859	\$ 2,767,107	\$ 5,940,966

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	2,051,383
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Capital assets purchased		235,037
- Depreciation expense		(601,191)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred inflows)		(227,786)
The change in compensated absences is shown as an expense in the Statement of Activities		(60,916)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:		
- Long-term debt principal payments		130,649
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Post-employment benefits other than retirement liability		131,563
Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		(13,053)
State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		49,676
Change in net position - Statement of Activities	\$	<u><u>1,695,362</u></u>

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2022

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Non-major Enterprise</u>	<u>Totals</u>
ASSETS					
Current assets:					
Cash and investments	\$ 4,266,604	\$ 3,355,957	\$ 687,874	\$ 296,455	\$ 8,606,890
Taxes and assessments receivable, net	-	4,302	127,767	65,144	197,213
Accounts receivable - net	190,217	183,752	-	-	373,969
Capital Credits	28,052	28,050	-	-	56,102
Total current assets	<u>\$ 4,484,873</u>	<u>\$ 3,572,061</u>	<u>\$ 815,641</u>	<u>\$ 361,599</u>	<u>\$ 9,234,174</u>
Noncurrent assets:					
Restricted cash and investments	\$ 415,930	\$ 778,889	\$ -	\$ -	\$ 1,194,819
Capital assets - land	-	543,936	18,239	3,950	566,125
Capital assets - construction in progress	4,307,917	18,946,059	-	-	23,253,976
Capital assets - depreciable, net	5,483,751	2,686,570	622,587	119,687	8,912,595
Total noncurrent assets	<u>\$ 10,207,598</u>	<u>\$ 22,955,454</u>	<u>\$ 640,826</u>	<u>\$ 123,637</u>	<u>\$ 33,927,515</u>
Total assets	<u>\$ 14,692,471</u>	<u>\$ 26,527,515</u>	<u>\$ 1,456,467</u>	<u>\$ 485,236</u>	<u>\$ 43,161,689</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - pensions	\$ 46,121	\$ 42,684	\$ 55,819	\$ 12,236	\$ 156,860
Total deferred outflows of resources	<u>\$ 46,121</u>	<u>\$ 42,684</u>	<u>\$ 55,819</u>	<u>\$ 12,236</u>	<u>\$ 156,860</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 14,738,592</u>	<u>\$ 26,570,199</u>	<u>\$ 1,512,286</u>	<u>\$ 497,472</u>	<u>\$ 43,318,549</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 94,688	\$ 239,982	\$ 9,467	\$ 1,644	\$ 345,781
Revenues collected in advance	2,079	1,601	-	-	3,680
Current portion of long-term capital liabilities	163,237	569,000	-	-	732,237
Current portion of compensated absences payable	27,635	25,064	50,155	15,750	118,604
Total current liabilities	<u>\$ 287,639</u>	<u>\$ 835,647</u>	<u>\$ 59,622</u>	<u>\$ 17,394</u>	<u>\$ 1,200,302</u>
Noncurrent liabilities:					
Other post employment benefits	\$ 25,925	\$ 27,290	\$ 30,019	\$ 31,383	\$ 114,617
Noncurrent portion of long-term capital liabilities	3,709,991	9,591,446	-	-	13,301,437
Noncurrent portion of compensated absences	17,921	6,326	22,751	3,631	50,629
Net pension liability	198,033	183,273	239,670	52,540	673,516
Total noncurrent liabilities	<u>\$ 3,951,870</u>	<u>\$ 9,808,335</u>	<u>\$ 292,440</u>	<u>\$ 87,554</u>	<u>\$ 14,140,199</u>
Total liabilities	<u>\$ 4,239,509</u>	<u>\$ 10,643,982</u>	<u>\$ 352,062</u>	<u>\$ 104,948</u>	<u>\$ 15,340,501</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - pensions	\$ 127,216	\$ 117,734	\$ 153,964	\$ 33,752	\$ 432,666
Total deferred inflows of resources	<u>\$ 127,216</u>	<u>\$ 117,734</u>	<u>\$ 153,964</u>	<u>\$ 33,752</u>	<u>\$ 432,666</u>
NET POSITION					
Net investment in capital assets	\$ 5,918,440	\$ 12,016,119	\$ 640,826	\$ 123,637	\$ 18,699,022
Restricted for debt service	415,930	778,889	-	-	1,194,819
Unrestricted	4,037,497	3,013,475	365,434	235,135	7,651,541
Total net position	<u>\$ 10,371,867</u>	<u>\$ 15,808,483</u>	<u>\$ 1,006,260</u>	<u>\$ 358,772</u>	<u>\$ 27,545,382</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 14,738,592</u>	<u>\$ 26,570,199</u>	<u>\$ 1,512,286</u>	<u>\$ 497,472</u>	<u>\$ 43,318,549</u>

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Non-major Enterprise</u>	<u>Totals</u>
OPERATING REVENUES					
Charges for services	\$ 1,934,719	\$ 1,913,859	\$ 17,249	\$ -	\$ 3,865,827
Miscellaneous revenues	6,221	17,029	19,813	-	43,063
Special assessments	8,499	4,081	732,023	295,814	1,040,417
Total operating revenues	<u>\$ 1,949,439</u>	<u>\$ 1,934,969</u>	<u>\$ 769,085</u>	<u>\$ 295,814</u>	<u>\$ 4,949,307</u>
OPERATING EXPENSES					
Personal services	\$ 395,238	\$ 315,685	\$ 528,766	\$ 155,538	\$ 1,395,227
Supplies	74,424	64,916	68,725	14,744	222,809
Purchased services	159,871	203,794	80,919	28,442	473,026
Fixed charges	20,000	23,677	15,224	5,900	64,801
Depreciation	290,886	150,560	76,129	38,582	556,157
Total operating expenses	<u>\$ 940,419</u>	<u>\$ 758,632</u>	<u>\$ 769,763</u>	<u>\$ 243,206</u>	<u>\$ 2,712,020</u>
Operating income (loss)	<u>\$ 1,009,020</u>	<u>\$ 1,176,337</u>	<u>\$ (678)</u>	<u>\$ 52,608</u>	<u>\$ 2,237,287</u>
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	\$ 13,700	\$ 27,679	\$ 16,581	\$ 3,635	\$ 61,595
Interest revenue	4,054	3,513	2,000	567	10,134
Debt service interest expense	(92,308)	(256,760)	-	-	(349,068)
Total non-operating revenues (expenses)	<u>\$ (74,554)</u>	<u>\$ (225,568)</u>	<u>\$ 18,581</u>	<u>\$ 4,202</u>	<u>\$ (277,339)</u>
Income (loss) before contributions and transfers	<u>\$ 934,466</u>	<u>\$ 950,769</u>	<u>\$ 17,903</u>	<u>\$ 56,810</u>	<u>\$ 1,959,948</u>
SPECIAL AND EXTRAORDINARY ITEMS					
Gain (loss) on sale of capital assets	\$ -	\$ -	\$ -	\$ 36,000	\$ 36,000
Change in net position	<u>\$ 934,466</u>	<u>\$ 950,769</u>	<u>\$ 17,903</u>	<u>\$ 92,810</u>	<u>\$ 1,995,948</u>
Net Position - Beginning of the year	<u>\$ 9,437,401</u>	<u>\$ 14,857,714</u>	<u>\$ 988,357</u>	<u>\$ 265,962</u>	<u>\$ 25,549,434</u>
Net Position - End of the year	<u>\$ 10,371,867</u>	<u>\$ 15,808,483</u>	<u>\$ 1,006,260</u>	<u>\$ 358,772</u>	<u>\$ 27,545,382</u>

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2022

	Business - Type Activities - Enterprise Funds				
	Water	Sewer	Solid Waste	Non-Major Enterprise	Totals
Cash flows from operating activities:					
Cash received from providing services	\$ 2,011,121	\$ 1,918,426	\$ 682,788	\$ 294,380	\$ 4,906,715
Cash received from miscellaneous sources	6,221	17,029	19,813	-	43,063
Cash payments to suppliers	(141,096)	(64,916)	(64,612)	(16,802)	(287,426)
Cash payments for professional services	(179,871)	(227,471)	(96,143)	(34,342)	(537,827)
Cash payments to employees	(428,498)	(399,778)	(540,771)	(130,512)	(1,499,559)
Net cash provided (used) by operating activities	<u>\$ 1,267,877</u>	<u>\$ 1,243,290</u>	<u>\$ 1,075</u>	<u>\$ 112,724</u>	<u>\$ 2,624,966</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	\$ (2,483,751)	\$ (923,915)	\$ -	\$ 36,000	\$ (3,371,666)
Principal paid on debt	(160,134)	(555,000)	-	-	(715,134)
Interest paid on debt	(92,308)	(256,760)	-	-	(349,068)
Proceeds from bonds, loans and advances	2,152,102	57,372	-	-	2,209,474
Net cash provided (used) by capital and related financing activities	<u>\$ (584,091)</u>	<u>\$ (1,678,303)</u>	<u>\$ -</u>	<u>\$ 36,000</u>	<u>\$ (2,226,394)</u>
Cash flows from non-capital financing activities:					
Cash received from other governments	\$ 13,700	\$ 27,679	\$ 16,581	\$ 3,635	\$ 61,595
Net cash provided (used) from non-capital financing activities	<u>\$ 13,700</u>	<u>\$ 27,679</u>	<u>\$ 16,581</u>	<u>\$ 3,635</u>	<u>\$ 61,595</u>
Cash flows from investing activities:					
Interest on investments	\$ 1,868	\$ 1,329	\$ 2,000	\$ 567	\$ 5,764
Net cash provided (used) by investing activities	<u>\$ 1,868</u>	<u>\$ 1,329</u>	<u>\$ 2,000</u>	<u>\$ 567</u>	<u>\$ 5,764</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 699,354</u>	<u>\$ (406,005)</u>	<u>\$ 19,656</u>	<u>\$ 152,926</u>	<u>\$ 465,931</u>
Cash and cash equivalents at beginning	<u>3,983,180</u>	<u>4,540,851</u>	<u>668,218</u>	<u>143,529</u>	<u>9,335,778</u>
Cash and cash equivalents at end	<u>\$ 4,682,534</u>	<u>\$ 4,134,846</u>	<u>\$ 687,874</u>	<u>\$ 296,455</u>	<u>\$ 9,801,709</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,009,020	\$ 1,176,337	\$ (678)	\$ 52,608	\$ 2,237,287
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	290,886	150,560	76,129	38,582	556,157
Changes in assets and liabilities:					
Accounts receivable	67,903	196	(66,484)		1,615
Assessments receivable		290		(1,434)	(1,144)
Deferred inflows/outflows	152,373	151,505	185,243	39,994	529,115
Accounts payable	(66,672)	-	4,113	(2,058)	(64,617)
Compensated absences	(3,500)	(5,864)	10,171	1,010	1,817
Other post-employment benefits	5,196	343	23,800	31,383	60,722
Net pension liability	(187,329)	(230,077)	(231,219)	(47,361)	(695,986)
Net cash provided (used) by operating activities	<u>\$ 1,267,877</u>	<u>\$ 1,243,290</u>	<u>\$ 1,075</u>	<u>\$ 112,724</u>	<u>\$ 2,624,966</u>

See accompanying notes to the financial statements

City of Sidney, Richland County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2022

		<u>Custodial Funds</u>
		<u>Custodial Funds</u>
ASSETS		
Cash and short-term investments	\$	(24,175)
Taxes receivable		<u>14,468</u>
TOTAL ASSETS	\$	<u><u>(9,707)</u></u>
 NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	\$	<u>(9,707)</u>
TOTAL NET POSTION	\$	<u><u>(9,707)</u></u>

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022

		<u>Custodial Funds</u>
		<u>Custodial Funds</u>
ADDITIONS		
Interest and change in fair value of investments	\$	304
Taxes, licenses, and fees collected for other governments		37,981
Intergovernmental grants and entitlements collected		15,695
Miscellaneous		4,635
Total additions	\$	<u>58,615</u>
DEDUCTIONS		
Taxes, licenses, and fees distributed to other governments	\$	<u>145,706</u>
Total deductions	\$	<u>145,706</u>
Change in net position	\$	<u>(87,091)</u>
 Net Position - Beginning of the year	 \$	 <u>77,384</u>
 Net Position - End of the year	 \$	 <u><u>(9,707)</u></u>

See accompanying Notes to the Financial Statements

CITY OF SIDNEY
RICHLAND COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

New Accounting Pronouncements

GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021 per GASB Statement No. 95). This Statement removed capital and operating lease classifications and now establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City has implemented this pronouncement in the current fiscal year.

Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component unit's of which the City appointed a voting majority of the component unit's board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the City complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the City.

Primary Government

The City is a political subdivision of the State of Montana governed by an elected Mayor and Council duly elected by the registered voters of the City. The City utilizes the manager form of government. The City is considered a primary government because it is a general-purpose local government. Further, it meets the following criteria; (a) it has a separately elected governing body (b) it is legally separate and (c) it is fiscally independent from the State and other local governments.

CITY OF SIDNEY
RICHLAND COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the City except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities for the City at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function. The City does not charge indirect expenses to programs or functions. The types of transactions reported as 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 activity, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Measurement Focus and Basis of Accounting

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the 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 imposed by the provider have been met. The City generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

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Fund Financial Statements

Basis of Presentation

Fund financial statements of the reporting City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds:

The City reports the following major governmental funds:

General Fund – This is the City’s primary operating fund and it accounts for all financial resources of the City except those required to be accounted for in other funds.

Proprietary Funds:

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

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 connections with a proprietary fund’s principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, 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.

Major Funds:

The City reports the following major proprietary funds:

Water Fund – An enterprise fund that accounts for the activities of the City’s water distribution operations.

Sewer Fund – An enterprise fund that accounts for the activities of the City’s sewer collection and treatment operations and includes the storm sewer system.

Solid Waste Fund – An enterprise fund that accounts for the activities of the City’s solid waste service.

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Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net position. The fiduciary funds are:

Custodial Funds – To report fiduciary activities that are not required to be reported in any of the other fiduciary categories in which the resources held by the City in a custodial capacity. This fund primarily consist reporting of resources held by the City as an agent for individuals, private organizations, other local governmental entities. The external portion of the investment pools that are not held in a trust are also reported here.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2022, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash in banks:	
Demand deposits	\$ 16,580,293
Total	<u>\$ 16,580,293</u>

Cash equivalents

Cash equivalents are short-term, highly liquid deposits and investments that both readily convertible to known amounts of cash, and have maturities at purchase date of three months or less. The City’s cash and cash equivalents (including restricted assets) are considered to be demand deposits and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the enterprise services funds consider all funds (including restricted assets) held in the City’s cash management pool to be cash equivalents.

Fair Value Measurements

Investments are reported at fair value, with the following limited exceptions: 1) investments in non-negotiable certificates of deposit are reported at cost and 2) money market investments, including U.S Treasury and Agency obligations, which mature within one year of acquisition, are reported at amortized cost. Fair value is defined as the price

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that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets participates at the measurement date.

Credit Risk

As a means of limiting exposure to credit risk, the City is required to follow specific state statutes adding security to the deposits and investments. Below are the legal provisions provided in the state Montana Code Annotated (MCA).

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and public money not necessary for immediate use by a county, city, or town that is not invested as authorized in Section 7-6-202, MCA, may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or placed in repurchase agreements as authorized in Section 7-6-213, MCA.

The government has no investment policy that would further limit its investment choices.

The government has no investments that require credit risk disclosure.

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Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2022, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2022 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 250,000
- Collateral held by the pledging bank's trust department but not in the County's name	<u>16,358,002</u>
Total deposits and investments	<u><u>\$ 16,608,002</u></u>

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for City deposits at June 30, 2022, equaled or exceeded (the amount required by State statutes.

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the City as of June 30, 2022. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Water Fund	DNRC Debt Service Reserve	\$ 86,400
Water Fund	Rural Development Debt Service Reserve	329,530
Sewer Fund	SRF 17404 Debt Service Reserve	272,138
Sewer Fund	Sewer Utility	<u>506,751</u>
Total		<u><u>\$1,194,819</u></u>

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NOTE 4. RECEIVABLES

Tax Receivables

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 5. INVENTORIES AND PREPAIDS

The cost of inventories are recorded as an expenditure when purchased.

NOTE 6. CAPITAL ASSETS

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	30 – 50 years
Improvements	20 – 50 years
Equipment	5 – 50 years
Infrastructure	20 – 50 years

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A summary of changes in governmental capital assets was as follows:

Governmental activities:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2022</u>
Capital assets not being depreciated:			
Land	\$ 364,410	\$ -	\$ 364,410
Construction in progress	-	14,969	14,969
Total capital assets not being depreciated	<u>\$ 364,410</u>	<u>\$ 14,969</u>	<u>\$ 379,379</u>
Other capital assets:			
Buildings	\$ 406,566	\$ -	\$ 406,566
Improvements other than buildings	3,936,407	-	3,936,407
Machinery and equipment	4,772,666	204,818	4,977,484
Infrastructure	<u>10,990,855</u>	<u>15,250</u>	<u>11,006,105</u>
Total other capital assets at historical cost	\$ 20,106,494	\$ 220,068	\$ 20,326,562
Less: accumulated depreciation	<u>(15,236,480)</u>	<u>(601,191)</u>	<u>(15,837,671)</u>
Total	<u>\$ 5,234,424</u>	<u>\$ (366,154)</u>	<u>\$ 4,868,270</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 25,126
Public safety	151,484
Public works	304,387
Culture and recreation	117,979
Housing and community development	<u>2,215</u>
Total governmental activities depreciation expense	<u>\$ 601,191</u>

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A summary of changes in business-type capital assets was as follows:

Business-type activities:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>
Capital assets not being depreciated:				
Land	\$ 566,125	\$ -	\$ -	\$ 566,125
Construction in progress	20,088,552	3,165,424	-	23,253,976
Total capital assets not being depreciated	<u>\$ 20,654,677</u>	<u>\$ 3,165,424</u>	<u>\$ -</u>	<u>\$ 23,820,101</u>
Other capital assets:				
Buildings	\$ 22,362	\$ -	\$ -	\$ 22,362
Improvements other than buildings	35,629	-	-	35,629
Machinery and equipment	2,395,336	-	(146,472)	2,248,864
Treatment plant	3,015,259	-	-	3,015,259
Source of supply	1,541,070	-	-	1,541,070
Transmission and distribution	11,927,116	5,420	-	11,932,536
General plant	1,142,128	139,120	-	1,281,248
Total other capital assets at historical cost	<u>\$ 20,078,900</u>	<u>\$ 144,540</u>	<u>\$ (146,472)</u>	<u>\$ 20,076,968</u>
Less: accumulated depreciation	(10,754,688)	(556,157)	146,472	(11,164,373)
Total	<u>\$ 29,978,889</u>	<u>\$ 2,753,807</u>	<u>\$ -</u>	<u>\$ 32,732,696</u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide, and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2022, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>	Due Within <u>One Year</u>
Special assessment bond	\$ 425,217	\$ -	\$ (130,649)	\$ 294,568	\$ 73,512
Compensated absences	261,178	60,916	-	322,094	250,786
Total	<u>\$ 686,395</u>	<u>\$ 60,916</u>	<u>\$ (130,649)</u>	<u>\$ 616,662</u>	<u>\$ 324,298</u>

In prior years the General Fund was used to liquidate compensated absences and claims and judgments.

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Business-type Activities:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>	<u>One Year</u>
Revenue bonds	\$ 12,539,334	\$ 2,209,474	\$ (715,134)	\$ 14,033,674	\$ 732,237
Compensated absences	167,416	1,817	-	169,233	118,604
Total	<u>\$ 12,706,750</u>	<u>\$ 2,211,291</u>	<u>\$ (715,134)</u>	<u>\$ 14,202,907</u>	<u>\$ 850,841</u>

Special Assessment Debt - Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected. Rural special improvement districts bonds were issued with revolving fund backing. The City is obligated to levy and collect a general property tax on all taxable property in the City to provide additional funding for the debt service payments. The cash balance in the Revolving Fund must equal at least 5% of the principal amount of bonds outstanding. Special assessment bonds outstanding as of June 30, 2022, were as follows:

<u>Purpose</u>	<u>Origination</u>	<u>Interest</u>	<u>Bond</u>	<u>Maturity</u>	<u>Bonds</u>	<u>Annual</u>	<u>Balance</u>
	<u>Date</u>	<u>Rate</u>	<u>Term</u>	<u>Date</u>	<u>Amount</u>	<u>Payment</u>	<u>June 30, 2022</u>
SID 101A	9/1/04	2-5.5%	18 yrs	7/1/22	\$ 285,000	Varies	\$ -
SID 102	4/1/07	4.49%	18 yrs	1/1/23	970,000	Varies	32,405
SID 104	9/21/10	4.90%	20 yrs	7/1/29	665,000	Varies	262,163
					<u>\$ 1,920,000</u>		<u>\$ 294,568</u>

Annual requirement to amortize debt:

<u>For Fiscal</u>		
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 73,512	\$ 15,543
2024	43,327	11,868
2025	45,667	9,528
2026	48,133	7,062
2027	50,732	4,463
2028	33,197	1,724
Total	<u>\$ 294,568</u>	<u>\$ 50,188</u>

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Revenue Bonds - The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding, at year-end were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2022</u>
USDA Loan - Water	11/18/04	4.25%	40 yrs	3/18/42	\$ 860,000	Varies	\$ 602,628
WRF Loan #21459	7/15/20	2.50%	40 yrs	7/1/40	1,710,000	Varies	1,575,000
WRF 22493	8/19/21	2.50%	20 yrs	7/1/41	1,875,000	Varies	1,695,600
SRF Loan #17404 - Phase II	11/23/16	2.50%	20 yrs	6/30/36	8,523,000	Varies	6,582,980
SFR Loan #16383 - Phase I	9/22/15	2.50%	20 yrs	7/1/35	828,700	Varies	433,000
SRF Loan Phase III Loan A – 19449*	3/15/19	NA	NA	NA	300,000	N/A	300,000
SRF Loan - Phase III B - 19450	3/15/19	2.50%	20 yrs	1/1/39	<u>3,741,000</u>	Varies	<u>2,844,466</u>
					<u>\$17,837,700</u>		<u>\$ 14,033,674</u>

* The SRF Loan Phase III Loan A -19449 will be forgiven if all the project requirements are met. Therefore, this loan is not included in the amortization schedule in these footnotes.

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar.

Revenue bond resolutions include various restrictive covenants. The more significant covenants include the following:

1. The City is to maintain a Water Reserve account, depositing \$400 per month up to the amount equal to the annual debt service payment on the series 2004 bond. The required amount was calculated to be \$81,600. In addition, a general reserve requirement of \$60,106 plus a reserve requirement equal to the maximum principal and interest on the Rural Development bonds of \$274,717 was required. These are reported as restricted cash in the amount of \$329,530 on the Water Fund's Statement of Net Position. This City is in compliance with this requirement as of June 30, 2022.

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2. The City is also to maintain a Sewer Account. The required amount was calculated to be \$778,889. This is reported as restricted cash on the Sewer Fund's Statement of Net Position. The City is in compliance with this requirement as of June 30, 2022.

3. The City must maintain net revenues no less than 110% of the maximum annual debt service payments in both the Water and Sewer funds. The net revenues required for the year were calculated to be \$302,189 in the Water fund and \$877,689 in the Sewer fund. The City exceeded these requirements in both funds, and therefore, was in compliance with this requirement as of June 30, 2022.

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 732,237	\$ 320,154
2024	754,757	302,124
2025	772,656	285,306
2026	792,595	268,067
2027	817,610	248,309
2028	833,562	234,172
2029	854,664	213,467
2030	875,776	194,318
2031	897,938	174,678
2032	909,148	154,512
2033	930,413	133,842
2034	956,731	112,952
2035	981,107	90,881
2036	967,542	68,718
2037	720,020	46,577
2038	331,069	32,018
2039	256,233	18,471
2040	260,934	11,321
2041	53,321	4,243
2042	35,361	9,853
Total	<u>\$ 13,733,674</u>	<u>\$ 2,923,983</u>

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Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the City’s policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from City service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but the excess cannot be carried forward more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, as required by section 2-18-704, MCA, employees with at least 5 years of service and who are at least age 50, along with surviving spouses and dependents, to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB); since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the City. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due. The government has less than 100 plan members and thus qualifies to use the “Alternative Measurement Method” for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

Benefits Provided. The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in section 2-18-704, MCA. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums, but may pay the same premiums as the other members in the group health plan.

Employees covered by benefit terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	-
Active employees	37
Total employees	37

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Total OPEB Liability

The City’s total OPEB liability of \$136,448 at June 30, 2022, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2022 alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.37%
Average salary increase (Consumer Price Index)	5.90%
Participation rate	10.00%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2022	11.00%
2023	5.00%
2024	5.10%
2025	5.40%
2026	5.30%
2027	5.30%
2028	5.30%
2029	5.50%
2030	5.40%
2031	4.70%
2032 and after	4.70%

The discount rate was based on the 20-year General obligation (GO) bond index.

Life expectancy of employees was based on the United States Life Tables, 2020 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 71, No. 2, August 23, 2022.

The turnover rates were determined from the periodic experience studies of the Montana public retirement systems for the covered groups as documented in the GASB 68 actuarial valuations.

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Changes in the Total OPEB Liability

Balance at 6/30/2021		\$ <u>202,289</u>
Changes for the year:		
Service Cost		\$ 8,323
Change in assumptions		<u>(79,163)</u>
Net Changes		\$ <u>(70,841)</u>
Balance at 6/30/2022		\$ <u><u>136,448</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following summarizes the total OPEB liability reported, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

	1% Decrease <u>(2.37%)</u>	Discount Rate <u>(3.37%)</u>	1% Increase <u>(4.37%)</u>
Total OPEB Liability \$	\$ 160,974	\$ 136,448	\$ 117,111

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following summarizes the total OPEB liability reported, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability \$	\$ 112,796	\$ 136,448	\$ 166,734

**Reference the assumptions footnotes to determine the healthcare cost trends used to calculate the OPEB liability.*

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized an OPEB expense of \$(70,841). The City does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since City records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

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NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2022, was as follows:

Due to/from other funds			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Short-term cash loan	General – Major Governmental	Airport – Nonmajor Governmental	\$ 732
Short-term cash loan	General – Major Governmental	Library – Nonmajor Governmental	77,855
Short-term cash loan	General – Major Governmental	Local Govt Study Commission – Nonmajor Governmental	1,662
Short-term cash loan	General – Major Governmental	Curb & Sidewalk – Nonmajor Governmental	3,300
Short-term cash loan	General – Major Governmental	FEMA Grant – Nonmajor Governmental	14,312
Short-term cash loan	General – Major Governmental	SID 102 – Nonmajor Governmental	34,692
Short-term cash loan	General – Major Governmental	SID 103 – Nonmajor Governmental	8,767
Short-term cash loan	General – Major Governmental	SID 104 – Nonmajor Governmental	52,631
Short-term cash loan	General – Major Governmental	Curb & Sidewalk – Nonmajor Governmental	2,429
Short-term cash loan	General – Major Governmental	SID 104 – Nonmajor Governmental	<u>5,390</u>
			<u>\$201,770</u>

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Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2022:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Future capital expenditures	Police Investigative CIP – Nonmajor Governmental	General – Major Governmental	\$ 6,000
Operating Transfer	Tennis Courts – Nonmajor Governmental	Oil/Gas Severance Tax * – Major Governmental	8,500
Future capital expenditures	Police CIP – Nonmajor Governmental	Oil/Gas Severance Tax * – Major Governmental	50,000
Future capital expenditures	Fire Equipment CIP – Nonmajor Governmental	Oil/Gas Severance Tax * – Major Governmental	<u>100,000</u>
			<u>\$164,500</u>

* Combined with the General Fund under GASB 54

NOTE 10. NET PENSION LIABILITY

As of June 30, 2022, the City/Town reported the following balances as its proportionate share of PERS pension amounts:

City's Proportionate Share Associated With:	<u>PERS</u>
Net Pension Liability	\$ 1,674,314
Deferred outflows of resources*	\$ 389,942
Deferred inflows of resources	\$ 1,075,574
Pension expense	\$ (15,950)

*Deferred outflows for PERS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$124,077. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2022.

The following are the detailed disclosures for each retirement plan as required by GASB 68.

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Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

The City's employees participate in the Public Employees Retirement System (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to, or Deductions from, Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Plan Descriptions

The PERS-Defined Benefit Retirement Plan (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the defined contribution retirement plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

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Summary of Benefits

Service retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service;
 - Age 65, regardless of membership service; or
 - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
 - Age 65, 5 years of membership service;
 - Age 70, regardless of membership service.

Early Retirement (actuarially reduced):

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service; or
 - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service):

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

- 5 years of membership service

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Member's highest average compensation (HAC)

- Hired prior to July 1, 2011- highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011-highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013-110% annual cap on compensation considered as a part of a member's highest average compensation.

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

Contributions

The state Legislature has the authority to establish and amend contributions rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

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Special Funding: The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding state agencies and universities but are reported as employer contributions.

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		Local Government	
	Hired < 07/01/11	Hired > 07/01/11	Employer	State
2022	7.900%	7.900%	8.870%	0.100%
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012 – 2013	6.900%	7.900%	7.070%	0.100%
2010 – 2011	6.900%		7.070%	0.100%
2008 – 2009	6.900%		6.935%	0.100%
2000 - 2007	6.900%		6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rate.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

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- c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions
- d. Special Funding
- i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a statutory appropriation from its General Fund of \$34,290,660.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2021, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2022, and 2021, are displayed below. The City proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The City recorded a liability of \$1,674,314 and the City's proportionate share was 0.092339 percent.

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,674,314	\$ 3,145,184	0.092339%	0.119217%	-0.026878%
State of Montana Proportionate Share associated with Employer	493,220	989,294	0.027201%	0.037499%	-0.010298%
Total	\$ 2,167,534	\$ 4,134,478	0.119540%	0.156716%	-0.037176%

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Changes in actuarial assumptions and methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.34% to 7.06%
2. The investment rate of return was lowered from 7.34% to 7.06%

Changes in benefit terms:

There were no changes in benefit terms since the previous measurement date

Changes in proportionate share:

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

Pension Expense:

At June 30, 2022, the City recognized a Pension Expense of \$(131,780) for its proportionate share of the pension expense. The City also recognized grant revenue of \$115,830 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the City.

	<u>Pension Expense as of 6/30/22</u>	<u>Pension Expense as of 6/30/21</u>
Employer Proportionate Share	\$ (131,780)	\$ 377,516
State of Montana Proportionate Share associated with the Employer	115,830	161,791
Total	<u>\$ (15,950)</u>	<u>\$ 539,307</u>

Recognition of Beginning Deferred Outflow

At June 30, 2022, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2021 contributions of \$196,907.

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Recognition of Deferred Inflows and Outflows:

At June 30, 2022, the City reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 17,868	\$	12,120
Actual vs. Expected Investment Earnings	-		678,282
Changes in Assumptions	247,997		-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-		385,172
Employer contributions subsequent to the measurement date - FY22*	124,077		-
Total	<u>\$ 389,942</u>	<u>\$</u>	<u>1,075,574</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

<u>For the Measurement Year ended June 30:</u>		<u>Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense</u>
2022	\$	(174,838)
2023	\$	(254,525)
2024	\$	(163,823)
2025	\$	(216,524)
<u>Thereafter</u>	<u>\$</u>	<u>-</u>

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Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2020 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.06%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
*includes Inflation at 2.40%
- Merit Increases 0% to 4.8%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2021 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2021 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the following table.

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<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	<u>6.00%</u>	3.02%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

<u>1.0% Decrease</u>	<u>Current</u>	<u>1.0% Increase</u>
<u>(6.06%)</u>	<u>Discount Rate</u>	<u>(8.06%)</u>
\$ 2,657,713	\$ 1,674,314	\$ 849,471

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

PERS Disclosure for the defined contribution plan

The City of Sidney contributed to the state of Montana Public employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

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All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.

Member and employer contributions rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2020, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 340 employers that have participants in the PERS-DCRP totaled \$1,103,889.

Pension plan fiduciary net position: The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

Governmental Fund equity is classified as fund balance. The City categorizes fund balance of the governmental funds into the following categories:

Restricted – includes constraint for specific purposes which are externally imposed by a third party, State Constitution, or enabling legislation.

Committed – includes constraint for specific purposes which are internally imposed by the formal action of council. This is the government's highest level of decision-making authority, Council, and a formal action is required to establish, modify, or rescind the fund balance commitment.

Unassigned – includes negative fund balances in all funds, or fund balance with no constraints in the General Fund.

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

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The City considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
All Other Aggregate	\$ 108,890	Debt Service
	18,830	General Government administration and services
	251,037	Law Enforcement, emergency services, and supplies
	880,372	Road Repair, maintenance, and supplies
	268,305	Culture and recreation
	194,568	Parks and recreation services and supplies
	4,392	Tourism business improvements
	<u>2,634</u>	Tree removal services
	<u>\$ 1,729,028</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	\$ <u>1,239,699</u>	Constructions and/or capital asset purchases

NOTE 12. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Library	\$ (77,855)	Negative cash resulting in a short-term loan from General Fund	Future Tax Revenues
Airport	(732)	Negative cash resulting in a short-term loan from General Fund	Future Tax Revenues
Local Government Study Commission	(1,662)	Negative cash resulting in a short-term loan from General Fund	Operating Transfer
Curb and Sidewalks	(3,300)	Negative cash resulting in a short-term loan from General Fund	Operating Transfer
FEMA Grant	(14,312)	Negative cash resulting in a short-term loan from General Fund	Operating Transfer
SID 102	(34,692)	Negative cash resulting in a short-term loan from General Fund	Future SID Tax Assessments
SID 103	(8,517)	Negative cash resulting in a short-term loan from General Fund	Operating Transfer
SID 104	(52,631)	Negative cash resulting in a short-term loan from General Fund	Future SID Tax Assessments

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Curb and Sidewalk	(2,529)	Negative cash resulting in a short-term loan from General Fund	Operating Transfer
SID #104	(5,390)	Negative cash resulting in a short-term loan from General Fund	Operating Transfer
	\$ (201,620)		

NOTE 13. SERVICES PROVIDED FROM OTHER GOVERNMENTS

County Provided Services

The City is provided various financial services by Richland County. The County also serves as cashier and treasurer for the City for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections received by the County on behalf of the City are accounted for in an agency fund in the City’s name and are periodically remitted to the City by the County Treasurer. No service charges have been recorded by the City or the County.

NOTE 14. RISK MANAGEMENT

The County faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers’ compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Pools:

The City participates in the state-wide public safety risk pool, Montana Municipal Insurance Authority for workers’ compensation.

In 1986, the City joined together with other Montana cities to form the Montana Municipal Insurance Authority which established a workers’ compensation plan and a tort liability plan. Both public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence with a \$3.750 deductible per occurrence. State tort law limits the City’s liability to \$1.5 million. The City pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

Separate audited financial statements are available from the Montana Municipal Insurance Authority.

CITY OF SIDNEY
RICHLAND COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 15. SUBSEQUENT EVENTS

Subsequent to June 30, 2022 the City passed resolution 3909, authorizing the issuance of \$2,180,000 Water System Revenue Bond (DNCR Drinking Water State Revolving Loan Program).

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Sidney, Richland County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,104,347	\$ 1,104,347	\$ 1,269,573	\$ 165,226
Licenses and permits	84,106	84,106	135,543	51,437
Intergovernmental	951,550	951,550	953,648	2,098
Charges for services	59,100	59,100	46,212	(12,888)
Fines and forfeitures	240,000	240,000	172,561	(67,439)
Miscellaneous	81,150	81,150	36,421	(44,729)
Investment earnings	3,400	3,400	3,400	-
Amounts available for appropriation	\$ 2,523,653	\$ 2,523,653	\$ 2,617,358	\$ 93,705
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 487,088	\$ 487,088	\$ 386,393	\$ 100,695
Public safety	1,730,675	1,730,675	1,523,642	207,033
Public health	1,000	1,000	72	928
Culture and recreation	272,782	272,782	265,384	7,398
Capital outlay	158,000	158,000	106,902	51,098
Total charges to appropriations	\$ 2,649,545	\$ 2,649,545	\$ 2,282,393	\$ 367,152
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (50,000)	\$ (50,000)	\$ (6,000)	\$ 44,000
Total other financing sources (uses)	\$ (50,000)	\$ (50,000)	\$ (6,000)	\$ 44,000
SPECIAL AND EXTRAORDINARY ITEMS				
Gain (loss) on sale of capital assets	\$ 9,000	\$ 9,000	\$ -	\$ (9,000)
Total special and extraordinary items	\$ 9,000	\$ 9,000	\$ -	\$ (9,000)
Net change in fund balance			\$ 328,965	
Fund balance - beginning of the year			\$ 971,845	
Fund balance - beginning of the year - restated			\$ 971,845	
Fund balance - end of the year			\$ 1,300,810	

City of Sidney, Richland County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures

		<u>General</u>
Sources/Inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$	2,617,358
Combined funds (GASBS 54) revenues		<u>1,864,239</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$	<u><u>4,481,597</u></u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$	2,282,393
Combined funds (GASBS 54) expenditures		<u>29,797</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$	<u><u>2,312,190</u></u>

City of Sidney, Richland County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service Cost	\$ 8,323	\$ 14,123	\$ 14,123	\$ 9,955	\$ 9,956
Change in assumptions and inputs	(79,163)	-	34,748	-	-
Net change in total OPEB liability	(70,841)	14,123	48,871	9,955	9,956
Total OPEB Liability - beginning	207,289	193,166	144,295	134,340	119,831
Restatement	-	-	-	-	4,553
Total OPEB Liability - ending	<u>\$ 136,448</u>	<u>\$ 207,289</u>	<u>\$ 193,166</u>	<u>\$ 144,295</u>	<u>\$ 134,340</u>
Covered-employee payroll	\$ 2,234,752	\$ 1,969,432	\$ 1,969,432	\$ 1,884,308	\$ 1,843,028
Total OPEB liability as a percentage of covered -employee payroll	6%	11%	10%	8%	7%

**The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, additional data will be provided as it becomes available.*

City of Sidney, Richland County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2022

	<u>PERS 2022</u>	<u>PERS 2021</u>	<u>PERS 2020</u>	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.0923%	0.119217%	0.116216%	0.111286%	0.144020%	0.157258%	0.147917%	0.112323%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,674,314	\$ 3,145,184	\$ 2,429,271	\$ 2,322,701	\$ 2,804,969	\$ 2,678,642	\$ 2,067,684	\$ 1,399,552
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 493,220	\$ 989,294	\$ 789,657	\$ 776,670	\$ 36,341	\$ 32,730	\$ 25,398	\$ 17,091
Total	<u>\$ 2,167,534</u>	<u>\$ 4,134,478</u>	<u>\$ 3,218,928</u>	<u>\$ 3,099,371</u>	<u>\$ 2,841,310</u>	<u>\$ 2,711,372</u>	<u>\$ 2,093,082</u>	<u>\$ 1,416,643</u>
Employer's covered payroll	\$ 1,626,709	\$ 2,000,253	\$ 1,918,781	\$ 1,830,159	\$ 1,786,598	\$ 1,883,672	\$ 1,726,216	\$ 1,284,721
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	102.93%	157.24%	12.60%	126.91%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

-56- *Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**City of Sidney, Richland County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2022**

	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 124,077	\$ 196,907	\$ 175,249	\$ 164,922	\$ 155,015	\$ 149,539	\$ 162,495	\$ 150,354
Contributions in relation to the contractually required contributions	\$ 124,077	\$ 196,907	\$ 175,249	\$ 164,922	\$ 155,015	\$ 149,539	\$ 162,494	\$ 150,354
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,398,839	\$ 2,245,234	\$ 2,000,253	\$ 1,918,781	\$ 1,830,159	\$ 1,786,598	\$ 1,883,672	\$ 1,726,216
Contributions as a percentage of covered payroll	8.87%	8.77%	8.76%	8.60%	8.47%	8.37%	8.63%	8.71%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Sidney, Richland County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2022

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 454

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
 - 1.5% each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

General Revisions - House Bill 101, effective January 1, 2016

Second Retirement Benefit - for PERS

- Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.

City of Sidney, Richland County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2022

- For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.
- For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment
 - Start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.
- For members who retire on or after January 1, 2016, return to PERS-covered employment, and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016, and the contributions of 2.37%, 0.47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

2017 Legislative Changes

Working Retiree Limitations – for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

4. Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
5. Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
6. Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts – Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

City of Sidney, Richland County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2022

Lump-sum payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011, have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011, who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using
Mortality (Healthy members)	Scale BB, males set back 1 year
	For Males and Females: RP 2000 Combined Mortality
Mortality (Disabled members)	Table, with no projections
Admin Expense as % of Payroll	0.28%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actuarial administrative expenses.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and City Council
City of Sidney
Richland County
Sidney, Montana

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, business-type activities, each major fund, and the aggregate remaining fund information of City of Sidney, Richland County, Montana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Sidney's basic financial statements and have issued our report thereon dated June 8, 2023.

Internal Control Over Financial Reporting

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

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies listed as item 2022-001.

2022-001 Due to and Due from Other Funds and Deficit Fund Balances (Repeat Finding 2021)

Condition:

The City's general fund has recorded a short-term loan for deficit cash balances to several governmental funds in which the due to and from other funds has remained unchanged from the prior year, or increased. These deficits have also resulted in a deficit fund balance.

Context:

We scheduled the due to and from other funds and reviewed to determine if the amounts should have been recorded as advances to and from other funds or operating transfers.

Criteria:

Due to and from other funds should be recorded for short-term loans which are expected to be repaid within the next year. Advances to and from other funds are for long-term loans which are paid back over a period of years. Operating transfers should be recorded when there is no expectation of repayment.

Effect:

Misclassified long-term loans between funds as short-term borrowing for all due to and from other funds reported totaling \$120,754 with the due from other funds in the General fund and the due to other funds in the Aggregate opinion unit. Per our analysis \$33,431 should be reclassified as operating transfers in and out and the remaining balance of \$87,323 should be reclassified as advances to and from other funds.

In addition, the funds in the Aggregate opinion unit also have deficit fund balances.

Cause:

The City has not analyzed the balances to determine if the amounts should be reclassified as long-term loans or if an operating transfer should be made to eliminate the short-term loan.

Recommendation:

The City should implement internal control procedures to review the short-term loans each fiscal year and reclassify, if determined necessary, to advances to and from other funds or operating transfers.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sidney's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below as item 2022-002.

2022-002 Cash Reserve Exceeded (Repeat Finding 2021-004)

Condition:

The Airport Fund exceeded the cash reserve limit allowed by statute.

Context:

We calculated the cash reserve percentage to the appropriations to determine if the cash reserve limit was exceeded.

Criteria:

Section 7-6-4034(2b) Montana Code Annotated states “After deducting from the amount of the appropriations and authorized expenditures the total amount appropriated and authorized to be spent for election expenses and payment of emergency warrants, the amount that may be added as a reserve, as provided in subsection (1)(b), to: (b) a city's or town's fund may not exceed one-half of the total amount appropriated and authorized to be spent from the fund during the current fiscal year.

Effect:

The Airport fund cash reserve was 77% of the appropriate for the fiscal year ended June 30, 2022 budget.

Cause:

Noncompliance with Section 7-6-4034(2b) Montana Code Annotated.

Recommendation:

The City should implement internal control procedures to ensure the cash reserve used for budgeting purposes does not exceed the amount allowed by Section 7-6-4034(2b) Montana Code Annotated.

City of Sidney’s Response to Findings

City of Sidney’s response to the findings identified in our audit is described in the Auditee’s Corrective Action Plan. City of Sidney’s response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or 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.

Derringer, Downey and Associates, CPA's, P.C.

June 8, 2023

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Mayor and City Council
City of Sidney
Richland County
Sidney, Montana

The prior audit report contained four recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
2021-001 Deferred Special Assessments	Implemented
2021-002 Cash Reconciliation	Implemented
2021-003 Due To and From Other Funds and Deficit Fund Balances	Repeated
2021-004 Cash Reserved Exceeded	Repeated

Denning, Downey and Associates, CPA's, P.C.

June 8, 2023



Contact Person:

Jessica Chamberlin, Clerk/Treasurer

Expected Completion Date of Corrective Action Plan:

FY23-24

CORRECTIVE ACTION PLAN

FINDING 2022-001: Due to and Due from Other Funds and Deficit Fund Balances

Response: The City has had difficulties with budgeting for appropriate cash in the mill levy funds. This is due to not having the appropriate report for accurate budgeting of revenue into these accounts, causing some to exceed cash and others to be short. Clerk/Treasurer is working with Auditor Bob Denning to get more accurate information for budgeting to not have deficit fund balances or exceed cash reserves.

FINDING 2022-003: Cash Reserve Exceeded

Response: The City has had difficulties with budgeting for appropriate cash in the mill levy funds. This is due to not having the appropriate report for accurate budgeting of revenue into these accounts, causing some to exceed cash and others to be short. Clerk/Treasurer is working with Auditor Bob Denning to get more accurate information for budgeting to not have deficit fund balances or exceed cash reserves.

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2021-001: Deferred Special Assessments

Response: Implemented.

FINDING 2021-002: Cash Reconciliation

Response: Implemented.

The City of Sidney is an equal opportunity provider.

FINDING 2021-003: Due to and Due from Other Funds and Deficit Fund Balances

Response: The City has had difficulties with budgeting for appropriate cash in the mill levy funds. This is due to not having the appropriate report for accurate budgeting of revenue into these accounts, causing some to exceed cash and others to be short. Clerk/Treasurer is working with Auditor Bob Denning to get more accurate information for budgeting to not have deficit fund balances or exceed cash reserves.

FINDING 2021-004: Cash Reserve Exceeded

Response: The City has had difficulties with budgeting for appropriate cash in the mill levy funds. This is due to not having the appropriate report for accurate budgeting of revenue into these accounts, causing some to exceed cash and others to be short. Clerk/Treasurer is working with Auditor Bob Denning to get more accurate information for budgeting to not have deficit fund balances or exceed cash reserves.

The City of Sidney is an equal opportunity provider.