



City of Grand Island

Tuesday, March 5, 2013

Study Session

Item -1

Presentation by Almquist, Maltzahn, Galloway, & Luth for Fiscal Year 2012 City Single Audit and General Purpose Financial Statements and Electric and Water Audit Reports

Terry Galloway from Almquist, Maltzahn, Galloway & Luth will present the Fiscal Year 2012 City Single Audit and General Purpose Financial Statements and Electric and Water Audit Reports.

Staff Contact: Jaye Monter

To the Honorable Mayor and City Council
City of Grand Island
Grand Island, Nebraska

The City's audit firm, Almquist Maltzahn Galloway & Luth, presented a list of *Other Audit Findings or Issues* in their letter issued to the Council dated January 30, 2013. These are matters that the auditors believe should be considered. Below is an excerpt from that letter with responses from the City.

Other Audit Findings or Issues

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

In connection with our audit of the financial statements of the City of Grand Island as of September 30, 2012, we noted certain matters that we believe you should consider. Our observations were formed as a by-product of our audit procedures, which did not include a comprehensive review for the purpose of submitting detailed recommendations.

1. We recommend that you transfer the excess reserve funds from the Fire Fund 810 to the General Fund.

Response: The City is currently funding General Fund Firefighter employer contributions to the defined contribution plans with the excess contributions in the Fire Reserve 810 Fund. In addition, pending Council approval, the following funding uses are under consideration:

- General Fund contributions in fiscal year 2013 for the two recent pre-84 Police retirees as well as future pre-84 Police retirees;
- Future pension disability payments for both Police Officers and Firefighters;
- General Fund Police Officer employer contributions to the defined contribution plans.

2. We suggest you consider the benefits of hiring an Internal Auditor.

Response: The City will bring forward this recommendation during the 2014 budget process.

3. During our infrastructure testing, we noted the inspections on the streets were not completed this year, which it is only required every three years. Please remember to complete this task by September 30, 2014, to remain in compliance with generally accepted accounting principles.

Response: In 2012, Public Work's Engineering personnel were tasked with higher priority assignments and did not complete the annual inspection of one-third of the City's pavement

network. Public Works believes pavement assessments are an important tool for preserving and improving the overall condition of our pavement network. Recently, Engineering and Streets division staff have collaborated to develop a Request for Proposal for engineering services to perform assessments on the entire pavement network and to assist in developing a budget for a pavement management program. Data collected will be used to update the City's Cartegraph database software that will be utilized to develop performance curves, establish a prioritization protocol and identify and plan cost effective preventive maintenance activities for the streets of Grand Island.

4. During the audit of the infrastructure, we noted that bridges are not included in the Cartegraph software and therefore are not included in the usual inspection process. We recommend adding the bridges to the software and inspecting them in accordance with the above scheduled process.

Response: The City owned bridges are inspected biennially in accordance with National Bridge Inspection Standards (NBIS) as required by Federal and State regulations. These standards are vital for assuring that bridges are safe and operable, but the information collected from these inspections is not useful for long term bridge preservation and for minimizing life cycle costs.

The Public Works Engineering Division's current goal is to initiate a Systematic Preventive Maintenance program this year for the 15 bridges owned by the City. This program will entail a planned strategy of cost effective treatments to existing bridges that are intended to preserve or maintain structural integrity and functionality, and to retard deterioration, thus maintaining or extending the useful life of each structure. Public Works plans to initiate a Request for Qualifications for engineering services to perform assessments on all bridge decks, predict the remaining service life on each deck and quantify service life extensions from alternative maintenance and repair options.

Cartegraph offers a module for activities associated with Systematic Preventive Maintenance for bridges. However, due to the low number of bridges in our inventory, Public Works staff does not believe it is necessary to immediately utilize the software for managing our bridge assets.



Jaye Monter
City Treasurer/Finance Director
February 25, 2013

City of Grand Island

Financial statements and
supplementary information

Almquist, Maltzahn,
Galloway & Luth, P.C.

Independent Auditors' Report

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of Grand Island, Nebraska, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Outstanding Debt

City of Grand Island's Outstanding Debt

	Year Ended September 30, 2012			Year Ended September 30, 2011		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Obligation						
Bonds	\$ 6,585,000	\$ -	\$ 6,585,000	\$ 8,625,000	\$ -	\$ 8,625,000
Revenue Bonds	-	24,585,000	24,585,000	-	31,225,000	31,225,000
Capital Lease	12,175,429	-	12,175,429	13,541,806	-	13,541,806
Total	<u>\$ 18,760,429</u>	<u>\$ 24,585,000</u>	<u>\$ 43,345,429</u>	<u>\$ 22,166,806</u>	<u>\$ 31,225,000</u>	<u>\$ 53,391,806</u>

The City of Grand Island's total debt decreased by \$10,046,377 (18.8 percent) during the current fiscal year due to scheduled principal payments.

Statement of Net Assets

CITY OF GRAND ISLAND, NEBRASKA STATEMENT OF NET ASSETS

September 30, 2012

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
NET ASSETS			
Invested in capital assets, net of related debt	302,474,017	206,902,208	509,376,225
Restricted for:			
Debt service	235,984	5,601,078	5,837,062
Landfill closure/post closure costs	-	2,447,546	2,447,546
Perpetual care - permanent	586,596	-	586,596
Street improvements	2,562,959	-	2,562,959
Capital projects	494,923	-	494,923
Economic development	874,480	-	874,480
Other purposes	3,225,735	-	3,225,735
Unrestricted	16,755,883	59,174,277	75,930,160
Total net assets	<u><u>\$ 327,210,577</u></u>	<u><u>\$ 274,125,109</u></u>	<u><u>\$ 601,335,686</u></u>

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Statement of Net Assets – Proprietary Funds

CITY OF GRAND ISLAND, NEBRASKA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2012

	<u>Enterprise Funds</u>
	<u>Landfill</u> <u>Fund</u>
Noncurrent assets:	
Restricted investments	\$ 4,010,872
Noncurrent liabilities:	
Closure/post closure liability	<u>3,054,567</u>
Adjustment from Restricted to Unrestricted Cash and Net Assets	<u>\$ 956,305</u>

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Statement of Net Assets – Fiduciary Funds

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

September 30, 2012

	Employee Pension <u>Reserve Funds</u>
ASSETS	
Cash	\$ 9,249
Investments	5,125,906
Accounts receivable	-
Special assessments receivable	-
Total assets	<u>5,135,155</u>
LIABILITIES	
Due to other funds	512,914
Agency liabilities	-
Pension liability	<u>1,160,256</u>
Total liabilities	<u>1,673,170</u>
NET ASSETS	
Held in trust for pension benefits	<u><u>\$ 3,461,985</u></u>

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Net Asset Restatement

Governmental net assets were increased \$3,191,337 as of September 30, 2011, to reflect City infrastructure paid for directly by the State of Nebraska. Business-type net assets were increased and discretely presented component unit net assets were decreased \$8,854,061 to reclassify the landfill from a component unit to an Enterprise Fund.

Budgetary Comparison Schedule - General Fund

CITY OF GRAND ISLAND, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended September 30, 2012

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Total resources	\$ 33,534,563	\$ 33,993,513	\$ 458,950
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Total general government	3,871,383	3,631,009	(240,374)
Public safety:			
Total public safety	17,945,715	16,835,984	(1,109,731)

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Budgetary Comparison Schedule - General Fund, Continued

CITY OF GRAND ISLAND, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended September 30, 2012

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS), continued			
Public works:			
Total public works	5,975,307	5,612,524	(362,783)
Environment and leisure:			
Total environment and leisure	5,319,430	5,202,459	(116,971)
Non-departmental	2,517,321	2,112,995	(404,326)
Total charges to appropriations	35,629,156	33,394,971	(2,234,185)

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Budgetary Comparison Schedule - General Fund, Continued

CITY OF GRAND ISLAND, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended September 30, 2012

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
CHARGES TO APPROPRIATIONS (OUTFLOWS), continued			
<hr/> OTHER FINANCING SOURCES (USES) <hr/>			
Net transfers	2,730,796	1,557,487	(1,173,309)
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ 636,203</u>	<u>\$ 2,156,029</u>	<u>\$ 1,519,826</u>

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City of Grand Island

September 30,

	Audit Report Page Reference	2012	2011	2010	2009	2008	2007	2006	2005
1) Unrestricted Net Assets/ Total Net Assets									
Government Wide	Page 16	12.63%	12.77%	12.81%	11.93%	11.53%	11.44%	10.79%	9.33%
Governmental Activities	Page 16	5.12%	5.37%	5.92%	6.01%	6.39%	6.85%	8.39%	7.73%
Business-Type Activities	Page 16	21.59%	22.06%	21.56%	19.56%	18.32%	17.71%	14.21%	11.55%

City of Grand Island

September 30,

	Audit Report Page Reference	2012	2011	2010	2009	2008	2007	2006	2005
2) Unassigned Fund Balance/General Fund Expenditures	Page 18 / 20	30.69%	17.96%	17.47%	14.54%	24.20%	25.45%	21.57%	41.99%

City of Grand Island

September 30,

	Audit Report Page Reference	2012	2011	2010	2009	2008	2007	2006	2005
3) Outstanding GO Debt/Valuation	Page 13	0.76%	0.93%	1.06%	1.21%	1.11%	1.21%	1.37%	0.77%

City of Grand Island

September 30,

	Audit Report Page Reference	2012	2011	2010	2009	2008	2007	2006	2005
4) Debt Coverage Ratio	Pages 23-24								
Electric		10.13	3.32	2.78	2.70	2.69	3.12	2.50	2.00
Water		14.05	4.58	4.57	4.76	4.48	5.18	4.67	3.30
Sewer		2.09	1.90	1.95	2.20	2.56	3.03	2.44	3.00

City of Grand Island

September 30,

	Audit Report Page Reference	2012*	2011*	2010	2009	2008	2007	2006	2005
5) Top 5 Sources of Revenues - Governmental Activities	Page 9								
Sales Tax		\$ 300	\$ 281	\$ 311	\$ 313	\$ 311	\$ 307	\$ 296	\$ 290
Property Taxes		161	137	149	134	125	121	116	117
Grants and Contributions		131	232	159	123	125	42	396	n/a
State Allocation		89	86	89	92	134	91	83	88
Charges for Services		181	173	188	190	180	170	187	n/a

* Per Capita based on 48,520 population
Prior to 2011 – Per Capita based on population 42,961

City of Grand Island

September 30,

	Audit Report Page Reference	2012	2011	2010	2009	2008	2007	2006	2005
<hr/>									
6) Cash, Investments & Treasurer Cash	Page 18/ 20/55								
General Fund:									
Operating									
Replacement									
Total		\$9,197,089	\$7,070,724	\$5,609,657	\$4,171,679	\$6,326,814	\$6,728,128	\$9,974,038	\$11,912,802
Business-type Activities	Page 22/ (Excluding Depreciation/Amortization) 23/57								
Operating									
Replacement									
Restricted									
Total		\$56,073,069	\$50,408,234	\$45,475,572	\$42,611,808	\$25,218,637	\$23,541,438	\$16,469,141	\$15,757,904

City of Grand Island

September 30,

	Audit Report Page Reference	2012	2011	2010	2009	2008	2007	2006	2005
<hr/>									
7) Net Depreciable Capital Assets/Original Cost									
Governmental Activities	Page 55	62.33%	63.75%	64.82%	67.51%	70.47%	64.93%	67.52%	51.20%
Business-type Activities	Page 57	43.47%	45.44%	47.33%	48.80%	50.66%	51.93%	54.35%	56.26%
Component Units	Page 58	82.72%	49.76%	51.85%	54.97%	57.44%	59.79%	56.78%	60.20%

City of Grand Island

September 30,

	Audit Report Page Reference	2012	2011	2010	2009	2008	2007	2006	2005
8) Operating Income/Total Operating Revenue	Page 23								
Electric Fund		21.58%	16.82%	10.80%	12.67%	11.73%	16.78%	12.02%	5.72%
Water Fund		47.49%	26.76%	27.63%	30.10%	28.06%	34.53%	33.08%	17.23%
Sewer Fund		10.75%	8.90%	8.67%	13.49%	20.28%	27.90%	22.57%	36.50%
Golf Fund		9.80%	5.37%	0.26%	7.05%	3.65%	-28.07%	-18.37%	-13.17%

City of Grand Island

September 30,

	2012*	2011*	2010	2009	2008	2007	2006	2005
9) Levy Rates								
General	0.272074	0.205189	0.207553	0.186935	0.166335	0.161090	0.206495	0.203996
Per Capita	\$ 138	\$ 101	\$ 114	\$ 100	\$ 86	\$ 82	\$ 100	\$ 89
Debt Service	0.052351	0.067645	0.065287	0.063459	0.072390	0.077732	0.044128	0.047385
Per Capita	\$ 27	\$ 33	\$ 36	\$ 34	\$ 37	\$ 40	\$ 21	\$ 21
Total Levy	0.324425	0.272834	0.272840	0.250394	0.238725	0.238822	0.250624	0.251381

* Per Capita based on 48,520 population
Prior to 2011 – Per Capita based on population 42,961

City of Grand Island

September 30,

	2012*	2011*	2010	2009	2008	2007	2006	2005
10) State Allocations								
Highway Allocation	\$ 81	\$ 72	\$ 76	\$ 76	\$ 79	\$ 75	\$ 67	\$ 69
State Aid	-	7	9	9	9	9	9	9
Municipal Equalization	1	-	-	-	-	-	-	3

* Per Capita based on 48,520 population
 Prior to 2011 – Per Capita based on population 42,961

City of Grand Island

September 30,

	Audit Report Page Reference	2012*	2011*	2010	2009	2008	2007	2006	2005
11) Governmental Expenses	Page 99/100								
General Government		\$ 75	\$ 79	\$ 87	\$ 87	\$ 84	\$ 90	\$ 114	\$ 88
Public Safety		347	367	434	410	410	531	434	363
Public Works		116	125	144	149	133	149	85	159
Environment and leisure		107	124	145	148	148	126	131	158

* Per Capita based on 48,520 population
Prior to 2011 – Per Capita based on population 42,961



QUESTIONS

Best City in Nebraska

CITY OF GRAND ISLAND, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Grand Island, Nebraska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of Grand Island, Nebraska, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of Grand Island, Nebraska, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

Wealth Management, LLC Registered Investment Advisor, is affiliated with Almquist, Maltzahn, Galloway & Luth, P.C. and offers wealth management and investment advisory services.

A PROFESSIONAL
CORPORATION

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, on our consideration of the City of Grand Island'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 15 and 99 through 105 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying other supplementary information and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information and the schedule of expenditures of federal awards, as listed in the Table of Contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Amquist, Malthalm,
Galloway & Luth, P.C.

Grand Island, Nebraska
January 30, 2013

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Grand Island, we offer readers of the City of Grand Island financial statements this narrative overview and analysis of the financial activities of the City of Grand Island for the fiscal year ended September 30, 2012. For information on the Community Redevelopment Authority component unit included in these financial statements, please see the separate audit report for the Authority.

Financial Highlights

- The assets of the City of Grand Island exceeded its liabilities at the close of the most recent fiscal year by \$601,335,686 (*net assets*). Of this amount, \$75,930,160 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Grand Island governmental funds reported combined ending net assets of \$327,210,577. Approximately 5.1 percent of this total amount, \$16,755,883 is *unrestricted net assets*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,679,717, or 30.7 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Grand Island's basic financial statements. The City of Grand Island's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Grand Island's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Grand Island's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Grand Island 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 related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2012

Both of the government-wide financial statements distinguish functions of the City of Grand Island that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Grand Island include general government, public safety, highways and streets, sanitation, economic development, and cultural activities and recreation. The business-type activities of the City of Grand Island include the Electric, Water, Sewer, Landfill, and Golf Enterprise Funds.

The government-wide financial statements include not only the City of Grand Island itself (known as the *primary government*), but also the legally separate Business Improvement Districts, Grand Island Facilities Corporation, and Community Redevelopment Authority for which the City of Grand Island is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16 and 17 of this report.

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 of Grand Island, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Grand Island can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Grand Island maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation. Individual

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2012

fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Grand Island adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Capital Projects, and Debt Service Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds. The City of Grand Island maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Grand Island uses enterprise funds to account for its Electric, Water, Sewer, Landfill, and Golf Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Grand Island's various functions. The City of Grand Island uses internal service funds to account for its fleet of vehicles, its management information systems, its employee health insurance, and its equipment reserve. Because all four of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, Sewer, Landfill, and Golf Funds, all of which are considered to be major funds of the City of Grand Island.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Grand Island's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 26 and 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-98 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Grand Island's budgetary comparison schedules and disclosures on the modified approach to reporting infrastructure. Required supplementary information can be found on pages 99-105 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, fiduciary funds, and component units are presented immediately following

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2012

the required supplementary information. Combining and individual fund statements and schedules can be found on pages 106-116 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Grand Island, assets exceeded liabilities by \$601,335,686 at the close of the most recent fiscal year.

Net Assets

	September 30, 2012			September 30, 2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 29,046,892	\$ 81,279,244	\$ 110,326,136	\$ 27,796,124	\$ 84,903,698	\$ 112,699,822
Capital Assets	321,234,446	229,008,147	550,242,593	318,323,558	218,060,393	536,383,951
Total Assets	350,281,338	310,287,391	660,568,729	346,119,682	302,964,091	649,083,773
Long-term Liabilities	16,480,780	25,597,309	42,078,089	19,997,190	29,087,560	49,084,750
Other Liabilities	6,589,981	10,564,973	17,154,954	6,395,962	12,656,774	19,052,736
Total Liabilities	23,070,761	36,162,282	59,233,043	26,393,152	41,744,334	68,137,486
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	302,474,017	206,902,208	509,376,225	296,156,752	192,149,590	488,306,342
Restricted	7,980,677	8,048,624	16,029,301	6,567,684	9,577,902	16,145,586
Unrestricted	16,755,883	59,174,277	75,930,160	17,002,094	59,492,265	76,494,359
Total Net Assets	\$ 327,210,577	\$ 274,125,109	\$ 601,335,686	\$ 319,726,530	\$ 261,219,757	\$ 580,946,287

By far, the largest portion of the City of Grand Island's net assets (84.7 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Grand Island uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Grand Island's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Grand Island's net assets (2.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$75,930,160) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Grand Island is able to report positive balances in all three categories of net assets, for the government as a whole as well as for its separate governmental and business-type activities.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2012

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2012</u>		<u>Year Ended September 30, 2011</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 5,274,824	\$ 7,455,579	\$ 4,508,527	\$ 6,478,817
Public Safety	5,801,199	18,964,196	5,499,423	18,031,173
Public Works	2,467,177	7,596,259	1,138,320	6,083,824
Environment & Leisure	1,601,513	5,474,234	2,376,025	7,598,207
Non-Departmental	-	457,028	-	391,057
Interest and Bond Fees	-	507,849	-	1,157,611
Total	15,144,713	40,455,145	13,522,295	39,740,689
Interfund Transfers	-	25,000	-	-
	<u>\$ 15,144,713</u>	<u>\$ 40,480,145</u>	<u>\$ 13,522,295</u>	<u>\$ 39,740,689</u>

Revenues by Source - Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2012</u>		<u>Year Ended September 30, 2011</u>	
Charges for Services	\$ 8,766,081	18.28 %	\$ 8,379,682	19.47 %
Operating Grants & Contributions	3,361,814	7.01	2,892,281	6.72
Capital Grants & Contributions	3,016,818	6.29	2,250,332	5.23
Property Taxes	7,796,069	16.25	6,635,024	15.41
Motor Vehicle Taxes	911,607	1.90	823,720	1.91
Payments in Lieu of Taxes	744,142	1.55	711,073	1.65
Occupation Taxes	1,472,789	3.07	1,352,108	3.14
Sales Tax	14,573,734	30.38	13,630,857	31.66
Franchise Taxes	1,595,471	3.33	1,841,648	4.28
State Allocation	4,327,699	9.02	4,191,584	9.74
Keno	281,867	0.59	272,123	0.63
Special Assessments	792,832	1.65	90,976	0.21
Miscellaneous	200,803	0.42	100,735	0.23
Interest	94,172	0.20	71,139	0.17
Gain (Loss) on Sale of Assets	28,294	0.06	(194,790)	(0.45)
Total	<u>\$ 47,964,192</u>	<u>100.00 %</u>	<u>\$ 43,048,492</u>	<u>100.00 %</u>

Net assets increased \$7,484,047 in the governmental funds during the year ended September 30, 2012.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2012

Business-type activities. Business-type activities increased the City of Grand Island's net assets by \$12,905,352, accounting for 63.3 percent of the total growth in the government's net assets for the year ended September 30, 2012. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2012</u>		<u>Year Ended September 30, 2011</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 61,755,537	\$ 56,468,284	\$ 57,373,551	\$ 55,209,338
Water	8,219,569	3,900,297	5,318,334	3,353,572
Sewer	9,129,113	7,602,580	9,090,190	8,132,516
Landfill	2,409,746	1,421,775	2,293,091	2,359,375
Golf	678,156	611,681	598,599	566,468
Total	<u>\$ 82,192,121</u>	<u>\$ 70,004,617</u>	<u>\$ 74,673,765</u>	<u>\$ 69,621,269</u>

Revenues by Source - Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2012</u>		<u>Year Ended September 30, 2011</u>	
Charges for Services	\$ 80,379,025	96.95 %	\$ 73,408,115	97.61 %
Operating Grants & Contributions	-	-	-	-
Capital Grants & Contributions	1,813,096	2.18	1,265,650	1.68
Special Assessments	65,440	0.08	50,964	0.07
Interest	503,348	0.61	548,941	0.73
Interfund Transfers	25,000	0.03	-	-
Gain (Loss) on Sale of Assets	124,060	0.15	(70,819)	(0.09)
Total	<u>\$ 82,909,969</u>	<u>100.00 %</u>	<u>\$ 75,202,851</u>	<u>100.00 %</u>

Financial Analysis of the Government's Funds

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

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

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2012

As of the end of the current fiscal year, the City of Grand Island's governmental funds reported combined ending fund balances of \$21,579,613. Approximately 49.4 percent of this total amount (\$10,663,430) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is not available for new spending because it has already been 1) placed in a nonspendable endowment for cemetery perpetual care (\$586,596), 2) placed in a nonspendable trust for library expenditures (\$38,288), 3) restricted for street improvements (\$2,562,959), 4) restricted for capital projects (\$494,923), 5) restricted for debt service (\$235,984), 6) restricted for economic development (\$874,480), 7) restricted for Federal programs (\$901,969), 8) restricted to fund housing loans (\$949,884), 9) restricted for community improvements (\$534,104), 10) restricted for library expenses (\$759,473), 11) restricted for other donor purposes (\$42,017), 12) assigned for budgetary stabilization (\$967,744), 13) assigned to liquidate contracts and purchase orders of the prior period (\$280,232), 14) assigned for a variety of other purposes (\$1,687,530).

The General Fund is the chief operating fund of the City of Grand Island. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,679,717, while total fund balance reached \$11,331,175. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30.7 percent of total General Fund expenditures, while total fund balance represents 32.6 percent of that same amount.

The fund balance of the City of Grand Island's General Fund increased by \$1,488,756 during the current fiscal year.

Proprietary funds. The City of Grand Island's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year were as follows: Electric Fund - \$46,617,663, Water Fund - \$3,339,585, Sewer Fund - \$6,442,353, Landfill Fund - \$2,542,054, and Golf Fund - \$232,622. The growth in net assets for the proprietary funds was as follows: Electric Fund - \$5,711,785, Water Fund - \$4,341,415, Sewer Fund - \$1,699,292, Landfill Fund - \$1,086,385, and Golf Fund - \$66,475. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Grand Island's business-type activities.

Budgetary Highlights

There was no difference between the original budget and the final adopted budget for the City of Grand Island.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2012

Capital Asset and Debt Administration

Capital Assets. The City of Grand Island's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$550,242,593 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

- The Northwest Flood Control project is scheduled to take several years. It was originally anticipated that the annual commitment would be fairly flat year over each year, typically in the \$375,000-\$400,000 range. Instead, expenditures for the project started out slower than anticipated and then billings by the Central Platte Natural Resources District ran higher than the \$375,000-\$400,000 range. For 2012, expenditures were \$164,585.
- The Grand Island Quiet Zone Improvement project developed improvements at the Union Pacific Railroad crossings at Oak Street, Pine Street, Walnut Street, and Elm Street so that train horns will not need to be activated for these crossings. "Silent" crossings will be created at Oak Street and Pine Street by constructing concrete medians and concrete curb to narrow the streets at the crossing approaches. Walnut Street will have an Automated Horn System installed and concrete curb will be constructed to narrow the street. The crossing at Elm Street will be closed at the completion of the project. Total project cost in 2012 was \$265,093; with reimbursements the net cost to the City was \$247,597.
- The Moores Creek Drain Extension project extended the last constructed segment of Moores Creek Drainway to the south under Old Potash Highway with project costs of \$206,804. The Moores Creek Drainway is one portion of a series of open ditches, detention cells and storm sewer that were proposed in a 1975 study to provide flood relief to urbanized areas in western Grand Island. Future extensions of this drainway will be constructed west and south beyond Engleman Road and Stolley Park Road.
- The Central Community College to Wood River (southwest drainage project) is in the final construction stages, with 2012 totaling \$197,334.
- The Handicap Ramp project consists of the ADA compliant curb ramps in the 2012 project which is adjacent to the streets in the 2011 Asphalt Resurfacing program. The City is also required to have a planned schedule for upgrading public sidewalks to conform to ADA requirements. The current schedule and budget will bring the City into compliance in approximately 24 years. The 2012 project cost was \$116,447.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2012

City of Grand Island's Capital Assets
(net of depreciation)

	Year Ended September 30, 2012			Year Ended September 30, 2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 5,822,921	\$ 7,237,086	\$ 13,060,007	\$ 5,552,803	\$ 7,237,086	\$ 12,789,889
Infrastructure	255,408,309	-	255,408,309	248,646,166	-	248,646,166
Construction in Progress	4,786,434	27,536,428	32,322,862	9,625,020	10,459,987	20,085,007
Land Improvement	9,737,923	30,772,992	40,510,915	7,961,964	30,752,016	38,713,980
Buildings	42,288,256	-	42,288,256	44,137,252	-	44,137,252
Machinery and Equipment	1,252,116	-	1,252,116	1,096,790	-	1,096,790
Buildings, Distribution Systems, and Equipment	-	155,205,373	155,205,373	-	161,601,084	161,601,084
Office Furniture and Equipment	256,404	3,484,681	3,741,085	285,881	3,472,141	3,758,022
Vehicles	1,682,083	4,771,587	6,453,670	1,017,682	4,538,079	5,555,761
Total	<u>\$ 321,234,446</u>	<u>\$ 229,008,147</u>	<u>\$ 550,242,593</u>	<u>\$ 318,323,558</u>	<u>\$ 218,060,393</u>	<u>\$ 536,383,951</u>

Additional information on the City of Grand Island's capital assets can be found in Note C4 on pages 55-58 of this report.

Long-term debt. At the end of the current fiscal year, the City of Grand Island had total long-term debt outstanding of \$43,345,429. Of this amount, \$6,585,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Grand Island's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) and capital lease obligations.

City of Grand Island's Outstanding Debt

	Year Ended September 30, 2012			Year Ended September 30, 2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 6,585,000	\$ -	\$ 6,585,000	\$ 8,625,000	\$ -	\$ 8,625,000
Revenue Bonds	-	24,585,000	24,585,000	-	31,225,000	31,225,000
Capital Lease	12,175,429	-	12,175,429	13,541,806	-	13,541,806
Total	<u>\$ 18,760,429</u>	<u>\$ 24,585,000</u>	<u>\$ 43,345,429</u>	<u>\$ 22,166,806</u>	<u>\$ 31,225,000</u>	<u>\$ 53,391,806</u>

The City of Grand Island's total debt decreased by \$10,046,377 (18.8 percent) during the current fiscal year due to scheduled principal payments.

Additional information on the City of Grand Island's long-term debt can be found in Note C6 on pages 58-64 of this report.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2012

Modified Approach for Reporting Infrastructure Assets

The City of Grand Island uses the modified approach to report the entire infrastructure assets recorded in the Governmental-type Funds. The City assesses its infrastructure assets every three years. There were no significant changes in the assessed condition of infrastructure from the prior assessment.

The City believes that the current assessed condition of the infrastructure assets is within the condition levels set by the City's governing body.

The City appropriates and spends an amount to maintain and preserve the infrastructure at the level set by the governing board.

Economic Factors and Next Year's Budgets and Rates

The City's cash position improved in all of the Enterprise Funds and the City has been able to keep up with the increasing costs of operations.

- Electric. No rate increase was included in the fiscal 2012-2013 budget. Included in the fiscal 2012-2013 budget is funding for maintenance and replacement of aging, critical equipment at the power plants and in the electrical transmission and distribution systems. The utility also has capital improvement projects underway to meet expanding regulatory requirements and to continue to meet projected growth of the community, including the addition of an incremental 115kv transmission tie to the regional electric.
- Water. No rate increase was included in the fiscal 2012-2013 budget. The 2012-2013 budget is focused on meeting City obligations to cooperative projects, repair and upgrade of critical facilities, and system improvements to meet continued growth. Also included in the fiscal 2012-2013 budget are funds for installation of new water mains to serve a portion of Merrick County that is experiencing groundwater contamination issues due to a former solvent supply facility located on Union Pacific property. This remediation project is being funded by Union Pacific under a plan approved by the Nebraska Department of Environmental Quality.
- Sanitary Sewer. The City had a sanitary sewer rate study completed and presented to Council in April 2011. The rate study indicated the need for several yearly rate increases. The study indicated an initial nine percent increase in 2012 followed by nine percent increases in 2013 and 2014 and a five percent increase in 2015. The rate increases will fund the \$44 million failing infrastructure associated with the collection system and address the head work rehabilitation at the wastewater treatment plant. Black & Veatch was selected and contracted to begin the preliminary design in October of 2011. The first project will be to replace the North interceptor. This project will likely take three years to complete and cost between \$12 million and \$17 million, depending on the final capacity

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2012

needed. There is sufficient cash to start this project, but the larger portion will probably require a bond issuance.

- The recession has had an impact on the City's sales tax receipts which provide nearly 33 percent of the revenue in Governmental Activities. With the ever-increasing personnel costs and growth in operating expenses, the City completed its third year of budgeting by programs within the general fund to match available revenues to programs and prioritize program expenditures for the fiscal 2013 budget process.

All of these factors were considered in preparing the City of Grand Island's budget for the 2013 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City of Grand Island's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Grand Island, 100 E. 1st St., P.O. Box 1968, Grand Island, NE 68802.

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF NET ASSETS

September 30, 2012

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,975,957	\$ 4,020,677	\$ 6,996,634	\$ 321,693
Investments	16,582,395	40,612,656	57,195,051	-
County treasurer cash	861,081	-	861,081	150,785
Receivables:				
Special assessments	518,835	856,199	1,375,034	16,433
Accounts, net of allowance for doubtful accounts	870,294	7,207,534	8,077,828	-
Unbilled revenue	-	3,023,670	3,023,670	-
Current portion of notes from redevelopers	-	-	-	115,334
Current portion of capital lease receivable	-	-	-	760,000
Interest	113,748	162,521	276,269	-
Property tax	365,371	-	365,371	28,278
Due from other governments	3,589,221	-	3,589,221	-
Due from other funds	512,914	-	512,914	-
Prepaid expenses	-	429,840	429,840	-
Inventory	159,048	10,087,308	10,246,356	-
Total current assets	26,548,864	66,400,405	92,949,269	1,392,523
Noncurrent assets:				
Restricted cash and cash equivalents	551,612	2,839,445	3,391,057	60,722
Restricted investments	125,694	8,600,291	8,725,985	-
Permanently restricted investments	529,620	-	529,620	-
Permanently restricted notes receivable	1,291,102	-	1,291,102	-
Notes from redevelopers	-	-	-	520,068
Capital lease receivable - City of Grand Island	-	-	-	2,325,000
Deferred charges	-	839,655	839,655	-
Prepaid transmission	-	2,175,599	2,175,599	-
Unamortized bond costs	-	423,849	423,849	27,337
Capital assets:				
Land, infrastructure, and construction in progress	266,017,664	90,352,343	356,370,007	676,012
Other capital assets, net of depreciation	55,216,782	138,655,804	193,872,586	54,419
Net capital assets	321,234,446	229,008,147	550,242,593	730,431
Total noncurrent assets	323,732,474	243,886,986	567,619,460	3,663,558
Total assets	350,281,338	310,287,391	660,568,729	5,056,081
LIABILITIES				
Current liabilities:				
Accounts payable	1,109,091	4,055,959	5,165,050	344,312
Accrued expenses	2,406,029	2,784,014	5,190,043	-
Deferred revenue	253,083	-	253,083	21,083
Current portion of long-term obligations	2,821,778	3,725,000	6,546,778	875,334
Total current liabilities	6,589,981	10,564,973	17,154,954	1,240,729
Noncurrent liabilities:				
Compensated absences - noncurrent	542,129	550,153	1,092,282	-
Closure/post closure liability	-	3,227,114	3,227,114	-
Noncurrent portion of long-term obligations	15,938,651	20,860,000	36,798,651	2,845,068
Unamortized bond premiums	-	960,042	960,042	-
Total noncurrent liabilities	16,480,780	25,597,309	42,078,089	2,845,068
Total liabilities	23,070,761	36,162,282	59,233,043	4,085,797
NET ASSETS				
Invested in capital assets, net of related debt	302,474,017	206,902,208	509,376,225	757,768
Restricted for:				
Debt service	235,984	5,601,078	5,837,062	-
Landfill closure/post closure costs	-	2,447,546	2,447,546	-
Perpetual care - permanent	586,596	-	586,596	-
Street improvements	2,562,959	-	2,562,959	-
Capital projects	494,923	-	494,923	-
Economic development	874,480	-	874,480	-
Other purposes	3,225,735	-	3,225,735	60,722
Unrestricted	16,755,883	59,174,277	75,930,160	151,794
Total net assets	\$ 327,210,577	\$ 274,125,109	\$ 601,335,686	\$ 970,284

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 7,455,579	\$ 2,821,729	\$ 2,453,095
Public safety	18,964,196	4,535,498	787,313
Public works	7,596,259	160,681	-
Environment and leisure	5,474,234	1,248,173	121,406
Non-departmental	457,028	-	-
Interest and fees on long-term debt	507,849	-	-
Total governmental activities	<u>40,455,145</u>	<u>8,766,081</u>	<u>3,361,814</u>
Business-type activities:			
Electric	56,468,284	61,755,537	-
Water	3,900,297	7,160,722	-
Sewer	7,602,580	8,374,864	-
Landfill	1,421,775	2,409,746	-
Golf	611,681	678,156	-
Total business-type activities	<u>70,004,617</u>	<u>80,379,025</u>	<u>-</u>
Total primary government	<u>\$ 110,459,762</u>	<u>\$ 89,145,106</u>	<u>\$ 3,361,814</u>
Component units:			
Business Improvement Districts	230,623	47,597	-
Grand Island Facilities Corporation	757,031	749,312	-
Community Redevelopment Authority	1,453,894	-	223,086
Total component units	<u>\$ 2,441,548</u>	<u>\$ 796,909</u>	<u>\$ 223,086</u>

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (2,180,755)		\$ (2,180,755)	
478,388	(13,162,997)		(13,162,997)	
2,306,496	(5,129,082)		(5,129,082)	
231,934	(3,872,721)		(3,872,721)	
-	(457,028)		(457,028)	
-	(507,849)		(507,849)	
3,016,818	(25,310,432)	\$ -	(25,310,432)	
-	-	5,287,253	5,287,253	
1,058,847	-	4,319,272	4,319,272	
754,249	-	1,526,533	1,526,533	
-	-	987,971	987,971	
-	-	66,475	66,475	
1,813,096	-	12,187,504	12,187,504	
\$ 4,829,914	(25,310,432)	12,187,504	(13,122,928)	
19,500				(163,526)
-				(7,719)
-				(1,230,808)
\$ 19,500				(1,402,053)
General revenues:				
Taxes:				
Property	7,796,069	-	7,796,069	620,417
Motor vehicle	911,607	-	911,607	2,517
Payments in lieu of taxes	744,142	-	744,142	-
Occupation	1,472,789	-	1,472,789	-
Sales tax	14,573,734	-	14,573,734	-
Franchise	1,595,471	-	1,595,471	-
State allocation	4,327,699	-	4,327,699	-
Keno	281,867	-	281,867	-
Special assessments	792,832	65,440	858,272	195,121
Miscellaneous	200,803	-	200,803	22,616
Interest income	94,172	503,348	597,520	4,827
Gain (loss) on sale of assets	28,294	124,060	152,354	-
Interfund transfers	(25,000)	25,000	-	-
Total general revenues	32,794,479	717,848	33,512,327	845,498
Change in net assets	7,484,047	12,905,352	20,389,399	(556,555)
Net assets - September 30, 2011:				
As previously reported	316,535,193	252,365,696	568,900,889	10,380,900
Restatement of net assets	3,191,337	8,854,061	12,045,398	(8,854,061)
As restated	319,726,530	261,219,757	580,946,287	1,526,839
Net assets - September 30, 2012	\$ 327,210,577	\$ 274,125,109	\$ 601,335,686	\$ 970,284

CITY OF GRAND ISLAND, NEBRASKA

BALANCE SHEET -
GOVERNMENTAL FUNDS

September 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,705,099	\$ 14,562	\$ 16,680	\$ 1,068,838	\$ 2,805,179
Investments	6,758,084	81,137	92,942	6,280,293	13,212,456
County treasurer cash	733,906	-	125,706	1,469	861,081
Receivables:					
Special assessments	-	-	-	518,835	518,835
Accounts, net of allowance for doubtful accounts	767,246	-	-	-	767,246
Notes receivable	-	38,504	-	1,252,598	1,291,102
Interest	63,389	-	-	50,359	113,748
Property tax	300,429	-	64,942	-	365,371
Due from other governments	2,591,646	148,698	-	848,877	3,589,221
Due from other funds	414,354	-	-	11,910	426,264
Total assets	<u>\$ 13,334,153</u>	<u>\$ 282,901</u>	<u>\$ 300,270</u>	<u>\$ 10,033,179</u>	<u>\$ 23,950,503</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 447,119	\$ 186,776	\$ -	\$ 104,880	\$ 738,775
Accrued expenses	1,343,319	-	23,743	11,970	1,379,032
Deferred revenue	212,540	-	40,543	-	253,083
Total liabilities	<u>2,002,978</u>	<u>186,776</u>	<u>64,286</u>	<u>116,850</u>	<u>2,370,890</u>
Fund balances (deficit):					
Nonspendable:					
Cemetery perpetual care	-	-	-	586,596	586,596
Library trust	-	-	-	38,288	38,288
Restricted for:					
Street improvements	-	-	-	2,562,959	2,562,959
Capital projects	492,261	-	-	2,662	494,923
Debt service	-	-	235,984	-	235,984
Economic development	-	-	-	874,480	874,480
Federal programs	-	-	-	901,969	901,969
Housing loans	-	-	-	949,884	949,884
Community improvements	-	-	-	534,104	534,104
Library expenses	-	-	-	759,473	759,473
Other purposes	-	-	-	42,017	42,017
Assigned for:					
Budgetary stabilization	-	-	-	967,744	967,744
Encumbrances	159,197	96,125	-	24,910	280,232
Other purposes	-	-	-	1,687,530	1,687,530
Unassigned	10,679,717	-	-	(16,287)	10,663,430
Total fund balances	<u>11,331,175</u>	<u>96,125</u>	<u>235,984</u>	<u>9,916,329</u>	<u>21,579,613</u>
Total liabilities and fund balances	<u>\$ 13,334,153</u>	<u>\$ 282,901</u>	<u>\$ 300,270</u>	<u>\$ 10,033,179</u>	<u>\$ 23,950,503</u>

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA

**RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

September 30, 2012

Total fund balances - governmental funds \$ 21,579,613

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$353,101,935, and the accumulated depreciation is \$32,251,123. 320,850,812

Internal service funds are used by management to charge the costs of certain activities, such as information technology, fleet services, and insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 4,053,729

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Noncurrent compensated absences	\$ (513,148)	
Capital lease obligations	(12,175,429)	
General obligation bonds payable	<u>(6,585,000)</u>	<u>(19,273,577)</u>

Total net assets - governmental activities \$ 327,210,577

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended September 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 6,517,810	\$ -	\$ 1,270,237	\$ 8,022	\$ 7,796,069
Motor vehicle	905,396	-	6,183	28	911,607
Occupation	1,472,789	-	-	-	1,472,789
Sales tax	14,573,734	-	-	-	14,573,734
Franchise	1,595,471	-	-	-	1,595,471
Intergovernmental	1,377,919	701,174	-	6,173,497	8,252,590
Keno	-	-	-	281,867	281,867
Special assessments	-	-	-	792,832	792,832
Charges for services	8,364,895	-	-	401,186	8,766,081
Interest income	39,566	-	3,293	21,133	63,992
Contributions	76,115	1,762,000	-	615,626	2,453,741
Sale of assets	112,976	-	-	-	112,976
Other revenue	171,725	12,109	-	16,969	200,803
Total revenues	<u>35,208,396</u>	<u>2,475,283</u>	<u>1,279,713</u>	<u>8,311,160</u>	<u>47,274,552</u>
EXPENDITURES					
General government	3,657,854	-	-	3,240,820	6,898,674
Public safety	18,149,368	-	-	596,970	18,746,338
Public works	5,650,602	4,055,850	-	-	9,706,452
Environment and leisure	5,202,827	564,406	-	118,369	5,885,602
Non-departmental	457,028	-	-	-	457,028
Principal payments on debt	1,366,377	-	2,040,000	-	3,406,377
Interest on long-term debt	311,819	-	188,780	-	500,599
Bond/loan fees	5,750	-	1,500	-	7,250
Total expenditures	<u>34,801,625</u>	<u>4,620,256</u>	<u>2,230,280</u>	<u>3,956,159</u>	<u>45,608,320</u>
Excess (deficiency) of revenues over expenditures	406,771	(2,144,973)	(950,567)	4,355,001	1,666,232
OTHER FINANCING SOURCES (USES)					
Transfers in	3,845,996	2,039,537	774,000	1,159,379	7,818,912
Transfers out	(2,764,011)	(62,904)	(546,100)	(3,774,121)	(7,147,136)
Net transfers	<u>1,081,985</u>	<u>1,976,633</u>	<u>227,900</u>	<u>(2,614,742)</u>	<u>671,776</u>
Net change in fund balances	1,488,756	(168,340)	(722,667)	1,740,259	2,338,008
Fund balances - September 30, 2011	<u>9,842,419</u>	<u>264,465</u>	<u>958,651</u>	<u>8,176,070</u>	<u>19,241,605</u>
Fund balances - September 30, 2012	<u>\$ 11,331,175</u>	<u>\$ 96,125</u>	<u>\$ 235,984</u>	<u>\$ 9,916,329</u>	<u>\$ 21,579,613</u>

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended September 30, 2012

Total net change in fund balances - governmental funds	\$ 2,338,008
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Amounts reported for *governmental activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capitalized capital outlay (\$5,967,948) exceeded depreciation expense (\$2,972,378) during the period.	2,995,570
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Losses on disposal of capital assets are not shown in the governmental fund financial statements. However, in the statement of activities, the loss is reported as a reduction to asset sales proceeds.	(84,682)
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Internal service fund capital activity is removed from the reconciliation, since it is accounted for on the economic resource basis in the fund financial statements.	11,189
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, information technology, and fleet services, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities in the statement of activities.	(1,116,762)
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The change in noncurrent compensated absences is reported as an expense in the statement of net assets. Noncurrent compensated absences are not reported in the governmental funds.	(65,653)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	3,406,377
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Change in net assets of governmental activities	<u><u>\$ 7,484,047</u></u>
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See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2012

	Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,412,178	\$ 415,972	\$ 777,070
Investments	31,229,938	2,737,801	4,329,932
Receivables:			
Accounts, net of allowance for doubtful accounts	5,454,558	864,454	692,567
Unbilled revenue	2,387,719	299,452	336,499
Interest	28,128	9,082	125,311
Special assessments	-	53,018	803,181
Due from other funds	-	-	-
Inventory	9,754,647	332,661	-
Prepaid expenses	416,945	12,895	-
Total current assets	<u>51,684,113</u>	<u>4,725,335</u>	<u>7,064,560</u>
Noncurrent assets:			
Restricted cash and cash equivalents	336,545	412,319	599,340
Restricted investments	2,236,335	300,500	2,052,584
Deferred charges	839,655	-	-
Prepaid transmission	2,175,599	-	-
Unamortized bond costs	252,225	50,839	120,785
Capital assets:			
Land and improvements	6,068,304	-	55,626,523
Construction in progress	13,199,346	7,332,221	7,004,861
Distribution and collection systems	274,326,517	53,012,679	5,636,619
Buildings and equipment	27,748,808	3,255,768	16,803,545
Less accumulated depreciation	(196,203,205)	(12,784,034)	(37,096,404)
Net capital assets	<u>125,139,770</u>	<u>50,816,634</u>	<u>47,975,144</u>
Total noncurrent assets	<u>130,980,129</u>	<u>51,580,292</u>	<u>50,747,853</u>
Total assets	<u>182,664,242</u>	<u>56,305,627</u>	<u>57,812,413</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,485,397	1,068,537	445,771
Accrued expenses	2,309,862	274,172	128,489
Current portion of long-term obligations	<u>1,875,000</u>	<u>220,000</u>	<u>1,630,000</u>
Total current liabilities	<u>6,670,259</u>	<u>1,562,709</u>	<u>2,204,260</u>
Noncurrent liabilities:			
Compensated absences - noncurrent	435,189	43,041	47,947
Closure/post closure liability	172,547	-	-
Noncurrent portion of long-term obligations	15,935,000	3,505,000	1,420,000
Unamortized bond premiums	960,042	-	-
Total noncurrent liabilities	<u>17,502,778</u>	<u>3,548,041</u>	<u>1,467,947</u>
Total liabilities	<u>24,173,037</u>	<u>5,110,750</u>	<u>3,672,207</u>
NET ASSETS			
Invested in capital assets, net of related debt	109,637,207	47,142,473	45,045,929
Restricted for:			
Debt service	2,236,335	712,819	2,651,924
Landfill closure/post closure costs	-	-	-
Unrestricted	<u>46,617,663</u>	<u>3,339,585</u>	<u>6,442,353</u>
Total net assets	<u>\$ 158,491,205</u>	<u>\$ 51,194,877</u>	<u>\$ 54,140,206</u>

See notes to financial statements.

<u>Landfill Fund</u>	<u>Golf Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 373,167 2,079,336	\$ 42,290 235,649	\$ 4,020,677 40,612,656	\$ 722,390 4,025,253
184,370	11,585	7,207,534	103,048
-	-	3,023,670	-
-	-	162,521	-
-	-	856,199	-
-	-	-	86,650
-	-	10,087,308	159,048
-	-	429,840	-
<u>2,636,873</u>	<u>289,524</u>	<u>66,400,405</u>	<u>5,096,389</u>
1,491,241	-	2,839,445	-
4,010,872	-	8,600,291	-
-	-	839,655	-
-	-	2,175,599	-
-	-	423,849	-
253,515	867,573	62,815,915	-
-	-	27,536,428	-
-	-	332,975,815	-
9,708,796	723,592	58,240,509	1,504,242
(5,011,465)	(1,465,412)	(252,560,520)	(1,120,608)
<u>4,950,846</u>	<u>125,753</u>	<u>229,008,147</u>	<u>383,634</u>
<u>10,452,959</u>	<u>125,753</u>	<u>243,886,986</u>	<u>383,634</u>
<u>13,089,832</u>	<u>415,277</u>	<u>310,287,391</u>	<u>5,480,023</u>
36,351	19,903	4,055,959	370,316
46,210	25,281	2,784,014	1,026,997
-	-	3,725,000	-
<u>82,561</u>	<u>45,184</u>	<u>10,564,973</u>	<u>1,397,313</u>
12,258	11,718	550,153	28,981
3,054,567	-	3,227,114	-
-	-	20,860,000	-
-	-	960,042	-
<u>3,066,825</u>	<u>11,718</u>	<u>25,597,309</u>	<u>28,981</u>
<u>3,149,386</u>	<u>56,902</u>	<u>36,162,282</u>	<u>1,426,294</u>
4,950,846	125,753	206,902,208	383,634
-	-	5,601,078	-
2,447,546	-	2,447,546	-
2,542,054	232,622	59,174,277	3,670,095
<u>\$ 9,940,446</u>	<u>\$ 358,375</u>	<u>\$ 274,125,109</u>	<u>\$ 4,053,729</u>

CITY OF GRAND ISLAND, NEBRASKA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS**

For the year ended September 30, 2012

	Enterprise Funds		
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Operating revenues:			
Sales:			
Consumers	\$ 58,062,965	\$ 5,079,025	\$ 8,240,781
Municipal and interdepartmental	1,828,136	96,285	-
Wholesale	1,288,128	-	-
Total sales	<u>61,179,229</u>	<u>5,175,310</u>	<u>8,240,781</u>
Tap fees	-	1,795,043	4,133
Other revenue	576,308	190,369	129,950
Total operating revenues	<u>61,755,537</u>	<u>7,160,722</u>	<u>8,374,864</u>
Operating expenses:			
Cost of power	30,232,339	-	-
Production	-	1,259,225	-
Operation of system	1,774,133	890,135	3,146,713
Maintenance of system	2,247,237	-	448,041
Consumer accounting and collection	1,175,353	448,460	528,130
General office expense	1,347,574	174,847	557,842
Special services	1,073,931	102,950	37,177
Information technology	-	-	-
Central garage	-	-	-
Insurance	554,598	12,190	69,542
Miscellaneous	100,817	203,528	-
Closure costs	-	-	-
Depreciation	9,905,761	663,944	2,587,687
Amortization	19,693	4,884	99,228
Total operating expenses	<u>48,431,436</u>	<u>3,760,163</u>	<u>7,474,360</u>
Operating income (loss)	13,324,101	3,400,559	900,504
Nonoperating revenues (expenses):			
Interest income	403,962	20,528	52,319
Intergovernmental/grants	-	-	-
Allocated debt on participation power	(6,320,655)	-	-
Interest expense	(905,174)	(56,416)	(128,220)
Payments in lieu of taxes	(811,019)	(83,718)	-
Gain on sale of assets	20,570	1,615	30,000
Special assessments	-	-	65,440
Contributions in aid of construction	-	1,058,847	754,249
Total nonoperating revenues (expenses)	<u>(7,612,316)</u>	<u>940,856</u>	<u>773,788</u>
Excess (deficiency) of revenues over expenditures	5,711,785	4,341,415	1,674,292
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	25,000
Change in net assets	5,711,785	4,341,415	1,699,292
Net assets - September 30, 2011 - as previously reported	152,779,420	46,853,462	52,440,914
Restatement of net assets	-	-	-
Net assets - September 30, 2011 - as restated	<u>152,779,420</u>	<u>46,853,462</u>	<u>52,440,914</u>
Net assets - September 30, 2012	<u>\$ 158,491,205</u>	<u>\$ 51,194,877</u>	<u>\$ 54,140,206</u>

See notes to financial statements.

<u>Landfill Fund</u>	<u>Golf Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
2,387,681	\$ 670,762	\$ 74,441,214	\$ -
-	-	1,924,421	8,880,803
-	-	1,288,128	-
<u>2,387,681</u>	<u>670,762</u>	<u>77,653,763</u>	<u>8,880,803</u>
-	-	1,799,176	-
22,065	7,394	926,086	-
<u>2,409,746</u>	<u>678,156</u>	<u>80,379,025</u>	<u>8,880,803</u>
-	-	30,232,339	-
-	-	1,259,225	-
1,037,202	478,766	7,326,949	-
140,651	36,124	2,872,053	-
44,738	-	2,196,681	-
225,869	71,500	2,377,632	-
97,543	450	1,312,051	-
-	-	-	982,100
-	-	-	1,234,790
30,600	3,000	669,930	7,799,875
-	-	304,345	24,791
(685,152)	-	(685,152)	-
530,324	21,841	13,709,557	74,093
-	-	123,805	-
<u>1,421,775</u>	<u>611,681</u>	<u>61,699,415</u>	<u>10,115,649</u>
987,971	66,475	18,679,610	(1,234,846)
26,539	-	503,348	30,180
-	-	-	50,000
-	-	(6,320,655)	-
-	-	(1,089,810)	-
-	-	(894,737)	-
71,875	-	124,060	-
-	-	65,440	-
-	-	1,813,096	-
<u>98,414</u>	<u>-</u>	<u>(5,799,258)</u>	<u>80,180</u>
1,086,385	66,475	12,880,352	(1,154,666)
-	-	25,000	37,904
<u>1,086,385</u>	<u>66,475</u>	<u>12,905,352</u>	<u>(1,116,762)</u>
-	291,900	252,365,696	5,170,491
<u>8,854,061</u>	<u>-</u>	<u>8,854,061</u>	<u>-</u>
<u>8,854,061</u>	<u>291,900</u>	<u>261,219,757</u>	<u>5,170,491</u>
<u>\$ 9,940,446</u>	<u>\$ 358,375</u>	<u>\$ 274,125,109</u>	<u>\$ 4,053,729</u>

CITY OF GRAND ISLAND, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2012

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 61,006,851	\$ 6,627,601
Receipts from other funds	-	-
Payments to suppliers	(27,406,355)	(2,429,087)
Payments to employees	(8,900,670)	(606,441)
Net cash provided (used) by operating activities	<u>24,699,826</u>	<u>3,592,073</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments in lieu of taxes	(689,459)	(54,683)
Transfer from (to) other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>(689,459)</u>	<u>(54,683)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(10,441,997)	(6,844,939)
Proceeds from sale of property and equipment	841,614	5,382
Decrease in deferred charges	903,995	-
Intergovernmental receipts	-	-
Special assessment collections	-	-
Payment of allocated debt on participation power purchase	(6,320,655)	-
Proceeds from issuance of bonds payable	18,510,000	3,725,000
Premium received on the issuance of bonds	1,029,250	-
Payment of bond fees	(270,408)	(52,150)
Principal payments on capital debt	(26,190,000)	(1,095,000)
Interest paid on capital debt	(1,013,645)	(51,320)
Increase (decrease) in closure/post closure liability	3,549	-
Net cash used by capital and related financing activities	<u>(22,948,297)</u>	<u>(4,313,027)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale and maturities of investment securities	24,273,923	412,219
Purchase of investment securities	(29,324,239)	(518,031)
Interest received	448,143	20,479
Net cash provided (used) by investing activities	<u>(4,602,173)</u>	<u>(85,333)</u>
Increase (decrease) in cash and cash equivalents	(3,540,103)	(860,970)
Cash and cash equivalents - beginning of the year	<u>6,288,826</u>	<u>1,689,261</u>
Cash and cash equivalents - end of the year	<u><u>\$ 2,748,723</u></u>	<u><u>\$ 828,291</u></u>
Composition of cash and cash equivalents:		
Cash and cash equivalents	\$ 2,412,178	\$ 415,972
Restricted cash and cash equivalents	336,545	412,319
Total cash and cash equivalents	<u><u>\$ 2,748,723</u></u>	<u><u>\$ 828,291</u></u>

See notes to financial statements.

Enterprise Funds				Internal Service Funds
Sewer Fund	Landfill Fund	Golf Fund	Total	
\$ 8,338,388	\$ 2,427,136	\$ 671,917	\$ 79,071,893	\$ -
-	-	-	-	8,876,455
(3,239,070)	(333,512)	(375,771)	(33,783,795)	(9,295,433)
(1,546,308)	(556,804)	(202,897)	(11,813,120)	(573,872)
<u>3,553,010</u>	<u>1,536,820</u>	<u>93,249</u>	<u>33,474,978</u>	<u>(992,850)</u>
-	-	-	(744,142)	-
25,000	-	-	25,000	37,904
<u>25,000</u>	<u>-</u>	<u>-</u>	<u>(719,142)</u>	<u>37,904</u>
(5,329,129)	(449,832)	-	(23,065,897)	(62,904)
30,000	71,875	-	948,871	-
-	-	-	903,995	-
-	-	-	-	50,000
253,627	-	-	253,627	-
-	-	-	(6,320,655)	-
-	-	-	22,235,000	-
-	-	-	1,029,250	-
-	-	-	(322,558)	-
(1,590,000)	-	-	(28,875,000)	-
(128,220)	-	-	(1,193,185)	-
-	(685,152)	-	(681,603)	-
<u>(6,763,722)</u>	<u>(1,063,109)</u>	<u>-</u>	<u>(35,088,155)</u>	<u>(12,904)</u>
648,768	-	-	25,334,910	(621,424)
-	(697,509)	(125,074)	(30,664,853)	-
47,627	27,839	-	544,088	30,180
<u>696,395</u>	<u>(669,670)</u>	<u>(125,074)</u>	<u>(4,785,855)</u>	<u>(591,244)</u>
(2,489,317)	(195,959)	(31,825)	(7,118,174)	(1,559,094)
3,865,727	2,060,367	74,115	13,978,296	2,281,484
<u>\$ 1,376,410</u>	<u>\$ 1,864,408</u>	<u>\$ 42,290</u>	<u>\$ 6,860,122</u>	<u>\$ 722,390</u>
\$ 777,070	\$ 373,167	\$ 42,290	\$ 4,020,677	\$ 722,390
599,340	1,491,241	-	2,839,445	-
<u>\$ 1,376,410</u>	<u>\$ 1,864,408</u>	<u>\$ 42,290</u>	<u>\$ 6,860,122</u>	<u>\$ 722,390</u>

CITY OF GRAND ISLAND, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS, Continued**

For the year ended September 30, 2012

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 13,324,101	\$ 3,400,559
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	9,905,761	663,944
Amortization expense	19,693	4,884
Change in assets and liabilities:		
Accounts receivable	(748,686)	(533,121)
Inventories	1,102,538	(54,383)
Prepaid expenses	(23,796)	(736)
Prepaid transmissions	1,100,642	-
Accounts payable and accrued expenses	19,573	110,926
Net cash provided (used) by operating activities	<u>\$ 24,699,826</u>	<u>\$ 3,592,073</u>
Supplemental cash flow information:		
Acquisition of capital assets through developers' aid of construction	<u>\$ -</u>	<u>\$ 1,058,847</u>
Accounts payable incurred for capital asset purchases	<u>\$ -</u>	<u>\$ 917,168</u>

See notes to financial statements.

Enterprise Funds			Total	Internal Service Funds
<u>Sewer Fund</u>		<u>Golf Fund</u>		
\$ 900,504	\$ 987,971	\$ 66,475	\$ 18,679,610	\$ (1,234,846)
2,587,687	530,324	21,841	13,709,557	74,093
99,228	-	-	123,805	-
(36,476)	17,390	(6,239)	(1,307,132)	(4,348)
-	-	-	1,048,155	(24,921)
-	-	-	(24,532)	-
-	-	-	1,100,642	-
2,067	1,135	11,172	144,873	197,172
<u>\$ 3,553,010</u>	<u>\$ 1,536,820</u>	<u>\$ 93,249</u>	<u>\$ 33,474,978</u>	<u>\$ (992,850)</u>
<u>\$ 754,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,813,096</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 917,168</u>	<u>\$ -</u>

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

September 30, 2012

	Employee Pension <u>Reserve Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash	\$ 9,249	\$ 23,373
Investments	5,125,906	130,241
Accounts receivable	-	10,682
Special assessments receivable	-	16,433
Total assets	<u>5,135,155</u>	<u>180,729</u>
LIABILITIES		
Due to other funds	512,914	-
Agency liabilities	-	180,729
Pension liability	<u>1,160,256</u>	<u>-</u>
Total liabilities	<u>1,673,170</u>	<u>180,729</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 3,461,985</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS

For the year ended September 30, 2012

	Employee Pension <u>Reserve Funds</u>
ADDITIONS	
Transfers from other funds	\$ 173,372
Interest and dividends	1,209,712
Other revenue	<u>2,978</u>
Total additions	1,386,062
DEDUCTIONS	
Pension benefits	63,839
Transfer to other funds	163,910
Loss on investments	<u>302,367</u>
Total deductions	<u>530,116</u>
Change in net assets	855,946
Net assets - September 30, 2011	<u>2,606,039</u>
Net assets - September 30, 2012	<u><u>\$ 3,461,985</u></u>

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

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CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Grand Island, Nebraska (City) are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note.

1. Financial Reporting Entity

The City of Grand Island, Nebraska, was incorporated in 1872. The City operates under a Mayor-Council form of government with an elected part-time chief executive, Mayor, and an elected legislative body, Council, composed of ten members. The Mayor is elected at large for a four-year term, and the ten members of the City Council are elected, two from each of five wards, on alternating four-year terms. The administration of the City government is performed under the direction of the Mayor by the City Administrator. Services provided to residents include public safety; highways and streets; planning and zoning; parks; recreation; urban development; electric, water, and sanitary sewer systems; sanitary landfill; golf course; and general administrative services.

The City's financial reporting entity comprises the following:

Primary Government:	City of Grand Island
Discretely Presented Component Units:	Community Redevelopment Authority of Grand Island Business Improvement Districts Grand Island Facilities Corporation

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14 and Statement No. 39, and has included all organizations that make up the City's legal entity and all component units. Consistent with applicable guidance, the criteria used by the City to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The City includes organizations as component units under the following financial accountability criteria:

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

- (1) Organizations for which the City Council appoints a voting majority of the organization's governing body and for which (a) the City is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.
- (2) Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the City.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council, or the component unit provides services entirely to the City. These component units' funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The following are the discretely presented component units:

**Brief Description of Activities and Relationship
To The City:**

Community Redevelopment
Authority of Grand Island

Created in June 1997 to develop, finance, and maintain certain areas of the City in need of improvement and development. The Mayor appoints the five-member board. The CRA can borrow money, issue bonds, and request a levy of taxes under the City's overall levy limits. The CRA's annual budget is subject to the City Council's approval. The component unit information was obtained from separately audited financial statements which can be obtained by contacting the Community Redevelopment Authority of Grand Island.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

Discretely Presented Component Units, continued

	<u>Brief Description of Activities and Relationship To The City:</u>
Business Improvement Districts	BID #4 was created on July 23, 2002; and BID #6, #7, and #8 were created during July 2008. The BIDs account for funding held for improvement and maintenance of public areas within the boundaries of the Districts.
Grand Island Facilities Corporation	Created in 2005 to provide for the construction and issuance of bonds for the library addition. The City Council appoints board members of this Corporation.

Effective October 1, 2011, the Grand Island Area Solid Waste Agency (Landfill), formerly accounted for as a discretely presented component unit, became an Enterprise Fund of the City.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fund Financial Statements

Fund financial statements of the reporting entity 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 that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, 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, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Governmental Funds, continued

Capital Project Funds

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects. The reporting entity includes one Capital Project Fund to account for the acquisition of capital assets with transfers made from Governmental Funds and another to account for the special assessments.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's general obligation bonds.

Permanent Fund

The Permanent Fund accounts for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Internal Service Funds

The Internal Service Funds account for activities that provide goods and services to other funds, departments or agencies of the primary government and its component units on a cost-reimbursement basis.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fiduciary Funds (not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes three agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

<u>Fund</u>	<u>Brief Description</u>
Cafeteria Plan	Accounts for voluntary employee contributions as a tax-free reimbursement for medical and child care expenses.
Other Agencies	Accounts for the Tri-City Task Force and for the collection and remittance of the City lodging tax to Fonner Park.
BID Assessments	Accounts for the collection of assessments for Business Improvement Districts #4, #6, #7, and #8 and remittance of assessments to the Districts. (Activity for these funds was transferred to a BID component unit during the year ended September 30, 2004).

Trust Funds

Trust funds account for assets held by the City for the members and beneficiaries of defined benefit pension plans and defined contribution pension plans. The reporting entity includes three trust funds:

Police and Fire Pension	Accounts for direct pension payments to police and fire personnel who retired prior to 1984 under a defined benefit plan.
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CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fiduciary Funds (not included in government-wide statements), continued

Trust Funds, continued

Police Pension Reserve	Accounts for the administration of reserves for police.
Fire Pension Reserve	Accounts for the administration of reserves for firefighters.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
Governmental:	
General	See above for description.
Capital Projects	See above for description.
Debt Service	See above for description.
Proprietary:	
Enterprise:	
Electric, Water, Sewer, Landfill, and Golf	See above for description.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

<u>Fund</u>	<u>Brief Description</u>
<i>Nonmajor:</i>	
Special Revenue:	
Gas Tax	Accounts for the City's share of the State's gasoline tax from the State of Nebraska.
Enhanced 911	Accounts for the per-line telephone surcharge for the Emergency Communications System.
PSC Wireless	Accounts for the wireless E-911 fees distributed to the City by the Public Service Commission.
Keno	Accounts for the City's share of the Hall County Keno gaming proceeds.
Community Youth Council	Accounts for the monies to implement a plan to combat risks for the City's youth.
Program Income Reuse	Accounts for the repayment of loans from the Department of Economic Development into the City's Economic Development Revolving Loan Fund.
Economic Development	Per the Local Option Economic Development Program passed by the citizens in May 2003 the City will set aside \$750,000 per year for 10 years to promote economic development. This division reflects the transfer in and subsequent expenditure of that portion of those funds to be used to provide incentives for business recruitment and retention. Funds are required to be segregated and expenditures are to be recommended by the Economic Development Corporation Executive Board, reviewed by the Citizens' Advisory Review Committee, and finally submitted to the Mayor and City Council for approval.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

<u>Fund</u>	<u>Brief Description</u>
<i>Nonmajor, continued:</i>	
Special Revenue, continued:	
Housing Reuse	Accounts for the proceeds received from Homestead and deferred payment loans in accordance with the “Program Reserve” plan under the Department of Economic Development.
Community Development	Accounts for the miscellaneous income not tied to any specific grant and is used for administration.
Community Grants	Accounts for grants received for housing rehabilitation and the Senior Citizens Center.
Police Grants	Accounts for non-personnel police grants.
Parking District #1	Accounts for the business occupation tax to pay for maintenance and improvements of public property within that district.
Parking District #2	Accounts for operational costs on the parking ramp by using the ad valorem tax.
Local Assistance	Accounts for various donations to fund-specific City expenses, projects, and improvements.
Capital Projects:	
Special Assessments	Accounts for collections of special assessments for the Debt Service or Capital Projects Fund.
Permanent:	
Library Trust	Accounts for monies donated by the Abbott Estate to establish an endowment for the public library.
Cemetery Trust	Accounts for the monies in a permanent care endowment fund for the cemetery.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

<u>Fund</u>	<u>Brief Description</u>
<i>Nonmajor, continued:</i>	
Internal Service:	
Information Technology	Accounts for the operations of the Information Technology Division of the Finance Department and development of the City network.
 Fleet Services	 Accounts for the performance of repair and maintenance activities for the City's equipment and vehicle fleet.
 Insurance	 Accounts for the property, liability, automobile, workers' compensation, and health insurance and other programs for all City operations.
 Equipment Reserve	 Established to provide continuity of capital equipment replacement in the General Fund.

3. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b, below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus, continued

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-like activities and the discretely presented component units are presented using 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 or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and fiduciary funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

All proprietary funds and discretely presented component units utilize 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 or the economic asset is used.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Investments

For the purpose of the Statement of Net Assets, “cash and cash equivalents” include all demand accounts and savings accounts. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all cash on hand, demand accounts, savings accounts, and equity in pooled cash which has an original maturity of three months or less. The County Treasurer’s cash represents revenues collected not yet remitted to the City.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes B2, C1, and D2.

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.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include special assessments and property taxes. Business-type activities report utility billings and special assessments as their major receivables.

In the fund financial statements, receivables in governmental funds include revenue accruals such as special assessments and property taxes since they are usually both measurable and available. Proprietary fund receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable and special assessments compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Due from Other Governments

The total due from other governments includes the following amounts:

<u>Fund</u>	<u>Amount</u>	<u>Service</u>
General	\$ 2,474,827	Sales Tax
General	61,147	Hall County reimbursements
General	44,837	Department of Justice grant
General	10,835	State DUI grant
Capital Projects	148,698	State reimbursements for Capital Avenue Project
Gas Tax	421,640	Motor Vehicle/Gas Tax
Enhanced 911	13,000	Hall County 911 surcharge
PSC Wireless	12,497	State wireless fees
Local Assistance	10,185	Hotel occupation tax
Community grants	367,550	State reimbursements for CDBG grant expenditures
Keno	<u>24,005</u>	Keno Proceeds
Total governmental funds	\$ <u><u>3,589,221</u></u>	

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to debt service and proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Deferred Charges

Deferred charges incurred consists of various plant maintenance costs that are being amortized over the life of the scheduled maintenance repair life. In accordance with SFAS No. 71, the maintenance costs which would be recognized during the current period are deferred and not included in the determination of net income until such costs are recoverable.

Prepaid Transmission

The Electric Fund has made a long-term usage deposit for the availability of future transmission service with a public power district. The unused deposit at September 30, 2012, is \$2,175,599.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are capitalized and reported on the Statement of Net Assets. The City has a \$10,000 capitalization threshold. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. The City has elected the modified approach for reporting infrastructure.

Depreciation of general capital assets and all proprietary capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Buildings	25-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years

Prior to July 1, 1980, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost. The cost of normal maintenance, preservation, and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

The Electric and Water Departments capitalize interest costs as a component of production capacity based on the weighted average rates paid for long-term borrowing. Total interest incurred was:

	<u>Electric</u>	<u>Water</u>
Interest costs capitalized	\$ -	\$ -
Interest costs charged to expense	<u>905,174</u>	<u>56,416</u>
	\$ <u>905,174</u>	\$ <u>56,416</u>

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Unamortized Bond Discounts and Premiums/Deferred Charges

Bond discount fees and bond premiums for the Electric and Water Funds are deferred and amortized over the life of the bonds using the effective interest method. The deferred charges of various plant maintenance costs for the Electric Fund are being amortized over the life of the scheduled maintenance repair life.

Defeasance costs for the sewer department are deferred and amortized over the shorter life of the old bonds or new bonds using the outstanding bond method. The bond issuance costs and premium for the sewer department are deferred and amortized over the life of the new bonds using the straight-line method.

Deferred Revenues

Deferred revenues consist primarily of property taxes expected to be collected after 60 days.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. A portion of the liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this obligation is estimated based on historical trends. In the fund financial statements, governmental funds report only the current compensated absence liability payable from expendable available financial resources, while the proprietary funds report the total liability.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and a closure/post closure liabilities.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Long-term Debt, continued

Fund Financial Statements

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

See Note C8 for additional disclosures.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Fund Financial Statements, continued

Effective October 1, 2010, the City adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

Assigned—Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 18). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

Net Asset Restatement

Governmental net assets were increased \$3,191,337 as of September 30, 2011, to reflect City infrastructure paid for directly by the State of Nebraska. Business-type net assets were increased and discretely presented component unit net assets were decreased \$8,854,061 to reclassify the landfill from a component unit to an Enterprise Fund.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses

Sales and Use Tax

The City presently levies a one-and-one-half percent sales tax on taxable sales within the City. The sales tax is collected by the Nebraska Department of Revenue and remitted to the City in the month following receipt. The Nebraska Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is recorded in the General Fund and used for budgeted General Fund appropriations. As of October 1, 2006, sales tax collected on the sale of motor vehicles is reserved for street improvements as required by LB904.

Sales taxes collected by the State in September (which represents sales for August) and received by the City in October have been accrued and are included under the caption “Due from other governments.”

Property Taxes

The City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law.

The tax levies for all political subdivisions in Hall County are certified by the County Board on or before October 15. Real estate taxes are due on December 31 and attach as an enforceable lien and become delinquent in two equal installments on May 1 and September 1. Personal property taxes are due in the same manner as real estate taxes. Delinquent taxes bear 14 percent interest.

Property taxes levied for 2011-2012 are recorded as revenue when expected to be collected within 60 days after September 30, 2012. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

The City-owned electric and water utilities may make payments in lieu of taxes. The electric department pays five percent of its net operating revenues, excluding depreciation, and the water department pays one percent of its gross revenues derived from within the City limits.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by Character and Function

Proprietary Fund – by Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Contributions in Aid of Construction

Contributions in aid of construction are tap fees installed and contributed by developers. These contributions are recorded at fair market value when the development is complete and are considered imposed non-exchange transactions.

Allocated Debt on Participation Power Purchases

A portion of the monthly bill the Department pays for participation power from OPPD is the Department's allocated debt on the NC2 Project. Allocated debt of \$6,320,655 is shown as a nonoperating expense for the year ended September 30, 2012.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

1. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include: Special Revenue, Capital Projects, Debt Service, Permanent, Agency, and Trust Funds.

2. Deposit Laws and Regulations

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The City's cash deposits, including certificates of deposit, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing demand deposits, up to \$250,000 for interest-bearing time deposits/savings, and all non-interest-bearing deposits are insured. Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the City's name.

3. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are described in Note A2 for the various funds.

4. Debt Restrictions and Covenants

Bonds Payable

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt service coverage requirements and required reserve account balances. The City is in compliance with the bond restrictions and covenants.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data

The City is required by state laws to adopt annual budgets for all fund types. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

The Nebraska Budget Act provides the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditure and/or tax levy limitations.

The City follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 20, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require board approval.
- e. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.
- f. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before October 15. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Grand Island adopts a budget by resolution for all fund types.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for various assets, liabilities, equity, revenues, and expenditures/expenses.

1. Cash and Investments

Deposits

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2012. The categories of collateral are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name; or collateralized with no written or approved collateral agreement.

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits	\$ 10,801,463	\$ 6,455,823	\$ 4,345,640	\$ -	\$ <u>10,802,728</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –

Unrestricted cash and cash equivalents	\$ 6,996,634
Restricted cash and cash equivalents	3,391,057

Component Units –

Unrestricted cash and cash equivalents	321,693
Restricted cash and cash equivalents	60,722

Employee Pension Funds Cash (not included in government-wide statement)	9,249
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Agency Fund Cash (not included in government-wide statement)	<u>23,373</u>
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\$ 10,802,728

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Investments, continued

Investments

The City's policies and applicable laws regarding investments are discussed in Notes A4 and B2. The table presented below is designed to disclose the level of market risk and custodial credit risk assumed by the City (or public trust) based upon whether the investments are insured or registered and upon who holds the security at September 30, 2012. The categories of credit risk are defined as follows:

Category 1 – Insured or registered, with securities held by the entity or its agent in the entity's name.

Category 2 – Uninsured and unregistered, with securities held by counterparty's trust department or agent in the entity's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the City's name.

<u>Type of Investment</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Time Deposits	\$ 66,563,721	\$ -	\$ -	\$ 66,563,721	\$ 66,563,721
Publicly Traded Equities	-	5,143,082	-	<u>5,143,082</u>	<u>5,143,082</u>
				<u>\$ 71,706,803</u>	<u>\$ 71,706,803</u>

Reconciliation to Government-wide Statements of Net Assets:

Primary Government –	
Unrestricted investments	\$ 57,195,051
Restricted investments	8,725,985
Permanently restricted investments	529,620
Employee Pension Funds (not included in government-wide statements)	5,125,906
Agency Funds (not included in government-wide statements)	<u>130,241</u>
	<u>\$ 71,706,803</u>

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

2. Restricted Assets

The restricted assets as of September 30, 2012, are as follows:

Type of Restricted Assets:	Governmental <u>Activities</u>	Business- type <u>Activities</u>	Total Primary <u>Government</u>	Component <u>Units</u>
Cash and cash equivalents	\$ 551,612	\$ 2,839,445	\$ 3,391,057	\$ 60,722
Investments	125,694	8,600,291	8,725,985	-
Permanently restricted investments	529,620	-	529,620	-
Permanently restricted notes receivable	1,291,102	-	1,291,102	-
	<u>\$2,498,028</u>	<u>\$ 11,439,736</u>	<u>\$ 13,937,764</u>	<u>\$ 60,722</u>

3. Accounts and Notes Receivable

Accounts receivable of the business-type activities consist of utilities receivables. Accounts receivable of the governmental activities consist of telephone tax (13.5 percent), cable franchise tax (13.9 percent), other franchise/occupation tax (2.2 percent), ambulance (27.7 percent), payroll reimbursement (11.1 percent), administrative fees (12.3 percent), and other (19.3 percent) receivables. Accounts receivable for the component units consists entirely of landfill receivables. Receivables detail at September 30, 2012, is as follows:

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	Total Primary <u>Government</u>	Component <u>Units</u>
Accounts receivable	\$1,031,794	\$7,580,354	\$8,612,148	\$ -
Allowance for doubtful accounts	(161,500)	(372,820)	(534,320)	-
Net accounts receivable	<u>\$ 870,294</u>	<u>\$7,207,534</u>	<u>\$8,077,828</u>	<u>\$ -</u>

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Accounts and Notes Receivable, continued

Notes receivable for the governmental funds consist of the following at September 30, 2012:

<u>Note Held By:</u>	<u>Due From</u>	Note Balance at September 30, <u>2012</u>	<u>Terms</u>
Capital Projects Fund	Heartland Shooting Park	\$ 10,000	0%; \$5,000 due annually March 17, 2009, through March 17, 2013.
Capital Projects Fund	Central Nebraska Humane Society	28,504	0%; \$100 due annually through 2013, then \$10,000 due annually beginning in 2014 until the loan is paid in full.
Program Income Reuse	Standard Iron	138,392	\$250,000 is 0% loan due in 168 monthly installments.
Community Grants Fund	Rehab Housing - Various Homeowners	420,256	Forgivable over 5 or 10 years of continued home ownership.
Economic Development Fund	Rogue Manufacturing	15,000	Forgivable if employment objectives are met.
Economic Development Fund	Hornady Manufacturing	41,666	Forgivable if employment objectives and building occupancy terms are met.
Economic Development Fund	Medberry Fabrication	55,000	Forgivable if employment objectives are met.
Economic Development Fund	Standard Iron	75,000	Forgivable if employment objectives are met.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Accounts and Notes Receivable, continued

<u>Note Held By:</u>	<u>Due From</u>	Note Balance at September 30, <u>2012</u>	<u>Terms</u>
Economic Development Fund	Hastings Foods	46,667	Forgivable if employment objectives are met
Economic Development Fund	Nova Tech	20,000	Forgivable if employment objectives are met.
Economic Development Fund	CNH America, LLC	146,000	Forgivable if employment objectives are met.
Housing Reuse Loan Fund	Rehab Housing - Various Homeowners	131,313	0%; due upon sale of house.
Housing Reuse Loan Fund	Housing Downpayment Loans - Various Homeowners	163,304	Forgivable over 5 to 10 years of continued home ownership.
		<u>\$ 1,291,102</u>	

The above notes are permanently restricted as revolving loan funds.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance at October 1, <u>2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Restatement and Reclass</u>	Balance at September 30, <u>2012</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 5,552,803	\$ 270,118	\$ -	\$ -	\$ 5,822,921
Infrastructure	245,454,829	52,975	-	9,900,505	255,408,309
Construction in progress	9,625,020	1,870,582	-	(6,709,168)	4,786,434
Total capital assets not being depreciated	260,632,652	2,193,675	-	3,191,337	266,017,664
Other capital assets being depreciated:					
Land improvements	12,756,968	2,197,499	-	-	14,954,467
Buildings	57,663,446	-	-	-	57,663,446
Machinery and equipment	6,153,965	541,628	(341,797)	-	6,353,796
Office furniture and equipment	2,663,832	62,904	(207,320)	-	2,519,416
Vehicles	6,247,806	972,242	(122,661)	-	7,097,387
Total other capital assets at historical cost	85,486,017	3,774,273	(671,778)	-	88,588,512
Less accumulated depreciation for:					
Land improvements	(4,795,004)	(421,540)	-	-	(5,216,544)
Buildings	(13,526,194)	(1,848,996)	-	-	(15,375,190)
Machinery and equipment	(5,057,175)	(333,547)	289,042	-	(5,101,680)
Office furniture and equipment	(2,377,951)	(92,381)	207,320	-	(2,263,012)
Vehicles	(5,230,124)	(275,914)	90,734	-	(5,415,304)
Total accumulated depreciation	(30,986,448)	(2,972,378) *	587,096	-	(33,371,730)
Other capital assets, net	54,499,569	801,895	(84,682)	-	55,216,782
Governmental activities capital assets, net	<u>\$ 315,132,221</u>	<u>\$ 2,995,570</u>	<u>\$ (84,682)</u>	<u>\$ 3,191,337</u>	<u>\$ 321,234,446</u>

* Depreciation expense was charged to governmental activities as follows:

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets, continued

Governmental Activities, continued:

General Fund:

General government:

City Hall	\$ 228,480
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Public safety:

Fire	160,363
Ambulance	45,922
Police	442,967
Emergency management	<u>105,048</u>
Total public safety	754,300

Public works:

Engineering	22,025
Street and alley	<u>167,641</u>
Total public works	189,666

Environment and leisure:

Library	249,383
Parks	218,210
Cemetery	23,679
Recreation	240,837
Water park and pools	97,553
Community Fieldhouse	171
Public information	30,181
Heartland Public Shooting Park	71,880
Heartland Events Center	<u>700,255</u>
Total environment and leisure	<u>1,632,149</u>

Total General Fund	2,804,595
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Special Revenue Funds:

Enhanced 911	23,889
PSC Wireless	486
Community development	50,997
Downtown development	<u>18,318</u>
Total Special Revenue Funds	93,690

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets, continued

Governmental Activities, continued:

Internal Service Funds:

Information technology	64,677
Fleet services	<u>9,416</u>
Total Internal Service Funds	<u>74,093</u>
Total governmental activities depreciation expense	\$ <u>2,972,378</u>

	Balance at October 1, <u>2011</u>	<u>Additions</u>	<u>Disposals</u>	Reclass	Balance at September 30, <u>2012</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 6,983,571	\$ -	\$ -	\$ 253,515	\$ 7,237,086
Construction in progress	<u>10,459,987</u>	<u>17,076,441</u>	<u>-</u>	<u>-</u>	<u>27,536,428</u>
Total capital assets not being depreciated	17,443,558	17,076,441	-	253,515	34,773,514
Other capital assets being depreciated:					
Land improvements	56,184,022	1,835,964	-	4,878,040	62,898,026
Buildings, distribution systems, and equipment	365,379,120	5,922,662	(1,236,114)	4,002,473	374,068,141
Office furniture and equipment	3,523,688	12,840	-	51,073	3,587,601
Vehicles	<u>5,379,854</u>	<u>630,417</u>	<u>(438,760)</u>	<u>669,874</u>	<u>6,241,385</u>
Total other capital assets at historical cost	430,466,684	8,401,883	(1,674,874)	9,601,460	446,795,153
Less accumulated depreciation for:					
Land improvements	(27,691,070)	(1,814,987)	-	(2,618,977)	(32,125,034)
Buildings, distribution systems, and equipment	(206,060,697)	(11,727,665)	645,406	(1,719,812)	(218,862,768)
Office furniture and equipment	(51,547)	(300)	-	(51,073)	(102,920)
Vehicles	<u>(1,077,873)</u>	<u>(166,605)</u>	<u>208,456</u>	<u>(433,776)</u>	<u>(1,469,798)</u>
Total accumulated depreciation	<u>(234,881,187)</u>	<u>(13,709,557) *</u>	<u>853,862</u>	<u>(4,823,638)</u>	<u>(252,560,520)</u>
Other capital assets, net	<u>195,585,497</u>	<u>(5,307,674)</u>	<u>(821,012)</u>	<u>4,777,822</u>	<u>194,234,633</u>
Business-type capital assets, net	<u>\$ 213,029,055</u>	<u>\$ 11,768,767</u>	<u>\$ (821,012)</u>	<u>\$ 5,031,337</u>	<u>\$ 229,008,147</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 9,905,761
Water	663,944
Sewer	2,587,687
Landfill	530,324
Golf	<u>21,841</u>
Total business-type activities depreciation expense	\$ <u>13,709,557</u>

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets, continued

	Balance at October 1, <u>2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2012</u>
<u>Business Improvement Districts:</u>				
Capital assets being depreciated:				
Land improvements	\$ 45,873	\$ 19,914	\$ -	\$ 65,787
Less accumulated depreciation:				
Land improvements	<u>(9,175)</u>	<u>(2,193)</u>	<u>-</u>	<u>(11,368)</u>
Business Improvement Districts, net	<u>\$ 36,698</u>	<u>\$ 17,721</u>	<u>\$ -</u>	<u>\$ 54,419</u>
<u>Community Redevelopment Authority:</u>				
Capital assets not being depreciated:				
Land held for redevelopment	\$ 495,354	\$ -	\$ -	\$ 495,354
Construction in progress	<u>-</u>	<u>180,658</u>	<u>-</u>	<u>180,658</u>
Total capital assets	<u>\$ 495,354</u>	<u>\$ 180,658</u>	<u>\$ -</u>	<u>\$ 676,012</u>

5. Accounts Payable

Payables in the general, capital projects, other governmental, and proprietary funds are primarily composed of payables to vendors.

6. Long-term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2012:

<u>Type of Debt</u>	Balance October 1, 2011	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2012	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 8,625,000	\$ -	\$ (2,040,000)	\$ 6,585,000	\$ 1,045,000
Capital Lease	13,541,806	-	(1,366,377)	12,175,429	1,776,778
	<u>\$ 22,166,806</u>	<u>\$ -</u>	<u>\$ (3,406,377)</u>	<u>\$ 18,760,429</u>	<u>\$ 2,821,778</u>
Business-type Activities:					
Bonds payable	<u>\$ 31,225,000</u>	<u>\$ 22,235,000</u>	<u>\$ (28,875,000)</u>	<u>\$ 24,585,000</u>	<u>\$ 3,725,000</u>
Component Units:					
GI Facilities Corporation	3,795,000	-	(710,000)	3,085,000	760,000
CRA notes payable	<u>774,447</u>	<u>-</u>	<u>(139,045)</u>	<u>635,402</u>	<u>115,334</u>
Total Component Units	<u>\$ 4,569,447</u>	<u>\$ -</u>	<u>\$ (849,045)</u>	<u>\$ 3,720,402</u>	<u>\$ 875,334</u>

Governmental Activities

As of September 30, 2012, the governmental long-term liabilities consisted of the following:

Bonds payable:

Various purpose refunding bonds dated June 16, 2009, with original issue amount of \$2,970,000. Interest ranges from 1.00 to 3.25 percent with final maturity December 15, 2017. Callable after June 16, 2014.

\$ 2,045,000

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Governmental Activities, continued

Bonds payable, continued:

Law enforcement center refunding bonds dated April 12, 2011, with original issue amount of \$5,535,000. Interest ranges from 0.45 to 2.90 percent with final maturity September 1, 2014.

4,540,000
Total bonds payable 6,585,000

Capital Lease:

Capital lease refunding obligation due to the Heartland Events Center dated September 20, 2011, with original issue amount of \$5,795,000. Interest ranges from 0.3 to 3.35 percent with final maturity December 15, 2024.

5,730,000

Capital lease refunding obligation due to the Grand Island Facilities Corporation dated May 19, 2011, with original issue amount of \$3,795,000. Interest ranges from 0.45 to 1.85 percent with final maturity October 25, 2015.

3,085,000

Capital lease obligation due to Wells Fargo dated July 1, 2009, with original issue amount of \$5,062,500 to finance the State Fair building. The lease bears interest of 4.25 percent and is due in 16 semi-annual principal and interest payments of \$376,556, commencing January 1, 2010 through July 1, 2017.

3,360,429
Total capital lease obligations 12,175,429

\$ 18,760,429

Current portion \$ 2,821,778

Noncurrent portion 15,938,651

Total \$ 18,760,429

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

The Debt Service Fund is making the principal and interest payments on the bonds, and the General Fund is paying the capital lease obligations.

Business-type Activities

As of September 30, 2012, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds payable:

Sewer system revenue and refunding bonds dated June 25, 2003, with original issue amount of \$15,970,000. Interest ranges from 2.00 to 3.45 percent with final maturity on April 1, 2014. Callable after April 1, 2011.	\$ 3,050,000
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Electric system revenue refunding bonds, Series 2012, due serially to August 15, 2022. Interest ranges from 0.2 to 4.0 percent; secured by electric system revenues.	17,810,000
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Water revenue refunding bonds, Series 2012, due serially to July 2, 2027. Interest ranges from 0.4 to 3.1 percent; secured by water system revenue and a deposit in the debt service reserve account.	<u>3,725,000</u>
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Total business-type activity bonds payable	\$ <u>24,585,000</u>
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Current portion	\$ 3,725,000
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Noncurrent portion	<u>20,860,000</u>
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Total	\$ <u>24,585,000</u>
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Component Units

Grand Island Facilities Corporation:

Library building bonds, Series 2005, dated November 1, 2005, with original issue amount of \$7,000,000. Interest ranges from 2.85 to 3.80 percent with final maturity on November 1, 2015, callable after November 1, 2010. (The City has a matching capital lease obligation to the Grand Island Facilities Corporation as described on page 60).	\$ 3,085,000
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CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Component Units, continued

CRA notes payable:

The Authority borrowed \$479,700 from Five Points Bank on December 15, 1999, to finance the GI Cherry Park, LTD, redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest at 7.74 percent with interest payments due semi-annually beginning June 15, 2001, and principal and interest payments due semi-annually beginning June 15, 2001, through December 15, 2013.

83,216

The Authority borrowed \$37,000 from Wells Fargo Bank on September 3, 2002, to finance the RSF Limited redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest of 6.9 percent and payments are due semi-annually through December 15, 2017.

18,706

The Authority borrowed \$169,267 from Home Federal Savings and Loan on September 1, 2003, to finance the PROCON Development Company, LLC, redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest of 7.0 percent and payments are due semi-annually beginning June 15, 2005, through December 15, 2018.

99,281

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Component Units, continued

CRA notes payable, continued:

The Authority borrowed \$668,000 from Lincoln Federal Savings Bank on December 15, 2004. The funds were used to finance the Walnut Housing, Ltd., redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest of 6.743 percent and payments are due semi-annually beginning June 15, 2006, through December 15, 2019.

	<u>434,199</u>
Total CRA notes payable	<u>635,402</u>
Total component units bonds and notes payable	\$ <u>3,720,402</u>
Current portion	\$ 875,334
Noncurrent portion	<u>2,845,068</u>
Total	\$ <u>3,720,402</u>

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2012, are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,821,778	\$ 436,359	\$ 3,725,000	\$ 592,763	\$ 875,334	\$ 78,510
2014	2,878,269	385,231	3,350,000	529,640	860,144	62,758
2015	2,925,898	325,498	1,950,000	462,363	845,309	47,474
2016	3,004,715	256,357	1,980,000	439,337	860,173	29,924
2017	2,274,769	186,459	1,905,000	415,508	80,374	17,462
2018-2022	3,380,000	409,516	10,305,000	1,351,312	199,068	19,384
2023-2027	1,475,000	73,014	1,370,000	122,478	-	-
	<u>\$ 18,760,429</u>	<u>\$ 2,072,434</u>	<u>\$ 24,585,000</u>	<u>\$ 3,913,401</u>	<u>\$ 3,720,402</u>	<u>\$ 255,512</u>

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Closure and Postclosure Care Costs

The City entered into an agreement with the Nebraska Department of Environmental Quality to establish a Closure/Post Closure Care Account. The purpose of this account is to accumulate sufficient monies to fund all related costs of closure and post closure of the ash disposal area at the Platte Generating Station. The calculated amount of the Closure/Post Closure liability was \$172,547 at September 30, 2012. The amount on deposit in the Closure/Post Closure Care Account was \$336,545 at September 30, 2012.

State and federal laws and regulations require that the City of Grand Island place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$3,054,567 as of September 30, 2012, which is based on 32.33 percent usage (filled) of the landfill. It is estimated that an additional \$5,745,257 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care, \$8,799,824, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2012. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

At September 30, 2012, funds of \$4,010,872 are restricted to finance closure and postclosure of the City's landfill. These funds are presented on the City's statement of net assets as "restricted for landfill closure costs." It is anticipated that future inflation costs will be financed in part from earnings on funds reserved by the City. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

7. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Gas Tax	\$ 2,530,000	\$ -
Community Development	-	110,000
Community Grants	754	-
Economic Development	-	750,000
Debt Service	546,100	774,000
Capital Projects	-	1,120,549
Fleet Services	25,000	-
Employee Pension Reserve Funds	-	9,462
Electric	689,459	-
Water	<u>54,683</u>	<u>-</u>
Total General Fund	3,845,996	2,764,011
Capital Projects Fund:		
General	1,120,549	-
Gas Tax	803,813	-
Information Technology	-	62,904
Special Assessments	<u>115,175</u>	<u>-</u>
Total Capital Projects Fund	2,039,537	62,904
Debt Service Fund:		
General Fund	774,000	546,100
Nonmajor Funds	1,159,379	3,774,121
Enterprise Funds (payments in lieu of taxes)	-	744,142
Internal Service Funds	62,904	-
Fiduciary Funds:		
Employee Pension Reserve Funds	<u>173,372</u>	<u>163,910</u>
Total Operating Transfers	\$ <u>8,055,188</u>	\$ <u>8,055,188</u>

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

7. Interfund Transactions and Balances, continued

An interfund balance of \$414,354 is due from the Fire Pension Fund to the General Fund for current and prior year pension funding.

The Fire Pension Fund also owes various Special Revenue and Internal Service Funds a total of \$98,560.

8. Fund Equity

Restricted net assets for other purposes consist of the following:

Federal Projects	\$ 901,969
Housing Loans	949,884
Community Improvements	534,104
Library Expenses	797,761
Other Donor Purposes	<u>42,017</u>
	<u>\$ 3,225,735</u>

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit Plans

The City participates in six employee pension plans as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
City General Plan	Defined Contribution Plan
Police and Firefighters Plan (Pre-1984)	Defined Benefit Plan
Police Plan	Defined Contribution Plan
Firefighters Plan	Defined Contribution Plan
Pensioners	Nonqualified Benefit Plan
Deferred Compensation Plan	Qualified Deferred Compensation Plan

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

The Pensioners benefit plan is administered by the City and is included in the Fiduciary Fund Types. All other plans are administered by outside trustees and are not included in these financial statements.

City General Plan

The City of Grand Island has a contributory defined contribution employees' pension plan in which employees of the City participate. Changes in the plan effective January 1, 1991, allow any new employee anticipating working a minimum of 1,000 hours, for one continuous year, to participate in the plan immediately. City payroll totaled \$21,661,508, of which \$19,784,748 was qualified under this pension plan. As of October 1, 1997, the plan requires the participants to make only a six percent contribution, with the City being required to match the participants' contributions. The participant can contribute an additional 10 percent with no City match. The City applied for a private letter ruling from the Internal Revenue Service and received a favorable ruling that the participant's contribution to the plan is tax deferred.

All employees are fully vested in their own contributions and become vested in the City's contribution after five years' participation in the plan as follows:

<u>Vested Year</u>	<u>Percentage</u>
1	60%
2	70%
3	80%
4	90%
5	100%

The employees and the City contributed \$1,340,358 and \$1,187,086, respectively, as required by the plan for the fiscal year ending September 30, 2012.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Police and Firefighters Plan (Pre-1984)

The City of Grand Island, Nebraska Police Pension (Police Plan) and the City of Grand Island, Nebraska Firefighters Plan (Firefighters Plan) are administered as follows:

- (1) Employees who were hired prior to January 1, 1984, the date at which the Police and Firefighters Plans were amended from defined benefit plans to their current status as defined contribution plans, were assured of receiving retirement benefits under the new plan at least as great as those under the old defined benefit plan.
- (2) Employees hired after January 1, 1984, are covered by the defined contribution plan, which is administered by a third party.

The employees hired prior to January 1, 1984, participate in both plans and will receive either their benefit from the defined contribution plan or defined benefit plan, whichever is greater. The City has funded their portion of the respective Plan, in addition to the employee's portion, with the assets being held by a third party administrator of the current defined contribution plan. These assets are included in the total plan assets for the Police Retirement Plan and the Firefighters Retirement Plan, when determining the pension benefit obligation.

Based on the actuarial valuation, it is anticipated that the participant accounts and unallocated/forfeiture account are sufficient to provide the minimum defined benefits for the remaining pre-1984 hires. Therefore, it is anticipated that no additional contribution will be required. The respective Defined Benefit Plan is further described in the Police and Firefighters Plan Section.

Police Plan

Plan Description

The Police Plan became effective November 18, 1965. Its provisions are covered by City ordinance. The Police Plan covers all employees classified as police officers.

For the year ended September 30, 2012, the City's payroll total and covered under the Plan was \$4,463,608.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Police Plan, continued

Plan Description, continued

As of January 1, 2011, the date of the last actuarial valuation of the defined benefit plan, there were eight active employees in the Police Plan.

An employee with at least 25 years of service may retire as early as age 55; normal retirement occurs at age 60 with a minimum of 21 years of service, if employed on or before November 18, 1965, otherwise 25 years.

Under the Police Plan, normal retirees employed on or before January 1, 1984, would not receive an annuity benefit of less than 50 percent of regular pay. All current employees will receive a benefit based on their defined contribution account. An employee is 100 percent vested in his or her contributions, six percent of monthly compensation, and vests 40 percent after four years of service, plus 10 percent for each year thereafter, up to 100 percent, in the City's contributions, a matching six percent.

Funding Status of Defined Benefit Plan

The projected retirement benefits at January 1, 2009, were determined through an actuarial valuation. The actuarial valuation was performed using the Aggregate Actuarial Cost Method, which determines the total cost of the projected pension benefits to all employees combined. This total cost is then spread over the average future remaining years to retirement for the employees. The cost is spread as a level percentage of compensation.

Significant actuarial assumptions used in the valuation included (a) a rate of return of seven percent for pre-retirement and 5.5 percent for post-retirement per annum, and (b) projected annual salary increases of four percent.

The pension benefit obligation, a standardized disclosure measure of the present value of pension benefits, intended to help assess the funding status of pensions, is as follows:

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Police Plan, continued

Funding Status of Defined Benefit Plan, continued

Fair value of plan assets at September 30, 2012	\$ 3,655,253
Benefit obligation estimated at September 30, 2012*	<u>3,253,269</u>
Funded Status	\$ <u>401,984</u>
 Prepaid (accrued) benefit cost recognized in the balance sheet	 \$ <u> - </u>

* Increased by four percent per year from last actuarial calculation.

Contribution Required and Made

The actuarially determined recommended contribution under the defined benefit plan was \$0, and no contributions were made for the year ended September 30, 2012.

Contributions made under the defined contribution portion of the Police Plan for the year ended September 30, 2010, were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 267,814	6%
Employee	<u>267,814</u>	6%
Total	\$ <u>535,628</u>	

* In addition, there were \$1,573 of voluntary retirement contributions for the year ended September 30, 2012.

Firefighters Plan

Plan Description

The Firefighters Plan became effective August 7, 1965. Its provisions are covered by City ordinance. The Firefighters Plan covers all employees classified as Firefighters.

For the year ended September 30, 2012, the City's payroll total and covered under the Plan was \$3,659,009.

As of January 1, 2011, the date of the last actuarial valuation of the defined benefit plan, there was one active employee in the Firefighters Plan.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Firefighters Plan, continued

Plan Description, continued

An employee who has attained the age of 50 with 21 years of service may take early retirement with benefits reduced by the actuarial equivalent of his or her normal retirement at age 55.

Under the Firefighters Plan, normal retirees employed prior to January 1, 1984, would not receive an annuity benefit of less than 50 percent of regular pay. All current employees will receive a benefit based on their defined contribution account. An employee is 100 percent vested in his or her contributions, 6.5 percent of monthly compensation, and vests 40 percent after four years of service plus 10 percent for each year thereafter, up to 100 percent, in the City's contributions, 13 percent of monthly compensation.

Funding Status of Defined Benefit Plan

The projected retirement benefits at January 1, 2012, were determined through an actuarial valuation. The actuarial valuation was performed using the Aggregate Actuarial Cost Method, which determines the total cost of the projected pension benefits to all employees combined. This total cost is then spread over the average future remaining years to retirement for the employees. The cost is spread as a level percentage of compensation.

Significant actuarial assumptions used in the valuation included (a) a rate of return of seven percent for pre-retirement and 5.5 percent for post-retirement per annum, and (b) projected annual salary increases of five percent.

The pension benefit obligation, a standardized disclosure measure of the present value of pension benefits, intended to help assess the funding status of pensions, is as follows:

Fair value of plan assets at September 30, 2012	\$ 608,527
Benefit obligation estimated at September 30, 2012*	<u>582,141</u>
Funded Status	\$ <u><u>26,386</u></u>
Prepaid (accrued) benefit cost	
recognized in the balance sheet	\$ <u><u>-</u></u>

*Increased by five percent per year from last actuarial calculation.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Firefighters Plan, continued

Contribution Required and Made

The actuarially determined recommended contribution under the defined benefit plan was zero, and no contributions were made for the year ended September 30, 2012.

Contributions made under the defined contribution portion of the Firefighters Plan for the year ended September 30, 2012, were as follows:

		Amount as a Percentage of Covered Payroll
Employer	\$ 475,670	13.0%
Employee	<u>237,835</u>	6.5%
	<u>\$ 713,505</u>	

* In addition, there were \$4,239 of voluntary retirement contributions for the year ended September 30, 2012.

Pensioners

The City provides pension benefits to police and firefighters who retired prior to January 1, 1984. This plan is administered by the City and payments are funded and budgeted for annually. The estimated benefit obligation at September 30, 2012, was \$1,160,256. It is fully funded by the excess in the defined benefit plans.

Three-year Trend Information for Public Safety Employees Retirement System

<u>Fiscal Year Ending</u>	<u>Annual Pension Percentage of APC</u>		<u>Net Pension Obligation</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	
9/30/10	\$ -	N/A	-
9/30/11	-	N/A	-
9/30/12	-	N/A	-

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Deferred Compensation Plan

The City has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all City employees and elected officials. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, unforeseeable emergency, or permanent disability. Employees contributed \$269,933 to the plan and the City contributed \$0. The employees also contributed \$62,169 to a Roth 457 plan.

As of January 1, 1997, these funds were placed in trust, in accordance with IRS Code Section 457(g)(1). IRS Code Section 457(g)(1), applicable for plan year beginning January 1, 1997, states that “a plan maintained by an eligible employer shall not be treated as an eligible deferred compensation plan unless all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.” The deferred compensation plan as placed in trust is not subject to any creditors of the City.

2. Risk Management

Insurance

The City is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The City purchases insurance and administers funds for its self-insured programs. The City maintains a workers' compensation fund and a self-insured loss fund. The City provides first dollar coverage for all workers' compensation exposure, with insurance acting as an umbrella or excess coverage. The City is self-insured for workers' compensation claims up to \$100,000 per occurrence and \$1,075,000 in the aggregate. The City is self-insured for health insurance claims up to \$150,000 of individual claims or 125 percent of the anticipated group claims. The self-insurance programs are administered within the Internal Service Fund. The City maintains outside insurance coverage through various insurance policies on buildings and their contents, equipment and property, and employee dishonesty. The maximum exposure would be the deductible amounts for property and automobile physical damage as well as losses not covered by insurance, which is estimated at \$769,000.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Insurance, continued

Settled claims in the past three years have not exceeded the commercial coverages. The City has estimated unsubmitted claims on health insurance based on prior experience to be \$851,600; the amount represents two months of subsequent claims. Also accrued in the Insurance Fund is \$90,000 of estimated unsubmitted workers compensation claims at September 30, 2012. For all of the reserve funds, a reserve of \$2,810,579 is established in an internal service fund at September 30, 2012.

Changes in the fund's health insurance claims liability amount during the last three fiscal years were:

	Beginning of Fiscal <u>Period Liability</u>	Current Period Claims and Changes in <u>Estimates</u>	Charges and <u>Reimbursements</u>	Balance at Fiscal <u>Period-End</u>
2009-2010	\$ 490,700	\$ 6,969,989	\$ (6,772,089)	\$ 688,600
2010-2011	\$ 688,600	\$ 6,572,631	\$ (6,381,231)	\$ 880,000
2011-2012	\$ 880,000	\$ 7,799,875	\$ (7,828,275)	\$ 851,600

Deposits and Investments

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the City's investments at September 30, 2012, are held by the counterparties not in the name of the City. The underlying securities consist of cash, direct obligations of or guaranteed by the full faith and credit of the U.S. Government, and other similar obligations of the U.S. Government or its agencies.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The investment maturities are as follows:

<u>Maturities by Month</u>	<u>Amount</u>
October 2012	\$ 2,000,000
November 2012	10,030,949
December 2012	3,730,862
February 2013	2,788,520
March 2013	1,505,298
April 2013	5,664,214
May 2013	4,006,049
June 2013	2,052,584
August 2013	3,000,000
October 2013	6,173,310
November 2013	2,000,000
December 2013	2,000,000
February 2014	1,250,058
March 2014	2,393,013
June 2014	3,202,117
July 2014	300,500
August 2014	9,421,154
June 2015	245,000
August 2015	136,000
June 2016	245,000
June 2017	490,000
July 2017	245,000
June 2022	490,000
Money market accounts - no maturity dates	<u>3,081,028</u>
	<u>\$ 66,450,656</u>

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investments consist of certificates of deposit, money market funds, and other securities backed by U.S. Government obligations, minimizing credit risk associated with the City's investment portfolio.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

Concentration of Credit Risk. The City's investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2012, the City's investments in certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Five Points Bank	\$ 9,736,391
Wells Fargo Bank	4,932,026
Platte Valley State Bank	1,221,313
Home Federal Bank	11,698,810
NE Public Agency Investment Trust	5,954,861
Exchange Bank	6,425,981
Great Western Bank	3,119,519
Cornerstone Bank	<u>23,361,755</u>
	<u>\$ 66,450,656</u>

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City's investments had no exposure to foreign currency risk and the City held no investments denominated in foreign currency at September 30, 2012.

3. Commitments and Contingencies

Construction

The City is a party to numerous contracts relating to construction projects of the governmental funds. The City intends to fund the construction through operations or long-term financing.

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2012</u>	<u>Obligation Pending</u>
Walk to Walnut Construction Engineering	\$ 76,230	\$ 72,244	\$ 3,986
US 30 Drainage Improvements	362,111	27,869	334,242
Central Community College to Wood River Drainage Project (Engineering)	86,900	51,900	35,000
Southwest Drainage 2011-D-1 Project Pipe	199,728	-	199,728
Southwest Outafall Drainage Project No. 2011-D-1	442,496	-	442,496
GI Quiet Zone Project No. 2012-QZ-1	250,605	235,243	15,362

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction, continued

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2012</u>	<u>Obligation Pending</u>
Asphalt Resurfacing - Various Locations	600,098	45,092	555,006
Capital Ave Widening - Webb to Broadwell	650,129	415	649,714
Downtown Historical Lighting (Grant)	37,908	1,990	35,918
State and Capital Connector Trail	98,922	2,214	96,708
Groundwater Study Update	45,000	44,550	450
Geospatial Data Collection - Stormwater Grant	44,329	44,000	329
Sanitary Sewer District 528 and 530T	241,150	17,074	224,076
Aeration Basin Improvements	4,669,508	4,514,584	154,924
Rehabilitation Services	1,963,075	634,670	1,328,405
Lift Station #7 Repairs	887,103	183,852	703,251
Platte Valley Industrial Park	1,262,909	411,512	851,397
Sanitary Sewer District 530T	172,550	2,384	170,166
Sanitary Sewer District 528	62,600	2,384	60,216
Transmission Line Construction	3,732,714	3,246,535	486,179
Low NOx Burners	3,437,792	1,777,655	1,660,137
PGS Control System Upgrade	197,843	159,644	38,199
Emission Monitoring at PGS	51,400	48,830	2,570
Air Quality Control Engineering	515,024	366,379	148,645
Turbine Generator Inspection and Repair	496,338	49,634	446,704
2013 Truck with Digger Derrick - Unit #59	203,969	-	203,969
Turbine Generator Parts	224,171	-	224,171
Turbine Generator Inspection and Repair	60,651	-	60,651
PGS Boiler Repair	145,600	-	145,600
PGS Chimney Repairs	59,994	-	59,994
PGS Fire Protection Upgrade	68,900	-	68,900
PGS Cooling Tower Reconditioning	132,235	-	132,235
PGS High Pressure Wash and Blast Clean	101,956	-	101,956

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction, continued

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2012</u>	<u>Obligation Pending</u>
PGS Coal Conveyor #4 Upgrade	127,721	-	127,721
Turbine Generator Rotor Repairs	108,794	-	108,794
Uranium Removal Equipment	9,821,284	2,130,969	7,690,315
Water Main Construction - Parkview Area	900,687	855,652	45,035
Water Main Project 458T - Platte Valley	778,524	513,461	265,063
Water Main Project 2011-W-4	4,109,998	1,551,803	2,558,195
Liquid Ortho-Polyphosphate	88,740	-	88,740
Water Main District 464/465	350,547	-	350,547
Total City Commitments	<u>\$ 37,868,233</u>	<u>\$ 16,992,539</u>	<u>\$ 20,875,694</u>

Lease Commitments

<u>Lessor</u>	<u>Leased Property</u>	<u>Term</u>	<u>Amount</u>
Hometown Leasing	Copier	March 2008-March 2013	\$451/month
Hall County Regional Airport Authority	Land for Jack Rabbit Run golf course	May 2006-April 2026	\$18,202/year plus 3% annual increase
State of Nebraska	Veteran's Home Land	May 1, 2009-April 30, 2108	\$1/year

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Lease Commitments, continued

Lease commitments as of September 30, 2012, are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2013	\$ 21,005
2014	19,312
2015	19,891
2016	20,488
2017	21,102
Thereafter	<u>209,420</u>
	<u>\$ 311,218</u>

Economic Development Program

The City has established an Economic Development Program effective November 2002. The City will fund the program with \$750,000 per year from the City's General Fund beginning with the fiscal year 2003-2004 and will continue for 10 years. A three percent fee will be retained by the City for program administration.

Electric Department

Purchased Power Agreements:

The Electric Department entered into a participation power agreement with Omaha Public Power District (OPPD) on January 15, 2004, to obtain up to approximately 33 MW of energy after the new OPPD Nebraska City Unit #2 is constructed and operational. The project was completed in May 2009 and was financed through a bond issuance by OPPD. The Department's commitment to the project is approximately \$45,000,000. The Department has also entered into an agreement with the Public Power Generating Agency to obtain approximately 15 MW of energy at a cost of approximately \$22,000,000. The project was completed in May 2011.

The Department entered into a coal supply agreement with Arch Coal Sales Company, Inc., on November 22, 2010, to obtain approximately 250,000 tons of coal from January 1, 2012, to December 31, 2012, and a supplemental agreement on September 11, 2012 to obtain approximately 45,000 more tons of coal by December 31, 2012. On September 11, 2012, the Department also entered into an agreement to obtain approximately 325,000 tons of coal from January 1, 2013, to December 31, 2013. The Department received 233,677 tons from January 1, 2012, through September 30, 2012, leaving 61,323 tons under contract for the remainder of calendar year 2012 and 325,000 tons under contract for calendar year 2013.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Electric Department, continued

Purchased Power Agreements, continued:

The Department's operations are subject to stringent federal, state, and local laws and regulations relating to improving and maintaining environmental quality. Current studies have determined that a substantial capital investment will be required to bring the Department into compliance with environmental regulations including mercury emissions. Environmental expenditures related to current operations are factored into the strategic planning process of the Department and are considered when determining future energy rates. Financing of these expenditures is expected to be through available cash reserves and bonded debt.

The Department currently has generation capacity of approximately 273 MW from coal-fired and gas/oil-fired electric generating stations. The peak load of the Department during the fiscal year ended September 30, 2012, was approximately 170.7 MW in August 2012.

The Department is party to an agreement with the Department of Energy (DOE) pursuant to which the Department may purchase up to 9,168 KW of power to be transmitted through DOE and Nebraska Public Power District (NPPD) facilities. Such power is sold to the Department at standard DOE wholesale firm power service rates. The agreement expires on December 31, 2020.

4. Related-party Transactions

The Electric Fund remits five percent of net operating revenues, excluding depreciation expense, to the General Fund annually as payments in lieu of taxes. The City provides certain administrative services to the Electric Department for which the Department pays fees to the General Fund. The Electric Fund made payments in the amount of \$811,019 for the year ended September 30, 2012.

The Water Fund remits one percent of net operating revenues, excluding depreciation, to the General Fund annually as payments in lieu of taxes. The City provides certain administrative services to the Water Department for which the Water Department pays administrative fees to the General Fund. These fees are included in special services expense and amount to \$83,718 for the year ended September 30, 2012.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

5. Major Customers

The City has one customer that was billed \$4,249,265 for electricity, \$743,261 for water and \$2,659,215 for sewer for the year ended September 30, 2012. This represents 6.9 percent of total electric billing, 14.4 percent of total water billing, and 32.3 percent of total sewer billing, respectively, for the year ended September 30, 2012. This customer maintains a current status on monthly billings.

The City has three sanitary landfill customers that had a combined total billing of \$1,621,729 for the year ended September 30, 2012. This represents 67.9 percent of total sanitary landfill billings for the year ended September 30, 2012. These customers maintain current status on monthly billings.

6. EPA Emissions Allowances

As of September 30, 2012, the City had 6,904 SO₂ Emissions Allowances. The EPA has granted these allowances, which can be used to offset plant emissions. The allowances can be bought and sold. If each allowance was sold for \$0.65 (the September 30, 2012, market value), the City would recognize revenue of \$4,488.

The City will receive an additional 2,932 credits per year until 2042.

7. Conduit Debt

On June 10, 2008, the City issued \$7,000,000 of Solid Waste Disposal Facilities Revenue Bonds for the acquisition, construction, and equipping of certain industrial solid waste disposal facilities for the Micrology Grand Island, LLC, project at the JPS Swift & Co. beef processing plant.

These bonds are limited obligations of the City, payable solely out of the lease rental payments required to be paid by the Company pursuant to and in accordance with the agreement and as provided in the indenture, and are secured as provided in the indenture. The bonds and the interest thereon shall never constitute an indebtedness of the City, within the meaning of any State constitutional provision or statutory limitation, and shall not give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

8. Subsequent Events

Management has evaluated subsequent events through January 30, 2013, the date on which the financial statements were available for issue.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE D – OTHER NOTES, continued

9. Union Contracts

The City is subject to the following union contracts:

- Grand Island Fraternal Order of Police #24. This agreement commenced on October 1, 2011, and terminates on September 30, 2013.
- Grand Island International Association of Firefighters Local #647. This agreement commenced on October 1, 2011, and terminates on September 30, 2012.
- Grand Island International Brotherhood of Electrical Workers (IBEW) (Wastewater Treatment Plant) Local #1597. This agreement commenced on October 1, 2011, and terminates September 30, 2012.
- Grand Island Nebraska Public Employees Local #251. This agreement commenced October 1, 2011, and terminates September 30, 2014.
- Grand Island IBEW (Utilities Department) Local #1597. This agreement commenced October 1, 2011, and terminates September 30, 2012.
- Grand Island IBEW (AFL - CIO) Local #1597. This agreement commenced October 1, 2011, and terminates September 30, 2012.
- Grand Island IBEW (Finance Department and Information Technology Department) Local #1597. This agreement commenced October 1, 2011, and terminates September 30, 2012.

10. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2012:

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Agreement for Drug Court Office Space	Central Nebraska Drug Court	October 1, 2010	Perpetual	Provides terms for the Drug Court use of administration and office space at the Law Enforcement Center.
Interlocal Agreement for Household Hazardous Waste Facility	Cities of Alda, Ashton, Aurora, Burwell, Cairo, Central City, Doniphan, Grand Island, Hampton, Loup City, Ord, Spalding, Spencer, St. Paul, Wood River, and Counties of Hall, Hamilton, and Howard	2008	Five years	Grand Island to submit an application to the NE Dept. of Environmental Quality for funding the operation of a Household Hazardous Waste Facility.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Agreement for Cooperative Public Safety Services SCPETR – South Central Planning, Exercise, and Training Region	Cities and Villages of Adams, Buffalo, Clay, Dawson, Franklin, Frontier, Gosper, Hall, Hamilton, Harlan, Kearney, Lincoln, Nuckolls, Phelps, and Webster Counties	June 1, 2007	Five years	To establish, maintain, and operate a public safety Training Exercise and Training Program within the jurisdictions of the participating agencies.
Interlocal Agreement for Pioneer Consortium for Library Services	Cities of Bellevue, Gretna, Holdrege, Lincoln, Omaha, St. Paul, and Grand Island	2010	Continue through April 30, 2010, with renewal every year as long as at least two parties desire to renew the Agreement.	To support an open source unified catalog of library resources, materials requests, and activities.
Cornhusker Army Ammunition Plant Fire Protection	City of Grand Island, Wood River Rural Fire District, Cairo Rural Fire District, Grand Island Suburban Fire Protection District #3	April 1, 1990	One year renewable upon mutual agreement. May be terminated by any party giving notice to each of the other parties at least thirty days prior to the notice of termination dates applicable.	Cooperation in providing fire and ambulance protection services to CAAP as outlined in agreement.
C.A.N.D.O. Project (Grant from the Commission on Law Enforcement and Criminal Justice)	Adams County Sheriff, Buffalo County Sheriff, Hall County Sheriff, Phelps County Sheriff, Kearney County Sheriff, Hastings P.D., Kearney P.D., Grand Island P.D., Holdrege P.D., Minden P.D.	July 3, 1989	Remains in effect until the C.A.N.D.O. project is terminated by mutual consent of the majority of participating members.	The Interlocal Agreement is for the administration of the C.A.N.D.O. funds allocated by the Nebraska Crime Commission.
Central District Health Department	City of Grand Island, Hall County, Hamilton County, and Merrick County	October 1, 2002	Automatically renews for successive terms of three years until terminated by giving the other parties notice 90 days prior of intended termination.	Joint effort to provide cooperative health department services.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Agreement for Passenger Air Service Development	Hall County Airport Authority, City of Hastings, City of Grand Island	April 18, 2000	Terminates upon termination or expiration of the KHG passenger air service development contract with the Authority.	Cooperative effort to fund contract with Kiehl Hendrickson Group (KHG) to provide ongoing air service development for Central Nebraska.
Interlocal Agreement for Law Enforcement Security at the Airport	City of Grand Island and Hall County Airport Authority	April 1, 2009	Remains in effect until September 30, 2012, with up to five additional one-year terms.	Agreement provides uniformed officers at the Central Nebraska Regional Airport for security purposes.
Interlocal Agreement for Infrastructure Construction for Army Aviation Support Facility	City of Grand Island and Hall County Airport Authority	August 8, 2007	Remains in effect until 90 days after the completion of the water and sewer improvements and payments tendered.	Agreement provides for the Airport to oversee the upgrade of the Airport's infrastructure
Cooperative Agreement Flood Control Plan for Prairie/Silver Drainage Areas	Central Platte Natural Resources District, City of Grand Island, Hall County	February 19, 1982	Remains in effect forever unless amended or canceled upon written consent of all parties.	Agreement outlines areas of responsibility and cooperation in developing and carrying out a flood control plan for the Prairie/Silver drainage areas.
Cooperative Agreement for maintaining wet meadow habitats on the City's Well Field	Central Platte Natural Resources District and City of Grand Island	November 24, 1997	Agreement in effect until December 31, 2009. Either party may cancel at any time with 30 days' notice.	Cooperative agreement for CPNRD to install a well to flood existing drainage ways at the City's well field to demonstrate and evaluate the potential of wetland enhancement.
Interlocal Agreement for Riverway Hike/Bike Trail	City of Grand Island and Central Platte Natural Resources District	September 23, 2003	Perpetual unless City of Grand Island notifies CPNRD that hike/bike trail will not be constructed or not used as a hike/bike trail. Agreement will terminate 30 days from said notice.	Cooperative agreement for construction of a hike/bike trail.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Agreement for Hall County Bookmobile	Grand Island Library Board, Hall County	July 1, 1999	Expires five years from date of commencement	Agreement for Library to provide library services to inhabitants of Hall County, as well as furnishing bookmobile services.
Joint City/NRD Ground Water Dewatering Plan	City of Grand Island and Central Platte Natural Resources District	December 21, 1998	Remains in effect during the term of study update.	Agreement is to update the September 2000 Grand Island Dewatering System Study
Interlocal Cooperation Agreement for Wood River/Warm Slough Food Control Project	Central Platte Natural Resources District, City of Grand Island, Hall County, Merrick County	February 17, 1997	Continues until December 31, 2050, or until terminated (as provided) and automatically renews for an additional 25 years commencing on January 1, 2051.	Interlocal Agreement authorizes CPNRD to execute Project/Cooperation Agreement with the Department of the Army to commence and proceed with the Wood River/Warm Slough Flood Control Project.
Interlocal Agreement for Riverway Hike/Bike Development	City of Grand Island, College Park	October 26, 2004	Perpetual. However, in the event that GI notifies College Park that the hike/bike trail will not be constructed or in the event that the trail will not be used as a hike/bike trail, then this agreement will terminate 30 days from the date of said notice.	Provides for encroachment on property owned by College Park for a hike/bike trail that is being extended over their property by the City of Grand Island.
Interlocal Agreement for Improvements to Engleman Road between U.S. Hwy 30 & Airport Road.	City of Grand Island, Hall County	July 26, 2011	Terminates upon completion and payment of the City's portion	Asphalt Maintenance Resurfacing Project on Engleman Road from U.S. Hwy 30 to Airport Road.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Agreement to provide Administration Services for the CRA	City of Grand Island, Community Redevelopment Authority	June 22, 2010	For the period beginning July 1, 2005, and ending September 30, 2006; thereafter, the Agreement shall automatically renew for successive one-year terms beginning each October 1 until terminated by either party upon 30 days' written notice to the other party.	City agrees to provide administrative services to the CRA. The CRA will reimburse the City for 10% of the Director's annual salary in return.
Interlocal Agreement - Community Redevelopment Authority	City of Grand Island, Community Redevelopment Authority	October 10, 1995	May be automatically renewed for successive one-year terms beginning each October 1. May be terminated by either party upon 30 days' prior written notice to the other party.	Agreement provides for reimbursement by the Authority to the City for certain services provided by the Downtown Development Director, as Director of the Authority.
Interlocal Agreement for Pedestrian Lighting	City of Grand Island, Community Redevelopment Authority	July 30, 2003	Ends upon payment by the Authority and receipt by the City of the cost of the pedestrian lighting units.	CRA agreed to provide funding in the amount of \$150,000, and the City agreed to be responsible for designing, bidding, contract administration, repairing, maintaining, and operating said pedestrian lighting units.
Public Power Generation Agency Interlocal Agreement	City of Grand Island/Grand Island Utilities; City of Hastings/Hastings Utilities; Municipal Energy Agency of Nebraska; Heartland Consumer Power District	September 1, 2005	Remains in effect for life of the project until decommissioning of the power generating facility.	Cooperative agreement between public power entities for the construction of a power generation facility.
NorthWestern Energy Rate Negotiation	City of Grand Island, City of Kearney, City of North Platte, and Village of Alda	September 24, 2007	Remains in effect until negotiations with NorthWestern Energy are settled.	Cooperative agreement between parties to negotiate natural gas rate increase.
Interlocal Agreement for Ambulance Service	City of Grand Island, Hall County	July 8, 2008	June 30, 2013	Contract for City of Grand Island to provide ambulance service for Hall County.
Interlocal Agreement for Ambulance Service	City of Grand Island, Hamilton County	August 6, 1969	Continues indefinitely. Can be terminated by either party with six months' notice.	Contract for City of Grand Island to provide ambulance service for Hamilton County.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Agreement for Building Inspection Services	City of Grand Island, Hall County	November 24, 1980	Perpetual unless terminated by either party with 30 days' notice.	Joint agreement provides building inspection services by Hall County in the extra-territorial jurisdiction exercised by the City and located within Hall County.
Interlocal Agreement for Civil Defense/Communications Center	City of Grand Island, Hall County	April 28, 2008	Perpetual. Can be terminated effective on the 30 th day of June in any year, provided written notice of such termination is delivered to the other party prior to the first day of March of that year.	Creates a joint Civil Defense/Communications Center.
Interlocal Agreement for Participation in Planning Grant from NDEC (Hope Harbor)	City of Grand Island, Hall County, Buffalo County, Kearney County, Howard County, Hamilton County, Merrick County, City of Kearney, City of Hastings	9/30/04, 10/11/04, and 10/18/04 (see individual Agreements)	Will remain in full force and effect until such time as it is amended or terminated pursuant to provisions herein.	For the purpose of administration of planning block grant from NDEC to be used to pay for creation of plan to address homelessness in GI and Hope Harbor service area.
Interlocal Agreement for City/County Geographic Information System	City of Grand Island, Hall County	December 10, 1996	Term of 10 years. May be terminated at any time upon written agreement by the City and the County.	For the establishment, sharing, and maintenance of a City/County GIS.
Interlocal Agreement for Lottery (Keno)	City of Grand Island, Hall County	March 23, 1993	Agreement will expire December 31, 2003, shall automatically renew for an additional five years. Agreement extended to December 31, 2008, with an additional five years. Agreement extended to December 31, 2013, with an additional five years.	For the implementation and conduct of lottery games.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Agreement for Juvenile Attention Services	City of Grand Island, Hall County	April 26, 2011	May be terminated by 30 days written notice.	For temporary safekeeping of juvenile offenders taken into custody by the City.
Interlocal Agreement regarding Combined Purchasing	City of Grand Island, Hall County	March 12, 1996	None Stated.	The City and County agreed to combine their purchasing efforts to mutually benefit both entities.
Interlocal Agreement for Improvements to Shady Bend Road	City of Grand Island, Hall County	February 16, 2009		City and County agree to share in the improvements to Shady Bend Road between Bismark Road and Gregory Avenue for Asphalt Overlay Paving.
Interlocal Agreement for Improvements to Schimmer Drive	City of Grand Island, Hall County	June 1, 2004		City and County agree to share in the improvements to Schimmer Drive to attain cost savings through a single bidding process.
Interlocal Agreement for Juvenile Accountability Intake Probation Officer	City of Grand Island, State of Nebraska Department of Probation Administration, Hall County	October 8, 2002	The County or City may terminate the agreement or reduce the consideration upon 30 days' written notice.	Provides for a juvenile intake probation officer and Assistant to Hall County Juvenile Services for pre- and post-adjudicated juveniles.
Interlocal Agreement for Joint Services of Consultant for Cable Franchise Renewal	City of Grand Island, City of Kearney	February 28, 2006	Remains in effect until each of the respective parties' cable television franchises have been renewed. Agreement may be terminated at any time with or without cause upon 30 days' prior written notice given to the non-terminating party by the terminating party.	Establishes a joint agreement with Brian T. Grogan, attorney at law, of the firm Moss and Barnett, to assist each of the respective parties in the review and assessment of needs and negotiations for the renewal of each of the parties' respective cable franchises.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Agreement for Quiet Zone Improvements	City of Grand Island and Community Redevelopment Authority (CRA)	March 11, 2008	Perpetual unless terminated by either party with 90 days' written notice.	Agreement with CRA to focus and deal with noise issues associated with the UPRR – study and installation of wayside horns.
Interlocal Agreement for Internet Access and Email Access	City of Grand Island, Hall County	September 26, 2000	90 days or unless terminated by either party. Either party shall have the right to terminate this agreement upon written notice delivered to the non-terminating party. May be extended for an additional term of 90 days upon mutual agreement.	The County permits the Police Department access to the internet via the County's LAN, so as to provide internet access as well as internet and intranet e-mail.
Interlocal Agreement for Nebraska Storm Water Communities Cooperative	City of Grand Island, City of Beatrice, City of Columbus, City of Fremont, City of Hastings, City of Kearney, City of Lexington, City of Norfolk, City of North Platte, City of Scottsbluff	2007	Continues indefinitely, any party may withdraw by giving 30 days' written notice to each party.	Cooperative to facilitate obligations under the laws regarding the management of storm water.
Memorandum of Understanding for Byrne Justice Assistance Program (JAG) Award	City of Grand Island, Hall County	April 22, 2005, Renewed February 14, 2006		This Memorandum of Understanding provides that the City be designated as the fiscal agent for disbursement of funds and allocation for the use of the funds.
Agreement for Keeping of Prisoners	City of Grand Island, Hall County	May 29, 1973	Continues indefinitely, unless either party causes this agreement to be terminated by giving the other party 30 days' notice.	The County agrees to permit the City to deliver City prisoners to the County Jail for detention for a daily consideration.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Cooperation Agreement to transfer jurisdiction of a roadway.	City of Grand Island, Hall County	October 6, 1986	Continues until terminated by either party with 30 days' notice.	The County and City agree to divide snow removal and mowing responsibilities for former U.S. Highway 281, commencing at the junction of Broadwell and extending north to the new alignment of U.S. 281.
Memorandum of Understanding regarding Joint City/County Facilities	City of Grand Island, Hall County	November 26, 2002		The Memorandum of Understanding supports the work of the Joint City/County Facilities Committee, and expresses commitment on the part of each to further cooperative efforts for government offices.
Interlocal Agreement for development of Hike/Bike Trails	City of Grand Island, Museum Board of the Hall County Nebraska Museum	September 25, 2003	Perpetual; in the event that GI notifies MBHC that hike/bike trail will not be constructed or used, will terminate 30 days from notice. GI will have five years from date of agreement to commence construction; or agreement will automatically terminate.	Allows GI to extend hike/bike trail across property of MBHC.
Interlocal Agreement for development of Hike/Bike Trails	City of Grand Island, Central Community College	September 25, 2003	Perpetual; in the event that GI notifies CCC that hike/bike trail will not be constructed or used, will terminate 30 days from notice.	Allows GI to extend hike/bike trail across property of CCC.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Agreement for adopting a Load Weight Surcharge	City of Grand Island, Grand Island Area Solid Waste Agency	February 8, 2000	Five years commencing February 8, 2000.	Agreement to impose a load weight surcharge applicable to any hauler entering Solid Waste Facility to be used exclusively for repairs and maintenance of Husker Highway.
Interlocal Agreement for Joint City/County Health Department	City of Grand Island, Hall County	July 11, 2000	Takes effect October 1, 2000, and shall automatically renew for successive terms of three years unless terminated by either party with 90 days' notice.	Outlines new terms for joint operation of Health Department.
Interlocal Agreement for Law Enforcement Records Management and Computer-Aided Dispatch	City of Grand Island, Hall County	August 6, 2001, renewed February 7, 2006	Two Years. Shall renew automatically for no more than five terms of one year each unless written notice of the non-renewal is provided by the non-renewing party to the other party not less than 90 days prior to the expiration of the then-current term.	City contracts with the County to provide City internet and e-mail services, law enforcement records management and computer-aided dispatch data services, and software sublicenses.
Interlocal Agreement for the Provision of Temporary Funds for the Purchase of Enhanced 911 Equipment and Facilities	City of Grand Island, Hall County	October 22, 2002	Shall terminate upon final and complete repayment of the funds to the City and the County.	Allows for joint purchasing of the equipment for the 911 Center.
Interlocal Agreement for Aerial Photography	City of Grand Island, Hall County	March 2, 2011	Expires on June 30, 2013, may be extended for an additional 3 years	Agreement to provide aerial digital orthophotos and other digital photographic products to the County

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Lease Agreement for Public Safety Building	City of Grand Island, Hall County	September 7, 1976	99 years. Lease may be amended in writing by both parties.	Lease agreement provides for Police Department to lease space in the Public Safety Building.
Interlocal Agreement for Regional Planning Commission	City of Grand Island, Hall County (Villages of Alda, Cairo, Doniphan, Parkview, and Wood River)	October 25, 1967		Creates Regional Planning Commission.
Interlocal Agreement to Establish Fund for Payment for Accrued and Unfunded Employee Benefit Liabilities	City of Grand Island, Hall County (Department of Health, Regional Planning Commission, Emergency Management)	July 28, 1997	Remains in full force and effect so long as the parties continue to participate.	Establishes a trust fund for payment of accrued or unfunded employee benefit liabilities.
Interlocal Agreement for Widening County Bridges on Locust Street	City of Grand Island, Hall County	January 9, 2001	Remains in effect until construction of the bridges has been completed and accepted by the Department of Roads and City has paid County all funds for the City's share.	Agreement allows widening of county bridges to accommodate South Locust Street improvements.
Interlocal Cooperation Agreement regarding South Locust/I-80 Interchange Environmental Impact	City of Grand Island, Hall County, Nebraska Game and Parks Commission, Nebraska Department of Roads	March 13, 1996	25 years, unless terminated as provided.	Requires limitations on the development of the I-80 Interchange at South Locust to mitigate any adverse environmental impacts.
Interlocal Agreement regarding Utility Poles	City of Grand Island, Hall County	October 10, 1988		Allows for movement of City Utility poles to accommodate culvert construction by Hall County.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Lease Agreement for Law Enforcement Training Center	City of Grand Island, State of Nebraska	April 15, 1979	Rental period shall mean six months' period of time commencing July 1, 1981, and thereafter a 12 months' period of time commencing July 1 of any given year and ending with June 30 of the next year.	Allows use of facility for training of Police Officers.
Mutual Assistance Agreement	City of Grand Island, Grand Island Suburban Fire Protection District No. 3	October 10, 1985	Can be terminated by either party upon 60 days' notice.	Both parties will render mutual firefighting assistance to each other.
Mutual Aid Agreement	City of Grand Island, City of Hastings	April 13, 1982		During civil defense disaster, either party can request aid and assistance of the other.
Mutual Assistance Agreement	City of Grand Island, Hall County Airport Authority	November 10, 1980	May be terminated by either party upon 60 days' written notice.	Parties agree to render mutual assistance to one another on all extra alarm fires within the City limits of each party.
Mutual Aid Assistance Agreement	City of Grand Island, Village of Doniphan	March 3, 1980	May be terminated by either party upon 60 days' written notice	Parties agree to render mutual assistance to one another on all extra alarm fires within the City limits of each.
Mutual Assistance Agreement	City of Grand Island, City of Aurora	October 17, 1977	May be terminated by either party upon 60 days' written notice.	Parties agree to render mutual assistance to one another on all extra alarm fires within the City limits of each party.
Mutual Assistance Agreement	City of Grand Island, City of Central City	August 11, 1977	May be terminated by either party upon 60 days' written notice.	Parties agree to render mutual assistance to one another on all extra alarm fires within the City limits of each party.
Mutual Assistance Agreement	City of Grand Island, Village of Cairo	July 25, 1977	May be terminated by either party upon 60 days' written notice.	Parties agree to render mutual assistance to one another on all extra alarm fires within the City limits of each party.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Mutual Assistance Agreement	City of Grand Island, Village of Alda	July 11, 1977	May be terminated by either party upon 60 days' written notice.	Parties agree to render mutual assistance to one another on all extra alarm fires within the City limits of each party.
Fire Department Mutual Assistance Agreement	City of Grand Island, United States of America (Cornhusker Army Ammunition Plant)	September 15, 1975	May be terminated by either party upon 60 days' written notice.	Parties agree to render mutual assistance to one another on all extra alarm fires within the City limits of each party.
Mutual Assistance Agreement	City of Grand Island, City of Saint Paul	August 1, 1977	May be terminated by either party upon 60 days' written notice.	Parties agree to render mutual assistance to one another on all extra alarm fires within the City limits of each party.
Interlocal Agreement	Central Platte Natural Resources District (NRD), Loup NRD, Lower Elkhorn NRD, Upper Big Blue NRD, Loup Public Power District, Nebraska Public Power District, Central Nebraska Power & Irrigation District, Twin Platte NRD, North Platte NRD, Twin Loups Reclamation District, Upper Loup NRD, Upper Elkhorn NRD, Lower Platte North NRD, Tri-Basin NRD, Southern Public Power District, Dawson Public Power District, Middle Loup Public Power & Irrigation District, North Loup River Public Power & Irrigation District, Farwell Irrigation District, Sargent Irrigation District, South Platte NRD, Lewis and Clark NRD, Papio-Missouri River Natural Resources District, City of Lexington, City of Grand Island	October 10, 2002	Any party may withdraw upon written notification to the Chairman of the Coalition.	Creates Nebraska Habitat Conservation Coalition, which provides the authority for representation of the parties in matters related to critical habitat.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Transmission Service Agreement	City of Grand Island, Nebraska Public Power District	May 9, 1998	Remains in effect unless terminated by either party upon 30 days' notice.	Allows City to enter into transmission service transactions with NPPD.
Interlocal Cooperation Agreement	City of Grand Island, Nebraska State Patrol	September 3, 2002	Remains in full force for one year. Agreement may be terminated by either party upon 30 days' written notice.	City and NSP agree to jointly retain and pay an engineer to prepare preliminary designs and cost estimates for law enforcement firearms training facility at former Cornhusker Army Ammunition Plant.
Interlocal Agreement for Cooperative Law Enforcement Services	Counties of Adams, Buffalo, Dawson, Hall and Phelps; Cities of Aurora, Grand Island, Hastings, Holdrege and Kearney	September 25, 2001; renewed September 12, 2006	Five-year term beginning August 1, 2001, may be terminated at any time upon mutual consent of majority of the member parties, or any party can withdraw with 60-day written notice.	Creates South Central Area Law Enforcement Services (SCALES); alliance among the parties to promote cooperation, provide for joint acquisition of equipment and materials, and allow for cooperative sharing and utilization of investigative resources.
Interlocal Agreement for Cooperative Public Safety Service	Counties of Adams, Buffalo, Chase, Clay, Dawson, Dundy, Frontier, Furnas, Gosper, Hall, Hamilton, Harlan, Hayes, Hitchcock, Kearney, Nuckolls, Phelps, Red Willow, and Webster and the cities and villages within said counties.	July 27, 2010	The agreement has a term of five years commencing on July 1, 2004. May be terminated at any time, with or without cause, upon the mutual consent of a majority of the member parties.	Agreement establishes the CNRI-Central Nebraska Radio Interoperability Group and sets parameters for the maintenance and operation of such.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Agreement for the Co-Located City/County Public Safety Center	City of Grand Island, County of Hall	March 28, 2006	Either party may terminate agreement effective on the first day of October in any year after 2011, provided written notice of such termination is delivered to the other party not less than 360 days before said termination is to become effective.	Agreement provides the terms for the shared use of the public safety center building.
Interlocal Cooperation Agreement	City of Grand Island, Hall County School District No. 40-0002	September 13, 2011.	Five-year term. May be terminated earlier by either party in writing by July 1 of each year preceding commencement of the next fiscal year for the City on October 1.	Agreement for the City to provide five Youth Services School Resources Officers (Police Officers) and Crossing Guards to the School District.
Interlocal Agreement	City of Grand Island, Grand Island Public Schools	October 23, 2003	10 years, or until development of the facilities is completed, whichever occurs first. Upon expiration of initial term, the term shall extend automatically for successive consecutive terms of one year, if development is not complete, but either party may terminate by providing written notice to other party not less than 90 days prior to the end of initial term or renewal term.	Agreement for City to construct two softball fields on GIPS property adjacent to Senior High School and lease to Grand Island Public Schools.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Agreement	City of Grand Island, Grand Island Public School System	July 14, 2003	Five-year term. Extends automatically for successive consecutive terms of one year. Either party may terminate by providing written notice.	Joint agreement for the purchasing of utilities from GI Utilities.
Interlocal Agreement	City of Grand Island, Grand Island Public Schools	October 23, 2003	10 years, or until development of the facilities is completed, whichever occurs first. Upon expiration of initial term, the term shall extend automatically for successive consecutive terms of one year, if development is not complete, but either party may terminate by providing written notice to other party not less than 90 days prior to the end of initial term or renewal term.	Agreement for City to construct recreational facilities on GIPS property located adjacent to Shoemaker Elementary School. GIPS will be responsible for management, programming, operations, maintenance, repair, and replacement of recreation facilities.
Interlocal Agreement	City of Grand Island, State of Nebraska	August 25, 1997		Provides assurance by the City of Grand Island to the State of Nebraska for continuance of a special fund for paying closure/postclosure care costs of the Platte Generating Station Fossil Fuel Combustion Ash Disposal Area.
Memorandum of Agreement	City of Grand Island, Nebraska Department of Environmental Quality	August 3, 1983	Remains in effect until renegotiated. Either party may terminate by giving 180 days' notice to the other party.	City and State agree to implement Pretreatment Program for priority pollutants.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Intergovernmental Agreement	City of Grand Island, Nebraska Department of Environmental Quality	October 1, 2007	Remains in effect until June 30, 2009. Either party may terminate by giving 10 days' written notice of intent to terminate.	Storm Water Management Plan Program.
Fire Protection Agreement	City of Grand Island, State of Nebraska	September 14, 1998	Commences October 1, 1998, for a one-year term. May be automatically renewed for up to four additional one-year terms unless either party provides 30-day written notice to the other of intent not to renew.	Agreement by the City to provide fire protection at Nebraska Law Enforcement Training Center.
Interlocal Agreement	City of Grand Island, State of Nebraska	October 8, 2002		Agreement for City to utilize Nebraska's wireless communications network.
Interlocal Agreement	City of Grand Island, Village of Alda	February 10, 2009	25 years from date of initial delivery of water and shall automatically renew for an additional 15 years.	Agreement for City to supply water to Village of Alda.
Interlocal Agreement	City of Grand Island and various first class cities	October 26, 2010	Effective until January 31, 2059.	Federal Highway Transportation Funding L200.
Interlocal Agreement	Platte River Coalition Various Cities and NRD's	May 20, 2003	Indefinite term, two-thirds of the Board can terminate when completion of its purposes and objects have been completed.	Nebraska agencies to provide direction and funding for analysis for Platte River Recovery Implementation Program.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND ISLAND, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

Year ended September 30, 2012

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 6,682,989	\$ 6,617,388	\$ (65,601)
Motor vehicle	847,018	842,091	(4,927)
Occupation	1,348,766	1,467,660	118,894
Sales tax	13,831,456	14,556,054	724,598
Franchise	1,870,647	1,629,162	(241,485)
Intergovernmental	1,578,741	1,290,763	(287,978)
Charges for services	6,938,671	7,158,172	219,501
Interest income	120,000	53,479	(66,521)
Contributions	40,000	8,300	(31,700)
Sale of property	92,000	111,021	19,021
Other	<u>184,275</u>	<u>259,423</u>	<u>75,148</u>
Total resources	33,534,563	33,993,513	458,950
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government:			
City Administrator's office	310,600	225,762	(84,838)
Economic development	350,000	355,750	5,750
Mayor's office	21,852	15,174	(6,678)
Council	75,365	72,007	(3,358)
City clerk	106,978	111,533	4,555
Finance	1,969,113	1,870,506	(98,607)
Legal	311,447	282,591	(28,856)
City Hall	291,655	288,462	(3,193)
One stop building	10,000	11,236	1,236
Human resources	<u>424,373</u>	<u>397,988</u>	<u>(26,385)</u>
Total general government	3,871,383	3,631,009	(240,374)
Public safety:			
Building inspection	834,760	782,418	(52,342)
Fire services	7,556,920	6,810,242	(746,678)
Police	8,219,281	7,981,280	(238,001)
Law Enforcement Center	246,137	224,828	(21,309)
Emergency management	335,420	304,213	(31,207)
Local emergency planning	15,560	10,318	(5,242)
Communication	<u>737,637</u>	<u>722,685</u>	<u>(14,952)</u>
Total public safety	17,945,715	16,835,984	(1,109,731)

CITY OF GRAND ISLAND, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND, Continued**

Year ended September 30, 2012

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS), continued			
Public works:			
Engineering	910,411	845,410	(65,001)
Streets and transportation	5,064,896	4,767,114	(297,782)
Total public works	<u>5,975,307</u>	<u>5,612,524</u>	<u>(362,783)</u>
Environment and leisure:			
Planning	199,302	209,221	9,919
CRA division	34,216	24,548	(9,668)
Library	1,721,671	1,704,836	(16,835)
Parks	1,409,513	1,358,749	(50,764)
Cemetery	445,622	421,060	(24,562)
Recreation	369,869	382,399	12,530
Aquatics	578,373	554,896	(23,477)
Public information	180,088	164,669	(15,419)
Heartland Shooting Park	380,776	382,081	1,305
Total environment and leisure	<u>5,319,430</u>	<u>5,202,459</u>	<u>(116,971)</u>
Non-departmental	<u>2,517,321</u>	<u>2,112,995</u>	<u>(404,326)</u>
Total charges to appropriations	<u>35,629,156</u>	<u>33,394,971</u>	<u>(2,234,185)</u>
Resources over (under) charges to appropriations	(2,094,593)	598,542	2,693,135
OTHER FINANCING SOURCES (USES)			
Transfers in	4,402,100	4,321,498	(80,602)
Transfers out	(1,671,304)	(2,764,011)	(1,092,707)
Net transfers	<u>2,730,796</u>	<u>1,557,487</u>	<u>(1,173,309)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ 636,203</u>	<u>\$ 2,156,029</u>	<u>\$ 1,519,826</u>

CITY OF GRAND ISLAND, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
CAPITAL PROJECTS FUND**

Year ended September 30, 2012

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Intergovernmental	\$ -	\$ 329,869	\$ 329,869
Contributions	<u>80,000</u>	<u>17,210</u>	<u>(62,790)</u>
Total resources	80,000	347,079	267,079
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Capital projects	740,000	87,239	(652,761)
Drainage projects	1,166,941	655,054	(511,887)
Street construction	51,000	127,223	76,223
Bonded street and sewer projects	656,000	702,873	46,873
Public works projects	251,000	296,013	45,013
Parks and recreation	<u>379,600</u>	<u>513,457</u>	<u>133,857</u>
Total charges to appropriations	<u>3,244,541</u>	<u>2,381,859</u>	<u>(862,682)</u>
Resources over (under) charges to appropriations	(3,164,541)	(2,034,780)	1,129,761
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>3,174,600</u>	<u>2,039,537</u>	<u>(1,135,063)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ 10,059</u></u>	<u><u>\$ 4,757</u></u>	<u><u>\$ (5,302)</u></u>

CITY OF GRAND ISLAND, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
DEBT SERVICE FUND**

Year ended September 30, 2012

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 1,287,442	\$ 1,399,310	\$ 111,868
Motor vehicle tax	7,500	6,183	(1,317)
Interest income	920	3,293	2,373
Bond proceeds	<u>720,000</u>	<u>-</u>	<u>(720,000)</u>
Total resources	2,015,862	1,408,786	(607,076)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	1,275,000	2,040,000	765,000
Interest expense	376,793	202,145	(174,648)
Fiscal agent fees	<u>45,000</u>	<u>15,486</u>	<u>(29,514)</u>
Total charges to appropriations	<u>1,696,793</u>	<u>2,257,631</u>	<u>560,838</u>
Resources over (under) charges to appropriations	319,069	(848,845)	(1,167,914)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	774,000	774,000
Transfers out	<u>(1,148,100)</u>	<u>(546,100)</u>	<u>602,000</u>
Net transfers	<u>(1,148,100)</u>	<u>227,900</u>	<u>1,376,000</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (829,031)</u>	<u>\$ (620,945)</u>	<u>\$ 208,086</u>

CITY OF GRAND ISLAND, NEBRASKA

**BUDGETARY COMPARISON SCHEDULES -
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

Year ended September 30, 2012

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenue and Expenditures**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
Sources/inflows of resources:			
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 33,993,513	\$ 347,079	\$ 1,408,786
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>1,214,883</u>	<u>2,128,204</u>	<u>(129,073)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 35,208,396</u></u>	<u><u>\$ 2,475,283</u></u>	<u><u>\$ 1,279,713</u></u>
Uses/outflows of resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 33,394,971	\$ 2,381,859	\$ 2,257,631
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>1,406,654</u>	<u>2,238,397</u>	<u>(27,351)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 34,801,625</u></u>	<u><u>\$ 4,620,256</u></u>	<u><u>\$ 2,230,280</u></u>
Net transfers:			
Actual amounts (budgetary basis) from the budgetary comparison schedules	\$ 1,557,487	\$ 2,039,537	\$ 227,900
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>(475,502)</u>	<u>(62,904)</u>	<u>-</u>
Total net transfers as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,081,985</u></u>	<u><u>\$ 1,976,633</u></u>	<u><u>\$ 227,900</u></u>

CITY OF GRAND ISLAND, NEBRASKA

**RSI DISCLOSURES FOR A STREET SYSTEM BASED ON A PERCENTAGE
OF ROADS IN GOOD OR SUBSTANDARD CONDITION**

Year ended September 30, 2012

Condition Rating of the City's Street System

	<u>Percentage of Lane-Miles in Good or Better Condition</u> <u>2012</u>
Main arterial	81.30 %
Arterial	60.37 %
Collector	60.48 %
Stop sign protected	52.02 %
Secondary	65.20 %
Overall system	65.19 %

	<u>Percentage of Lane-Miles in Substandard Condition</u> <u>2012</u>
Main arterial	0.92 %
Arterial	2.26 %
Collector	4.13 %
Stop sign protected	1.77 %
Secondary	2.12 %
Overall system	2.13 %

**Comparison of Needed-to-Actual Maintenance/Preservation
(in Thousands)**

	<u>2012</u>	
Overall System:		
Needed	\$ 4,108	based on estimated 50-year life cycle cost
Actual	<u>3,323</u>	
Difference	<u>\$ 785</u>	

Note: The condition of road pavement is measured using the CartéGraph pavement management system, which is based on a weighted average of six distress factors found in pavement surfaces. The CartéGraph pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good or better condition (75-100), fair condition (50-75), and substandard condition (less than 50). It is the City's policy to maintain and preserve the infrastructure assets at a 75 percent condition level. (The condition level was 80.31 percent at September 30, 2012). No more than 10 percent should be in a substandard condition. Condition assessments are determined every year based on actual assessments of approximately 1/3 of the City's infrastructure, thereby completing a condition assessment on the whole City within three years.

CITY OF GRAND ISLAND, NEBRASKA

**SCHEDULE OF FUNDING PROGRESS -
PUBLIC SAFETY EMPLOYEES RETIREMENT SYSTEM
(POLICE OFFICERS AND FIREFIGHTERS)**

Year ended September 30, 2012

<u>Actuarial Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Covered Payroll</u>
1/1/2003	\$ 14,129,258	\$ 8,153,323	\$ -	100%	\$ 1,642,439	N/A
1/1/2007	16,588,243	7,438,691	-	100%	886,241	N/A
1/1/2008	8,430,020	7,793,480	-	100%	1,065,254	N/A
1/1/2011	3,910,756	3,535,849	-	100%	609,189	N/A

OTHER SUPPLEMENTARY INFORMATION

CITY OF GRAND ISLAND, NEBRASKA

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2012

	<u>Permanent Funds</u>		<u>Special Revenue Funds</u>	
	<u>Library</u>	<u>Cemetery</u>	<u>Gas Tax</u>	<u>Enhanced</u>
	<u>Trust</u>	<u>Trust</u>		<u>911</u>
ASSETS				
Cash and cash equivalents	\$ 1,186	\$ 13,309	\$ 325,818	\$ 89,857
Investments	37,102	573,287	1,815,501	500,691
County treasurer cash	-	-	-	-
Receivables:				
Special assessments	-	-	-	-
Notes	-	-	-	-
Interest	-	-	-	-
Due from other funds	-	-	-	3,340
Due from other governments	-	-	421,640	13,000
Total assets	\$ 38,288	\$ 586,596	\$ 2,562,959	\$ 606,888
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	8,160
Total liabilities	-	-	-	8,160
Fund balances (deficit):				
Nonspendable:				
Cemetery perpetual care	-	586,596	-	-
Library trust	38,288	-	-	-
Restricted for:				
Street improvements	-	-	2,562,959	-
Economic development	-	-	-	-
Federal programs	-	-	-	-
Housing loans	-	-	-	-
Equipment purchases	-	-	-	-
Community improvements	-	-	-	-
Library expenses	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Budgetary stabilization	-	-	-	19,282
Encumbrances	-	-	-	-
Other purposes	-	-	-	579,446
Unassigned	-	-	-	-
Total fund balances (deficit)	38,288	586,596	2,562,959	598,728
Total liabilities and fund balances	\$ 38,288	\$ 586,596	\$ 2,562,959	\$ 606,888

Special Revenue Funds					
<u>PSC Wireless</u>	<u>Keno</u>	<u>Community Youth Council</u>	<u>Program Income Reuse Fund</u>	<u>Housing Reuse Fund</u>	<u>Community Development</u>
\$ 8,766	\$ 77,616	\$ 8,691	\$ 18,185	\$ 95,026	\$ 42,251
34,007	432,483	48,427	101,325	529,498	64,119
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	138,392	294,617	-
-	-	-	-	-	-
-	-	-	-	-	6,051
12,497	24,005	-	-	-	-
<u>\$ 55,270</u>	<u>\$ 534,104</u>	<u>\$ 57,118</u>	<u>\$ 257,902</u>	<u>\$ 919,141</u>	<u>\$ 112,421</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1,271	-	-	2,539
-	-	1,271	-	-	2,539
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	257,902	-	-
-	-	-	-	-	-
-	-	-	-	919,141	30,743
2,662	-	-	-	-	-
-	534,104	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	22,031	-	-	40,884
-	-	-	-	-	-
52,608	-	33,816	-	-	38,255
-	-	-	-	-	-
<u>55,270</u>	<u>534,104</u>	<u>55,847</u>	<u>257,902</u>	<u>919,141</u>	<u>109,882</u>
<u>\$ 55,270</u>	<u>\$ 534,104</u>	<u>\$ 57,118</u>	<u>\$ 257,902</u>	<u>\$ 919,141</u>	<u>\$ 112,421</u>

CITY OF GRAND ISLAND, NEBRASKA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS, Continued
September 30, 2012

	Special Revenue Funds		
	Police <u>Grants</u>	Parking <u>District #1</u>	Parking <u>District #2</u>
ASSETS			
Cash and cash equivalents	\$ 846	\$ 14,599	\$ 28,835
Investments	4,709	81,351	109,046
County treasurer cash	-	-	1,469
Receivables:			
Special assessments	-	2,486	-
Notes	-	-	-
Interest	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 5,555</u>	<u>\$ 98,436</u>	<u>\$ 139,350</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 21,842	\$ 6,748	\$ 421
Accrued expenses	-	-	-
Total liabilities	<u>21,842</u>	<u>6,748</u>	<u>421</u>
Fund balances (deficit):			
Nonspendable:			
Cemetery perpetual care	-	-	-
Library trust	-	-	-
Restricted for:			
Street improvements	-	-	-
Economic development	-	-	-
Federal programs	-	-	-
Housing loans	-	-	-
Equipment purchases	-	-	-
Community improvements	-	-	-
Library expenses	-	-	-
Other purposes	-	-	9,265
Assigned for:			
Budgetary stabilization	-	54,500	90,800
Encumbrances	-	24,910	-
Other purposes	-	12,278	38,864
Unassigned	(16,287)	-	-
Total fund balances (deficit)	<u>(16,287)</u>	<u>91,688</u>	<u>138,929</u>
Total liabilities and fund balances	<u>\$ 5,555</u>	<u>\$ 98,436</u>	<u>\$ 139,350</u>

Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
<u>Local Assistance</u>	<u>Economic Development</u>	<u>Community Grants</u>	<u>Special Assessments</u>	
\$ 126,935	\$ 33,056	\$ 28,531	\$ 155,331	\$ 1,068,838
740,052	184,189	158,982	865,524	6,280,293
-	-	-	-	1,469
-	-	-	516,349	518,835
-	399,333	420,256	-	1,252,598
-	-	-	50,359	50,359
-	-	2,519	-	11,910
10,185	-	367,550	-	848,877
<u>\$ 877,172</u>	<u>\$ 616,578</u>	<u>\$ 977,838</u>	<u>\$ 1,587,563</u>	<u>\$ 10,033,179</u>
\$ -	\$ -	\$ 75,869	\$ -	\$ 104,880
-	-	-	-	11,970
-	-	75,869	-	116,850
-	-	-	-	586,596
-	-	-	-	38,288
-	-	-	-	2,562,959
-	616,578	-	-	874,480
-	-	901,969	-	901,969
-	-	-	-	949,884
-	-	-	-	2,662
-	-	-	-	534,104
759,473	-	-	-	759,473
32,752	-	-	-	42,017
84,947	-	-	655,300	967,744
-	-	-	-	24,910
-	-	-	932,263	1,687,530
-	-	-	-	(16,287)
<u>877,172</u>	<u>616,578</u>	<u>901,969</u>	<u>1,587,563</u>	<u>9,916,329</u>
<u>\$ 877,172</u>	<u>\$ 616,578</u>	<u>\$ 977,838</u>	<u>\$ 1,587,563</u>	<u>\$ 10,033,179</u>

CITY OF GRAND ISLAND, NEBRASKA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the year ended September 30, 2012

	Permanent Funds		Special Revenue Funds	
	Library <u>Trust</u>	Cemetery <u>Trust</u>	Gas Tax	Enhanced <u>911</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 4,287,276	\$ -
Keno	-	-	-	-
Property tax	-	-	-	-
Motor vehicle tax	-	-	-	-
Special assessments	-	-	-	-
Charges for services	-	25,860	-	253,127
Interest income	5,811	2,863	-	-
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>5,811</u>	<u>28,723</u>	<u>4,287,276</u>	<u>253,127</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	335,519
Public works	-	-	-	-
Environment and leisure	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,519</u>
Excess (deficiency) of revenues over expenditures	5,811	28,723	4,287,276	(82,392)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(3,333,812)	-
Net transfers	<u>-</u>	<u>-</u>	<u>(3,333,812)</u>	<u>-</u>
Net change in fund balances	5,811	28,723	953,464	(82,392)
Fund balances - September 30, 2011	<u>32,477</u>	<u>557,873</u>	<u>1,609,495</u>	<u>681,120</u>
Fund balances - September 30, 2012	<u>\$ 38,288</u>	<u>\$ 586,596</u>	<u>\$ 2,562,959</u>	<u>\$ 598,728</u>

Special Revenue Funds					
<u>PSC Wireless</u>	<u>Keno</u>	<u>Community Youth Council</u>	<u>Program Income Reuse Fund</u>	<u>Housing Reuse Fund</u>	<u>Community Development</u>
\$ -	\$ -	\$ 1,250	\$ -	\$ 359,468	\$ -
-	281,867	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
102,777	-	-	-	-	2,365
-	987	350	585	2,076	440
-	-	5,205	-	-	-
72	-	-	-	-	-
<u>102,849</u>	<u>282,854</u>	<u>6,805</u>	<u>585</u>	<u>361,544</u>	<u>2,805</u>
-	-	-	575	-	34,974
89,941	-	-	-	-	-
-	-	-	-	-	-
-	-	15,126	-	32,563	-
<u>89,941</u>	<u>-</u>	<u>15,126</u>	<u>575</u>	<u>32,563</u>	<u>34,974</u>
12,908	282,854	(8,321)	10	328,981	(32,169)
-	-	-	-	-	266,951
-	-	-	(1,882)	(5,923)	(142,428)
-	-	-	(1,882)	(5,923)	124,523
12,908	282,854	(8,321)	(1,872)	323,058	92,354
<u>42,362</u>	<u>251,250</u>	<u>64,168</u>	<u>259,774</u>	<u>596,083</u>	<u>17,528</u>
<u>\$ 55,270</u>	<u>\$ 534,104</u>	<u>\$ 55,847</u>	<u>\$ 257,902</u>	<u>\$ 919,141</u>	<u>\$ 109,882</u>

CITY OF GRAND ISLAND, NEBRASKA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS, Continued**

For the year ended September 30, 2012

	Special Revenue Funds		
	<u>Police Grants</u>	<u>Parking District #1</u>	<u>Parking District #2</u>
REVENUES			
Intergovernmental	\$ 92,876	\$ -	\$ -
Keno	-	-	-
Property tax	-	-	8,022
Motor vehicle tax	-	-	28
Special assessments	-	37,995	-
Charges for services	-	6,510	10,547
Interest income	-	596	721
Contributions	-	-	-
Other revenue	4,513	-	-
Total revenues	<u>97,389</u>	<u>45,101</u>	<u>19,318</u>
EXPENDITURES			
General government	-	49,565	16,725
Public safety	147,204	-	-
Public works	-	-	-
Environment and leisure	-	-	-
Total expenditures	<u>147,204</u>	<u>49,565</u>	<u>16,725</u>
Excess (deficiency) of revenues over expenditures	(49,815)	(4,464)	2,593
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(49,815)	(4,464)	2,593
Fund balances - September 30, 2011	<u>33,528</u>	<u>96,152</u>	<u>136,336</u>
Fund balances - September 30, 2012	<u><u>\$ (16,287)</u></u>	<u><u>\$ 91,688</u></u>	<u><u>\$ 138,929</u></u>

<u>Special Revenue Funds</u>			<u>Capital Projects Fund Special Assessments</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Local Assistance</u>	<u>Economic Development</u>	<u>Community Grants</u>		
\$ -	\$ -	\$ 1,432,627	\$ -	\$ 6,173,497
-	-	-	-	281,867
-	-	-	-	8,022
-	-	-	-	28
-	-	-	754,837	792,832
-	-	-	-	401,186
-	3,532	-	3,172	21,133
35,421	-	575,000	-	615,626
-	-	12,384	-	16,969
<u>35,421</u>	<u>3,532</u>	<u>2,020,011</u>	<u>758,009</u>	<u>8,311,160</u>
-	1,399,334	1,739,647	-	3,240,820
24,306	-	-	-	596,970
-	-	-	-	-
14,399	-	56,281	-	118,369
<u>38,705</u>	<u>1,399,334</u>	<u>1,795,928</u>	<u>-</u>	<u>3,956,159</u>
(3,284)	(1,395,802)	224,083	758,009	4,355,001
-	750,000	142,428	-	1,159,379
-	-	(174,901)	(115,175)	(3,774,121)
-	750,000	(32,473)	(115,175)	(2,614,742)
(3,284)	(645,802)	191,610	642,834	1,740,259
880,456	1,262,380	710,359	944,729	8,176,070
<u>\$ 877,172</u>	<u>\$ 616,578</u>	<u>\$ 901,969</u>	<u>\$ 1,587,563</u>	<u>\$ 9,916,329</u>

CITY OF GRAND ISLAND, NEBRASKA

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

September 30, 2012

	Internal Service Funds				
	Information Technology	Fleet Services	Insurance	Equipment Reserve	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 52,365	\$ 6,117	\$ 628,716	\$ 35,192	\$ 722,390
Investments	291,785	34,087	3,503,285	196,096	4,025,253
Receivables:					
Accounts, net of allowance for doubtful accounts	-	103,048	-	-	103,048
Due from other funds	51,162	35,488	-	-	86,650
Inventory	-	159,048	-	-	159,048
Total current assets	395,312	337,788	4,132,001	231,288	5,096,389
Noncurrent assets:					
Capital assets:					
Buildings and equipment	1,235,206	269,036	-	-	1,504,242
Less accumulated depreciation	(915,793)	(204,815)	-	-	(1,120,608)
Net capital assets	319,413	64,221	-	-	383,634
Total assets	714,725	402,009	4,132,001	231,288	5,480,023
LIABILITIES					
Current liabilities:					
Accounts payable	-	1,904	368,412	-	370,316
Accrued expenses	49,708	24,279	953,010	-	1,026,997
Total current liabilities	49,708	26,183	1,321,422	-	1,397,313
Noncurrent liabilities:					
Compensated absences - noncurrent	17,588	11,393	-	-	28,981
Total liabilities	67,296	37,576	1,321,422	-	1,426,294
NET ASSETS					
Invested in capital assets, net of related debt	319,413	64,221	-	-	383,634
Unrestricted	328,016	300,212	2,810,579	231,288	3,670,095
Total net assets	<u>\$ 647,429</u>	<u>\$ 364,433</u>	<u>\$ 2,810,579</u>	<u>\$ 231,288</u>	<u>\$ 4,053,729</u>

CITY OF GRAND ISLAND, NEBRASKA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - INTERNAL SERVICE FUNDS**

For the year ended September 30, 2012

	<u>Internal Service Funds</u>				
	<u>Information Technology</u>	<u>Fleet Services</u>	<u>Insurance</u>	<u>Equipment Reserve</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 945,567	\$ 1,335,871	\$ 6,554,168	\$ -	\$ 8,835,606
Other revenue	550	8,745	35,902	-	45,197
Total operating revenues	<u>946,117</u>	<u>1,344,616</u>	<u>6,590,070</u>	<u>-</u>	<u>8,880,803</u>
Operating expenses:					
Information technology	982,100	-	-	-	982,100
Central garage	-	1,234,790	-	-	1,234,790
Insurance and benefits	-	-	7,799,875	-	7,799,875
Building maintenance	-	-	-	24,791	24,791
Depreciation	64,677	9,416	-	-	74,093
Total operating expenses	<u>1,046,777</u>	<u>1,244,206</u>	<u>7,799,875</u>	<u>24,791</u>	<u>10,115,649</u>
Operating income (loss)	(100,660)	100,410	(1,209,805)	(24,791)	(1,234,846)
Nonoperating revenues (expenses):					
Interest income	2,439	255	26,258	1,228	30,180
Intergovernmental	-	-	-	50,000	50,000
Total nonoperating revenues (expenses)	<u>2,439</u>	<u>255</u>	<u>26,258</u>	<u>51,228</u>	<u>80,180</u>
Excess (deficiency) of revenues over expenditures	(98,221)	100,665	(1,183,547)	26,437	(1,154,666)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>62,904</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>37,904</u>
Change in net assets	(35,317)	75,665	(1,183,547)	26,437	(1,116,762)
Net assets - September 30, 2011	<u>682,746</u>	<u>288,768</u>	<u>3,994,126</u>	<u>204,851</u>	<u>5,170,491</u>
Net assets - September 30, 2012	<u>\$ 647,429</u>	<u>\$ 364,433</u>	<u>\$ 2,810,579</u>	<u>\$ 231,288</u>	<u>\$ 4,053,729</u>

CITY OF GRAND ISLAND, NEBRASKA

COMBINING STATEMENT OF CASH FLOWS -

INTERNAL SERVICE FUNDS

For the year ended September 30, 2012

	Internal Service Funds				
	Information Technology	Fleet Services	Insurance	Equipment Reserve	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from other funds	\$ 946,117	\$ 1,321,049	\$ 6,609,289	\$ -	\$ 8,876,455
Payments to suppliers	(616,292)	(1,044,645)	(7,609,705)	(24,791)	(9,295,433)
Payments to employees	(362,205)	(211,667)	-	-	(573,872)
Net cash provided (used) by operating activities	(32,380)	64,737	(1,000,416)	(24,791)	(992,850)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:					
Transfers from other funds	62,904	(25,000)	-	-	37,904
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of capital assets	(62,904)	-	-	-	(62,904)
Intergovernmental receipts	-	-	-	50,000	50,000
Net cash provided (used) by capital and related financing activities	(62,904)	-	-	50,000	(12,904)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Net (purchase) sale of investment securities	(67,815)	(33,960)	(446,198)	(73,451)	(621,424)
Interest received	2,439	255	26,258	1,228	30,180
Net cash used by investing activities	(65,376)	(33,705)	(419,940)	(72,223)	(591,244)
Increase (decrease) in cash and cash equivalents	(97,756)	6,032	(1,420,356)	(47,014)	(1,559,094)
Cash and cash equivalents - beginning of the year	150,121	85	2,049,072	82,206	2,281,484
Cash and cash equivalents - end of the year	<u>\$ 52,365</u>	<u>\$ 6,117</u>	<u>\$ 628,716</u>	<u>\$ 35,192</u>	<u>\$ 722,390</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (100,660)	\$ 100,410	\$ (1,209,805)	\$ (24,791)	\$ (1,234,846)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	64,677	9,416	-	-	74,093
Change in assets and liabilities:					
Accounts receivable	-	(23,567)	19,219	-	(4,348)
Inventories	-	(24,921)	-	-	(24,921)
Accounts payable and accrued expenses	3,603	3,399	190,170	-	197,172
Net cash provided (used) by operating activities	<u>\$ (32,380)</u>	<u>\$ 64,737</u>	<u>\$ (1,000,416)</u>	<u>\$ (24,791)</u>	<u>\$ (992,850)</u>

CITY OF GRAND ISLAND, NEBRASKA

COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

September 30, 2012

	<u>Employee Pension Reserve Funds</u>			
	<u>Police and Fire Pension</u>	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Total Employee Pension Funds</u>
ASSETS				
Cash	\$ 8,794	\$ 40	\$ 415	\$ 9,249
Investments	1,514,997	224	3,610,685	5,125,906
Accounts receivable	-	-	-	-
Special assessments receivable	-	-	-	-
Total assets	<u>1,523,791</u>	<u>264</u>	<u>3,611,100</u>	<u>5,135,155</u>
LIABILITIES				
Due to other funds	-	-	512,914	512,914
Agency liabilities	-	-	-	-
Pension liability	1,160,256	-	-	1,160,256
Total liabilities	<u>1,160,256</u>	<u>-</u>	<u>512,914</u>	<u>1,673,170</u>
NET ASSETS				
Held in trust for pension benefits	<u>363,535</u>	<u>264</u>	<u>3,098,186</u>	<u>\$ 3,461,985</u>

<u>Cafeteria Plan</u>	<u>Agency Funds</u>		<u>Total Agency Funds</u>
	<u>Other Agencies</u>	<u>BID Assessments</u>	
\$ 761	\$ 22,552	\$ 60	\$ 23,373
4,239	125,663	339	130,241
-	10,682	-	10,682
-	-	16,433	16,433
<u>5,000</u>	<u>158,897</u>	<u>16,832</u>	<u>180,729</u>
-	-	-	-
5,000	158,897	16,832	180,729
-	-	-	-
<u>5,000</u>	<u>158,897</u>	<u>16,832</u>	<u>180,729</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF GRAND ISLAND, NEBRASKA

COMBINING STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS

For the year ended September 30, 2012

	<u>Employee Pension Reserve Funds</u>			
	<u>Police and Fire Pension</u>	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Total Employee Pension Funds</u>
ADDITIONS				
Transfers from other funds	\$ 173,022	\$ 350	\$ -	\$ 173,372
Interest and dividends	-	-	1,209,712	1,209,712
Other revenue	-	248	2,730	2,978
Total additions	<u>173,022</u>	<u>598</u>	<u>1,212,442</u>	<u>1,386,062</u>
DEDUCTIONS				
Pension benefits	63,489	350	-	63,839
Transfers to other funds	-	-	163,910	163,910
Loss on investments	-	-	302,367	302,367
Total deductions	<u>63,489</u>	<u>350</u>	<u>466,277</u>	<u>530,116</u>
Change in net assets	109,533	248	746,165	855,946
Net assets - September 30, 2011	<u>254,002</u>	<u>16</u>	<u>2,352,021</u>	<u>2,606,039</u>
Net assets - September 30, 2012	<u><u>\$ 363,535</u></u>	<u><u>\$ 264</u></u>	<u><u>\$ 3,098,186</u></u>	<u><u>\$ 3,461,985</u></u>

CITY OF GRAND ISLAND, NEBRASKA
COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS
September 30, 2012

	Business Improvement <u>Districts</u>	Grand Island Facilities <u>Corporation</u>	Community Redevelopment <u>Authority</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 195,905	\$ -	\$ 125,788	\$ 321,693
County treasurer cash	-	-	150,785	150,785
Receivables:				
Special assessments	16,433	-	-	16,433
Current portion of notes from redevelopers	-	-	115,334	115,334
Current portion of capital lease receivable	-	760,000	-	760,000
Property tax	-	-	28,278	28,278
Total current assets	<u>212,338</u>	<u>760,000</u>	<u>420,185</u>	<u>1,392,523</u>
Noncurrent assets:				
Restricted cash	-	-	60,722	60,722
Restricted investments	-	-	-	-
Notes from redevelopers	-	-	520,068	520,068
Capital lease receivable - City of Grand Island	-	2,325,000	-	2,325,000
Unamortized bond discount	-	27,337	-	27,337
Capital assets:				
Land, infrastructure, and construction in progress	-	-	495,354	495,354
Construction in progress	-	-	180,658	180,658
Other capital assets, net of depreciation	54,419	-	-	54,419
Net capital assets	<u>54,419</u>	<u>-</u>	<u>676,012</u>	<u>730,431</u>
Total noncurrent assets	<u>54,419</u>	<u>2,352,337</u>	<u>1,256,802</u>	<u>3,663,558</u>
Total assets	<u>266,757</u>	<u>3,112,337</u>	<u>1,676,987</u>	<u>5,056,081</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	-	344,312	344,312
Deferred revenue - property taxes	-	-	21,083	21,083
Current portion of long-term obligations	-	760,000	115,334	875,334
Total current liabilities	<u>-</u>	<u>760,000</u>	<u>480,729</u>	<u>1,240,729</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	-	2,325,000	520,068	2,845,068
Total liabilities	<u>-</u>	<u>3,085,000</u>	<u>1,000,797</u>	<u>4,085,797</u>
NET ASSETS				
Invested in capital assets, net of related debt	54,419	27,337	676,012	757,768
Restricted for:				
Redevelopers	-	-	60,722	60,722
Unrestricted	212,338	-	(60,544)	151,794
Total net assets	<u>\$ 266,757</u>	<u>\$ 27,337</u>	<u>\$ 676,190</u>	<u>\$ 970,284</u>

CITY OF GRAND ISLAND, NEBRASKA
COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS
For the year ended September 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Landfill:			
Landfill and transfer station	\$ -	\$ -	\$ -
Business Improvement Districts:			
Business Improvement District #4	34,239	-	-
Business Improvement District #6	14,665	-	-
Business Improvement District #7	60,177	-	-
Business Improvement District #8	121,542	47,597	-
Total Business Improvement Districts	230,623	47,597	-
Grand Island Facilities Corporation:			
Library construction project	757,031	749,312	-
Community Redevelopment Authority:			
General government	61,502	-	-
Community development	1,341,427	-	223,086
Interest on long-term debt	50,965	-	-
Total Community Redevelopment Authority	1,453,894	-	223,086
Total Component Units	\$ 2,441,548	\$ 796,909	\$ 223,086

Program Revenues	Net (Expenses) Receipts and Changes in Net Assets				
	Component Units				Total
Capital Grants and Contributions	Landfill	Business Improvement Districts	Grand Island Facilities Corporation	Community Redevelopment Authority	
\$ -	\$ -				\$ -
-	-	\$ (34,239)			(34,239)
-	-	(14,665)			(14,665)
-	-	(60,177)			(60,177)
19,500	-	(54,445)			(54,445)
<u>19,500</u>	<u>-</u>	<u>(163,526)</u>			<u>(163,526)</u>
-	-	-	\$ (7,719)		(7,719)
-	-	-	-	\$ (61,502)	(61,502)
-	-	-	-	(1,118,341)	(1,118,341)
-	-	-	-	(50,965)	(50,965)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,230,808)</u>	<u>(1,230,808)</u>
<u>\$ 19,500</u>	<u>-</u>	<u>(163,526)</u>	<u>(7,719)</u>	<u>(1,230,808)</u>	<u>(1,402,053)</u>
General revenues:					
Taxes:					
Property	-	-	-	620,417	620,417
Motor vehicle	-	-	-	2,517	2,517
Special assessments	-	195,121	-	-	195,121
Miscellaneous	-	-	-	22,616	22,616
Interest income	-	123	-	4,704	4,827
Total general revenues	<u>-</u>	<u>195,244</u>	<u>-</u>	<u>650,254</u>	<u>845,498</u>
Change in net assets	-	31,718	(7,719)	(580,554)	(556,555)
Net assets - September 30, 2011 - as previously reported	8,854,061	235,039	35,056	1,256,744	10,380,900
Restatement of net assets	<u>(8,854,061)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,854,061)</u>
Net assets - September 30, 2011 - as restated	<u>-</u>	<u>235,039</u>	<u>35,056</u>	<u>1,256,744</u>	<u>1,526,839</u>
Net assets - September 30, 2012	<u>\$ -</u>	<u>\$ 266,757</u>	<u>\$ 27,337</u>	<u>\$ 676,190</u>	<u>\$ 970,284</u>

SINGLE AUDIT REPORTS

CITY OF GRAND ISLAND, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2012

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>		<u>Expenditures</u>
<u>Department of Homeland Security:</u>			
Passed through the State of Nebraska:			
Homeland Security Cluster:			
Emergency Management Performance Grants	97.042	\$ 130,904	
Homeland Security Grant Program	97.067	<u>11,442</u>	
Total Homeland Security Cluster			\$ 142,346
<u>Department of Transportation:</u>			
Passed through Nebraska Office of Highway Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	3,281	
Alcohol Impaired Driving	20.601	492	
Occupant Protection Incentive Grant	20.602	<u>4,000</u>	
Total Highway Safety Cluster			7,773
Passed through Nebraska Department of Roads:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	67,602	
ARRA - Highway Planning and Construction	20.205	<u>1,098</u>	
Total Highway Planning and Construction Cluster			<u>68,700</u>
Total Department of Transportation			76,473
<u>Department of Justice:</u>			
Direct Programs:			
Public Safety Partnership and Community Policing Grant	16.710		219,491
Bulletproof Vest Partnership Program	16.607		6,536
Edward Byrne Memorial Justice Assistance Grant	16.738		6,159
Equitable Sharing Program	16.922		5,488
Passed through Nebraska Crime Commission:			
Crime Victim Assistance	16.575		<u>46,110</u>
Total Department of Justice			283,784
<u>Department of Energy</u>			
Direct Programs:			
Energy Efficiency and Conservation Block Grant	81.128		86,937
<u>Executive Office of the President:</u>			
Passed through Nebraska State Patrol:			
High Intensity Drug Trafficking Area Program	95.001		72,710

CITY OF GRAND ISLAND, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended September 30, 2012

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Housing and Urban Development:</u>		
Passed through Nebraska Department of Economic Development:		
Community Development Block Grant	14.228	<u>1,271,712</u> *
Total Expenditures of Federal Awards		<u><u>\$ 1,933,962</u></u>

*Major Program

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Grand Island, Nebraska, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reporting entity for the Schedule of Expenditures of Federal Awards is the same as that defined in Note A to the financial statements.

NOTE B - FEDERAL LOAN PROGRAMS

The Revolving Loan Program is a Community Development Block Grant (CDBG) program whereby funds are made available to the City to loan to low- and moderate-income families for a variety of purposes. These funds, once issued, are repaid to the City, who in turn reloans the funds to another low- to moderate-income family. The balance of loans outstanding as of September 30, 2012, is \$131,313.

NOTE C - PASS-THRU GRANTS TO SUBRECIPIENTS

The City passed \$600,000 of CDBG grant proceeds through to South Central Economic Development District during the year ended September 30, 2012.



SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

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

To the Honorable Mayor and Members of the City Council
City of Grand Island, Nebraska

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of Grand Island, Nebraska, as of and for the year ended September 30, 2012, which collectively comprise the City of Grand Island, Nebraska's basic financial statements and have issued our report thereon dated January 30, 2013. 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.

Internal Control Over Financial Reporting

Management of the City of Grand Island is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Grand Island's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Wealth Management, LLC Registered Investment Advisor, is affiliated with Almquist, Maltzahn, Galloway & Luth, P.C. and offers wealth management and investment advisory services.

1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

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Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grand Island'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Grand Island, Nebraska, in a separate letter dated January 30, 2013.

This report is intended solely for the information and use of management, the State of Nebraska Auditor of Public Accounts and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Amquist, Malthahn.
Galloway & Luth, PC

Grand Island, Nebraska
January 30, 2013



SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Members of the City Council
City of Grand Island, Nebraska

Compliance

We have audited the compliance of the City of Grand Island, Nebraska, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 of Grand Island, Nebraska'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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Grand Island, Nebraska, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2012.

Wealth Management, LLC Registered Investment Advisor, is affiliated with Almquist, Maltzahn, Galloway & Luth, P.C. and offers wealth management and investment advisory services.

Internal Control Over Compliance

The management of the City of Grand Island, Nebraska, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City of Grand Island's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City of Grand Island's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

*August Malthahn,
Galloway & Luth, PC*

Grand Island, Nebraska
January 30, 2013

CITY OF GRAND ISLAND, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2012

1. A summary of auditors' results:

- (i) An unqualified opinion was issued on the financial statements of the City of Grand Island, Nebraska, as of September 30, 2012.
- (ii) The audit did not disclose any significant deficiencies in the internal control of the City of Grand Island, Nebraska.
- (iii) The audit did not disclose any noncompliance which is material to the financial statements of the City of Grand Island, Nebraska.
- (iv) The audit did not disclose any significant deficiencies in the internal control over major programs for the City of Grand Island, Nebraska.
- (v) An unqualified opinion was issued on compliance for major programs.
- (vi) The audit did not disclose any audit findings which we are required to report under §____.510(a).
- (vii) Major Program: CFDA #14.228 – Community Development Block Grant.
- (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (ix) The City of Grand Island, Nebraska, qualified as a low-risk auditee under §____.530.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS.

None

3. Findings and questioned costs for Federal awards which shall include audit findings as defined in §____.510(a).

None

CITY OF GRAND ISLAND, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2012

Program

Findings for the year ended September 30, 2011

None noted.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

FINANCIAL STATEMENTS

September 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
Grand Island, Nebraska

We have audited the accompanying financial statements of the City of Grand Island, Nebraska, Electric Department, as of and for the years ended September 30, 2012 and 2011, as listed in the Table of Contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note A, the financial statements present only the City of Grand Island, Nebraska, Electric Department, and do not purport to, and do not, present fairly the financial position of the City of Grand Island, Nebraska, as of September 30, 2012 and 2011, and the change in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Grand Island, Nebraska, Electric Department, as of September 30, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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SHAREHOLDERS

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Phillip D. Maltzahn
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Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013, on our consideration of the City of Grand Island, Nebraska, Electric Department'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management of the City of Grand Island, Nebraska, Electric Department has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Island, Nebraska, Electric Department's basic financial statements as a whole. The accompanying other supplementary information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information, as listed in the Table of Contents, 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. The 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, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Amquist, Mathew.
Galloway & Lutz, P.C.

Grand Island, Nebraska
January 18, 2013

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

STATEMENTS OF NET ASSETS

September 30,

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,412,178	\$ 5,958,118
Investments	31,229,938	21,905,458
Receivables:		
Accounts, net of allowance for doubtful accounts of \$347,345 at September 30, 2012, and \$361,375 at September 30, 2011	5,454,558	4,831,304
Unbilled revenue	2,387,719	2,262,287
Interest	28,128	72,309
Inventory	9,754,647	10,857,185
Prepaid expenses	416,945	393,149
Total current assets	<u>51,684,113</u>	<u>46,279,810</u>
Noncurrent assets:		
Restricted cash and cash equivalents	336,545	330,708
Restricted investments	2,236,335	6,510,499
Unamortized bond costs	252,225	70,719
Deferred charges	839,655	1,743,650
Prepaid transmission	2,175,599	3,276,241
Capital assets:		
Construction in progress	13,199,346	6,679,188
Land and land improvements	6,068,304	6,068,304
Distribution and collection systems	274,326,517	271,682,812
Buildings and equipment	27,748,808	27,706,594
Less accumulated depreciation	(196,203,205)	(186,712,321)
Net capital assets	<u>125,139,770</u>	<u>125,424,577</u>
Total noncurrent assets	<u>130,980,129</u>	<u>137,356,394</u>
Total assets	<u>182,664,242</u>	<u>183,636,204</u>
LIABILITIES		
Current liabilities:		
Accounts payable	2,485,397	2,491,415
Accrued expenses	672,638	806,498
Compensated absences - current	826,205	815,174
Accrual for payments in lieu of taxes	811,019	689,459
Current portion of long-term obligations	1,875,000	4,610,000
Total current liabilities	<u>6,670,259</u>	<u>9,412,546</u>
Noncurrent liabilities:		
Compensated absences - noncurrent	435,189	395,240
Closure/post closure liability	172,547	168,998
Noncurrent portion of long-term obligations	15,935,000	20,880,000
Unamortized bond premiums	960,042	-
	<u>17,502,778</u>	<u>21,444,238</u>
Total liabilities	<u>24,173,037</u>	<u>30,856,784</u>
NET ASSETS		
Invested in capital assets, net of related debt	109,637,207	125,905,187
Restricted for:		
Debt service	2,236,335	6,511,584
Unrestricted	46,617,663	20,362,649
Total net assets	<u>\$ 158,491,205</u>	<u>\$ 152,779,420</u>

See notes to financial statements.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Electric energy sales:		
Residential	\$ 19,287,844	\$ 17,783,245
Commercial and industrial	38,775,121	34,256,264
Municipal and interdepartmental	1,828,136	1,936,424
Wholesale	1,288,128	2,818,760
Total sales	<u>61,179,229</u>	<u>56,794,693</u>
Other revenue	576,308	578,858
Total operating revenues	<u>61,755,537</u>	<u>57,373,551</u>
Operating expenses:		
Cost of power	30,232,339	29,569,667
Operation of system	1,774,133	1,799,692
Maintenance of system	2,247,237	1,454,554
Consumer accounting and collection	1,175,353	1,226,200
Employee benefits and payroll	1,091,355	1,329,466
General office salaries and expense	256,219	294,382
Special services	1,073,931	1,161,334
Insurance	554,598	705,440
Miscellaneous	100,817	303,560
Depreciation	9,905,761	9,850,659
Amortization	19,693	26,923
Total operating expenses	<u>48,431,436</u>	<u>47,721,877</u>
Operating income	13,324,101	9,651,674
Nonoperating revenues (expenses):		
Investment income	403,962	425,196
Gain on disposal of capital assets	20,570	19,739
Allocated debt on participation power purchases	(6,320,655)	(5,345,260)
Payments in lieu of taxes	(811,019)	(689,459)
Interest expense	(905,174)	(1,452,742)
Total nonoperating revenues (expenses)	<u>(7,612,316)</u>	<u>(7,042,526)</u>
Change in net assets	5,711,785	2,609,148
Net assets, beginning of year	<u>152,779,420</u>	<u>150,170,272</u>
Net assets, end of year	<u><u>\$ 158,491,205</u></u>	<u><u>\$ 152,779,420</u></u>

See notes to financial statements.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

STATEMENTS OF CASH FLOWS

For the years ended September 30,

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 61,006,851	\$ 57,063,003
Cash paid to suppliers for goods and services	(27,406,355)	(25,853,086)
Cash paid to employees for services	(8,900,670)	(8,841,685)
Net cash provided by operating activities	<u>24,699,826</u>	<u>22,368,232</u>
NONCAPITAL FINANCING ACTIVITIES:		
Payments in lieu of taxes	(689,459)	(654,280)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(10,441,997)	(7,379,440)
Proceeds on sale of capital assets	841,614	145,460
Decrease in deferred charges	903,995	908,995
Increase in fly ash liability	3,549	1,591
Payment of allocated debt on participation power purchase	(6,320,655)	(5,345,260)
Proceeds from issuance of bonds payable	18,510,000	-
Premium received on the issuance of bonds	1,029,250	-
Payment of bond fees	(270,408)	-
Principal payments on long-term debt	(26,190,000)	(4,425,000)
Interest paid	(1,013,645)	(1,476,250)
Net cash used in capital and related financing activities	<u>(22,948,297)</u>	<u>(17,569,904)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments redeemed	24,273,923	18,432,851
Investments purchased	(29,324,239)	(20,283,939)
Interest received	448,143	454,666
Net cash used by investing activities	<u>(4,602,173)</u>	<u>(1,396,422)</u>
Net increase (decrease) in cash and cash equivalents	(3,540,103)	2,747,626
Cash and cash equivalents - beginning of year	<u>6,288,826</u>	<u>3,541,200</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,748,723</u></u>	<u><u>\$ 6,288,826</u></u>
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 2,412,178	\$ 5,958,118
Restricted cash and cash equivalents	336,545	330,708
Total cash and cash equivalents	<u><u>\$ 2,748,723</u></u>	<u><u>\$ 6,288,826</u></u>

See notes to financial statements.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

STATEMENTS OF CASH FLOWS, Continued

For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 13,324,101	\$ 9,651,674
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,905,761	9,850,659
Amortization	19,693	26,923
Change in assets and liabilities:		
Accounts receivable	(748,686)	(310,548)
Inventories	1,102,538	937,589
Prepaid expenses	(23,796)	(27,684)
Prepaid transmissions	1,100,642	1,255,722
Accounts payable and accrued expenses	<u>19,573</u>	<u>983,897</u>
Net cash provided by operating activities	<u><u>\$ 24,699,826</u></u>	<u><u>\$ 22,368,232</u></u>
 Supplemental cash flow information:		
Acquisition of capital assets through developers' aid of construction	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Accounts payable incurred for capital asset purchases	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS

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**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS

September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Grand Island, Nebraska, Electric Department (Department), are prepared in accordance with generally accepted accounting principles (GAAP). The Department's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The financial statements referred to above present only the Department and do not purport to, and do not, present fairly the financial position of the City of Grand Island, Nebraska, as of September 30, 2012 and 2011, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

1. Financial Reporting Entity

The City of Grand Island, Nebraska, Electric Department is a public utility accounted for as an enterprise fund by the City of Grand Island, Nebraska (City). The City Council has the authority to set rates and charges, incur debt, and significantly influence operations. The Department utilizes the Federal Energy Regulatory Commission System of Accounts.

In determining the financial reporting entity, the Department complies with the provisions of GASB Statement No. 14 and Statement No. 39, and has included all organizations that make up the Department's legal entity and all component units. Consistent with applicable guidance, the criteria used by the Department to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The Department includes organizations as component units under the following financial accountability criteria:

- (1) Organizations for which the Department appoints a voting majority of the organization's governing body and for which (a) the Department is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Department.
- (2) Organizations which are fiscally dependent on the Department. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the Department.

The Department is an enterprise fund of the City of Grand Island, Nebraska, and has determined that it has no component units for reporting purposes.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The Department utilizes the “flow of economic resources” measurement focus and uses the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

Basis of Accounting

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Department’s accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and License prescribed by the Federal Energy Regulatory Commission (FERC). The Department prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). In reporting financial activity, applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins are applied, except for those that conflict with or contradict Government Accounting Standards Board pronouncements.

The Department first applies unrestricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

Under the provisions of Statement of Financial Accounting Codification Standards regarding *Accounting for the Effects of Certain Types of Regulation*, the Department prescribes rate making recovery for certain transactions. This method includes the philosophy that debt service requirements, as opposed to depreciation or amortization, are a cost for rate making purposes.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Department considers cash on hand and in the bank, as well as cash and equity in pooled cash held by the City, which are readily convertible to known amounts of cash and have original maturities of three months or less, to be cash and cash equivalents.

The Department participates in a cash management pool, managed by the City. The Department's interest in this pool consists of \$15,232,640 and \$9,358,535 of investments and \$2,733,723 and \$6,272,741 of cash and cash equivalents at September 30, 2012 and 2011, respectively.

Investments and Investment Income

Investments in debt securities are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit and guaranteed investment contracts are carried at cost.

Investment income consists of interest income and the net change for the year in the fair value of investments carried at fair value.

Receivables

Billings for the electric revenues are generally rendered on a monthly basis. Accounts receivable are stated at the amount billed to customers, with credit extended on an unsecured basis. The Department provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 21 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. Estimated sales which have not been billed are accrued and recorded in the period to which they relate as unbilled revenues.

Inventories

Fuel, materials, and supplies inventories are stated at cost, which does not exceed market. Cost is generally determined on a weighted-average basis.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity, continued

Restricted assets

Restricted assets include cash and investments that are legally restricted as to their use. The restricted assets are related to debt service reserve accounts and the fly ash liability.

Capital assets

Utility plant additions and replacements are generally stated at cost. Costs of labor, materials, supervision, and other expenses incurred in making repairs and minor replacements and in maintaining the plant in efficient operating condition are charged to expense. Plant accounts are charged with the costs of betterments and replacements of plant, except minor replacements, and the accumulated provision for depreciation is charged with retirements, together with removal costs, less salvage. Contributed assets are capitalized at their fair market value at the date of contribution. Depreciation of property, plant, and equipment is computed at an overall composite rate of approximately 3.23 percent in 2012 and 3.23 percent in 2011.

Costs related to studies expected to result in construction and/or acquisition of additional utility plant are deferred pending completion. Upon completion, such costs are capitalized as part of the cost of the plant to be constructed or acquired. If a project is terminated, costs of studies related thereto are charged to expense in accordance with the rate-making treatment adopted.

The Department capitalizes interest costs as a component of productive capacity, based on the weighted-average rates paid for long-term borrowing. Total interest incurred was:

	<u>2012</u>	<u>2011</u>
Interest costs capitalized	\$ -	\$ -
Interest costs charged to expense	<u>905,174</u>	<u>1,452,742</u>
Total interest incurred	\$ <u>905,174</u>	\$ <u>1,452,742</u>

Unamortized Bond Discounts and Premiums

Bond discount fees and premiums for the Department are deferred and amortized over the life of the bonds using the effective interest method.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity, continued

Deferred Charges

Deferred charges incurred consist of various plant maintenance costs that are being amortized over the life of the scheduled maintenance repair life. In accordance with SFAS Codification Standards, the maintenance costs which would be recognized during the current period are deferred and not included in the determination of net income until such costs are recoverable.

Prepaid Transmission

The Department has made a long-term usage deposit for the availability of future transmission service with a public power district. The unused deposit at September 30, 2012 and 2011, is \$2,175,599 and \$3,276,241, respectively.

Compensated Absences

All regular full-time employees earn sick leave and vacation leave. Employees accrue vacation leave at variable rates based on years of service. Sick leave accrues at a rate of eight hours per month of service. Union employees are eligible to receive annually one-half of their total accrued sick pay in excess of 960 hours at their current rate. Non-union employees are no longer eligible to receive one-half of their total accrued sick pay in excess of 960 hours. The final such payment for the non-union employees was made on September 30, 2010.

Compensated absences of the Department are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
September 30, 2012	\$ 1,210,414	\$ 143,623	\$ (92,643)	\$ 1,261,394	\$ 826,205
September 30, 2011	\$ 1,205,365	\$ 93,370	\$ (88,321)	\$ 1,210,414	\$ 815,174

Long-term Debt

The long-term debt consists of bonds payable.

Net Asset Classifications

Net Assets are classified into three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or improvement of those assets.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity, continued

Net Asset Classifications, continued

- b. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

4. Revenues, Expenditures, and Expenses

Revenues and Expenses

As an enterprise fund, the Department distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Department’s principal ongoing operations. The principal operating revenues of the Department are charges to customers for sales and services. Operating expenses 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 nonoperating revenues and expenses.

Contributions in Aid of Construction

Contributions in aid of construction are development projects constructed and contributed by developers. These contributions are recorded at fair value when the development is complete and are considered imposed non-exchange transactions.

Allocated Debt on Participation Power Purchases

Portions of the monthly bills the Department pays for participation power from OPPD and PPGA, are the Department’s allocated debt on the NC2 and PPGA Projects. Allocated debt of \$6,320,655 and \$5,345,260 are shown as nonoperating expenses for the years ended September 30, 2012 and 2011.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local governmental unit, the Department is subject to various federal, state, and local laws and contractual regulations. An analysis of the Department’s compliance with significant laws and regulations and demonstration of its stewardship over Department resources follows:

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

1. Deposit Laws and Regulations

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Department's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The Department's cash deposits, including certificates of deposit, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing demand deposits, up to \$250,000 for interest-bearing time deposits/savings, and all non-interest-bearing deposits are insured. Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the Department's name.

2. Debt Restrictions and Covenants

Bonds Payable

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt service coverage requirements and required reserve account balances. The Department is in compliance with the bond restrictions and covenants.

3. Budgetary Data

An appropriated budget is adopted each fiscal period for the Department on the cash basis, which is consistent with State of Nebraska budget guidelines. Budgets are approved by the City Council.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for the Department's various assets, liabilities, equity, revenues, and expenditures/expenses.

1. Cash and Cash Equivalents

Deposits

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The Department has been allocated a portion of the City's pooled cash. Of the pooled funds, none were uninsured and uncollateralized at September 30, 2012 and 2011.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Cash Equivalents, continued

Deposits, continued

The Department held certificates of deposit at September 30, 2012 and 2011, with a stated value of \$15,997,298 and \$12,546,923, respectively. At September 30, 2012 and 2011, the Department's deposits were not exposed to custodial credit risk.

Summary of Carrying Values

The carrying values of pooled cash and deposits at September 30, 2012 and 2011, are included in the statement of net assets as follows:

	<u>2012</u>	<u>2011</u>
Petty cash	\$ 15,000	\$ 15,000
Equity in pooled cash	2,397,178	5,943,118
Equity in pooled investments	15,232,640	9,358,535
Equity in pooled cash – restricted	336,545	329,623
Certificates of deposit	15,997,298	12,546,923
Restricted cash – bond reserves	-	1,085
	<u>\$ 33,978,661</u>	<u>\$ 28,194,284</u>

2. Investments

The Department is authorized by statute to invest in securities based upon the prudent person investment criteria. The Department follows a policy of investing in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, bank certificates of deposit, and certain guaranteed investment contracts.

At September 30, 2012 and 2011, the Department had the following investments and maturities:

	<u>Maturities in Years</u>				
<u>2012</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
Certificates of deposit	\$ 2,236,335	\$ 382,586	\$ 1,361,000	\$ 490,000	\$ -
U.S. Government securities	-	-	-	-	-
	<u>\$ 2,236,335</u>	<u>\$ 382,586</u>	<u>\$ 1,361,000</u>	<u>\$ 490,000</u>	<u>\$ -</u>
<u>2011</u>					
Guaranteed investment contracts	\$ 5,150,000	\$ -	\$ 5,150,000	\$ -	\$ -
U.S. Government securities	1,360,499	1,360,499	-	-	-
	<u>\$ 6,510,499</u>	<u>\$ 1,360,499</u>	<u>\$ 5,150,000</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

2. Investments, continued

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Department's investment policy requires that market conditions and investment securities be analyzed daily to determine the maximum yield to be obtained and to minimize the impact of rising interest rates.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Excluding investments restricted for debt service, the Department limits its investments to certificates of deposit, money market funds, and other securities backed by U.S. Government obligations, which minimizes credit risk associated with the Department's investment portfolio. At September 30, 2012 and 2011, the Department's investment in a guaranteed investment contract was not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Department's investments at September 30, 2012 and 2011, are held by the counterparties in other than the Department's name. The guaranteed investment contracts are not subject to custodial credit risk.

Concentration of Credit Risk. The Department's investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2012 and 2011, the Department's investment in JP Morgan guaranteed investment contracts of \$0 and \$5,150,000 constituted 0 percent and 79 percent, respectively, of its total investments.

3. Restricted Assets

The restricted assets as of September 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Restricted cash and cash equivalents	\$ 336,545	\$ 330,708
Restricted investments	<u>2,236,335</u>	<u>6,510,499</u>
	<u>\$ 2,572,880</u>	<u>\$ 6,841,207</u>

Restricted cash and cash equivalents of \$336,545 and \$329,623 for the years ended September 30, 2012 and 2011, respectively, are restricted for fly ash disposal closure/post-closure care. Also, restricted cash for the year ended September 30, 2011, includes \$1,085 restricted for debt service. For both years, the restricted investments represent the debt service reserve for the electric bonds.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets

The major classes of property, plant, and equipment at September 30, 2012 and 2011, are shown below:

	2012				
	Beginning Balance	Additions	Adjustments and Retirements	Reclass	Ending Balance
Construction work-in-progress	\$ 6,679,188	\$ 10,190,960	\$ -	\$ (3,670,802)	\$ 13,199,346
Land and land rights	3,647,573	-	-	-	3,647,573
Production plant	192,710,267	-	-	390,815	193,101,082
Transmission plant	17,440,721	-	-	-	17,440,721
Distribution plant	78,972,545	-	(1,027,097)	3,279,987	81,225,435
General plant	10,265,873	251,038	(208,824)	-	10,308,087
Plant acquisition adjustment	2,166,508	-	-	-	2,166,508
Non-utility property - land	254,223	-	-	-	254,223
Total property, plant, and equipment	312,136,898	10,441,998	(1,235,921)	-	321,342,975
Less accumulated depreciation	(186,712,321)	(9,905,761)	414,877	-	(196,203,205)
Net property, plant, and equipment	<u>\$ 125,424,577</u>	<u>\$ 536,237</u>	<u>\$ (821,044)</u>	<u>\$ -</u>	<u>\$ 125,139,770</u>
2011					
	Beginning Balance	Additions	Adjustments and Retirements	Reclass	Ending Balance
Construction work-in-progress	\$ 2,930,700	\$ 7,562,808	\$ -	\$ (3,814,320)	\$ 6,679,188
Land and land rights	3,647,573	-	-	-	3,647,573
Production plant	192,212,871	-	-	497,396	192,710,267
Transmission plant	17,440,721	-	-	-	17,440,721
Distribution plant	76,660,452	-	(1,004,831)	3,316,924	78,972,545
General plant	10,142,767	361,681	(238,575)	-	10,265,873
Plant acquisition adjustment	2,166,508	-	-	-	2,166,508
Non-utility property - land	254,223	-	-	-	254,223
Total property, plant, and equipment	305,455,815	7,924,489	(1,243,406)	-	312,136,898
Less accumulated depreciation	(177,434,298)	(9,850,659)	572,636	-	(186,712,321)
Net property, plant, and equipment	<u>\$ 128,021,517</u>	<u>\$ (1,926,170)</u>	<u>\$ (670,770)</u>	<u>\$ -</u>	<u>\$ 125,424,577</u>

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Long-term Debt

Long-term debt at September 30, 2012 and 2011, is shown below:

	<u>2012</u>	<u>2011</u>
Electric System Revenue Bonds, 2001 Series, due serially to August 15, 2016, interest from 3.80 percent to 5.125 percent, secured by the Electric System revenues. The bonds were paid in full during the year ended September 30, 2012.	\$ -	\$ 25,490,000
Electric System Revenue Refunding Bonds, 2012 Series, due serially to August 15, 2022, interest from 0.2 percent to 4.0 percent, secured by the Electric System revenues.	<u>17,810,000</u> 17,810,000	<u>-</u> 25,490,000
Less current maturities	<u>1,875,000</u>	<u>4,610,000</u>
Noncurrent portion	<u>\$ 15,935,000</u>	<u>\$ 20,880,000</u>

Long-term debt activity for 2012 and 2011 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
2012	<u>\$ 25,490,000</u>	<u>\$ 18,510,000</u>	<u>\$ (26,190,000)</u>	<u>\$ 17,810,000</u>	<u>\$ 1,875,000</u>
2011	<u>\$ 29,915,000</u>	<u>\$ -</u>	<u>\$ (4,425,000)</u>	<u>\$ 25,490,000</u>	<u>\$ 4,610,000</u>

The following is a summary of debt service requirements for the next five years and thereafter:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,875,000	\$ 420,413	\$ 2,295,413
2014	1,705,000	412,912	2,117,912
2015	1,725,000	395,863	2,120,863
2016	1,750,000	374,300	2,124,300
2017	1,675,000	352,425	2,027,425
2018-2022	<u>9,080,000</u>	<u>1,085,300</u>	<u>10,165,300</u>
	<u>\$ 17,810,000</u>	<u>\$ 3,041,213</u>	<u>\$ 20,851,213</u>

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Long-term Debt, continued

The indentures under which the Department's revenue bonds were issued provide for the creation and maintenance of certain accounts. These accounts at September 30, 2012 and 2011, are shown in Note C3. There are a number of other limitations, restrictions, and covenants contained in the indentures under which the Department's revenue bonds were issued.

The 2012 bonds are not subject to optional redemption prior to maturity.

6. Payments to the City of Grand Island

The Department is exempt from federal and state income taxes and local property taxes. City ordinances provide for payments in lieu of taxes. The annual payment in lieu of taxes, amounting to \$811,019 and \$689,459 for 2012 and 2011, respectively, are set at five percent of the net operating revenues of the Department, excluding depreciation. The Department does pay sales tax.

The City provides certain administrative services to the Department for which the Department pays fees to the City. These fees are included in special services expense and amount to \$1,042,772 and \$1,022,618 for the years ended September 30, 2012 and 2011, respectively.

NOTE D – OTHER NOTES

1. Pension Plan

The City has a defined contribution employees' pension plan in which employees of the Department participate. The plan requires any new employee working a minimum of 1,000 hours to participate in the plan. The plan requires participants to contribute six percent of participant earnings in order for the pension plan to meet Internal Revenue Service guidelines for tax deferred pension plans. The Department is required to match the participants' contributions. As of October 1, 1997, participants can elect to contribute an additional four percent of their earnings with no Department match.

All participants are fully vested in their own contributions and become vested in the Department's contribution at varying rates depending on their date of employment. Full vesting in the Department's contributions occurs after five years of participation in the plan. The participants' and Department's contributions were \$540,479 and \$540,479, respectively, for the year ended September 30, 2012, and \$530,912 and \$530,912, respectively, for the year ended September 30, 2011.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE D – OTHER NOTES, continued

2. Risk Management

The Department participates in the City's self-insurance program administered by the City's Risk Management Division (Division). The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On behalf of the City, the Division purchases insurance and administers funds for its self-insured program. The Division maintains a workers' compensation fund and a self-insured loss fund. The Division provides first dollar coverage for all workers' compensation exposure with insurance acting as an umbrella or excess coverage. The maximum exposure would be the deductible amounts for property and automobile physical damage, as well as losses not covered by insurance. The department has had no claims or judgments exceeding this commercial coverage in any of the past three fiscal years. Budgeted premium amounts charged to the Department are placed in the appropriate fund maintained by the Division. Premium expense for the Department was approximately \$760,000 and \$679,000 for the years ended September 30, 2012 and 2011.

3. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

- *Cash, accounts receivable, and accounts payable* – The carrying amount approximates fair value because of the short maturity of these instruments.
- *Investments* – The fair values of investments are based on quoted market prices for those investments as shown in Note C2.
- *Long-term debt* – The Department's long-term debt at September 30, 2012, had a principal balance of \$17,810,000 with interest at 0.4 percent to 4.0 percent due serially. The estimated fair value is not practical to determine.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

4. Power Supply

The Department currently has generation capacity of approximately 273 MW from coal-fired and gas/oil-fired electric generating stations. The peak load of the Department during the fiscal year ended September 30, 2012, was approximately 170.7 MW in August 2012.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE D – OTHER NOTES, continued

4. Power Supply, continued

The Department is party to an agreement with the Department of Energy (DOE) pursuant to which the Department may purchase up to 9,168 KW of power to be transmitted through DOE and Nebraska Public Power District (NPPD) facilities. Such power is sold to the Department at standard DOE wholesale firm power service rates. The agreement expires on December 31, 2020.

5. Commitments

Purchased Power Agreements

The Department entered into a participation power agreement with Omaha Public Power District (OPPD) on January 15, 2004, to obtain approximately 33 MW of energy after the new OPPD Nebraska City Unit #2 is constructed and operational. The project was completed in May 2009 and was financed through a bond issuance by OPPD. The Department's commitment to the project is approximately \$45,000,000. The Department has also entered into an agreement with the Public Power Generating Agency to obtain approximately 15 MW of energy at a cost of approximately \$22,000,000. This project was completed in May 2011.

The Department entered into a coal supply agreement with Arch Coal Sales Company, Inc., on November 22, 2010, to obtain approximately 250,000 tons of coal from January 1, 2012, to December 31, 2012, and a supplemental agreement on September 11, 2012 to obtain approximately 45,000 more tons of coal by December 31, 2012. On September 11, 2012, the Department also entered into an agreement to obtain approximately 325,000 tons of coal from January 1, 2013, to December 31, 2013. The Department received 233,677 tons from January 1, 2012, through September 30, 2012, leaving 61,323 tons under contract for the remainder of calendar year 2012 and 325,000 tons under contract for calendar year 2013.

Regulatory Compliance

In 1997, the Department entered into an agreement with the Nebraska Department of Environmental Quality to establish a closure/post closure care account. The purpose of this account is to accumulate sufficient monies to fund all related costs of closure and post closure of the fly ash disposal area at the Platte Generating Station. The calculated amount of the closure/post closure liability was \$172,547 and \$168,998 for the years ended September 30, 2012 and 2011. The amount on deposit in the closure/post closure care account was \$336,545 and \$329,623 at September 30, 2012 and 2011.

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE D – OTHER NOTES, continued

5. Commitments, continued

Regulatory Compliance, continued

The Department's operations are subject to stringent federal, state, and local laws and regulations relating to improving and maintaining environmental quality. Current studies have determined that a substantial capital investment will be required to bring the Department into compliance with environmental regulations including mercury emissions. Environmental expenditures related to current operations are factored into the strategic planning process of the Department and are considered when determining future energy rates. Financing of these expenditures is expected to be through available cash reserves and bonded debt.

Construction Commitments

At September 30, 2012, the Department has a contractual commitment to Kiewit Power Engineers for air quality control engineering. The Department had paid \$366,379 of the contracted amount, leaving a balance of \$148,645. The project is expected to be completed during the year ending September 30, 2013.

6. EPA Emissions Allowances

As of September 30, 2012, the City had 6,904 SO₂ Emissions Allowances. The EPA has granted these allowances, which can be used to offset plant emissions. The allowances can be bought and sold. If each allowance was sold for \$0.65 (the September 30, 2012, market value), the City would recognize revenue of \$4,488.

The City will receive an additional 2,932 credits per year until 2042.

7. Subsequent Events

Management has evaluated subsequent events through January 18, 2013, the date on which the financial statements were available for issue.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF GRAND ISLAND, NEBRASKA
ELECTRIC DEPARTMENT**

**OPERATING STATISTICS
(Unaudited)**

For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Total net kilowatt hours generated	499,577,200	565,450,300
Additional kilowatt hours used at plant	4,443,964	4,536,804
Net kilowatt hours produced	495,133,236	560,913,496
Kilowatt hours purchased from WAPA, NPPD, OPPD, MEAN & TENASKA	314,623,200	261,002,900
Kilowatt hours sold to NPPD, MEAN & TENASKA	43,120,000	73,219,100
Total kilowatt hours available for sale	766,636,436	748,697,296
Kilowatt hours sold, as metered	732,196,064	715,049,181
Line loss	34,440,372	33,648,115
Line loss percentage	4.49%	4.49%
Monthly average number billed by class:		
Residential	20,278	20,152
Commercial	4,308	4,280
Industrial	92	87
Total	24,678	24,519

	<u>2012</u>		<u>2011</u>	
	<u>KWH</u>	<u>Revenue</u>	<u>KWH</u>	<u>Revenue</u>
Total KWH and revenue by class:				
Residential	216,200,092	\$ 19,600,354	216,330,992	\$ 18,094,643
Commercial	182,384,334	16,546,105	178,453,418	15,095,933
Industrial	333,611,638	23,660,053	320,264,771	20,828,569
Total	732,196,064	\$ 59,806,512	715,049,181	\$ 54,019,145
Average revenue per KWH sold		\$ 0.0817		\$ 0.0755



**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***

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

The Honorable Mayor and City Council
City of Grand Island, Nebraska

We have audited the financial statements of the City of Grand Island, Nebraska, Electric Department as of and for the years ended September 30, 2012 and 2011, and have issued our report thereon dated January 18, 2013. We conducted our audits 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.

Internal Control Over Financial Reporting

Management of the City of Grand Island, Nebraska's Electric Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Grand Island, Nebraska, Electric Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Grand Island, Nebraska, Electric Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Grand Island, Nebraska, Electric Department's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Wealth Management, LLC Registered Investment Advisor, is affiliated with Almquist, Maltzahn, Galloway & Luth, P.C. and offers wealth management and investment advisory services.

1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grand Island, Nebraska, Electric Department'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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Grand Island, Nebraska, in a separate letter dated January 18, 2013.

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

Sungquist, Malthealm -
Galloway & Luth, P.C.

Grand Island, Nebraska
January 18, 2013

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

FINANCIAL STATEMENTS

September 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
Grand Island, Nebraska

We have audited the accompanying financial statements of the City of Grand Island, Nebraska, Water Department, as of and for the years ended September 30, 2012 and 2011, as listed in the Table of Contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note A, the financial statements present only the City of Grand Island, Nebraska, Water Department, and do not purport to, and do not, present fairly the financial position of the City of Grand Island, Nebraska, as of September 30, 2012 and 2011, and the change in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Grand Island, Nebraska, Water Department, as of September 30, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
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1203 W 2nd Street
PO Box 1407
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In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013, on our consideration of the City of Grand Island, Nebraska, Water Department'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management of the City of Grand Island, Nebraska, Water Department has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Island, Nebraska, Water Department's basic financial statements as a whole. The accompanying other supplementary information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information, as listed in the Table of Contents, 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. The 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, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*August M. Matheson,
Gallaway & Luth, P.C.*

Grand Island, Nebraska
January 18, 2013

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

STATEMENTS OF NET ASSETS

September 30,

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 415,972	\$ 1,588,750
Investments	2,737,801	2,520,270
Receivables:		
Accounts, net of allowance for doubtful accounts of \$25,475 at September 30, 2012, and \$26,399 at September 30, 2011	864,454	401,726
Unbilled revenue	299,452	229,059
Interest	9,082	9,033
Special assessments	53,018	68,729
Inventory	332,661	278,278
Prepaid expense	12,895	12,159
Total current assets	<u>4,725,335</u>	<u>5,108,004</u>
Noncurrent assets:		
Restricted cash and cash equivalents	412,319	100,511
Restricted investments	300,500	412,219
Unamortized bond costs	50,839	3,573
Capital assets:		
Construction in progress	7,332,221	597,960
Distribution and collection systems	53,012,679	51,290,121
Buildings and equipment	3,255,768	3,230,954
Less accumulated depreciation	(12,784,034)	(12,141,603)
Net capital assets	<u>50,816,634</u>	<u>42,977,432</u>
Total noncurrent assets	<u>51,580,292</u>	<u>43,493,735</u>
Total assets	<u>56,305,627</u>	<u>48,601,739</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,068,537	383,364
Accrued expenses	274,172	230,823
Current portion of long-term obligations	220,000	350,000
Total current liabilities	<u>1,562,709</u>	<u>964,187</u>
Noncurrent liabilities:		
Compensated absences, noncurrent	43,041	39,090
Noncurrent portion of long-term obligations	3,505,000	745,000
	<u>3,548,041</u>	<u>784,090</u>
Total liabilities	<u>5,110,750</u>	<u>1,748,277</u>
NET ASSETS		
Invested in capital assets, net of related debt	47,142,473	41,886,005
Restricted for:		
Debt service	712,819	512,730
Unrestricted	3,339,585	4,454,727
Total net assets	<u>\$ 51,194,877</u>	<u>\$ 46,853,462</u>

See notes to financial statements.

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Sale of water:		
Consumers	\$ 5,079,025	\$ 4,115,419
Municipal and interdepartmental	96,285	83,499
Total sales	<u>5,175,310</u>	<u>4,198,918</u>
Tap fees	1,795,043	6,434
Other revenue	<u>190,369</u>	<u>212,019</u>
Total operating revenues	7,160,722	4,417,371
Operating expenses:		
Production	1,259,225	876,200
Operation	890,135	840,525
Consumer accounting and collection	448,460	441,217
Employee benefits and payroll	167,984	152,177
General office expense	6,863	6,573
Special services	102,950	95,643
Insurance	12,190	9,009
Miscellaneous	203,528	170,729
Depreciation	663,944	640,932
Amortization	<u>4,884</u>	<u>2,410</u>
Total operating expenses	<u>3,760,163</u>	<u>3,235,415</u>
Operating income	3,400,559	1,181,956
Nonoperating revenues (expenses):		
Interest income	20,528	27,654
Gain on sale of assets	1,615	-
Contribution in aid of construction	1,058,847	900,963
Payments in lieu of taxes	(83,718)	(54,683)
Interest expense	<u>(56,416)</u>	<u>(63,474)</u>
Total nonoperating revenues (expenses)	<u>940,856</u>	<u>810,460</u>
Change in net assets	4,341,415	1,992,416
Net assets, beginning of year	<u>46,853,462</u>	<u>44,861,046</u>
Net assets, end of year	<u><u>\$ 51,194,877</u></u>	<u><u>\$ 46,853,462</u></u>

See notes to financial statements.

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

STATEMENTS OF CASH FLOWS

For the years ended September 30,

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 6,627,601	\$ 4,470,018
Cash paid to suppliers for goods and services	(2,429,087)	(2,004,468)
Cash paid to employees for services	(606,441)	(584,582)
Net cash provided by operating activities	<u>3,592,073</u>	<u>1,880,968</u>
NONCAPITAL FINANCING ACTIVITIES:		
Payments in lieu of taxes	(54,683)	(56,792)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(6,844,939)	(1,113,486)
Proceeds on sale of capital assets	5,382	2,003
Proceeds from the issuance of bonds payable	3,725,000	-
Payment of bond fees	(52,150)	-
Principal payments on long-term debt	(1,095,000)	(335,000)
Interest paid	(51,320)	(67,285)
Net cash used in capital and related financing activities	<u>(4,313,027)</u>	<u>(1,513,768)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments redeemed	412,219	550,985
Investments purchased	(518,031)	(412,219)
Interest received	<u>20,479</u>	<u>31,319</u>
Net cash provided (used) by investing activities	<u>(85,333)</u>	<u>170,085</u>
Net increase (decrease) in cash and cash equivalents	(860,970)	480,493
Cash and cash equivalents - beginning of year	<u>1,689,261</u>	<u>1,208,768</u>
Cash and cash equivalents - end of year	<u><u>\$ 828,291</u></u>	<u><u>\$ 1,689,261</u></u>
 Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 415,972	\$ 1,588,750
Restricted cash and cash equivalents	412,319	100,511
Total cash and cash equivalents	<u><u>\$ 828,291</u></u>	<u><u>\$ 1,689,261</u></u>

See notes to financial statements.

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

STATEMENTS OF CASH FLOWS, Continued

For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,400,559	\$ 1,181,956
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	663,944	640,932
Amortization	4,884	2,410
Change in assets and liabilities:		
Accounts receivable	(533,121)	52,647
Inventories	(54,383)	228
Prepaid expenses	(736)	(1,528)
Accounts payable and accrued expenses	<u>110,926</u>	<u>4,323</u>
Net cash provided by operating activities	<u><u>\$ 3,592,073</u></u>	<u><u>\$ 1,880,968</u></u>
 Supplemental cash flow information:		
Acquisition of capital assets through developers' aid of construction	<u><u>\$ 1,058,847</u></u>	<u><u>\$ 900,963</u></u>
Accounts payable incurred for capital asset purchases	<u><u>\$ 917,168</u></u>	<u><u>\$ 329,752</u></u>

See notes to financial statements.

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS

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**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS

September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Grand Island, Nebraska, Water Department (Department), are prepared in accordance with generally accepted accounting principles (GAAP). The Department's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The financial statements referred to above present only the Department and do not purport to, and do not, present fairly the financial position of the City of Grand Island, Nebraska, as of September 30, 2012 and 2011, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

1. Financial Reporting Entity

The City of Grand Island, Nebraska, Water Department is a public utility accounted for as an enterprise fund by the City of Grand Island, Nebraska (City). The City Council has the authority to set rates and charges, incur debt, and significantly influence operations. The Department utilizes the National Association of Regulatory Utility Commissioners Uniform System of Accounts.

In determining the financial reporting entity, the Department complies with the provisions of GASB Statement No. 14 and Statement No. 39, and has included all organizations that make up the Department's legal entity and all component units. Consistent with applicable guidance, the criteria used by the Department to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The Department includes organizations as component units under the following financial accountability criteria:

- (1) Organizations for which the Department appoints a voting majority of the organization's governing body and for which (a) the Department is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Department.
- (2) Organizations which are fiscally dependent on the Department. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the Department.

The Department is an enterprise fund of the City of Grand Island, Nebraska, and has determined that it has no component units for reporting purposes.

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The Department utilizes the “flow of economic resources” measurement focus and uses the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

Basis of Accounting

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Department’s accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and License prescribed by the Federal Energy Regulatory Commission (FERC). The Department prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). In reporting financial activity, applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins are applied, except for those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

The Department first applies unrestricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Department considers cash on hand and in the bank, as well as cash and equity in pooled cash held by the City, which are readily convertible to known amounts of cash and have original maturities of three months or less, to be cash and cash equivalents.

The Department participates in a cash management pool, managed by the City. The Department's interest in this pool consists of \$2,737,801 and \$2,520,270 of investments and \$825,291 and \$1,689,261 of cash and cash equivalents at September 30, 2012 and 2011, respectively.

Investments and Investment Income

Investments in nonnegotiable certificates of deposits are carried at cost. Investment income consists of interest income from nonnegotiable certificates of deposit and cash and cash equivalents.

Receivables

Billings for the sale of water are generally rendered on a monthly basis. Accounts receivable are stated at the amount billed to customers, with credit extended on an unsecured basis. The Department provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 21 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. Estimated sales which have not been billed are accrued and recorded in the period to which they relate as unbilled revenues.

Inventories

Materials and supplies inventories are stated at cost, which does not exceed market. Cost is generally determined on a weighted-average basis.

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity, continued

Restricted assets

Restricted assets include cash and investments that are legally restricted as to their use. The restricted assets are related to debt service reserve accounts.

Capital assets

Utility plant additions and replacements are generally stated at cost. Costs of labor, materials, supervision, and other expenses incurred in making repairs and minor replacements and in maintaining the plant in efficient operating condition are charged to expense. Plant accounts are charged with the costs of betterments and replacements of plant, except minor replacements, and the accumulated provision for depreciation is charged with retirements, together with removal costs, less salvage. Contributed assets are capitalized at their fair market value at the date of contribution. Depreciation of property, plant, and equipment is computed at an overall composite rate of approximately 1.19 percent in 2012 and 1.20 percent in 2011.

Costs related to studies expected to result in construction and/or acquisition of additional utility plant are deferred pending completion. Upon completion, such costs are capitalized as part of the cost of the plant to be constructed or acquired. If a project is terminated, costs of studies related thereto are charged to expense in accordance with the rate-making treatment adopted.

The Department capitalizes interest costs as a component of productive capacity, based on the weighted-average rates paid for long-term borrowing. Total interest incurred was:

	<u>2012</u>	<u>2011</u>
Interest costs capitalized	\$ -	\$ -
Interest costs charged to expense	<u>56,416</u>	<u>63,474</u>
Total interest incurred	\$ <u>56,416</u>	\$ <u>63,474</u>

Unamortized Bond Discount

Bond discount fees for the Department are deferred and amortized over the life of the bonds using the “bonds outstanding” method.

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity, continued

Compensated Absences

All regular full-time employees earn sick leave and vacation leave. Employees accrue vacation leave at variable rates based on years of service. Sick leave accrues at a rate of eight hours per month of service. Union employees are eligible to receive annually one-half of their total accrued sick pay in excess of 960 hours at their current rate. Non-union employees are no longer eligible to receive one-half of their total accrued sick pay in excess of 960 hours. The final such payment for the non-union employees was made on September 30, 2010.

Compensated absences of the Department are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
September 30, 2012	\$ 119,711	\$ 14,205	\$ (9,163)	\$ 124,753	\$ 81,712
September 30, 2011	\$ 119,212	\$ 9,323	\$ (8,824)	\$ 119,711	\$ 80,621

Long-term Debt

The long-term debt consists of bonds payable.

Net Asset Classifications

Net Assets are classified into three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Revenues, Expenditures, and Expenses

Revenues and Expenses

As an enterprise fund, the Department distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Department's principal ongoing operations. The principal operating revenues of the Department are charges to customers for sales and services. Operating expenses 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 nonoperating revenues and expenses.

Contributions in Aid of Construction

Contributions in aid of construction are development projects constructed and contributed by developers. These contributions are recorded at fair value when the development is complete and are considered imposed non-exchange transactions.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local governmental unit, the Department is subject to various federal, state, and local laws and contractual regulations. An analysis of the Department's compliance with significant laws and regulations and demonstration of its stewardship over Department resources follows:

1. Deposit Laws and Regulations

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Department's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The Department's cash deposits, including certificates of deposit, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing demand deposits, up to \$250,000 for interest-bearing time deposits/savings, and all non-interest-bearing deposits are insured. Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the Department's name.

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

2. Debt Restrictions and Covenants

Bonds Payable

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt service coverage requirements and required reserve account balances. The Department is in compliance with the bond restrictions and covenants.

3. Budgetary Data

An appropriated budget is adopted each fiscal period for the Department on the cash basis, which is consistent with State of Nebraska budget guidelines. Budgets are approved by the City Council.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for the Department's various assets, liabilities, equity, revenues, and expenditures/expenses.

1. Cash and Cash Equivalents

Deposits

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The Department has been allocated a portion of the City's pooled cash. Of the pooled funds, none were uninsured and uncollateralized at September 30, 2012 and 2011.

The Department held certificates of deposit at September 30, 2012 and 2011, with a stated value of \$300,500 and \$412,219, respectively. At September 30, 2012 and 2011, the Department's deposits were not exposed to custodial credit risk.

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Cash Equivalents, continued

Summary of Carrying Values

The carrying values of pooled cash and deposits at September 30, 2012 and 2011, are included in the statement of net assets as follows:

	<u>2012</u>	<u>2011</u>
Equity in pooled cash	\$ 415,972	\$ 1,588,750
Equity in pooled investments	2,737,801	2,520,270
Equity in pooled cash – restricted	412,319	100,511
Certificates of deposit – restricted	<u>300,500</u>	<u>412,219</u>
	<u>\$ 3,866,592</u>	<u>\$ 4,621,750</u>

2. Restricted Assets

The restricted assets as of September 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Restricted cash and cash equivalents	\$ 412,319	\$ 100,511
Restricted investments	<u>300,500</u>	<u>412,219</u>
	<u>\$ 712,819</u>	<u>\$ 512,730</u>

The restricted cash at September 30, 2012 consists of \$111,951 of bond proceeds restricted for the water construction project and \$225,000 restricted for the Uranium removal system. The balance of the restricted cash and cash equivalents at September 30, 2012 and 2011, of \$75,368 and \$100,511, respectively, represent the bond and interest sinking fund. The restricted investments represent the debt service reserve for the water bonds.

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Capital Assets

The major classes of property, plant, and equipment at September 30, 2012 and 2011, are shown below:

	2012				
	Beginning Balance	Additions	Adjustments and Retirements	Reclass	Ending Balance
Construction work-in-progress	\$ 597,960	\$ 8,456,820	\$ -	\$ (1,722,559)	\$ 7,332,221
Source of supply plant	6,564,752	-	-	-	6,564,752
Pumping plant	1,017,096	-	-	-	1,017,096
Water treatment plant	93,156	-	-	-	93,156
Transmission and distribution plant	43,615,117	-	-	1,722,559	45,337,676
General plant	3,230,954	50,092	(25,279)	-	3,255,767
Total property, plant, and equipment	55,119,035	8,506,912	(25,279)	-	63,600,668
Less accumulated depreciation	(12,141,603)	(663,944)	21,513	-	(12,784,034)
Net property, plant, and equipment	<u>\$ 42,977,432</u>	<u>\$ 7,842,968</u>	<u>\$ (3,766)</u>	<u>\$ -</u>	<u>\$ 50,816,634</u>

	2011				
	Beginning Balance	Additions	Adjustments and Retirements	Reclass	Ending Balance
Construction work-in-progress	\$ 362,156	\$ 2,304,149	\$ -	\$ (2,068,345)	\$ 597,960
Source of supply plant	6,449,996	-	-	114,756	6,564,752
Pumping plant	1,017,096	-	-	-	1,017,096
Water treatment plant	93,156	-	-	-	93,156
Transmission and distribution plant	41,689,791	-	(28,263)	1,953,589	43,615,117
General plant	3,219,692	11,262	-	-	3,230,954
Total property, plant, and equipment	52,831,887	2,315,411	(28,263)	-	55,119,035
Less accumulated depreciation	(11,526,932)	(640,932)	26,261	-	(12,141,603)
Net property, plant, and equipment	<u>\$ 41,304,955</u>	<u>\$ 1,674,479</u>	<u>\$ (2,002)</u>	<u>\$ -</u>	<u>\$ 42,977,432</u>

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Long-term Debt

Long-term debt at September 30, 2012 and 2011, is shown below:

	<u>2012</u>	<u>2011</u>
Revenue bonds:		
Water Revenue Refunding Bonds, Series 1999, due annually to July 1, 2014, interest from 3.55 percent to 4.85 percent, secured by Water System revenue. The bonds were refinanced during the year ended September 30, 2012.	\$ -	\$ 1,095,000
Water Revenue Refunding Bonds, Series 2012, due annually to July 2, 2027, interest from 0.4 percent to 3.1 percent, secured by Water System revenue.	<u>3,725,000</u>	<u>-</u>
Total revenue bonds	3,725,000	1,095,000
Less current maturities	<u>220,000</u>	<u>350,000</u>
Noncurrent portion	\$ <u>3,505,000</u>	\$ <u>745,000</u>

Long-term debt activity for 2012 and 2011 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
2012	<u>\$ 1,095,000</u>	<u>\$3,725,000</u>	<u>\$(1,095,000)</u>	<u>\$3,725,000</u>	<u>\$ 220,000</u>
2011	<u>\$ 1,430,000</u>	<u>\$ -</u>	<u>\$ (335,000)</u>	<u>\$1,095,000</u>	<u>\$ 350,000</u>

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Long-term Debt, continued

The following is a summary of debt service requirements for the next five years and thereafter:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 220,000	\$ 69,571	\$ 289,571
2014	225,000	67,737	292,737
2015	225,000	66,500	291,500
2016	230,000	65,038	295,038
2017	230,000	63,082	293,082
2018-2022	1,225,000	266,013	1,491,013
2023-2027	<u>1,370,000</u>	<u>122,477</u>	<u>1,492,477</u>
	<u>\$ 3,725,000</u>	<u>\$ 720,418</u>	<u>\$ 4,445,418</u>

The indentures under which the Department's revenue bonds were issued provide for the creation and maintenance of certain accounts. These accounts at September 30, 2012 and 2011, are shown in Note C2. There are a number of other limitations, restrictions, and covenants contained in the indentures under which the Department's revenue bonds were issued.

The bonds maturing on and after July 2, 2017, are subject to redemption at the option of the City prior to maturity at any time after June 26, 2017, in whole or in part, at par plus accrued interest to the date fixed for redemption.

5. Payments to the City of Grand Island

The Department is exempt from federal and state income taxes and local property taxes. City ordinances provide for payments in lieu of taxes. The annual payment in lieu of taxes, amounting to \$83,718 and \$54,683 for 2012 and 2011, respectively, are set at one percent of the gross revenues of the Department. The Department does pay sales tax.

The City provides certain administrative services to the Department for which the Department pays fees to the City. These fees are included in special services expense and amount to \$92,895 and \$83,100 for the years ended September 30, 2012 and 2011, respectively.

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012 and 2011

NOTE D – OTHER NOTES

1. Pension Plan

The City has a defined contribution employees' pension plan in which employees of the Department participate. The plan requires any new employee working a minimum of 1,000 hours to participate in the plan. The plan requires participants to contribute six percent of participant earnings in order for the pension plan to meet Internal Revenue Service guidelines for tax deferred pension plans. The Department is required to match the participants' contributions. As of October 1, 1997, participants can elect to contribute an additional four percent of their earnings with no Department match.

All participants are fully vested in their own contributions and become vested in the Department's contribution at varying rates depending on their date of employment. Full vesting in the Department's contributions occurs after five years of participation in the plan. The participants' and Department's contributions were \$36,564 and \$36,564, respectively, for the year ended September 30, 2012, and \$35,016 and \$35,016, respectively, for the year ended September 30, 2011.

2. Risk Management

The Department participates in the City's self-insurance program administered by the City's Risk Management Division (Division). The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On behalf of the City, the Division purchases insurance and administers funds for its self-insured program. The Division maintains a workers' compensation fund and a self-insured loss fund. The Division provides first dollar coverage for all workers' compensation exposure with insurance acting as an umbrella or excess coverage. The maximum exposure would be the deductible amounts for property and automobile physical damage, as well as losses not covered by insurance. The department has had no claims or judgments exceeding this commercial coverage in any of the past three fiscal years. Budgeted premium amounts charged to the Department are placed in the appropriate fund maintained by the Division. Premium expense for the Department was approximately \$40,000 and \$37,000 for the years ended September 30, 2012 and 2011.

3. Subsequent Events

Management has evaluated subsequent events through January 18, 2013, the date on which the financial statements were available for issue.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF GRAND ISLAND, NEBRASKA
WATER DEPARTMENT**

**OPERATING STATISTICS
(Unaudited)**

For the years ended September 30,

	<u>2012</u>	<u>2011</u>
Average number of consumers billed during the year	15,899	15,765
Gallons of Water (in thousands)		
Pumped	5,452,496	4,526,177
Less:		
Used at plant	274	131
Turbine cooling water	<u>912,195</u>	<u>711,966</u>
Net water for sale	4,540,027	3,814,080
Sold (in thousands)	<u>4,304,337</u>	<u>3,744,687</u>
Unaccounted for (in thousands)	<u><u>235,690</u></u>	<u><u>69,393</u></u>
Percent of net water for sale unaccounted for	<u><u>5.19%</u></u>	<u><u>1.82%</u></u>



**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***

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

The Honorable Mayor and City Council
City of Grand Island, Nebraska

We have audited the financial statements of the City of Grand Island, Nebraska, Water Department as of and for the years ended September 30, 2012 and 2011, and have issued our report thereon dated January 18, 2013. We conducted our audits 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.

Internal Control Over Financial Reporting

Management of the City of Grand Island, Nebraska, Water Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the City of Grand Island, Nebraska, Water Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Grand Island, Nebraska, Water Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Grand Island, Nebraska, Water Department's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Wealth Management, LLC Registered Investment Advisor, is affiliated with Almquist, Maltzahn, Galloway & Luth, P.C. and offers wealth management and investment advisory services.

1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

A PROFESSIONAL
CORPORATION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grand Island, Nebraska, Water Department'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Grand Island, Nebraska, in a separate letter dated January 18, 2013.

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

*Singquist, Mathyholm,
Galloway & Luch, P.C.*

Grand Island, Nebraska
January 18, 2013