



City of Sidney, MT
Budget and Finance Committee Meeting
March 31, 2022 5:00 PM
115 2nd Street SE | Sidney, MT 59270

The City Council meetings are open to the public attending in person, with masks encouraged when social distancing cannot be accomplished. If the public does not wish to participate in person, they are also invited to participate via a Zoom meeting. You can participate via phone:

Meeting ID: 889 0270 8363 Passcode: 4332809 Call: 1-346-248-7799

1. New Business

[a.](#) FY2021 Budget Amendments

[b.](#) FY2021 Audit Report

**RESOLUTION NO. 3882
BUDGET AMENDMENT RESOLUTION**

**A RESOLUTION RELATING TO BUDGET AMENDMENTS FOR THE
FISCAL YEAR BEGINNING JULY 1, 2020 AND ENDING JUNE 30, 2021.**

WHEREAS, § 7-6-4031, MCA provides that annual budget appropriations may be amended;

WHEREAS, § 7-6-4006, MCA provides that the City Council, upon proper resolution, adopted by said Council at a regular meeting and entered into its Minutes, may transfer or revise appropriations;

WHEREAS, based upon the City’s recent budget review it is necessary to alter and change the City’s Fiscal Year 2021 Annual Budget;

WHEREAS, expenditures for 2890 Oil and Gas Severance exceeded the Annual Budget amount, using available cash balance was used to cover the cost of the Storm Water Study;

WHEREAS, expenditures for 4075 Curb & Sidewalk exceeded the Annual Budget amount, using available cash balance was used to cover the cost of improvements;

WHEREAS, expenditures for 2370 PERS exceeded the Annual Budget amount, using available cash balance was used to cover the recording of Net Pension Liability;

WHEREAS, § 7-6-4031, MCA, requires that unless otherwise provided in state law, a public hearing is required for an overall increase in appropriation authority;

WHEREAS, the notice of hearing on budget amendment was published in accordance with § 7-1-4127, MCA, as required by § 7-6-4021, MCA;

WHEREAS, the hearing on budget amendments was held on April 4th, 2022 in accordance with § 7-1-4131, MCA.

NOW THEREFORE, be it resolved by the City Commission of the City of Sidney, Montana that the following budget amendments are hereby adopted:

II. Accounting for increase in expenditures for Oil and Gas Severance

- A. 2890 Oil and Gas Severance -overall increase of \$32,032.57
- B. 4075 Curb and Sidewalk-overall increase of \$3,181.47
- C. 2370 PERS-overall increase of \$71,673.42

Adopted by the Commission of the City of Sidney, Montana, on this _____ day of April, 2022.

THE CITY OF SIDNEY

By: _____
Rick Norby, MAYOR

ATTEST:

By: _____
Jessica Chamberlin, CITY CLERK

CITY OF SIDNEY
RICHLAND COUNTY, MONTANA
Fiscal Year Ended June 30, 2021

AUDIT REPORT

DRAFT

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

CITY OF SIDNEY

RICHLAND COUNTY, MONTANA

Fiscal Year Ended June 30, 2021

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CITY OF SIDNEY

RICHLAND COUNTY, MONTANA

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CITY OF SIDNEY
RICHLAND COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2021

Rick Norby

Mayor

CITY COUNCIL

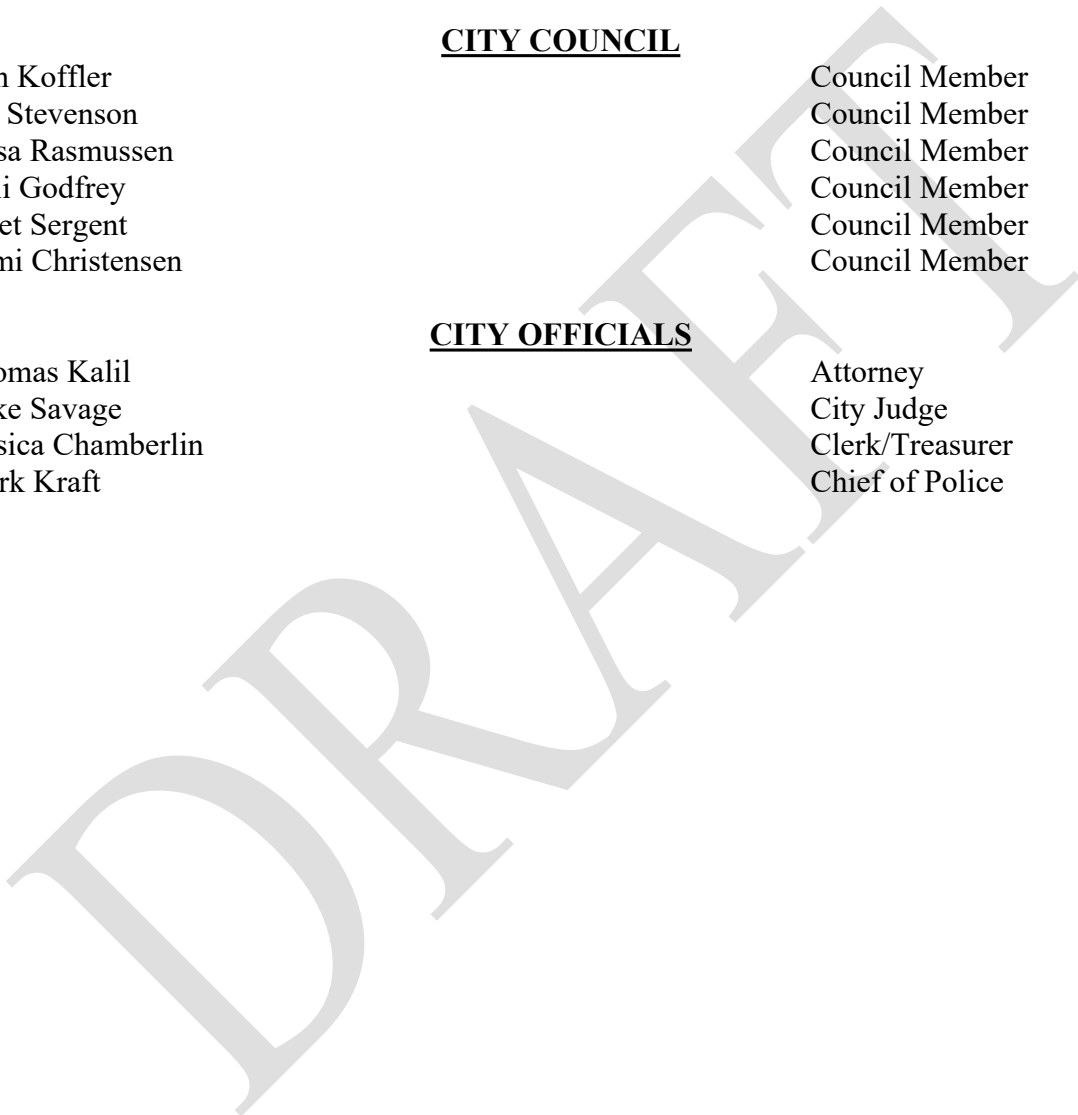
Ken Koffler
Joe Stevenson
Kysa Rasmussen
Kali Godfrey
Janet Sergent
Tami Christensen

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

CITY OFFICIALS

Thomas Kalil
Luke Savage
Jessica Chamberlin
Mark Kraft

Attorney
City Judge
Clerk/Treasurer
Chief of Police



City of Sidney, Richland County, Montana
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2021

This management discussion and analysis provides an overview of the City of Sidney's financial activities for the fiscal year ended June 30, 2021. 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 (\$53,592,927) exceeded its total liabilities (\$19,498,536) as of June 30, 2021 by \$34,094,391 compared \$32,755,463 for the fiscal year ending June 30, 2020. The unrestricted amount of \$7,858,206 may be used to meet the government's general obligations.

- **Fund Highlights**

The City's government activity funds reported a total net position of \$8,544,957. Of this amount, \$2,917,904 is restricted, \$4,809,207 is the net investment in capital assets, and the unrestricted balance is \$817,846.

The City's business-type activity funds reported a net position of \$25,549,434. Of this amount, \$1,069,519 is restricted, \$17,439,555 is net investment in capital assets, and the unrestricted balance is \$7,040,360.

- **Long-term Debt**

The City's total bonds, notes payable, OPEB and compensated absences for governmental activities increased to \$4,788,653 from \$3,458,278 in fiscal year 2021.

Business type activities bonds, notes payable, OPEB and compensated absences reported total \$14,709,883 in fiscal year 2021, increased from \$13,311,000 in fiscal year 2020.

The City of Sidney has started the bonding process for the City Lagoon, of which the first phase is in construction and is funded by Richland County. Phase 2 of the project engineering was bonded in fiscal year 2016, increasing the business type activities bonds, and construction will be bonded via the State of Montana SRF program, the loan closed in the fall of 2016. Phase 3 has also been funded via the State of Montana SRF program, with the closing being done in FY2019-20. Rate increases for the sewer to cover bonding requirements was done in the previous fiscal years, with another rate increase going in effect January 2019. The City of Sidney also started the bonding process for several water projects, to be done each fiscal year over the next 5 years. The first SRF bonding water project was the Holly Street Project and the West Holly Water Project. 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.

- **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 Position* 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.

The City's major governmental fund for reporting purposes for fiscal year 2021 are the General Fund.

- **Proprietary 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. Proprietary 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 Position

As noted earlier, net position 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 2021 fiscal year end, the City of Sidney reported fund balances for the governmental funds of \$3,889,583. Of that amount, \$1,098,046 is listed as restricted and committed. The balance of \$1,070,645 is reported as unrestricted and is therefore available for financing future appropriated expenditures.

At the 2021 fiscal year end, the City of Sidney reported fund balances for the business type funds of \$25,549,434. Of that amount, \$1,069,519 is listed as restricted. The balance of \$7,040,360 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 2021, the City of Sidney appropriated \$2,555,350 in expenditures, but only spent \$2,247,714. The difference of \$307,636 in unused appropriation is due to multiple causes, including not purchasing all capital outlay budgeted, and employee shortages.

In fiscal year 2021, the City of Sidney budgeted a total of \$2,310,576 in revenue to be received, but actually received \$2,242,455. The under revenue of \$68,121 was due to an overall decrease in revenue for all areas of the general fund that was not anticipated when budgeting, a majority of which came from fines and forfeitures.

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.

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 152.80 mills authorized for the City levy for fiscal year 2021. Of those mills, 85.00 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.

City of Sidney, Richland County, Montana
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2021

Item b.

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY21	FY20	Change Inc (Dec)	FY21	FY20	Change Inc (Dec)
	Current and other assets	\$ 8,099,186	\$ 6,795,385	\$ 1,303,801	\$ 10,280,428	\$ 9,490,757
Capital assets	5,234,424	5,420,271	(185,847)	29,978,889	27,818,328	2,160,561
Total assets	<u>\$ 13,333,610</u>	<u>\$ 12,215,656</u>	<u>\$ 1,117,954</u>	<u>\$ 40,259,317</u>	<u>\$ 37,309,085</u>	<u>\$ 2,950,232</u>
Long-term debt outstanding	\$ 2,615,471	\$ 2,368,515	\$ 246,956	\$ 14,130,147	\$ 13,013,094	\$ 1,117,053
Other liabilities	2,173,182	1,089,763	1,083,419	579,736	297,906	281,830
Total liabilities	<u>\$ 4,788,653</u>	<u>\$ 3,458,278</u>	<u>\$ 1,330,375</u>	<u>\$ 14,709,883</u>	<u>\$ 13,311,000</u>	<u>\$ 1,398,883</u>
Net investment in capital assets	\$ 4,809,207	\$ 4,836,067	\$ (26,860)	\$ 17,439,555	\$ 16,016,991	\$ 1,422,564
Restricted	2,917,904	2,647,270	270,634	1,069,519	853,199	216,320
Unrestricted (deficit)	817,846	1,274,041	(456,195)	7,040,360	7,127,895	(87,535)
Total net position	<u>\$ 8,544,957</u>	<u>\$ 8,757,378</u>	<u>\$ (212,421)</u>	<u>\$ 25,549,434</u>	<u>\$ 23,998,085</u>	<u>\$ 1,551,349</u>

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	FY21	FY20	Change Inc (Dec)	FY21	FY20	Change Inc (Dec)
	Revenues					
<i>Program revenues (by major source):</i>						
Charges for services	\$ 910,284	\$ 853,581	\$ 56,703	\$ 4,806,724	\$ 4,551,377	\$ 255,347
Operating grants and contributions	275,561	246,678	28,883	-	-	-
Capital grants and contributions	70,517	-	70,517	15,000	200,000	(185,000)
<i>General revenues (by major source):</i>						
Property taxes for general purposes	1,769,263	1,740,828	28,435	-	-	-
Licenses and permits	44,794	51,673	(6,879)	-	-	-
Video poker apportionment	23,400	19,725	3,675	-	-	-
P I L T	2,317	18	2,299	-	-	-
Miscellaneous	57,648	24,318	33,330	40,003	22,131	17,872
Interest/investment earnings	36,488	133,750	(97,262)	11,906	139,246	(127,340)
Montana oil and gas production tax	123,034	-	123,034	-	-	-
State entitlement	895,544	866,394	29,150	-	-	-
Contributions & donations	27,070	56,534	(29,464)	-	-	-
State contributions to retirement	91,342	30,530	60,812	70,448	23,079	47,369
Total revenues	<u>\$ 4,327,262</u>	<u>\$ 4,024,029</u>	<u>\$ 303,233</u>	<u>\$ 4,944,081</u>	<u>\$ 4,935,833</u>	<u>\$ 8,248</u>
Program expenses						
General government	\$ 683,851	\$ 635,090	\$ 48,761	\$ -	\$ -	\$ -
Public safety	2,019,848	1,950,500	69,348	-	-	-
Public works	1,224,198	927,819	296,379	-	-	-
Public health	-	1,736	(1,736)	-	-	-
Culture and recreation	582,778	532,154	50,624	-	-	-
Housing and community development	2,215	530	1,685	-	-	-
Debt service - interest	26,793	33,648	(6,855)	-	-	-
Water	-	-	-	1,094,578	918,030	176,548
Sewer	-	-	-	1,231,855	1,030,890	200,965
Solid Waste	-	-	-	818,938	604,383	214,555
Sweeping	-	-	-	247,361	115,584	131,777
Total expenses	<u>\$ 4,539,683</u>	<u>\$ 4,081,477</u>	<u>\$ 458,206</u>	<u>\$ 3,392,732</u>	<u>\$ 2,668,887</u>	<u>\$ 723,845</u>
Increase (decrease) in net position	<u>\$ (212,421)</u>	<u>\$ (57,448)</u>	<u>\$ (154,973)</u>	<u>\$ 1,551,349</u>	<u>\$ 2,266,946</u>	<u>\$ (715,597)</u>

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

Item b.

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

Report on the Financial Statements

We have audited the accompanying 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, 2021, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sidney, Richland County, Montana, as of and for the year ended June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financials statements, in 2021, the City adopted new accounting guidance, GASB No. 84 Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 8, and 53 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S., *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2022, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sidney, Richland County, Montana’s internal control over financial reporting and compliance.

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

March 22, 2022

DRAFT

City of Sidney, Richland County, Montana
Statement of Net Position
June 30, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 5,949,983	\$ 8,266,259	\$ 14,216,242
Taxes and assessments receivable, net	1,049,841	129,585	1,179,426
Accounts receivable - net	-	442,068	442,068
Due from other governments	24,669	-	24,669
Capital Credits	36,079	51,732	87,811
Total current assets	<u>\$ 7,060,572</u>	<u>\$ 8,889,644</u>	<u>\$ 15,950,216</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 1,069,519	\$ 1,069,519
Deferred assessments receivable	622,065	-	622,065
Capital assets - land	364,410	566,125	930,535
Capital assets - construction in progress	-	20,088,552	20,088,552
Capital assets - depreciable, net	4,870,014	9,324,212	14,194,226
Total noncurrent assets	<u>\$ 5,856,489</u>	<u>\$ 31,048,408</u>	<u>\$ 36,904,897</u>
Total assets	<u>\$ 12,917,061</u>	<u>\$ 39,938,052</u>	<u>\$ 52,855,113</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 416,549	\$ 321,265	\$ 737,814
Total deferred outflows of resources	<u>\$ 416,549</u>	<u>\$ 321,265</u>	<u>\$ 737,814</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,333,610</u>	<u>\$ 40,259,317</u>	<u>\$ 53,592,927</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 562,126	\$ -	\$ 562,126
Accounts payable	695,613	508,100	1,203,713
Revenues collected in advance	788,414	3,680	792,094
Payroll liabilities	38,916	-	38,916
Current portion of long-term capital liabilities	128,664	642,133	770,797
Current portion of compensated absences payable	199,662	110,269	309,931
Total current liabilities	<u>\$ 2,413,395</u>	<u>\$ 1,264,182</u>	<u>\$ 3,677,577</u>
Noncurrent liabilities			
Noncurrent portion of OPEB	\$ 153,394	\$ 53,895	\$ 207,289
Noncurrent portion of long-term capital liabilities	296,553	11,897,201	12,193,754
Noncurrent portion of compensated absences	61,516	57,147	118,663
Net pension liability	1,775,682	1,369,502	3,145,184
Total noncurrent liabilities	<u>\$ 2,287,145</u>	<u>\$ 13,377,745</u>	<u>\$ 15,664,890</u>
Total liabilities	<u>\$ 4,700,540</u>	<u>\$ 14,641,927</u>	<u>\$ 19,342,467</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 88,113	\$ 67,956	\$ 156,069
Total deferred inflows of resources	<u>\$ 88,113</u>	<u>\$ 67,956</u>	<u>\$ 156,069</u>
NET POSITION			
Net investment in capital assets	\$ 4,809,207	\$ 17,439,555	\$ 22,248,762
Restricted for debt service	682,194	1,069,519	1,751,713
Restricted for special projects	2,235,710	-	2,235,710
Unrestricted	817,846	7,040,360	7,858,206
Total net position	<u>\$ 8,544,957</u>	<u>\$ 25,549,434</u>	<u>\$ 34,094,391</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 13,333,610</u>	<u>\$ 40,259,317</u>	<u>\$ 53,592,927</u>

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 683,851	\$ 3,301	\$ -	\$ -	\$ (680,550)	\$ -	\$ (680,550)
Public safety	2,019,848	153,785	16,188	23,926	(1,825,949)	-	(1,825,949)
Public works	1,224,198	704,826	259,373	28,925	(231,074)	-	(231,074)
Culture and recreation	582,778	48,372	-	17,666	(516,740)	-	(516,740)
Housing and community development	2,215	-	-	-	(2,215)	-	(2,215)
Debt service - interest	26,793	-	-	-	(26,793)	-	(26,793)
Total governmental activities	\$ 4,539,683	\$ 910,284	\$ 275,561	\$ 70,517	\$ (3,283,321)	\$ -	\$ (3,283,321)
Business-type activities:							
Water	\$ 1,094,578	\$ 1,938,379	\$ -	\$ -	\$ -	\$ 843,801	\$ 843,801
Sewer	1,231,855	1,938,920	-	15,000	-	722,065	722,065
Solid Waste	818,938	742,451	-	-	-	(76,487)	(76,487)
Sweeping	247,361	186,974	-	-	-	(60,387)	(60,387)
Total business-type activities	\$ 3,392,732	\$ 4,806,724	\$ -	\$ 15,000	\$ -	\$ 1,428,992	\$ 1,428,992
Total primary government	\$ 7,932,415	\$ 5,717,008	\$ 275,561	\$ 85,517	\$ (3,283,321)	\$ 1,428,992	\$ (1,854,329)
General Revenues:							
Property taxes for general purposes					\$ 1,769,263	\$ -	\$ 1,769,263
Licenses and permits					44,794	-	44,794
Video poker apportionment					23,400	-	23,400
P I L T					2,317	-	2,317
Miscellaneous					57,648	40,003	97,651
Interest/investment earnings					36,488	11,906	48,394
Montana oil and gas production tax					123,034	-	123,034
State entitlement					895,544	-	895,544
Contributions & donations					27,070	-	27,070
State contributions to retirement					91,342	70,448	161,790
Total general revenues, special items and transfers					\$ 3,070,900	\$ 122,357	\$ 3,193,257
Change in net position					\$ (212,421)	\$ 1,551,349	\$ 1,338,928
Net position - beginning					\$ 8,757,378	\$ 23,998,085	\$ 32,755,463
Net position - end					\$ 8,544,957	\$ 25,549,434	\$ 34,094,391

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Current assets:			
Cash and investments	\$ 2,008,376	\$ 3,941,607	\$ 5,949,983
Taxes and assessments receivable, net	412,665	637,176	1,049,841
Due from other funds	95,528	-	95,528
Due from other governments	23,925	744	24,669
Capital Credits	36,079	-	36,079
Total current assets	<u>\$ 2,576,573</u>	<u>\$ 4,579,527</u>	<u>\$ 7,156,100</u>
Noncurrent assets:			
Deferred assessments receivable	-	622,065	622,065
Total noncurrent assets	<u>\$ -</u>	<u>\$ 622,065</u>	<u>\$ 622,065</u>
TOTAL ASSETS	<u>\$ 2,576,573</u>	<u>\$ 5,201,592</u>	<u>\$ 7,778,165</u>
LIABILITIES			
Current liabilities:			
Warrants payable	\$ 562,126	\$ -	\$ 562,126
Accounts payable	357,835	337,778	695,613
Due to other funds	-	95,528	95,528
Revenues collected in advance	-	788,414	788,414
Payroll liabilities	38,916	-	38,916
Total liabilities	<u>\$ 958,877</u>	<u>\$ 1,221,720</u>	<u>\$ 2,180,597</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - taxes and assessments	\$ 412,665	\$ 1,259,241	\$ 1,671,906
Deferred inflows of resources - capital credits	36,079	-	36,079
Total deferred inflows of resources	<u>\$ 448,744</u>	<u>\$ 1,259,241</u>	<u>\$ 1,707,985</u>
FUND BALANCES			
Restricted	\$ -	\$ 1,720,892	\$ 1,720,892
Committed	-	1,098,046	1,098,046
Unassigned fund balance	1,168,952	(98,307)	1,070,645
Total fund balance	<u>\$ 1,168,952</u>	<u>\$ 2,720,631</u>	<u>\$ 3,889,583</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,576,573</u>	<u>\$ 5,201,592</u>	<u>\$ 7,778,165</u>

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, 2021

Total fund balances - governmental funds	\$	3,889,583
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,234,424
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.		1,671,906
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.		36,079
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(839,789)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(1,775,682)
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.		416,549
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, there for are not reported in the funds.		(88,113)
Total net position - governmental activities	\$	<u>8,544,957</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, 2021

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes and assessments	\$ 964,288	\$ 1,399,685	\$ 2,363,973
Licenses and permits	44,794	-	44,794
Intergovernmental	1,113,858	367,858	1,481,716
Charges for services	52,157	1,012	53,169
Fines and forfeitures	147,106	6,679	153,785
Miscellaneous	40,844	39,573	80,417
Investment earnings	14,692	21,796	36,488
Total revenues	<u>\$ 2,377,739</u>	<u>\$ 1,836,603</u>	<u>\$ 4,214,342</u>
EXPENDITURES			
General government	\$ 430,177	\$ 56,574	\$ 486,751
Public safety	1,477,151	382,233	1,859,384
Public works	94,033	803,398	897,431
Culture and recreation	244,800	215,517	460,317
Debt service - principal	-	158,987	158,987
Debt service - interest	-	26,793	26,793
Capital outlay	123,086	332,671	455,757
Total expenditures	<u>\$ 2,369,247</u>	<u>\$ 1,976,173</u>	<u>\$ 4,345,420</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 8,492</u>	<u>\$ (139,570)</u>	<u>\$ (131,078)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 298,500	\$ 298,500
Transfers out	(298,500)	-	(298,500)
Total other financing sources (uses)	<u>\$ (298,500)</u>	<u>\$ 298,500</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (290,008)</u>	<u>\$ 158,930</u>	<u>\$ (131,078)</u>
Fund balances - beginning	\$ 1,458,960	\$ 2,561,701	\$ 4,020,661
Fund balance - ending	<u>\$ 1,168,952</u>	<u>\$ 2,720,631</u>	<u>\$ 3,889,583</u>

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, 2021

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

Net change in fund balances - total governmental funds	\$	(131,078)
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		455,757
- Depreciation expense		(641,604)
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)		112,920
The change in compensated absences is shown as an expense in the Statement of Activities		(3,271)
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		158,987
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		(10,451)
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		(264,849)
Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.		111,168
Change in net position - Statement of Activities	\$	<u>(212,421)</u>

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Solid Waste	Non-major Enterprise	Totals
ASSETS					
Current assets:					
Cash and investments	\$ 3,694,673	\$ 3,759,839	\$ 668,218	\$ 143,529	\$ 8,266,259
Taxes and assessments receivable, net	-	4,592	61,283	63,710	129,585
Accounts receivable - net	258,120	183,948	-	-	442,068
Capital Credits	25,866	25,866	-	-	51,732
Total current assets	\$ 3,978,659	\$ 3,974,245	\$ 729,501	\$ 207,239	\$ 8,889,644
Noncurrent assets:					
Restricted cash and investments	\$ 288,507	\$ 781,012	\$ -	\$ -	\$ 1,069,519
Capital assets - land	-	543,936	18,239	3,950	566,125
Capital assets - construction in progress	1,966,597	18,121,955	-	-	20,088,552
Capital assets - depreciable, net	5,711,602	2,755,625	698,716	158,269	9,324,212
Total noncurrent assets	\$ 7,966,706	\$ 22,202,528	\$ 716,955	\$ 162,219	\$ 31,048,408
Total assets	\$ 11,945,365	\$ 26,176,773	\$ 1,446,456	\$ 369,458	\$ 39,938,052
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - pensions	\$ 90,400	\$ 96,966	\$ 110,464	\$ 23,435	\$ 321,265
Total deferred outflows of resources	\$ 90,400	\$ 96,966	\$ 110,464	\$ 23,435	\$ 321,265
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 12,035,765	\$ 26,273,739	\$ 1,556,920	\$ 392,893	\$ 40,259,317
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 240,756	\$ 258,288	\$ 5,354	\$ 3,702	\$ 508,100
Revenues collected in advance	2,079	1,601	-	-	3,680
Current portion of long-term capital liabilities	87,133	555,000	-	-	642,133
Current portion of compensated absences payable	27,692	25,734	42,046	14,797	110,269
Total current liabilities	\$ 357,660	\$ 840,623	\$ 47,400	\$ 18,499	\$ 1,264,182
Noncurrent liabilities:					
Noncurrent portion of OPEB	\$ 20,729	\$ 26,947	\$ 6,219	\$ -	\$ 53,895
Noncurrent portion of long-term capital liabilities	1,794,127	10,103,074	-	-	11,897,201
Noncurrent portion of compensated absences	21,364	11,520	20,689	3,574	57,147
Net pension liability	385,362	413,350	470,889	99,901	1,369,502
Total noncurrent liabilities	\$ 2,221,582	\$ 10,554,891	\$ 497,797	\$ 103,475	\$ 13,377,745
Total liabilities	\$ 2,579,242	\$ 11,395,514	\$ 545,197	\$ 121,974	\$ 14,641,927
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - pensions	\$ 19,122	\$ 20,511	\$ 23,366	\$ 4,957	\$ 67,956
Total deferred inflows of resources	\$ 19,122	\$ 20,511	\$ 23,366	\$ 4,957	\$ 67,956
NET POSITION					
Net investment in capital assets	\$ 5,796,939	\$ 10,763,442	\$ 716,955	\$ 162,219	\$ 17,439,555
Restricted for debt service	288,507	781,012	-	-	1,069,519
Unrestricted	3,351,955	3,313,260	271,402	103,743	7,040,360
Total net position	\$ 9,437,401	\$ 14,857,714	\$ 988,357	\$ 265,962	\$ 25,549,434
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 12,035,765	\$ 26,273,739	\$ 1,556,920	\$ 392,893	\$ 40,259,317

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, 2021

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Solid Waste	Non-major Enterprise	Totals
OPERATING REVENUES					
Charges for services	\$ 1,939,832	\$ 1,927,876	\$ 23,953	\$ -	\$ 3,891,661
Miscellaneous revenues	-	18,723	19,827	-	38,550
Special assessments	-	11,044	718,498	186,974	916,516
Total operating revenues	<u>\$ 1,939,832</u>	<u>\$ 1,957,643</u>	<u>\$ 762,278</u>	<u>\$ 186,974</u>	<u>\$ 4,846,727</u>
OPERATING EXPENSES					
Personal services	\$ 452,928	\$ 530,945	\$ 600,725	\$ 148,006	\$ 1,732,604
Supplies	77,948	42,006	54,739	15,408	190,101
Purchased services	204,356	186,583	73,457	23,043	487,439
Fixed charges	18,500	23,200	10,500	4,354	56,554
Depreciation	286,982	143,540	79,517	56,550	566,589
Total operating expenses	<u>\$ 1,040,714</u>	<u>\$ 926,274</u>	<u>\$ 818,938</u>	<u>\$ 247,361</u>	<u>\$ 3,033,287</u>
Operating income (loss)	<u>\$ 899,118</u>	<u>\$ 1,031,369</u>	<u>\$ (56,660)</u>	<u>\$ (60,387)</u>	<u>\$ 1,813,440</u>
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	\$ 19,823	\$ 36,263	\$ 24,223	\$ 5,139	\$ 85,448
Interest revenue	2,692	2,942	2,442	3,830	11,906
Debt service interest expense	(53,864)	(305,581)	-	-	(359,445)
Total non-operating revenues (expenses)	<u>\$ (31,349)</u>	<u>\$ (266,376)</u>	<u>\$ 26,665</u>	<u>\$ 8,969</u>	<u>\$ (262,091)</u>
Change in net position	<u>\$ 867,769</u>	<u>\$ 764,993</u>	<u>\$ (29,995)</u>	<u>\$ (51,418)</u>	<u>\$ 1,551,349</u>
Net Position - Beginning of the year	\$ 8,569,632	\$ 14,092,721	\$ 1,018,352	\$ 317,380	\$ 23,998,085
Net Position - End 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>

See accompanying Notes to the Financial Statements

City of Sidney, Richland County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2021

	Business - Type Activities - Enterprise Funds				
	Water	Sewer	Solid Waste	Non-Major Enterprise	Totals
Cash flows from operating activities:					
Cash received from providing services	\$ 1,931,109	\$ 1,947,164	\$ 779,550	\$ 154,004	\$ 4,811,827
Cash received from miscellaneous sources	-	18,723	19,827	-	38,550
Cash payments to suppliers	(31,815)	(65,206)	(60,960)	(16,322)	(174,303)
Cash payments for professional services	(204,356)	(186,583)	(73,457)	(23,043)	(487,439)
Cash payments to employees	(425,645)	(449,359)	(541,121)	(122,776)	(1,538,901)
Net cash provided (used) by operating activities	<u>\$ 1,269,293</u>	<u>\$ 1,264,739</u>	<u>\$ 123,839</u>	<u>\$ (8,137)</u>	<u>\$ 2,649,734</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	\$ (1,470,308)	\$ (469,007)	\$ (288,995)	\$ (195,198)	\$ (2,423,508)
Principal paid on debt	(86,864)	(618,000)	-	-	(704,864)
Interest paid on debt	(53,864)	(305,581)	-	-	(359,445)
Proceeds from bonds, loans and advances	1,326,498	116,363	-	-	1,442,861
Net cash provided (used) by capital and related financing activities	<u>\$ (284,538)</u>	<u>\$ (1,276,225)</u>	<u>\$ (288,995)</u>	<u>\$ (195,198)</u>	<u>\$ (2,044,956)</u>
Cash flows from non-capital financing activities:					
Cash received from other governments	\$ 19,823	\$ 36,263	\$ 24,223	\$ 5,139	\$ 85,448
Net cash provided (used) from non-capital financing activities	<u>\$ 19,823</u>	<u>\$ 36,263</u>	<u>\$ 24,223</u>	<u>\$ 5,139</u>	<u>\$ 85,448</u>
Cash flows from investing activities:					
Interest on investments	\$ 1,261	\$ 1,511	\$ 2,442	\$ 3,830	\$ 9,044
Net cash provided (used) by investing activities	<u>\$ 1,261</u>	<u>\$ 1,511</u>	<u>\$ 2,442</u>	<u>\$ 3,830</u>	<u>\$ 9,044</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 1,005,839</u>	<u>\$ 26,288</u>	<u>\$ (138,491)</u>	<u>\$ (194,366)</u>	<u>\$ 699,270</u>
Cash and cash equivalents at beginning	<u>2,977,341</u>	<u>4,514,563</u>	<u>806,709</u>	<u>337,895</u>	<u>8,636,508</u>
Cash and cash equivalents at end	<u>\$ 3,983,180</u>	<u>\$ 4,540,851</u>	<u>\$ 668,218</u>	<u>\$ 143,529</u>	<u>\$ 9,335,778</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 899,118	\$ 1,031,369	\$ (56,660)	\$ (60,387)	\$ 1,813,440
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	286,982	143,540	79,517	56,550	566,589
Changes in assets and liabilities:					
Accounts receivable	(8,723)	8,075	37,099		36,451
Assessments receivable		169		(32,970)	(32,801)
Deferred inflows/outflows	(51,788)	(56,555)	(63,311)	(13,699)	(185,353)
Accounts payable	64,633	-	4,279	3,440	72,352
Compensated absences	(7,757)	29,217	17,669	12,563	51,692
Other post-employment benefits	1,412	1,836	424	-	3,672
Net pension liability	85,416	107,088	104,822	26,366	323,692
Net cash provided (used) by operating activities	<u>\$ 1,269,293</u>	<u>\$ 1,264,739</u>	<u>\$ 123,839</u>	<u>\$ (8,137)</u>	<u>\$ 2,649,734</u>

See accompanying notes to the financial statements

City of Sidney, Richland County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2021

		<u>Custodial Funds</u>	
		<u>Custodial Funds</u>	
ASSETS			
Cash and short-term investments	\$	54,324	
Taxes receivable		23,060	
Total assets	\$	<u>77,384</u>	
 NET POSITION			
Restricted for:			
Individuals, organizations, and other governments	\$	<u>77,384</u>	
TOTAL NET POSTION	\$	<u>77,384</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, 2021

		<u>Custodial Funds</u>
		<u>Custodial Funds</u>
ADDITIONS		
Taxes, licenses, and fees collected for other governments	\$	102,172
Miscellaneous		4,359
Total additions	\$	<u>106,531</u>
DEDUCTIONS		
Other expenditures	\$	108,169
Total deductions	\$	<u>108,169</u>
Change in net position	\$	<u>(1,638)</u>
Net Position - Beginning of the year	\$	-
Restatements		79,022
Net Position - Beginning of the year - Restated	\$	<u>79,022</u>
Net Position - End of the year	\$	<u><u>77,384</u></u>
See accompanying Notes to the Financial Statements		

CITY OF SIDNEY
RICHLAND COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective immediately as of May 2020. The statement was implemented in response to the COVID-19 pandemic providing temporary relief to governments in relation to other GASB statements that were to be effective for the fiscal year ending June 30, 2020. That statement postponed the effective dates of implementation for the following GASB Statements; GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 93 *Replacement of Interbank Offered Rates*. In addition, any of the recent implementation guides issued were postponed.

GASB No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for years beginning after July 15, 2018. The objective of this Statement is to improve the information disclosed below related to the debt of the City, that includes direct borrowings and direct placements. For the purposes of disclosures in the following notes to the financial statements, debt is now defined as a liability that arises from contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date of the contractual obligations. This excludes leases, except for contracts reported as a financed purchased of an asset, or accounts payable. In addition, the Statement requires that the City disclose summarized information about unused lines of credit, assets pledged as collateral, and terms specified in debt agreements that are significant. The City has implemented this pronouncement for the current fiscal year and it is related in the debt footnotes below if applicable.

GASB No. 84 *Fiduciary Activities* is effective for years beginning after December 15, 2020. The Statement establishes accounting and financial reporting standards for fiduciary activities though defining specific criteria on the types of fiduciary activities that includes fiduciary component units and fiduciary activities. The criteria specifically defined in the statement determine the reporting of the fiduciary activities that include pension trust funds, private purpose trust funds, investment trust funds, and custodial funds (previously reported as agency funds). At Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position required for all of the fiduciary activities previously mentioned above. The City has implemented this pronouncement in the current fiscal year.

CITY OF SIDNEY
RICHLAND COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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.

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. 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.

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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.

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.

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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.

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.

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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.

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 consists of reporting of resources held by the City as an agent for individuals, private organizations, other local governmental entities.

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NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2021, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash in banks:	
Demand deposits	\$ 15,340,085
Total	<u>\$ 15,340,085</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 funds consider all funds (including restricted assets) held in the City’s cash management pool to be cash equivalents.

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.

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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.

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, 2021, the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	June 30, 2021 <u>Balance</u>
Insured	\$ 250,000
- Collateral held by the pledging bank's trust department but not in the County's name	10,715,956
Uninsured and uncollateralized	<u>4,358,471</u>
Total deposits and investments	<u>\$ 15,324,427</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, 2021, equaled or exceeded the amount required by State statutes.

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NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the City as of June 30, 2021. 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	Rural Development Debt Service Reserve	\$ 206,907
Water Fund	DNRC Debt Service Reserve	81,600
Sewer Fund	SRF 17404 Debt Service Reserve	272,138
Sewer Fund	SFR 19450 Debt Service Reserve	<u>508,874</u>
Total		<u>\$ 1,069,519</u>

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

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

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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

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

Governmental activities:

	Balance July 1, 2020	Additions	Transfers	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 364,410	\$ -	\$ -	\$ 364,410
Construction in progress	208,852	-	(208,852)	-
Total capital assets not being depreciated	<u>\$ 573,262</u>	<u>\$ -</u>	<u>\$ (208,852)</u>	<u>\$ 364,410</u>
Other capital assets:				
Buildings	\$ 406,566	\$ -	\$ -	\$ 406,566
Improvements other than buildings	3,694,327	33,228	208,852	3,936,407
Machinery and equipment	4,392,762	379,904	-	4,772,666
Infrastructure	10,948,230	42,625	-	10,990,855
Total other capital assets at historical cost	\$ 19,441,885	\$ 455,757	\$ 208,852	\$ 20,106,494
Less: accumulated depreciation	(14,594,876)	(641,604)	-	(15,236,480)
Total	<u>\$ 5,420,271</u>	<u>\$ (185,847)</u>	<u>\$ -</u>	<u>\$ 5,234,424</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 29,697
Public safety	160,464
Public works	326,767
Culture and recreation	122,461
Housing and community development	<u>2,215</u>
Total governmental activities depreciation expense	<u>\$ 641,604</u>

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

Business-type activities:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	Balance <u>June 30, 2021</u>
Capital assets not being depreciated:			
Land	\$ 566,125	\$ -	\$ 566,125
Construction in progress	18,174,214	1,914,338	20,088,552
Total capital assets not being depreciated	<u>\$ 18,740,339</u>	<u>\$ 1,914,338</u>	<u>\$ 20,654,677</u>
Other capital assets:			
Buildings	\$ 18,203	\$ 4,159	\$ 22,362
Improvements other than buildings	35,629	-	35,629
Machinery and equipment	1,915,302	480,034	2,395,336
Treatment plant	3,015,259	-	3,015,259
Source of supply	1,541,070	-	1,541,070
Transmission and distribution	11,802,264	124,852	11,927,116
General plant	938,361	203,767	1,142,128
Total other capital assets at historical cost	<u>\$ 19,266,088</u>	<u>\$ 812,812</u>	<u>\$ 20,078,900</u>
Less: accumulated depreciation	<u>(10,188,099)</u>	<u>(566,589)</u>	<u>(10,754,688)</u>
Total	<u>\$ 27,818,328</u>	<u>\$ 2,160,561</u>	<u>\$ 29,978,889</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, 2021, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>	Due Within <u>One Year</u>
Special assessment bond	\$ 553,845	\$ -	\$ (128,628)	\$ 425,217	\$ 128,664
Contracted debt	30,359	-	(30,359)	-	-
Compensated absences	257,907	3,271	-	261,178	199,662
Total	<u>\$ 842,111</u>	<u>\$ 3,271</u>	<u>\$ (158,987)</u>	<u>\$ 686,395</u>	<u>\$ 328,326</u>

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

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Business-type Activities:

	Balance			Balance		Due Within
	July 1, 2020	Additions	Deletions	June 30, 2021		One Year
Revenue bonds	\$ 11,801,337	\$ 1,442,861	\$ (704,864)	\$ 12,539,334	\$	642,133
Compensated absences	115,724	51,692	-	167,416		110,269
Total	<u>\$ 11,917,061</u>	<u>\$ 1,494,553</u>	<u>\$ (704,864)</u>	<u>\$ 12,706,750</u>	\$	<u>752,402</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, 2021, were as follows:

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bonds Amount	Annual Payment	Balance June 30, 2021
SID 101A	9/1/04	2.00-5.50%	18 yrs	7/1/22	\$ 285,000	Varies	\$ 16,937
SID 102	4/1/07	4.49%	18 yrs	1/1/23	970,000	Varies	108,394
SID 104	9/21/10	4.90%	20 yrs	7/1/29	665,000	Varies	299,886
					<u>\$ 1,920,000</u>		<u>\$ 425,217</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2022	\$ 128,664	\$ 21,261
2023	76,775	15,689
2024	43,327	11,868
2025	45,667	9,528
2026	48,133	7,062
2027	50,732	4,463
2028	31,919	1,724
Total	<u>\$ 425,217</u>	<u>\$ 71,595</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, 2021</u>
USDA Loan - Water	11/18/04	4.25%	40 yrs	3/18/42	\$ 860,000	Varies	\$ 621,762
WRF Loan #21459	7/15/20	2.50%	40 yrs	7/1/40	1,710,000	Varies	1,259,498
SRF Loan #17404 - Phase II	11/23/16	2.50%	20 yrs	6/30/36	8,523,000	Varies	6,954,980
SFR Loan #16383 - Phase I	9/22/15	2.50%	20 yrs	7/1/35	828,700	Varies	461,000
SRF Loan Phase III Loan A - 19449 *	3/15/19	NA	NA	NA	300,000	NA	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>2,942,094</u>
					<u>\$15,961,700</u>		<u>\$ 12,539,334</u>

Reported in business-type activities.

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 \$54,813 plus a reserve requirement equal to the maximum principal and interest on the Rural Development bonds of \$152,094 was required. These are reported as restricted cash in the amount of \$288,507 on the Water Fund's Statement of Net Position. This City is in compliance with this requirement as of June 30, 2021.

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2. The City is also to maintain a Sewer Account. The required amount was calculated to be \$781,012. 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, 2021.

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 \$85,824 in the Water fund and \$886,817 in the Sewer fund. The City exceeded these requirements in both funds, and therefore, was in compliance with this requirement as of June 30, 2021.

* This loan will be forgiven upon completion of the project. Therefore, this loan is not included in the amortization schedule below.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 642,133	\$ 280,111
2023	656,237	271,672
2024	676,757	255,705
2025	692,656	241,006
2026	710,595	225,941
2027	733,610	208,413
2028	747,562	196,559
2029	766,664	178,192
2030	785,776	161,438
2031	804,938	144,259
2032	814,148	126,622
2033	833,413	108,535
2034	856,731	89,985
2035	878,107	70,932
2036	862,542	51,558
2037	556,518	32,273
2038	62,697	14,205
2039	39,233	5,971
2040	40,934	4,270
2041	42,721	2,483
2042	35,362	9,853
Total	<u>\$ 12,239,334</u>	<u>\$ 2,679,983</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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	-
Active employees	41
Total employees	41

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Total OPEB Liability

The City’s total OPEB liability of \$207,289 at June 30, 2021, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2020, and applying standard roll forward procedures to June 30, 2021.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2021 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)	2.10%
Average salary increase (Consumer Price Index)	1.50%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2021	5.10%
2022	5.70%
2023	5.60%
2024	5.50%
2025	5.70%
2026	5.80%
2027	5.60%
2028	5.60%
2029	5.60%
2030 and after	5.60%

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, 2017 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 68, No. 7, June 24, 2019.

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 6/30/2020	\$ <u>193,166</u>
Changes for the year:	
Service Cost	\$ <u>14,123</u>
Net Changes	\$ <u>14,123</u>
Balance at 6/30/2021	\$ <u><u>207,289</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 (1.10%)	Discount Rate (2.10%)	1% Increase (3.10%)
Total OPEB Liability	\$ 235,797	\$ 193,166	\$ 160,030

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	\$ 153,931	\$ 193,166	\$ 244,589

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

In fiscal year ending June 30, 2021, the above sensitivity analysis does not reflect the change to the total OPEB liability. The total OPEB liability in the analysis is based on the June 30, 2020 calculated liability per valuation completed on June 30, 2020.

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

For the year ended June 30, 2020, the City recognized an OPEB expense of \$14,123. 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, 2021, 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	Local Government 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	17,729
Short-term cash loan	General – Major Governmental	SID #103– Nonmajor Governmental	8,767
Short-term cash loan	General – Major Governmental	SID #104– Nonmajor Governmental	44,368
Short-term cash loan	General – Major Governmental	SID #104– Nonmajor Governmental	5,390
			<u>\$ 95,528</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2021:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operations	Tennis Courts – Nonmajor Governmental	General – Major Governmental	\$ 8,500
Future capital expenditures	Parks CIP– Nonmajor Governmental	General– Major Governmental	50,000
Future capital expenditures	Police CIP– Nonmajor Governmental	Oil/Gas Severance Tax *– Major Governmental	75,000
Future capital expenditures	Police Investigative CIP– Nonmajor Governmental	General– Major Governmental	35,000
Future capital expenditures	Capital Projects Street Equipment– Nonmajor Governmental	Oil/Gas Severance Tax * – Major Governmental	30,000
Future capital expenditures	Capital Projects Fire Equipment– Nonmajor Governmental	Oil/Gas Severance Tax *– Major Governmental	100,000
			<u>\$ 298,500</u>

*Reported with the General fund in accordance with GASB 54

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NOTE 10. NET PENSION LIABILITY

As of June 30, 2021, the City/Town reported the following balances as its proportionate share of PERS pension amounts:

City's/Town's Proportionate Share Associated With:

		PERS
Net Pension Liability	\$	3,145,184
Deferred outflows of resources*	\$	737,814
Deferred inflows of resources	\$	156,070
Pension expense	\$	453,812

*Deferred outflows for PERS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$196,907. This amount will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2021.

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

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (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).

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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 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.

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.

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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 .77% effective July 1, 2017).
- 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

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.

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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

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.

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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
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. Rates are specified by state law and are a percentage of the member’s compensation.
 - a. Contributions are deducted from each member’s salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers.
 - b. The 7.90% member contributions is 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 rates.
3. 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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4. Non-Employer Contributions

a. 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 \$33,454,182.

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, 2020, was determined by taking the results of the June 30, 2019, 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 NPLS for June 30, 2021, and 2020, 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 \$3,145,184 and the City's proportionate share was 0.119217 percent.

	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 3,145,184	\$ 2,429,271	0.119217%	0.116216%	0.003001%
State of Montana Proportionate Share associated with Employer	989,294	789,657	0.037499%	0.037777%	-0.000278%
Total	\$ 4,134,478	\$ 3,218,928	0.156716%	0.153993%	0.002723%

Changes in actuarial assumptions and methods:

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

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Changes in benefit terms:

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

Changes in proportionate share:

Between the measurement date of the collective NPL and the employer’s reporting date there were some changes in proportion that may have an effect on the employer’s proportionate share of the collective NPL.

Pension Expense:

At June 30, 2021, the City recognized a Pension Expense of \$377,516 for its proportionate share of the pension expense. The City also recognized grant revenue of \$161,791 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the City.

	Pension Expense as of 6/30/21		Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 377,516	\$	267,176
State of Montana Proportionate Share associated with the Employer	161,791		53,609
Total	\$ 539,307	\$	320,785

Recognition of Beginning Deferred Outflow

At June 30, 2021, the City recognized a beginning deferred outflow of resources for the employers fiscal year 2020 contributions of \$286,660.

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Recognition of Deferred Inflows and Outflows:

At June 30, 2021, 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	\$ 50,770	\$ 89,925
Actual vs. Expected Investment Earnings	272,345	-
Changes in Assumptions	217,792	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	66,144
Employer contributions subsequent to the measurement date - FY21*	196,907	-
Total	<u><u>\$ 737,814</u></u>	<u><u>\$ 156,069</u></u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense	
<u>For the Measurement Year ended June 30:</u>		
2021	\$	29,346
2022	\$	192,290
2023	\$	95,160
2024	\$	68,042
<u>Thereafter</u>	<u>\$</u>	<u>-</u>

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Actuarial Assumptions

The TPL 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) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- 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, 2014
- 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.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption. Including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the table below.

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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 Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	<u>8.00%</u>	4.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.65%. 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 2121. 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.

1.0% Decrease	Current	1.0% Increase
(6.34%)	Discount Rate	(8.34%)
\$ 4,329,160	\$ 3,145,184	\$ 2,150,653

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) 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, 2018, 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 316 employers that have participants in the PERS-DCRP totaled \$746,144.

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 the board/council. This is the government's highest level of decision-making authority, Commissioners/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	\$ 116,770	Debt Service
	11,036	General government administration and service
	172,043	Law enforcement, emergency services, and supplies
	929,883	Road repair, maintenance and supplies
	269,085	Culture and recreation
	183,440	Parks and recreation services and supplies
	24,066	Tourism business improvements
	12,235	Airport operations
	<u>2,384</u>	Tree removal services
Total	<u>\$1,720,892</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	\$ <u>1,098,046</u>	Construction 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>
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	(17,729)	Negative cash resulting in a short-term loan from General Fund	Future SID Tax Assessments
SID 103	(8,767)	Negative cash resulting in a short-term loan from General Fund	Operating transfer
SID 104	(44,368)	Negative cash resulting in a short-term loan from General Fund	Future SID Tax Assessments
Curb and Sidewalk	(2,779)	Accounts payable/Expenditures exceeded available revenue	Operating transfer
SID #104	<u>(5,390)</u>	Negative cash resulting in a short-term loan from General Fund	Operating transfer
	<u>\$ (98,307)</u>		

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NOTE 13. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
		To establish beginning fund balance of funds which were previous reported as agency funds and now are
Custodial Funds	\$ <u>79,022</u>	custodial funds with the implementation of GASB 84

NOTE 14. 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 15. RISK MANAGEMENT

The City 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 Town 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 Town 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, 2021

Item b.

NOTE 16. SUBSEQUENT EVENTS

The Water Improvements for Phase 3 for the 4th Avenue Project was completed subsequent to June 30, 2021 with Interstate Engineering being paid \$57,600 and Franz Construction paid \$178,688.

A new WRF loan was awarded to the City in June 2021 in the amount of \$1,875,000 for the West Holly Project. Interstate Engineering was paid \$139,680 subsequent to year end and Fer-Pal Construction has been paid \$1,609,063.

DRAFT

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Sidney, Richland County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2021

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 944,276	\$ 944,276	\$ 964,288	\$ 20,012
Licenses and permits	69,106	69,106	44,794	(24,312)
Intergovernmental	917,944	917,944	990,824	72,880
Charges for services	49,100	49,100	52,157	3,057
Fines and forfeitures	240,000	240,000	147,106	(92,894)
Miscellaneous	57,150	57,150	40,844	(16,306)
Investment earnings	33,000	33,000	2,442	(30,558)
Amounts available for appropriation	<u>\$ 2,310,576</u>	<u>\$ 2,310,576</u>	<u>\$ 2,242,455</u>	<u>\$ (68,121)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 459,690	\$ 459,690	\$ 402,677	\$ 57,013
Public safety	1,716,850	1,716,850	1,477,151	239,699
Public health	1,000	1,000	-	1,000
Culture and recreation	327,310	327,310	244,800	82,510
Capital outlay	50,500	50,500	123,086	(72,586)
Total charges to appropriations	<u>\$ 2,555,350</u>	<u>\$ 2,555,350</u>	<u>\$ 2,247,714</u>	<u>\$ 307,636</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ 9,000	\$ 9,000	\$ -	\$ (9,000)
Transfers out	(93,500)	(93,500)	(93,500)	-
Total other financing sources (uses)	<u>\$ (84,500)</u>	<u>\$ (84,500)</u>	<u>\$ (93,500)</u>	<u>\$ (9,000)</u>
Net change in fund balance			<u>\$ (98,759)</u>	
Fund balance - beginning of the year			<u>\$ 1,070,604</u>	
Fund balance - end of the year			<u>\$ 971,845</u>	

**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

	General
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,242,455
Combined funds (GASBS 54) revenues	135,284
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$ 2,377,739
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,247,714
Combined funds (GASBS 54) expenditures	121,533
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 2,369,247

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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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service Cost	\$ 14,123	\$ 14,123	\$ 9,955	\$ 9,956
Change in assumptions and inputs	<u>-</u>	<u>34,748</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	14,123	48,871	9,955	9,956
Total OPEB Liability - beginning	193,166	144,295	134,340	119,831
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,553</u>
Total OPEB Liability - ending	<u>\$ 207,289</u>	<u>\$ 193,166</u>	<u>\$ 144,295</u>	<u>\$ 134,340</u>
Covered-employee payroll	\$ 1,969,432	\$ 1,969,432	\$ 1,884,308	\$ 1,843,028
Total OPEB liability as a percentage of covered -employee payroll	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, 2021

	<u>PERS</u> <u>2021</u>	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Employer's proportion of the net pension liability	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	\$ 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	\$ 989,294	\$ 789,657	\$ 776,670	\$ 36,341	\$ 32,730	\$ 25,398	\$ 17,091
Total	<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	\$ 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	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	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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, 2021**

	<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>
Contractually required contributions	\$ 196,907	\$ 175,249	\$ 164,922	\$ 155,015	\$ 149,539	\$ 162,495	\$ 150,354
Contributions in relation to the contractually required contributions	\$ 196,907	\$ 175,249	\$ 164,922	\$ 155,015	\$ 149,539	\$ 162,494	\$ 150,354
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 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	8.77%	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.

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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, 2021

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, 2021

- 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.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014, based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

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, 2021

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

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SINGLE AUDIT SECTION

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**City of Sidney, Richland County, Montana
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2021**

<i>Cluster Title/Federal Grantor/Pass-through Grantor /Program</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor Number</i>	<i>Federal Expenditures</i>
<i>Clean Water State Revolving Fund Cluster</i>			
<u>United States Environmental Protection Agency</u>			
<i>Passed through Montana Department of Natural Resources and Conservation</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SFR-19450	\$ <u>96,930</u>
Total United States Environmental Protection Agency			\$ <u>96,930</u>
Total [Cluster Title]			\$ <u>96,930</u>
<i>Drinking Water State Revolving Fund Cluster</i>			
<u>United States Environmental Protection Agency</u>			
<i>Passed through Montana Department of Natural Resources and Conservation</i>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WRF-21459	\$ <u>1,061,198</u>
Total United States Environmental Protection Agency			\$ <u>1,061,198</u>
Total Drinking Water State Revolving Fund Cluster			\$ <u>1,061,198</u>
Total Federal Financial Assistance			\$ <u>1,158,128</u>

The accompanying notes are an integral part of this schedule

CITY OF SIDNEY

RICHLAND COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2021

Basis of Presentation and Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of City of Sidney, Richland County, Montana. The information in this schedule is presented in accordance with the requirements Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the City of Sidney, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Sidney. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Sidney has elected not to use the 10 percent de Minimis indirect cost rate as provided in Sec. 200.414 Indirect Costs under Uniform Guidance.

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 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, 2021, 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 March 22, 2022.

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.

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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as identified as item 2021-001 and 2021-002.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as identified as item 2021-003.

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 in the accompanying schedule of findings and questioned costs as item 2021-004.

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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 22, 2022

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

Item b.

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

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

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

Report on Compliance for Each Major Federal Program

We have audited City of Sidney, Richland County, Montana’s, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of City of Sidney’s major federal programs for the year ended June 30, 2021. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Sidney, Richland County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

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

March 22, 2022

CITY OF SIDNEY
 RICHLAND COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2021-001 Deferred Special Assessments (Repeat finding 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020)

Condition:

The City’s assets in Special Improvement District (SID) fund 101A exceed the related debt by more than 5% of the original related debt.

Context:

During our comparison of assets in each SID fund to related outstanding debt, we noted that the excess assets over debt are more than 5% of the related original debt in the SID fund.

Criteria:

The purpose of special assessments is to collect revenue from the taxpayers in order to service the related bond debt. The assessments should be adequate yet not provide more than is required to service of debt.

Effect:

The following fund has excess assets in relation to the debt:

Fund 3601 – SID #101A	\$134,565
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The City has since passed Resolution 3856 dated April 5, 2021 in which the City Treasurer is authorized to stop assessments on current owning properties for the remaining 2 years on the assessment schedule and refund any back tax payments received at an appropriate time once revenues have ceased.

Cause:

From the inception of the SID debt, it appears that the City has not adjusted their deferred (future) assessments receivable in order to ensure that the ending balance of bond payments and assessment revenue received are equal by the time the bond matures.

Recommendation:

We recommend that the City ensure that the assessments being charged are adequate but not in excess of the amount needed to pay off the remaining related debt. When there is an excess in assets over related debt, assessments should be decreased for each taxpayer so that when bonds mature there will be no excess assessments.

2021-002 Cash Reconciliation

Condition:

The City cash reconciliation as of June 30, 2021 had a reconciling item of \$112,155 resulting from a transaction in July 2020 which has not been corrected as of February 2022.

Context:

We completed a cash reconciliation and then traced the reconciling items to subsequent bank statements or other activity.

Criteria:

Internal control procedures should include correction of any cash reconciling items in a timely manner.

Effect:

Cash is overstated \$112,155, long-term debt is overstated \$75,000 and interest expense is understated \$ 37,155 in the Sewer fund. This has been corrected for the audit report.

Cause:

The City recorded the long-term debt payment prior to the electronic payment on the bank statement by US Bank. The amount of the actual payment was more than the amount the City recorded. The City had not made the correction in the accounting system.

Recommendation:

The City should implement internal control procedures to ensure cash reconciling items are subsequently cleared in a timely manner.

2021-003 Due To and From Other Funds and Deficit Fund Balances

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, increased or only decreased by a small amount. 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 \$95,528 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 \$62,097 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.

2021-004 Cash Reserve Exceeded

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 73% of the appropriate for the fiscal year ended June 30, 2021 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.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

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

Item b.

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 one recommendation. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
2020-001 Deferred Special Assessments	Repeated

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

March 22, 2022

DRAFT