

CITY OF GRAND ISLAND, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

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and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, disclosures on the condition of the street system, and schedule of funding progress – public safety employees retirement system on pages 6-18 and 89-96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Island, Nebraska's financial statements. The nonmajor governmental funds combining statements, the internal service funds combining statements, the fiduciary funds combining statements, and the component units combining statements are presented for purposes of additional analysis and are not a required part of the basic financial

statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The nonmajor governmental funds combining statements, the internal service funds combining statements, the fiduciary funds combining statements, the component units combining statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information described in the first sentence of this paragraph and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2017, on our consideration of the City of Grand Island, Nebraska’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grand Island, Nebraska’s internal control over financial reporting and compliance.

*Amquist, Malthalm,
Calloway & Luth, P.C.*

Grand Island, Nebraska
February 10, 2017

**CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2016**

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, 2016. 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 \$682,958,544 (*net position*). Of this amount, \$99,934,402 (*unrestricted net position*) 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 position of \$366,572,708. Approximately 5.6 percent of this total amount, \$20,683,010 is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,110,101, or 25.1 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 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 position* presents information on all of the City of Grand Island's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Grand Island is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. 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, Continued
For The Year Ended September 30, 2016

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, Metropolitan Planning Organization, 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 19 and 20 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 23 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, the Debt Service Fund, and the Gas Tax Fund all of which are considered to be major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016

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, Debt Service, and Gas Tax Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 21-24 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 25-28 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 29 and 30 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 31-88 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, disclosures on the modified approach to reporting infrastructure, and schedule of funding progress for the public safety retirement system. Required supplementary information can be found on pages 89-96 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 the required supplementary information. Combining and individual fund statements and schedules can be found on pages 97-107 of this report.

**CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016**

Government-wide Financial Analysis

As noted earlier, net position 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 \$682,958,544 at the close of the most recent fiscal year.

Summary Statements of Net Position

	September 30, 2016			September 30, 2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 34,659,594	\$ 106,114,367	\$ 140,773,961	\$ 34,884,185	\$ 101,750,688	\$ 136,634,873
Capital Assets	344,390,816	331,425,377	675,816,193	336,498,834	318,322,725	654,821,559
Total Assets	379,050,410	437,539,744	816,590,154	371,383,019	420,073,413	791,456,432
Long-term Liabilities	7,542,122	109,238,461	116,780,583	7,136,596	99,469,783	106,606,379
Other Liabilities	4,935,580	11,915,447	16,851,027	9,747,281	13,667,307	23,414,588
Total Liabilities	12,477,702	121,153,908	133,631,610	16,883,877	113,137,090	130,020,967
Net Position:						
Net Investment in						
Capital Assets	337,137,050	223,925,828	561,062,878	325,005,454	221,134,178	546,139,632
Restricted	8,752,648	13,208,616	21,961,264	7,027,442	18,112,283	25,139,725
Unrestricted	20,683,010	79,251,392	99,934,402	22,466,246	67,689,862	90,156,108
Total Net Position	\$ 366,572,708	\$ 316,385,836	\$ 682,958,544	\$ 354,499,142	\$ 306,936,323	\$ 661,435,465

By far, the largest portion of the City of Grand Island's net position (82.2 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), net of 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 position (3.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$99,934,402) 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 position, 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, Continued
For The Year Ended September 30, 2016**

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2016</u>		<u>Year Ended September 30, 2015</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 6,805,526	\$ 6,255,668	\$ 3,575,450	\$ 5,741,514
Public Safety	6,684,334	24,124,585	6,939,665	23,233,899
Public Works	6,325,902	7,394,592	4,292,029	8,120,528
Environment & Leisure	1,672,843	8,102,690	1,976,326	7,835,784
Non-Departmental	-	1,009,896	-	272,306
Interest and Bond Fees	-	245,158	-	302,639
Total	21,488,605	47,132,589	16,783,470	45,506,670
Transfers	456,264	465,000	-	110,000
	<u>\$ 21,944,869</u>	<u>\$ 47,597,589</u>	<u>\$ 16,783,470</u>	<u>\$ 45,616,670</u>

Revenues by Source - Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2016</u>		<u>Year Ended September 30, 2015</u>	
Charges for Services	\$ 10,438,097	17.63 %	\$ 10,246,794	18.51 %
Operating Grants & Contributions	1,643,132	2.78	1,896,060	3.43
Capital Grants & Contributions	9,407,376	15.89	4,640,616	8.38
Property Taxes	9,020,450	15.23	8,669,746	15.66
Motor Vehicle Taxes	1,084,744	1.83	931,813	1.68
Payments in Lieu of Taxes	790,880	1.34	861,606	1.56
Occupation Taxes	2,559,692	4.32	1,723,905	3.11
Sales Tax	16,410,878	27.71	16,258,832	29.37
Franchise Taxes	1,375,669	2.32	1,592,892	2.88
State Allocation	5,620,787	9.49	5,457,992	9.86
Keno	231,595	0.39	282,182	0.51
Special Assessments	122,255	0.21	2,375,986	4.29
Miscellaneous	410,635	0.69	269,813	0.49
Interest	133,046	0.23	117,942	0.21
Gain (Loss) on Sale of Assets	(34,345)	(0.06)	34,249	0.06
Total	<u>\$ 59,214,891</u>	<u>100.00 %</u>	<u>\$ 55,360,428</u>	<u>100.00 %</u>

Net position increased \$12,073,566 in the governmental funds during the year ended September 30, 2016.

**CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016**

Business-type activities. Business-type activities increased the City of Grand Island's net position by \$9,449,513, accounting for 43.9 percent of the total growth in the government's net position for the year ended September 30, 2016. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2016</u>		<u>Year Ended September 30, 2015</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 66,341,216	\$ 65,860,807	\$ 64,724,257	\$ 61,847,850
Water	7,721,535	5,096,031	6,986,769	5,177,322
Sewer	14,593,221	8,767,778	12,564,726	8,501,891
Landfill	2,757,073	2,578,904	3,027,714	2,695,083
Golf	563,010	709,385	584,953	695,001
Total	<u>\$ 91,976,055</u>	<u>\$ 83,012,905</u>	<u>\$ 87,888,419</u>	<u>\$ 78,917,147</u>

Revenues by Source - Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2016</u>		<u>Year Ended September 30, 2015</u>	
Charges for Services	\$ 87,388,835	94.51 %	\$ 85,639,543	97.41 %
Capital Grants & Contributions	4,587,220	4.96	2,248,876	2.56
Special Assessments	94,789	0.10	25,360	0.03
Interest	628,200	0.68	394,065	0.45
Loss on Disposal of Assets	(236,626)	(0.25)	(394,711)	(0.45)
Total	<u>\$ 92,462,418</u>	<u>100.00 %</u>	<u>\$ 87,913,133</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.

As of the end of the current fiscal year, the City of Grand Island's governmental funds reported combined ending fund balances of \$28,061,873. Approximately 39.5 percent of this total amount (\$11,071,527) constitutes *unassigned fund balance*, which is available for spending at the

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016

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 (\$719,187), 2) placed in a nonspendable trust for library expenditures (\$57,206), 3) restricted for street improvements (\$2,171,239), 4) restricted for capital projects (\$1,703,440), 5) restricted for debt service (\$285,172), 6) restricted for economic development (\$1,417,015), 7) restricted for Federal programs (\$239,081), 8) restricted to fund housing loans (\$500,837), 9) restricted for community improvements (\$752,978), 10) restricted for library expenses (\$740,103), 11) restricted for other donor purposes (\$166,390), 12) assigned for budgetary stabilization (\$2,318,287), 13) assigned to liquidate contracts and purchase orders of the prior period (\$3,651,609), 14) assigned for a variety of other purposes (\$2,267,802).

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 \$11,110,101, while total fund balance reached \$15,996,524. 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 25.1 percent of total General Fund expenditures, while total fund balance represents 36.2 percent of that same amount.

The fund balance of the City of Grand Island's General Fund decreased by \$1,208,219 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 position of the proprietary funds at the end of the year were as follows: Electric Fund - \$54,914,158, Water Fund - \$5,925,724, Sewer Fund - \$16,191,625, Landfill Fund - \$2,343,282, and Golf Fund - deficit of \$(123,397). The change in net position for the proprietary funds was as follows: Electric Fund - \$663,175, Water Fund - \$2,647,497, Sewer Fund - \$6,027,686, Landfill Fund - \$257,530, and Golf Fund - decrease of \$(146,375). Other factors concerning the finances of these five 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.

Capital Assets. The City of Grand Island's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$675,816,193 (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 has an estimated three years remaining for construction with a total City obligation of \$3,607,500 and an additional expenditure of approximately \$2,929,800 from the City, consisting of \$2,763,800 representing the 21.79 percent of the overall cost and \$166,000 for the Flood Study and Drainage Master Plan within the City of Grand Island. Total City obligation would be \$6,537,300. This project

**CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016**

was delayed two (2) years due to the Army Corp of Engineers concerns that some explosive may have been in the area. Over the course of the project costs have increased more than expected primarily because of the increase in cost of earthwork. Such project total is estimated at \$29,000,000 with projected completion in 2019. 2016 expenditures were \$187,967.66.

- The Handicap Ramp project consists of the ADA compliant curb ramps in the 2014-2G Community Development Block Grant (CDBG) project, which was for the installation of handicap ramps along 4th Street & 5th Street; Eddy Street to Sycamore Street; as well as the completion of Handicap Ramp Project No. 2015-HC-1 (Oak Street, State Street, Lincoln Avenue, Koenig Street, Gates School area, 10th Street & 13th Street). The City is 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 20 years. A piece of this project also involved rehabilitation for Lions Park. The FY 2016 project expenses were \$353,805.99. Handicap Ramp Project No. 2014-2G is anticipated to be complete Summer 2017. Project No. 2015-HC-1 was completed October 2015.
- South Locust Street / State Fair Boulevard Traffic Signal Relocation moved the traffic signal from the Skagway entrance at South Locust Street to the intersection of South Locust Street and State Fair Boulevard. This project was completed August 2016 for a total cost of \$50,714.68.
- The Pavement Condition Survey meets the requirement of assessing roadway pavement a minimum of every once every three (3) years. Such assessment is used to determine roadways that become part of the annual maintenance project, as well as roadways that require more substantial work or rebuild. This survey also provides condition and valuation data compliant with the City's annual audit and compliant with GASB 34 (GASB 34 provides a comprehensive framework for financial reporting with the objective of making annual reports easier to understand and more useful to the people who rely upon the financial condition contained therein). The most significant aspect of Statement 34 was that for the first time general infrastructure assets (such as roads, bridges and dams) were to be reported together with related depreciation or preservation costs. Total expenses for FY 2016 were \$83,344.33.
- The 3rd Street and Wheeler Avenue Intersection Improvements involved adding bump-outs to make for a more pedestrian friendly feel, and installation of storm sewer for improved drainage. This project worked in conjunction with the park improvements adjacent to the north side of the intersection. The water system also improved pressure profiles and provided increased fire protection to the area; with funding of this portion of the project by the water utility enterprise fund as a system betterment project. This project was accepted by the City in December 2015 with a total cost of \$490,732.05.
- Capital Avenue Widening; Webb Road to Broadwell Avenue consisted of removal of the previous 24' wide asphalt roadway and construction of new concrete pavement on Capital Avenue from Webb Road through Broadwell Avenue. The new roadway consists of five lane curbed concrete pavement. Other improvements included construction of sidewalks and

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016

a concrete hike/bike trail, updated street lighting, and construction of new storm sewer. A HAWK pedestrian signal was constructed approximately 1000' east of Webb Road to provide for safe crossing for users of the hike/bike trail. FY 2016 expenses were \$132,432.90. Project completion was Winter 2016.

- Faidley Avenue; between North Road and Irongate Avenue extended 41' wide paving and sidewalks to join the two (2) segments of Faidley Avenue, between North Road and Irongate Avenue. Project completion was July 2016, with FY 2016 expenses of \$153,680.73.
- A traffic signal was anticipated at the Faidley Avenue and Diers Avenue intersection upon the extension of Faidley Avenue west to North Road. The post project traffic analysis indicated the intersection does not yet meet warrants. FY 2016 expenses were \$38,445.51.
- Replacement of the South Blaine Street Bridges updated the north bridge structure with two (2) box culverts and the south bridge structure with two (2) Arch RCP culvert pipes. The roadway was also widened to improve traffic flow in this area. This project was completed July 2016, with FY 2016 expenses of \$468,388.00. This project was partially funded with the \$24,772.73 the City received in Bridge Funds from the State of Nebraska during FY 2016.
- Stolley Park Road Restriping/Rehabilitation project is for the improvement of the operation of Stolley Park Road in areas of both lane use and traffic signals at existing and proposed intersections along the corridor. This project qualified for Federal Safety Transportation funding as a road diet project. To meet FHWA and NDOR requirements this project was delayed; it is now estimated to be complete Summer 2018. FY 2016 expenses were \$17,035.61.
- Handicap Ramps were installed along 5th Street; Sycamore Street to Eddy Street as part of the 2016 Handicap Ramp Project. This project was completed August 2016, with FY 2016 expenses at \$80,355.23.
- The paving of the alley between 4th Street & 5th Street, from Locust to Pine Street was completed August 2016, with FY 2016 expenses at \$73,833.92.
- Swift Road Paving District was to relocate Swift Road to allow for a connection to Talc Drive at Stuhr Road with rerouting for connection back to the existing Swift Road. The project was to work in conjunction with the Talc Drive being designed and built with the industrial development west of Stuhr Road, with drainage also being taken into consideration. FY 2016 design expenses were \$8,692.50.
- Webb Road Paving Assessments are annual payments through 2025 for the City's Park Department share of roadway improvements from Stolley Park Road north to the Union Pacific Railroad tracks. FY 2016 expenses were \$85,663.85.
- Air Quality Control system upgrades were completed at the Platte Generating Station in April, 2016 at a cost of \$44,175,290. This included the installation of a dry scrubber and fabric filter in order to meet expanding regulatory requirements.

**CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016**

- Construction of Substation J was completed at a cost of \$5,708,130.
- Transmission Line 1064B Rebuild was completed at a cost of \$1,305,888.
- Water Main Project 2015-W-3 was completed in fiscal 2016 at a cost of \$344,145. This was for construction of a new 12" water main on 3rd Street from Cedar Street to Pine Street.
- District 467T was completed in fiscal 2016 at a cost of \$330,416. This was for the installation of a 20" water main near Engleman Road and Old Potash Highway.
- Water Main Project 2015-W-10 was completed in fiscal 2016 at a cost of \$259,158. This was for an 8" water main in Gulf Stream and Citation Way at the north end of the Central Nebraska Regional Airport.

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

	Year Ended September 30, 2016			Year Ended September 30, 2015		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
Land	\$ 8,682,989	\$ 7,476,074	\$ 16,159,063	\$ 5,591,758	\$ 7,454,876	\$ 13,046,634
Infrastructure Construction	264,077,331	-	264,077,331	261,640,222	-	261,640,222
in Progress	21,373,562	68,682,600	90,056,162	17,112,593	106,969,896	124,082,489
Land Improvements	10,681,009	37,485,996	48,167,005	10,927,581	36,928,221	47,855,802
Buildings	34,943,709	206,440,285	241,383,994	36,752,456	-	36,752,456
Machinery and Equipment	1,906,363	-	1,906,363	1,695,149	-	1,695,149
Buildings, Distribution Systems, and Equipment	-	-	-	-	157,215,072	157,215,072
Office Furniture and Equipment	520,906	4,593,796	5,114,702	453,558	3,890,239	4,343,797
Vehicles	2,204,947	6,746,626	8,951,573	2,325,517	5,864,421	8,189,938
Total	<u>\$ 344,390,816</u>	<u>\$ 331,425,377</u>	<u>\$ 675,816,193</u>	<u>\$ 336,498,834</u>	<u>\$ 318,322,725</u>	<u>\$ 654,821,559</u>

Additional information on the City of Grand Island's capital assets can be found in Note C4 on pages 57-60 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 \$111,967,727. Of this amount, \$2,816,000 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, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016**

City of Grand Island's Outstanding Debt

	Year Ended September 30, 2016			Year Ended September 30, 2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General Obligation						
Bonds	\$ 2,816,000	\$ -	\$ 2,816,000	\$ 4,570,000	\$ -	\$ 4,570,000
Revenue Bonds	-	104,713,961	104,713,961	-	94,220,138	94,220,138
Capital Lease	4,437,766	-	4,437,766	6,923,380	-	6,923,380
Total	<u>\$ 7,253,766</u>	<u>\$104,713,961</u>	<u>\$111,967,727</u>	<u>\$ 11,493,380</u>	<u>\$ 94,220,138</u>	<u>\$ 105,713,518</u>

The City of Grand Island's total debt increased by \$6,254,209 (5.9 percent) during the current fiscal year due primarily to the issuance of \$14,548,823 of Sewer DEQ notes.

Additional information on the City of Grand Island's long-term debt can be found in Note C6 on pages 60-69 of this report.

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 Enterprise Funds maintained strong cash positions and the City has been able to keep up with the increasing costs of operations.

- Electric: No rate increase was included in the fiscal 2016-2017 budget. Changes in fuel and purchased power costs are accounted for through the Power Cost Adjustment. The Electric System Master Plan, completed in April 2015, identified some expected deficiencies with the 115 kV transmission system during the next 20 years. Line 1064B between Substation C and Substation E was recently upgraded. A contract was signed with Watts Electric for the upgrade construction of the 115 kV Line 1093 between Substation E and Nebraska Public Power District's 115 kV Grand Island substation. This construction is expected to be completed by June 2017. In 2015, the Department entered into a contract with JEO Architects for the design of a new vehicle storage building and the remodeling of the service building. Associated with this project is a contract with Rathman & Manning Corporation for the construction of the new vehicle storage building. Both projects are expected to be completed during the summer of 2017.

**CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016**

- Water: Included in the fiscal 2016-2017 budget was a rate increase of approximately 10%. This revenue increase will be used to fund the anticipated debt service for the construction of an elevated water storage tank in the western part of the City. This project will increase reliability, add additional capacity during peak periods, and provide for additional growth of the system. The 2016-2017 budget is focused on repair and upgrade of critical facilities and system improvements to meet continued growth. Included in this is a trunk line expansion from Engleman to Stolley Park Road as well as distribution improvements on 3rd Street from Clark to Cedar.
- Sanitary Sewer: In September of 2013 the City updated its previous sanitary sewer rate study presented to Council in April 2011. The rate study indicated the need to increase the yearly rate increases previously determined from the April 2011 rate study. The 2011 study indicated an initial nine percent increase in 2012 followed by nine percent increases. The Sanitary Sewer Rate Study was updated during 2013; the following rate increases were approved:

12 percent	October 1, 2013
12 percent	October 1, 2014
6 percent	October 1, 2015
5 percent	October 1, 2016

The NDEQ (Nebraska Department of Environmental Quality) authorized up to \$40,000,000 in CWSRF (Clean Water State Revolving Fund) loans at 2.25 percent interest for “Green” projects and 2.50 percent for “Non-Green” wastewater infrastructure projects during 2013-2014 year. The original five year Wastewater Infrastructure program was based on revenue bonds at interest rates in excess of four percent. The City Council approved abandonment of up to eight lift stations with the savings in interest rates.

The rate increases fund a \$74,000,000 wastewater infrastructure rehabilitation improvement program. The Headworks Project (\$21,500,000 construction, engineering and contingencies) was completed on schedule and under budget. The North Interceptor Phase II Project (\$25,500,000 construction, engineering and contingencies) is underway, ahead of schedule and on budget with estimated completion Spring 2017. The sanitary sewer collection system was extended to I-80 and Hwy 281 in three projects. The first two projects; the Wildwood Industrial Subdivision 528 (\$1,800,000) and South 281/Tap District (\$2,010,000) were completed during FY 2016. The third project, Sewer Improvement District (SID) #2 (\$2,600,000) was completed in FY 2016 as well. The commercial entities at I-80 and Hwy 281 had access to City sanitary sewer Fall 2016.

- With the ever-increasing personnel costs and growth in operating expenses, the City maintained minimal growth for expenditures within the General Fund budget for the 2016-2017 budget year. The revenue for the City has continued to increase over the past few years with sales tax receipts representing over 40 percent of the general fund resources followed by property tax receipt at 20 percent for the 2016-2017 budget year.
- In 2013 the City of Grand Island became a Metropolitan Statistical Area (MSA) resulting in a

**CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016**

new array for wage comparability. In 2014 the City negotiated six new union contracts. The new wage rates continued to impact the 2015-2016 budget year and will continue to impact the budget for the next several years.

- The Grand Island AREA Metropolitan Planning Organization (GIAMPO) was established in 2013 and is mandated by the Federal Department of Transportation (DOT). The Federal Highway Administration (FHWA) is the primary regulator, with sister agencies Federal Railroad Administration (FRA), Federal Transit Administration (FTA), and Federal Aviation Administration (FAA) contributing additional regulations. The MPO is 80% federally funded with 20% local match; usually the 20% is divided among all of the transportation providers in the MPO area, but Grand Island City provides 100% of the match. MPOs are usually a separate agency similar to the EDC; this is likely to happen once the population reaches 100,000 (the division between a small MPO and a full MPO). One FTE is dedicated to this function, and other employees provide assistance.
- As a result of the City's status as a metropolitan statistical area, the City became eligible for receipt of funds for public transit services from the United States Department of Transportation, Federal Transit Administration. Commencing July 1, 2016, public transportation trips originating or terminating within the urbanized area of the City of Grand Island must be funded utilizing urban transportation funds from the Federal Transit Administration. Prior to July 1, 2016, public transit services within the City and within Hall County were provided through Rural Public Transit funds awarded to the State of Nebraska and the County of Hall, as subgrantee of the state. Pursuant to an Interlocal Agreement entered into by and between the City and Hall County, on June 14, 2016 via Resolution No. 2016-138 the Grand Island City Council approved an agreement with Senior Citizens Industries, Inc. to provide such public transit services. Such approval consisted of an agreement providing compensation to Senior Citizens Industries, Inc. in the total amount of \$638,430 for the period of July 1, 2016 to June 30, 2017. The City has the option to renew the agreement for a maximum of two years beyond June 30, 2017 in increments of two months. Compensation for the extended service is at the following monthly rates: July 1, 2017 through June 30, 2018 - \$54,798.64 per month and July 1, 2018 through June 30, 2019 – \$56,442.60. Service will be provided both in the City of Grand Island and County of Hall via a unified system operated by Senior Citizens Industries, Inc.

All of these factors were considered in preparing the City of Grand Island's budget for the 2017 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 POSITION
September 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,550,878	\$ 18,369,028	\$ 22,919,906	\$ 929,837
Investments	13,924,221	45,811,180	59,735,401	-
County treasurer cash	630,115	-	630,115	318,316
Receivables:				
Special assessments	1,299,449	701,875	2,001,324	27,460
Accounts, net of allowance for doubtful accounts	1,557,487	6,982,585	8,540,072	-
Unbilled revenue	-	4,163,525	4,163,525	-
Current portion of note receivable	-	120,000	120,000	-
Current portion of notes from redevelopers	-	-	-	30,071
Interest	148,487	212,347	360,834	-
Property tax	393,639	-	393,639	66,935
Due from (to) other funds	58,004	(58,004)	-	-
Due from other governments	4,087,565	-	4,087,565	25,861
Prepaid expenses	-	435,402	435,402	-
Inventory	136,842	9,652,187	9,789,029	-
Total current assets	<u>26,786,687</u>	<u>86,390,125</u>	<u>113,176,812</u>	<u>1,398,480</u>
Noncurrent assets:				
Restricted cash and cash equivalents	3,501,455	4,194,475	7,695,930	118,743
Restricted investments	3,084,548	12,899,196	15,983,744	-
Permanently restricted investments	553,782	-	553,782	-
Permanently restricted notes receivable	733,122	-	733,122	-
Noncurrent portion of note receivable	-	2,249,723	2,249,723	-
Notes from redevelopers	-	-	-	281,178
Deferred charges	-	380,848	380,848	-
Capital assets:				
Land, infrastructure, and construction in progress	294,133,882	144,356,978	438,490,860	575,369
Other capital assets, net of depreciation	50,256,934	187,068,399	237,325,333	45,648
Net capital assets	<u>344,390,816</u>	<u>331,425,377</u>	<u>675,816,193</u>	<u>621,017</u>
Total noncurrent assets	<u>352,263,723</u>	<u>351,149,619</u>	<u>703,413,342</u>	<u>1,020,938</u>
Total assets	<u>379,050,410</u>	<u>437,539,744</u>	<u>816,590,154</u>	<u>2,419,418</u>
LIABILITIES				
Current liabilities:				
Accounts payable	913,372	4,062,779	4,976,151	34,508
Accrued expenses	2,255,990	3,444,599	5,700,589	11,844
Unavailable property tax	328,373	-	328,373	61,021
Current portion of long-term obligations	1,437,845	4,408,069	5,845,914	255,374
Total current liabilities	<u>4,935,580</u>	<u>11,915,447</u>	<u>16,851,027</u>	<u>362,747</u>
Noncurrent liabilities:				
Compensated absences - noncurrent	1,726,201	602,181	2,328,382	60
Closure/post-closure liability	-	3,885,055	3,885,055	-
Noncurrent portion of long-term obligations	5,815,921	100,305,892	106,121,813	1,303,701
Unamortized bond premiums	-	4,445,333	4,445,333	-
Total noncurrent liabilities	<u>7,542,122</u>	<u>109,238,461</u>	<u>116,780,583</u>	<u>1,303,761</u>
Total liabilities	<u>12,477,702</u>	<u>121,153,908</u>	<u>133,631,610</u>	<u>1,666,508</u>
NET POSITION				
Net investment in capital assets	337,137,050	223,925,828	561,062,878	621,017
Restricted for:				
Debt service	285,172	8,841,721	9,126,893	-
Landfill closure/post-closure costs	-	4,366,895	4,366,895	-
Perpetual care - permanent	719,187	-	719,187	-
Street improvements	2,171,239	-	2,171,239	-
Capital projects	1,703,440	-	1,703,440	-
Economic development	1,417,015	-	1,417,015	-
Other purposes	2,456,595	-	2,456,595	118,743
Unrestricted	20,683,010	79,251,392	99,934,402	13,150
Total net position	<u>\$ 366,572,708</u>	<u>\$ 316,385,836</u>	<u>\$ 682,958,544</u>	<u>\$ 752,910</u>

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 6,255,668	\$ 3,238,981	\$ 475,314
Public safety	24,124,585	5,294,815	930,331
Public works	7,394,592	622,724	-
Environment and leisure	8,102,690	1,281,577	237,487
Non-departmental	1,009,896	-	-
Interest and fees on long-term debt	245,158	-	-
Total governmental activities	<u>47,132,589</u>	<u>10,438,097</u>	<u>1,643,132</u>
Business-type activities:			
Electric	65,860,807	66,341,216	-
Water	5,096,031	5,756,435	-
Sewer	8,767,778	11,971,101	-
Landfill	2,578,904	2,757,073	-
Golf	709,385	563,010	-
Total business-type activities	<u>83,012,905</u>	<u>87,388,835</u>	<u>-</u>
Total primary government	<u><u>\$ 130,145,494</u></u>	<u><u>\$ 97,826,932</u></u>	<u><u>\$ 1,643,132</u></u>
Component units:			
Business Improvement Districts	\$ 307,091	\$ 7,314	\$ -
Metropolitan Planning Organization	257,539	891	165,624
Grand Island Facilities Corporation	792,261	792,261	-
Community Redevelopment Authority	1,279,421	-	706,427
Total component units	<u><u>\$ 2,636,312</u></u>	<u><u>\$ 800,466</u></u>	<u><u>\$ 872,051</u></u>

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position			Component Units
	Primary Government			
	Governmental Activities	Business-type Activities	Total	
\$ 3,091,231	\$ 549,858		\$ 549,858	
459,188	(17,440,251)		(17,440,251)	
5,703,178	(1,068,690)		(1,068,690)	
153,779	(6,429,847)		(6,429,847)	
-	(1,009,896)		(1,009,896)	
-	(245,158)		(245,158)	
<u>9,407,376</u>	<u>(25,643,984)</u>	<u>\$ -</u>	<u>(25,643,984)</u>	
-	-	480,409	480,409	
1,965,100	-	2,625,504	2,625,504	
2,622,120	-	5,825,443	5,825,443	
-	-	178,169	178,169	
-	-	(146,375)	(146,375)	
<u>4,587,220</u>	<u>-</u>	<u>8,963,150</u>	<u>8,963,150</u>	
<u>\$ 13,994,596</u>	<u>(25,643,984)</u>	<u>8,963,150</u>	<u>(16,680,834)</u>	
\$ 13,150				\$ (286,627)
-				(91,024)
-				-
-				(572,994)
<u>\$ 13,150</u>				<u>(950,645)</u>
General revenues:				
Taxes:				
Property	9,020,450	-	9,020,450	725,532
Motor vehicle	1,084,744	-	1,084,744	-
Payments in lieu of taxes	790,880	-	790,880	-
Occupation	2,559,692	-	2,559,692	-
Sales tax	16,410,878	-	16,410,878	-
Franchise	1,375,669	-	1,375,669	-
State allocation	5,620,787	-	5,620,787	-
Keno	231,595	-	231,595	-
Special assessments	122,255	94,789	217,044	206,043
Miscellaneous	410,635	-	410,635	24,812
Interest income	133,046	628,200	761,246	470
Loss on sale of assets	(34,345)	(236,626)	(270,971)	-
Transfer from fiduciary fund	456,264	-	456,264	-
Transfer from City to MPO	(465,000)	-	(465,000)	465,000
Total general revenues	<u>37,717,550</u>	<u>486,363</u>	<u>38,203,913</u>	<u>1,421,857</u>
Change in net position	12,073,566	9,449,513	21,523,079	471,212
Net position - September 30, 2015	<u>354,499,142</u>	<u>306,936,323</u>	<u>661,435,465</u>	<u>281,698</u>
Net position - September 30, 2016	<u>\$ 366,572,708</u>	<u>\$ 316,385,836</u>	<u>\$ 682,958,544</u>	<u>\$ 752,910</u>

CITY OF GRAND ISLAND, NEBRASKA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

September 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Gas Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 3,085,155	\$ 821,333	\$ 96,979	\$ 574,321	\$ 1,824,213	\$ 6,402,001
Investments	9,097,370	1,316,034	155,391	920,242	3,429,163	14,918,200
County treasurer cash	579,528	-	49,018	-	1,569	630,115
Receivables:						
Special assessments	795	-	-	-	1,298,654	1,299,449
Accounts, net of allowance for doubtful accounts	1,117,011	-	-	83,955	279,163	1,480,129
Notes receivable	-	-	-	-	733,122	733,122
Interest	52,859	-	-	-	95,628	148,487
Property tax	353,220	-	40,158	-	261	393,639
Due from other funds	58,004	-	-	-	-	58,004
Due from other governments	3,025,981	-	-	857,455	204,129	4,087,565
Total assets	\$ 17,369,923	\$ 2,137,367	\$ 341,546	\$ 2,435,973	\$ 7,865,902	\$ 30,150,711
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 163,531	\$ 23,697	\$ -	\$ 264,734	\$ 364,525	\$ 816,487
Accrued expenses	916,106	-	21,934	-	5,938	943,978
Unavailable property tax	293,762	-	34,440	-	171	328,373
Total liabilities	1,373,399	23,697	56,374	264,734	370,634	2,088,838
Fund balances:						
Nonspendable:						
Cemetery perpetual care	-	-	-	-	719,187	719,187
Library trust	-	-	-	-	57,206	57,206
Restricted for:						
Street improvements	-	-	-	2,171,239	-	2,171,239
Capital projects	1,700,778	-	-	-	2,662	1,703,440
Debt service	-	-	285,172	-	-	285,172
Economic development	-	-	-	-	1,417,015	1,417,015
Federal programs	-	-	-	-	239,081	239,081
Housing loans	-	-	-	-	500,837	500,837
Community improvements	-	-	-	-	752,978	752,978
Library expenses	-	-	-	-	740,103	740,103
Other purposes	-	-	-	-	166,390	166,390
Assigned for:						
Budgetary stabilization	1,666,308	-	-	-	651,979	2,318,287
Encumbrances	1,519,337	2,113,670	-	-	18,602	3,651,609
Other purposes	-	-	-	-	2,267,802	2,267,802
Unassigned	11,110,101	-	-	-	(38,574)	11,071,527
Total fund balances	15,996,524	2,113,670	285,172	2,171,239	7,495,268	28,061,873
Total liabilities and fund balances	\$ 17,369,923	\$ 2,137,367	\$ 341,546	\$ 2,435,973	\$ 7,865,902	\$ 30,150,711

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

September 30, 2016

Total fund balances - governmental funds		\$ 28,061,873
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
<p>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 \$386,123,032, and the accumulated depreciation is \$42,036,913.</p>		344,086,119
<p>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 position.</p>		3,378,228
<p>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:</p>		
Noncurrent compensated absences	\$ (1,699,746)	
Capital lease obligations	(4,437,766)	
General obligation bonds payable	<u>(2,816,000)</u>	<u>(8,953,512)</u>
Total net position - governmental activities		<u>\$ 366,572,708</u>

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, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Gas Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes:						
Property	\$ 8,218,739	\$ -	\$ 793,610	\$ -	\$ 8,101	\$ 9,020,450
Motor vehicle	1,082,389	-	2,331	-	24	1,084,744
Occupation	1,561,585	-	-	-	998,107	2,559,692
Sales tax	16,149,473	-	-	261,405	-	16,410,878
Franchise	2,166,549	-	-	-	-	2,166,549
Intergovernmental	2,024,788	1,019,804	-	9,575,135	541,686	13,161,413
Keno	-	-	-	-	231,595	231,595
Special assessments	-	-	-	-	122,255	122,255
Charges for services	10,023,883	-	-	-	414,214	10,438,097
Interest income	69,754	-	3,962	-	29,433	103,149
Contributions	16,510	-	-	-	60,619	77,129
Sale of assets	101,698	-	-	-	-	101,698
Bond proceeds	-	-	1,231,000	-	-	1,231,000
Other revenue	373,872	7,307	-	138	29,318	410,635
Total revenues	<u>41,789,240</u>	<u>1,027,111</u>	<u>2,030,903</u>	<u>9,836,678</u>	<u>2,435,352</u>	<u>57,119,284</u>
EXPENDITURES						
General government	4,334,725	71,684	-	-	1,450,028	5,856,437
Public safety	22,559,099	-	-	-	365,271	22,924,370
Public works	7,101,963	2,158,038	-	4,614,226	-	13,874,227
Environment and leisure	6,369,204	118,658	-	-	301,853	6,789,715
Non-departmental	1,009,896	-	-	-	-	1,009,896
Principal payments on debt	2,699,214	-	2,985,000	-	-	5,684,214
Interest on long-term debt	151,934	-	78,817	-	-	230,751
Bond/loan fees	3,518	-	10,889	-	-	14,407
Total expenditures	<u>44,229,553</u>	<u>2,348,380</u>	<u>3,074,706</u>	<u>4,614,226</u>	<u>2,117,152</u>	<u>56,384,017</u>
Excess (deficiency) of revenues over expenditures	(2,440,313)	(1,321,269)	(1,043,803)	5,222,452	318,200	735,267
OTHER FINANCING SOURCES (USES)						
Transfers in	3,362,094	3,450,002	1,013,291	-	995,130	8,820,517
Transfers out	(2,130,000)	-	-	(4,350,002)	(2,349,251)	(8,829,253)
Net transfers	<u>1,232,094</u>	<u>3,450,002</u>	<u>1,013,291</u>	<u>(4,350,002)</u>	<u>(1,354,121)</u>	<u>(8,736)</u>
Net change in fund balances	(1,208,219)	2,128,733	(30,512)	872,450	(1,035,921)	726,531
Fund balances - September 30, 2015						
As previously reported	16,210,793	(15,063)	315,684	1,298,789	8,524,704	26,334,907
Restatement	993,950	-	-	-	6,485	1,000,435
As restated	<u>17,204,743</u>	<u>(15,063)</u>	<u>315,684</u>	<u>1,298,789</u>	<u>8,531,189</u>	<u>27,335,342</u>
Fund balances - September 30, 2016	<u>\$ 15,996,524</u>	<u>\$ 2,113,670</u>	<u>\$ 285,172</u>	<u>\$2,171,239</u>	<u>\$ 7,495,268</u>	<u>\$ 28,061,873</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, 2016

Total net change in fund balances - governmental funds	\$ 726,531
Amounts reported for <i>governmental activities</i> 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 (\$11,356,614) exceeded depreciation expense (\$3,328,589) and assets acquired with capital lease obligations (\$213,600) during the period. (Capital additions of \$7,902,605 were funded directly by grants and donations.)	7,814,425
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.	(136,043)
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.	57,325
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.	(716,563)
The change in noncurrent compensated absences is reported as an expense in the statement of net position. Noncurrent compensated absences are not reported in the governmental funds.	(125,323)
Bond proceeds are reported as revenue in the governmental funds, but the issuance of bonds increases long-term liabilities in the statement of net position.	(1,231,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>5,684,214</u>
Change in net position of governmental activities	<u><u>\$ 12,073,566</u></u>

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2016

	Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,602,119	\$ 1,982,942	\$ 5,929,700
Investments	32,324,810	3,177,297	8,940,269
Receivables:			
Accounts, net of allowance for doubtful accounts	5,534,943	518,136	711,176
Unbilled revenue	3,382,662	337,233	443,630
Interest	37,985	23,625	139,865
Special assessments	-	152,467	549,408
Current portion of note receivable	-	-	120,000
Inventory	9,344,187	308,000	-
Prepaid expenses	422,340	13,062	-
Total current assets	60,649,046	6,512,762	16,834,048
Noncurrent assets:			
Restricted cash and cash equivalents	356,102	298,271	5
Restricted investments	5,922,088	310,000	2,536,357
Noncurrent portion of note receivable	-	-	2,249,723
Deferred charges	380,848	-	-
Capital assets:			
Land and improvements	6,300,192	-	67,688,898
Construction in progress	4,026,514	622,419	64,033,667
Distribution and collection systems	334,052,958	70,446,926	8,247,140
Buildings and equipment	39,572,745	4,032,111	17,244,568
Less accumulated depreciation	(225,448,414)	(16,377,565)	(48,175,291)
Net capital assets	158,503,995	58,723,891	109,038,982
Total noncurrent assets	165,163,033	59,332,162	113,825,067
Total assets	225,812,079	65,844,924	130,659,115
LIABILITIES			
Current liabilities:			
Accounts payable	2,564,946	228,257	1,244,462
Accrued expenses	2,685,891	310,908	336,231
Due to other funds	-	-	-
Current portion of long-term obligations	2,975,000	230,000	1,203,069
Total current liabilities	8,225,837	769,165	2,783,762
Noncurrent liabilities:			
Compensated absences - noncurrent	484,051	47,873	32,556
Closure/post closure liability	181,078	-	-
Noncurrent portion of long-term obligations	40,805,000	2,595,000	56,905,892
Unamortized bond premiums	3,166,436	-	1,278,897
Total noncurrent liabilities	44,636,565	2,642,873	58,217,345
Total liabilities	52,862,402	3,412,038	61,001,107
NET POSITION			
Net investment in capital assets	111,938,407	55,898,891	50,930,021
Restricted for:			
Debt service	5,922,088	383,271	2,536,362
Uranium removal	-	225,000	-
Closure/post-closure costs	175,024	-	-
Unrestricted	54,914,158	5,925,724	16,191,625
Total net position	\$ 172,949,677	\$ 62,432,886	\$ 69,658,008

See notes to financial statements.

<u>Landfill</u> <u>Fund</u>	<u>Golf</u> <u>Fund</u>	<u>Total</u>	<u>Internal</u> <u>Service</u> <u>Funds</u>
\$ 854,267	\$ -	\$ 18,369,028	\$ 1,650,332
1,368,804	-	45,811,180	2,644,351
218,330	-	6,982,585	77,358
-	-	4,163,525	-
10,872	-	212,347	-
-	-	701,875	-
-	-	120,000	-
-	-	9,652,187	136,842
-	-	435,402	-
<u>2,452,273</u>	<u>-</u>	<u>86,448,129</u>	<u>4,508,883</u>
3,540,097	-	4,194,475	-
4,130,751	-	12,899,196	-
-	-	2,249,723	-
-	-	380,848	-
253,515	1,431,773	75,674,378	-
-	-	68,682,600	-
-	-	412,747,024	-
10,761,151	810,937	72,421,512	1,771,518
(6,531,410)	(1,567,457)	(298,100,137)	(1,466,821)
<u>4,483,256</u>	<u>675,253</u>	<u>331,425,377</u>	<u>304,697</u>
<u>12,154,104</u>	<u>675,253</u>	<u>351,149,619</u>	<u>304,697</u>
<u>14,606,377</u>	<u>675,253</u>	<u>437,597,748</u>	<u>4,813,580</u>
11,140	13,974	4,062,779	96,885
76,134	35,435	3,444,599	1,312,012
-	58,004	58,004	-
-	-	4,408,069	-
<u>87,274</u>	<u>107,413</u>	<u>11,973,451</u>	<u>1,408,897</u>
21,717	15,984	602,181	26,455
3,703,977	-	3,885,055	-
-	-	100,305,892	-
-	-	4,445,333	-
<u>3,725,694</u>	<u>15,984</u>	<u>109,238,461</u>	<u>26,455</u>
<u>3,812,968</u>	<u>123,397</u>	<u>121,211,912</u>	<u>1,435,352</u>
4,483,256	675,253	223,925,828	304,697
-	-	8,841,721	-
-	-	225,000	-
3,966,871	-	4,141,895	-
2,343,282	(123,397)	79,251,392	3,073,531
<u>\$ 10,793,409</u>	<u>\$ 551,856</u>	<u>\$ 316,385,836</u>	<u>\$ 3,378,228</u>

CITY OF GRAND ISLAND, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS

For the year ended September 30, 2016

	Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
Operating revenues:			
Sales:			
Consumers	\$ 60,806,607	\$ 5,352,181	\$ 11,631,640
Municipal and interdepartmental	1,739,256	166,388	-
Wholesale	2,769,498	-	-
Total sales	<u>65,315,361</u>	<u>5,518,569</u>	<u>11,631,640</u>
Tap fees	-	35	37,520
Other revenue	1,025,855	237,831	301,941
Total operating revenues	<u>66,341,216</u>	<u>5,756,435</u>	<u>11,971,101</u>
Operating expenses:			
Cost of power	36,386,482	-	-
Production	-	1,916,191	-
Operation of system	2,515,932	860,023	3,598,264
Maintenance of system	2,678,254	-	436,661
Consumer accounting and collection	1,498,808	581,341	713,107
General office expense	1,611,967	207,038	707,403
Special services	1,151,776	108,572	163,756
Information technology	-	-	-
Central garage	-	-	-
Insurance	560,188	13,168	84,181
Miscellaneous	172,028	245,602	-
Closure costs	-	-	-
Depreciation	11,385,645	1,020,661	3,028,395
Total operating expenses	<u>57,961,080</u>	<u>4,952,596</u>	<u>8,731,767</u>
Operating income (loss)	8,380,136	803,839	3,239,334
Nonoperating revenues (expenses):			
Interest income	405,413	12,881	98,648
Intergovernmental/grants	-	-	-
Allocated debt on participation power	(5,795,172)	-	-
Interest expense	(1,880,397)	(64,549)	(34,511)
Bond fees/issuance cost	-	-	(1,500)
Bond premium accretion	451,059	-	-
Payments in lieu of taxes	(675,217)	(78,886)	-
Gain (loss) on disposal of assets	(222,647)	9,112	8,806
Special assessments	-	-	94,789
Contributions in aid of construction	-	1,965,100	2,622,120
Total nonoperating revenues (expenses)	<u>(7,716,961)</u>	<u>1,843,658</u>	<u>2,788,352</u>
Change in net position	663,175	2,647,497	6,027,686
Net position - September 30, 2015	<u>172,286,502</u>	<u>59,785,389</u>	<u>63,630,322</u>
Net position - September 30, 2016	<u>\$ 172,949,677</u>	<u>\$ 62,432,886</u>	<u>\$ 69,658,008</u>

See notes to financial statements.

<u>Landfill Fund</u>	<u>Golf Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 2,715,558	\$ 551,920	\$ 81,057,906	\$ -
-	-	1,905,644	10,915,887
-	-	2,769,498	-
<u>2,715,558</u>	<u>551,920</u>	<u>85,733,048</u>	<u>10,915,887</u>
-	-	37,555	-
41,515	11,090	1,618,232	-
<u>2,757,073</u>	<u>563,010</u>	<u>87,388,835</u>	<u>10,915,887</u>
-	-	36,386,482	-
-	-	1,916,191	-
1,144,357	510,103	8,628,679	-
174,597	67,572	3,357,084	-
60,034	-	2,853,290	-
280,715	92,025	2,899,148	-
115,691	610	1,540,405	-
-	-	-	1,073,546
-	-	-	1,141,700
38,624	3,851	700,012	9,374,168
-	-	417,630	44,063
154,119	-	154,119	-
610,767	35,224	16,080,692	80,068
<u>2,578,904</u>	<u>709,385</u>	<u>74,933,732</u>	<u>11,713,545</u>
178,169	(146,375)	12,455,103	(797,658)
111,258	-	628,200	29,897
-	-	-	51,198
-	-	(5,795,172)	-
-	-	(1,979,457)	-
-	-	(1,500)	-
-	-	451,059	-
-	-	(754,103)	-
(31,897)	-	(236,626)	-
-	-	94,789	-
-	-	4,587,220	-
<u>79,361</u>	<u>-</u>	<u>(3,005,590)</u>	<u>81,095</u>
257,530	(146,375)	9,449,513	(716,563)
<u>10,535,879</u>	<u>698,231</u>	<u>306,936,323</u>	<u>4,094,791</u>
<u>\$ 10,793,409</u>	<u>\$ 551,856</u>	<u>\$ 316,385,836</u>	<u>\$ 3,378,228</u>

CITY OF GRAND ISLAND, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2016

	Enterprise Funds	
	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 66,243,471	\$ 5,761,920
Receipts from other funds	-	-
Payments to suppliers	(35,969,384)	(3,304,639)
Payments to employees	(10,517,414)	(708,030)
Net cash provided (used) by operating activities	19,756,673	1,749,251
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments in lieu of taxes	(718,938)	(71,942)
Increase in due to other funds	-	-
Net cash provided (used) by noncapital financing activities	(718,938)	(71,942)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(10,361,628)	(1,242,422)
Proceeds from sale of property and equipment	276,280	12,839
Decrease in deferred charges	268,238	-
Intergovernmental receipts	-	-
Special assessment collections	-	68,005
Payment of allocated debt on participation power purchase	(5,795,172)	-
Proceeds from issuance of notes payable	-	-
Payment of bond fees	-	-
Principal payments on capital debt	(2,915,000)	(230,000)
Interest paid on capital debt	(1,887,501)	(65,037)
Increase in closure/post-closure liability	294	-
Net cash provided (used) by capital and related financing activities	(20,414,489)	(1,456,615)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale and maturities of investment securities	17,806,951	307,418
Purchase of investment securities	(14,875,937)	(358,986)
Increase in note receivable	-	-
Interest received	396,872	14,118
Net cash provided (used) by investing activities	3,327,886	(37,450)
Increase (decrease) in cash and cash equivalents	1,951,132	183,244
Cash and cash equivalents - beginning of the year	8,007,089	2,097,969
Cash and cash equivalents - end of the year	\$ 9,958,221	\$ 2,281,213
Composition of cash and cash equivalents:		
Cash and cash equivalents	\$ 9,602,119	\$ 1,982,942
Restricted cash and cash equivalents	356,102	298,271
Total cash and cash equivalents	\$ 9,958,221	\$ 2,281,213

See notes to financial statements.

Enterprise Funds				Internal
Sewer	Landfill	Golf	Total	Service
Fund	Fund	Fund		Funds
\$ 11,949,772	\$ 2,788,589	\$ 563,010	\$ 87,306,762	\$ -
-	-	-	-	10,928,023
(4,010,912)	(1,246,291)	(437,168)	(44,968,394)	(11,347,433)
(1,627,798)	(741,734)	(235,482)	(13,830,458)	(620,349)
<u>6,311,062</u>	<u>800,564</u>	<u>(109,640)</u>	<u>28,507,910</u>	<u>(1,039,759)</u>
-	-	-	(790,880)	-
-	-	58,004	58,004	-
-	-	<u>58,004</u>	<u>(732,876)</u>	-
(14,566,187)	(644,044)	(59,845)	(26,874,126)	(22,743)
29,000	136,956	-	455,075	-
-	-	-	268,238	-
-	-	-	-	51,198
144,756	-	-	212,761	-
-	-	-	(5,795,172)	-
14,548,823	-	-	14,548,823	-
(1,500)	-	-	(1,500)	-
(910,000)	-	-	(4,055,000)	-
(34,511)	-	-	(1,987,049)	-
-	154,119	-	154,413	-
<u>(789,619)</u>	<u>(352,969)</u>	<u>(59,845)</u>	<u>(23,073,537)</u>	<u>28,455</u>
-	(279,937)	70,776	17,905,208	-
(4,939,264)	-	-	(20,174,187)	705,254
(2,369,723)	-	-	(2,369,723)	-
106,253	102,499	-	619,742	29,897
<u>(7,202,734)</u>	<u>(177,438)</u>	<u>70,776</u>	<u>(4,018,960)</u>	<u>735,151</u>
(1,681,291)	270,157	(40,705)	682,537	(276,153)
<u>7,610,996</u>	<u>4,124,207</u>	<u>40,705</u>	<u>21,880,966</u>	<u>1,926,485</u>
<u>\$ 5,929,705</u>	<u>\$ 4,394,364</u>	<u>\$ -</u>	<u>\$ 22,563,503</u>	<u>\$ 1,650,332</u>
\$ 5,929,700	\$ 854,267	\$ -	\$ 18,369,028	\$ 1,650,332
5	3,540,097	-	4,194,475	-
<u>\$ 5,929,705</u>	<u>\$ 4,394,364</u>	<u>\$ -</u>	<u>\$ 22,563,503</u>	<u>\$ 1,650,332</u>

CITY OF GRAND ISLAND, NEBRASKA

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

For the year ended September 30, 2016

	Enterprise Funds	
	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 8,380,136	\$ 803,839
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	11,385,645	1,020,661
Change in assets and liabilities:		
Accounts receivable	(90,987)	5,485
Inventories	547,433	(18,567)
Prepaid expenses	66,205	2,048
Accounts payable and accrued expenses	(531,759)	(64,215)
Net cash provided (used) by operating activities	\$ 19,756,673	\$ 1,749,251
Supplemental cash flow information:		
Acquisition of capital assets through developers' aid of construction	\$ -	\$ 1,965,100
Accounts payable incurred for capital asset purchases	\$ -	\$ 131,658

See notes to financial statements.

<u>Enterprise Funds</u>					<u>Internal Service Funds</u>
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Golf Fund</u>	<u>Total</u>		
\$ 3,239,334	\$ 178,169	\$ (146,375)	\$ 12,455,103	\$	(797,658)
3,028,395	610,767	35,224	16,080,692		80,068
(21,329)	31,516	-	(75,315)		12,136
-	-	-	528,866		(3,050)
-	-	-	68,253		-
64,662	(19,888)	1,511	(549,689)		(331,255)
<u>\$ 6,311,062</u>	<u>\$ 800,564</u>	<u>\$ (109,640)</u>	<u>\$ 28,507,910</u>	<u>\$</u>	<u>(1,039,759)</u>
<u>\$ 2,622,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,587,220</u>	<u>\$</u>	<u>-</u>
<u>\$ 1,016,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,148,470</u>	<u>\$</u>	<u>-</u>

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

September 30, 2016

	<u>Employee Reserve Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ 81,546	\$ 60,531
Investments	4,068,051	96,986
Special assessments receivable	-	27,460
Total assets	<u>4,149,597</u>	<u>184,977</u>
LIABILITIES		
Agency liabilities	-	184,977
Pension liability	<u>2,031,549</u>	<u>-</u>
Total liabilities	<u>2,031,549</u>	<u>184,977</u>
NET POSITION		
Held in trust for pension benefits	<u><u>\$ 2,118,048</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

For the year ended September 30, 2016

	<u>Employee Reserve Funds</u>
ADDITIONS	
Interest and dividends	\$ 679,940
DEDUCTIONS	
Pension benefits	430,088
Loss on investments	309,413
Total deductions	<u>739,501</u>
Deductions in excess of additions	(59,561)
OTHER FINANCING USES	
Transfers out	<u>(456,264)</u>
Change in net position	(515,825)
Net position - September 30, 2015	<u>2,633,873</u>
Net position - September 30, 2016	<u><u>\$ 2,118,048</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, 2016

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.

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 Metropolitan Planning Organization Grand Island Facilities Corporation

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 61, and has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable, and, as such, should be included within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading.

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

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

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, 2016

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	Fonner Park BID (formerly BID #4) was renewed in 2013 for three years; Second Street BID (formerly BID #6) was renewed in 2013 for one year; South Locust BID (formerly BID #7) was renewed in 2013 for three years; and Downtown BID (formerly BID #8) was renewed in 2013 for five years. The BIDs account for funding held for improvement and maintenance of public areas within the boundaries of the Districts.
Metropolitan Planning Organization	Created in 2013 to provide transportation planning services. The City Council appoints board members of this Organization.
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.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position 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, 2016

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, 2016

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, 2016

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, 2016.)

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 one trust fund:

Employee Reserve	Accounts for the administration of all police and fire pension reserves after August 15, 2013.
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CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

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.
Gas Tax	Accounts for the City's share of the State's gasoline tax from the State of Nebraska.
Proprietary:	
Enterprise:	
Electric, Water, Sewer, Landfill, and Golf	See above for description.
<i>Nonmajor:</i>	
Special Revenue:	
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.
Pioneer Consortium	Accounts for the activities of the Statewide Library Consortium for which the City is the financial agent.
Occupation Tax	Accounts for various occupation taxes including the food and beverage tax that voters renewed July 1, 2016.

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

September 30, 2016

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:	
Keno	Accounts for the City’s share of the Hall County Keno gaming proceeds.
Transportation	Accounts for federal transit funding for public transportation in a metropolitan area.
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, 2016

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, 2016

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 Position 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, 2016

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 position (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 position.
- 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 Position 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, 2016

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 Position, “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, 2016

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	\$ 2,548,988	Sales Tax
General	61,421	Municipal Equalization
General	47,606	Hall County reimbursements
General	4,167	Department of Justice grant
General	12,500	HUD Officer reimbursement
General	250,249	GI Public Schools officer Reimbursement
General	22,050	Airport services
General	51,455	VOCA grant
General	27,545	Homeland Security grant
Gas Tax	857,455	Motor Vehicle/Gas Tax
Police Grant	17,072	HIDTA grant reimbursement
Community grants	125,597	State reimbursements for CDBG grant expenditures
Transportation	50,000	Transportation grant
Keno	<u>11,460</u>	Keno Proceeds
Total governmental funds	<u>\$ 4,087,565</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 GASB 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.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

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 Position. 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 Position. 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, Water, and Sewer 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>	<u>Sewer</u>
Interest costs capitalized	\$ -	\$ -	\$ 1,669,324
Interest costs charged to expense	<u>1,880,397</u>	<u>64,549</u>	<u>34,511</u>
	<u>\$ 1,880,397</u>	<u>\$ 64,549</u>	<u>\$ 1,703,835</u>

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets, continued

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.

Unamortized Bond Premiums/Deferred Charges

Bond premiums for the Electric and Sewer Funds were 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.

Unavailable Property Tax

Unavailable property tax consist 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 closure/post-closure liabilities.

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

September 30, 2016

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 position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position 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 position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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, 2016

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 21). 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.

Equity Restatement

Governmental fund balances were restated as of September 30, 2015, to remove the long-term portion of accrued vacation from the fund financial statements. Fund balances were increased \$993,950 on the General Fund, \$919 on the Enhanced 911 Fund, \$3,641 on the PSC Wireless Fund, \$1,131 on the Community Youth Council Fund, and \$794 on the Community Development Fund.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

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 restricted 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 2015-2016 are recorded as revenue when expected to be collected within 60 days after September 30, 2016. 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.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

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.

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 \$5,795,172 is shown as a nonoperating expense for the year ended September 30, 2016.

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, 2016

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 demand deposits are insured up to \$250,000 and certificates of deposit/savings accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). 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, 2016

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, 2016

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, 2016. 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	\$ 31,852,602	\$ 837,901	\$ 31,014,701	\$ -	\$ <u>31,806,493</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 22,919,906
Restricted cash and cash equivalents	7,695,930
Component Units –	
Unrestricted cash and cash equivalents	929,837
Restricted cash and cash equivalents	118,743
Employee Pension Funds Cash (not included in government-wide statement)	81,546
Agency Fund Cash (not included in government-wide statement)	<u>60,531</u>
	<u>\$ 31,806,493</u>

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

September 30, 2016

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, 2016. 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 the 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>	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Time Deposits	\$ 76,410,535	\$ -	\$ -	\$ 76,410,535	\$ 76,410,535
Publicly Traded Equities	-	4,027,429	-	<u>4,027,429</u>	<u>4,027,429</u>
				<u>\$ 80,437,964</u>	<u>\$ 80,437,964</u>

Reconciliation to Government-wide Statements of Net Position:

Primary Government –

Unrestricted investments	\$ 59,735,401
Restricted investments	15,983,744
Permanently restricted investments	553,782
Employee Pension Funds (not included in government-wide statements)	4,068,051
Agency Funds (not included in government-wide statements)	<u>96,986</u>
	<u>\$ 80,437,964</u>

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

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

2. Restricted Assets

The restricted assets as of September 30, 2016, are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Type of Restricted Assets:				
Cash and cash equivalents	\$3,501,455	\$ 4,194,475	\$ 7,695,930	\$ 118,743
Investments	3,084,548	12,899,196	15,983,744	-
Permanently restricted investments	553,782	-	553,782	-
Permanently restricted notes receivable	<u>733,122</u>	<u>-</u>	<u>733,122</u>	<u>-</u>
	<u>\$7,872,907</u>	<u>\$ 17,093,671</u>	<u>\$ 24,966,578</u>	<u>\$ 118,743</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 (4.8 percent), cable franchise tax (10.0 percent), other franchise/occupation tax (17.9 percent), ambulance (35.7 percent), payroll reimbursement (7.3 percent), administrative fees (9.4 percent), and other (14.9 percent) receivables. Receivables detail at September 30, 2016, is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Accounts receivable	\$2,096,458	\$7,459,736	\$9,556,194	\$ -
Allowance for doubtful accounts	<u>(538,971)</u>	<u>(477,151)</u>	<u>(1,016,122)</u>	<u>-</u>
Net accounts receivable	<u>\$1,557,487</u>	<u>\$6,982,585</u>	<u>\$8,540,072</u>	<u>\$ -</u>

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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, 2016:

<u>Note Held By:</u>	<u>Due From</u>	Note Balance at September 30, <u>2016</u>	<u>Terms</u>
Program Income Reuse	Standard Iron	\$ 65,476	\$250,000 is 0% loan due in 168 monthly installments.
Community Grants Fund	Rehab Housing - Various Homeowners	114,536	Forgivable over 5 or 10 years of continued home ownership.
Economic Development Fund	Borer Wholesale	16,875	Forgivable if employment objectives are met.
Economic Development Fund	Bosselman's	60,000	Forgivable if employment objectives are met.
Economic Development Fund	Inland Truck Parts Co	8,190	Forgivable if employment objectives are met.
Economic Development Fund	GIX Logistics	117,300	Forgivable if employment objectives are met.
Housing Reuse Loan Fund	Rehab Housing - Various Homeowners	101,313	0%; due upon sale of house.
Housing Reuse Loan Fund	Housing Downpayment Loans - Various Homeowners	249,432	Forgivable over 5 to 10 years of continued home ownership.
		<u>\$ 733,122</u>	

The above notes are permanently restricted as revolving loan funds.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance at October 1, <u>2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2016</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 5,591,758	\$ 3,091,231	\$ -	\$ -	\$ 8,682,989
Infrastructure	261,640,222	-	-	2,437,109	264,077,331
Construction in progress	17,112,593	6,698,078	-	(2,437,109)	21,373,562
Total capital assets not being depreciated	284,344,573	9,789,309	-	-	294,133,882
Other capital assets being depreciated:					
Land improvements	17,575,992	304,583	-	-	17,880,575
Buildings	56,997,708	-	-	-	56,997,708
Machinery and equipment	7,203,305	594,584	(157,365)	-	7,640,524
Office furniture and equipment	2,958,246	186,347	-	-	3,144,593
Vehicles	8,048,039	481,791	(432,562)	-	8,097,268
Total other capital assets at historical cost	92,783,290	1,567,305	(589,927)	-	93,760,668
Less accumulated depreciation for:					
Land improvements	(6,648,411)	(551,155)	-	-	(7,199,566)
Buildings	(20,245,252)	(1,808,747)	-	-	(22,053,999)
Machinery and equipment	(5,508,156)	(309,129)	83,124	-	(5,734,161)
Office furniture and equipment	(2,504,688)	(118,999)	-	-	(2,623,687)
Vehicles	(5,722,522)	(540,559)	370,760	-	(5,892,321)
Total accumulated depreciation	(40,629,029)	(3,328,589) *	453,884	-	(43,503,734)
Other capital assets, net	52,154,261	(1,761,284)	(136,043)	-	50,256,934
Governmental activities capital assets, net	<u>\$ 336,498,834</u>	<u>\$ 8,028,025</u>	<u>\$ (136,043)</u>	<u>\$ -</u>	<u>\$ 344,390,816</u>

* Depreciation expense was charged to governmental activities as follows:

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

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

4. Capital Assets, continued

Governmental Activities, continued:

General Fund:

General government:

City Hall	\$ 205,881
Human Resources	<u>6,581</u>
Total general government	212,462

Public safety:

Building inspection	8,844
Fire	334,211
Ambulance	43,769
Police	488,214
Emergency management	<u>43,947</u>
Total public safety	918,985

Public works:

Engineering	30,695
Street and alley	<u>256,453</u>
Total public works	287,148

Environment and leisure:

Library	244,052
Parks	231,353
Recreation	129,801
Water park and pools	170,691
Community Fieldhouse	166,142
Public information	33,889
Heartland Public Shooting Park	80,581
Heartland Events Center	<u>700,255</u>
Total environment and leisure	<u>1,756,764</u>

Total General Fund 3,175,359

Special Revenue Funds:

Enhanced 911	20,274
PSC Wireless	1,167
Community development	51,337
Downtown development	<u>384</u>
Total Special Revenue Funds	73,162

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

September 30, 2016

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

4. Capital Assets, continued

Governmental Activities, continued:

Internal Service Funds:

Information technology	74,064
Fleet services	<u>6,004</u>
Total Internal Service Funds	<u>80,068</u>

Total governmental activities depreciation expense \$ 3,328,589

	October 1, <u>2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	September 30, <u>2016</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 7,454,876	\$ 21,198	\$ -	\$ -	\$ 7,476,074
Construction in progress	<u>106,969,896</u>	<u>14,767,030</u>	<u>-</u>	<u>(53,054,326)</u>	<u>68,682,600</u>
Total capital assets not being depreciated	114,424,772	14,788,228	-	(53,054,326)	76,158,674
Other capital assets being depreciated:					
Land improvements	75,304,473	2,836,170	-	-	78,140,643
Buildings, distribution systems, and equipment	411,168,649	10,053,478	(12,136,759)	53,054,326	462,139,694
Office furniture and equipment	3,979,170	745,326	-	-	4,724,496
Vehicles	<u>7,415,615</u>	<u>1,527,919</u>	<u>(581,527)</u>	<u>-</u>	<u>8,362,007</u>
Total other capital assets at historical cost	497,867,907	15,162,893	(12,718,286)	53,054,326	553,366,840
Less accumulated depreciation for:					
Land improvements	(38,376,252)	(2,278,395)	-	-	(40,654,647)
Buildings, distribution systems, and equipment	(253,953,577)	(13,617,552)	11,871,720	-	(255,699,409)
Office furniture and equipment	(88,931)	(41,769)	-	-	(130,700)
Vehicles	<u>(1,551,194)</u>	<u>(142,976)</u>	<u>78,789</u>	<u>-</u>	<u>(1,615,381)</u>
Total accumulated depreciation	<u>(293,969,954)</u>	<u>(16,080,692)</u> *	<u>11,950,509</u>	<u>-</u>	<u>(298,100,137)</u>
Other capital assets, net	<u>203,897,953</u>	<u>(917,799)</u>	<u>(767,777)</u>	<u>53,054,326</u>	<u>255,266,703</u>
Business-type capital assets, net	<u>\$ 318,322,725</u>	<u>\$ 13,870,429</u>	<u>\$ (767,777)</u>	<u>\$ -</u>	<u>\$ 331,425,377</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 11,385,645
Water	1,020,661
Sewer	3,028,395
Landfill	610,767
Golf	<u>35,224</u>
Total business-type activities depreciation expense	<u>\$ 16,080,692</u>

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

September 30, 2016

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

4. Capital Assets, continued

	Balance at October 1, <u>2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2016</u>
<u>Business Improvement Districts:</u>				
Capital assets being depreciated:				
Land improvements	\$ 65,787	\$ -	\$ -	\$ 65,787
Less accumulated depreciation:				
Land improvements	<u>(17,947)</u>	<u>(2,192)</u>	<u>-</u>	<u>(20,139)</u>
Business Improvement Districts, net	<u>\$ 47,840</u>	<u>\$ (2,192)</u>	<u>\$ -</u>	<u>\$ 45,648</u>
<u>Community Redevelopment Authority:</u>				
Capital assets not being depreciated:				
Land held for redevelopment	<u>\$ 575,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 575,369</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, 2016

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, 2016:

<u>Type of Debt</u>	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2016</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds payable	\$ 4,570,000	\$ 1,231,000	\$ (2,985,000)	\$ 2,816,000	\$ 908,000
Capital Lease	6,923,380	213,600	(2,699,214)	4,437,766	529,845
	<u>\$ 11,493,380</u>	<u>\$ 1,444,600</u>	<u>\$ (5,684,214)</u>	<u>\$ 7,253,766</u>	<u>\$ 1,437,845</u>
Business-type Activities:					
Bonds payable	<u>\$ 94,220,138</u>	<u>\$ 14,548,823</u>	<u>\$ (4,055,000)</u>	<u>\$ 104,713,961</u>	<u>\$ 4,408,069</u>
Component Units:					
GI Facilities Corporation	\$ 785,000	\$ -	\$ (785,000)	\$ -	\$ -
CRA notes payable	1,811,842	-	(252,767)	1,559,075	255,374
Total Component Units	<u>\$ 2,596,842</u>	<u>\$ -</u>	<u>\$ (1,037,767)</u>	<u>\$ 1,559,075</u>	<u>\$ 255,374</u>

Governmental Activities

As of September 30, 2016, the governmental long-term liabilities consisted of the following:

Bonds payable:

General obligation various purpose bonds dated November 9, 2015, with original issue amount of \$1,231,000. Interest ranges from 1.10 to 2.30 percent with final maturity December 15, 2024.

\$ 1,231,000

Bond anticipation notes dated July 3, 2014 for \$2,230,000. Interest of 0.35 percent with final maturity November 15, 2015.

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CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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, 2018. 1,585,000

Total bonds payable 2,816,000

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. 4,100,000

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. -

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. This obligation was paid off during the year ended September 30, 2016. -

Capital lease obligation due to John Deere Financial dated May 26, 2016, with original issue amount of \$213,600 to finance a 2016 John Deere 672G motor grader. The lease bears interest of 2.785 percent and is due in five annual principal and interest payments of \$45,722, commencing November 25, 2016 through November 25, 2020. 213,600

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

6. Long-term Debt, continued

Governmental Activities, continued

Capital Lease, continued:

Capital lease obligation due to Kansas State Bank dated August 19, 2013, with original issue amount of \$80,490 to finance an asphalt zipper. The lease bears interest of 3.68 percent and is due in four annual principal and interest payments of \$22,415, commencing April 15, 2014 through April 14, 2017. 21,458

Capital lease obligation due to Key Government Finance, Inc. dated October 9, 2012, with original issue amount of \$89,543 to finance a SnoGo snow blower. The lease bears interest of 2.80 percent and is due in six annual principal and interest payments of \$15,973, commencing November 5, 2012 through November 5, 2017. 30,652

Capital lease obligation due to Key Government Finance, Inc. dated August 13, 2013, with original issue amount of \$311,370 to finance a combination sewer cleaner. The lease bears interest of 2.95 percent. An initial \$135,000 downpayment was due August 15, 2013, with five annual principal and interest payments of \$37,630 due, commencing November 15, 2013 through November 15, 2017. 72,056

Total capital lease obligations 4,437,766

Total governmental activities long-term obligations \$ 7,253,766

Current portion \$ 1,437,845

Noncurrent portion 5,815,921

Total \$ 7,253,766

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

6. Long-term Debt, continued

Business-type Activities

As of September 30, 2016, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds and notes payable:

Sewer system revenue bonds dated September 17, 2013, with original issue amount of \$35,430,000. Interest ranges from 0.50 to 5.375 percent with final maturity on September 15, 2038. \$ 32,605,000

DEQ Sewer note - project C317867 with total loan principal of \$6,200,000. Interest of 1.5 percent and administration fees of one percent are due semi-annually with semi-annual principal payments commencing December 15, 2016, through December 15, 2035. 6,200,000

DEQ Sewer note - project C317981, with total loan principal of \$29 million. As of September 30, 2016, the City had drawn \$19,303,961 on this note. Interest of 1.25 percent and administration fees of one percent are due semi-annually with semi-annual principal payments commencing June 15, 2018, through December 15, 2037. 19,303,961

DEQ Sewer note - project C317984, with total loan principal of \$4,800,000. As of September 30, 2016, the City had not yet drawn on this note. Interest of 1.5 percent and administration fees of one percent are due semi-annually with semi-annual principal payments commencing June 15, 2018, through December 15, 2037. -

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

6. Long-term Debt, continued

Business-type Activities, continued

Bonds and notes payable, continued:

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. 10,755,000

Electric system revenue refunding bonds, Series 2013, due serially to August 15, 2028. Interest ranges from 0.25 to 5.0 percent; secured by electric system revenues. 33,025,000

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. 2,825,000

Total business-type activity bonds/notes payable \$ 104,713,961

Current portion \$ 4,408,069

Noncurrent portion 100,305,892

Total \$ 104,713,961

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

6. Long-term Debt, continued

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 62).

\$ -

CRA bonds and notes payable:

Limited tax obligation bonds, Series 2012, dated October 30, 2012, with original issue amount of \$1,800,000 to finance the Lincoln Pool project. Interest ranges from 0.40 to 2.40 percent with final maturity on December 15, 2022.

1,280,000

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.

5,616

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

6. Long-term Debt, continued

Component Units, continued

CRA bonds and notes payable, continued:

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.

44,010

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.

229,449

Total CRA bonds and notes payable

1,559,075

Total component units bonds and notes payable

\$ 1,559,075

Current portion

\$ 255,374

Noncurrent portion

1,303,701

Total

\$ 1,559,075

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

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

6. Long-term Debt, continued

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2016, 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>Fees</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,437,845	\$ 175,837	\$ 4,408,069	\$ 3,574,833	\$ 61,302	\$ 255,374	\$ 38,325
2018	1,454,054	145,065	5,140,511	3,558,450	203,522	258,442	31,175
2019	604,105	109,391	5,892,160	3,526,765	336,084	258,566	23,304
2020	622,278	96,800	6,057,651	3,373,429	320,261	216,693	15,444
2021	630,484	81,903	6,248,411	3,184,558	304,233	185,000	10,805
2022-2026	2,505,000	158,858	34,718,067	12,536,115	1,273,356	385,000	9,158
2027-2031	-	-	25,729,294	6,292,192	840,226	-	-
2032-2036	-	-	11,859,798	2,951,153	91,294	-	-
2037-2041	-	-	4,660,000	378,938	-	-	-
	<u>\$ 7,253,766</u>	<u>\$ 767,854</u>	<u>\$104,713,961</u>	<u>\$ 39,376,433</u>	<u>\$ 3,430,278</u>	<u>\$ 1,559,075</u>	<u>\$ 128,211</u>

Closure and Post-closure Care Costs

The City of Grand Island has chosen to demonstrate financial assurance for the Grand Island Regional Solid Waste Landfill and the Platte Generating Station Fossil Fuel Combustion Ash Landfill by using a financial test mechanism. As required by Nebraska Administrative Code – Title 132 – *Integrated Solid Waste Management* Regulations, the following information is provided.

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 \$181,078 at September 30, 2016, which is based on 50.85 percent usage (filled) of the ash disposal area. It is estimated that an additional \$176,388 will be recognized as closure and post-closure expenses between the date of the balance sheet and the date the ash disposal area is expected to be filled to capacity. The estimated total current cost of the ash disposal closure and post-closure care, \$357,466, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the ash disposal area were acquired as of September 30, 2016. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

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

6. Long-term Debt, continued

Closure and Post-closure Care Costs, continued

The City meets the requirements of the *Local Government Financial Test*, so they are not subject to annual funding requirements. At September 30, 2016, funds of \$356,102 are restricted to finance closure and post-closure of the City’s ash disposal area. These funds are presented on the City’s statement of net position as “restricted for ash disposal 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 post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future users, taxpayers, or both.

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 post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post-closure care costs has a balance of \$3,703,977 as of September 30, 2016, which is based on 37.05 percent usage (filled) of the landfill. It is estimated that an additional \$6,293,261 will be recognized as closure and post-closure 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 post-closure care, \$9,997,238, 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, 2016. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City meets the requirements of the *Local Government Financial Test*, so they are not subject to annual funding requirements. At September 30, 2016, funds of \$4,130,751 are restricted to finance closure and post-closure of the City’s landfill. These funds are presented on the City’s statement of net position 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 post-closure 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, 2016

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	\$ 1,900,000	\$ -
Economic Development	-	750,000
Metropolitan Planning	-	465,000
Transportation	-	115,000
Community Development	-	100,000
Capital Projects	-	700,000
Police Grants	5,830	-
Special Assessments	1,000,000	-
Employee Reserve	<u>456,264</u>	<u>-</u>
Total General Fund	3,362,094	2,130,000
Capital Projects Fund:		
General	700,000	-
Gas Tax	2,450,002	-
Keno	<u>300,000</u>	<u>-</u>
Total Capital Projects Fund	3,450,002	-
Debt Service Fund:		
Special Assessments	1,013,291	-
Gas Tax Fund:		
General	-	1,900,000
Capital Projects	<u>-</u>	<u>2,450,002</u>
Total Gas Tax Fund	-	4,350,002
Nonmajor Funds	995,130	2,349,251

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

September 30, 2016

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

7. Interfund Transactions and Balances, continued

Operating transfers, continued:

	<u>Transfers In</u>	<u>Transfers Out</u>
Employee Reserve Fund	-	456,264
Metropolitan Planning - Component Unit:		
General Fund	<u>465,000</u>	<u>-</u>
Total Operating Transfers	<u>\$ 9,285,517</u>	<u>\$ 9,285,517</u>

As of September 30, 2016, the Golf Fund owed \$58,004 to the General Fund for negative pooled cash. This interfund balance is expected to be eliminated with a transfer from the General Fund to the Golf Fund during the year ending September 30, 2017.

8. Fund Equity

Restricted net position for other purposes consists of the following:

Federal Projects	\$ 239,081
Housing Loans	500,837
Community Improvements	752,978
Library Expenses	740,103
Other Donor Purposes	<u>223,596</u>
	<u>\$ 2,456,595</u>

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

September 30, 2016

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

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 OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

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 \$24,802,608, of which \$23,899,300 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.

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 \$1,588,025 and \$1,433,958, respectively, as required by the plan for the fiscal year ended September 30, 2016.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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, 2016, the City's payroll total and covered under the Plan was \$5,800,893 and \$5,800,893, respectively.

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

September 30, 2016

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Police Plan, continued

Plan Description, continued

As of January 1, 2015, the date of the last actuarial valuation of the defined benefit plan, there were six 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 of 6.5 percent of monthly compensation, and vests 40 percent after two years of service, 60 percent after 4 years, 80 percent after 5 years, and is 100 percent vested at 7 years or more in the City's contributions, which is a matching 7.0 percent.

Funding Status of Defined Benefit Plan

The projected retirement benefits at January 1, 2015, 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 five percent for pre-retirement and four 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, 2016

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 January 1, 2015	\$ 3,188,262
Benefit obligation estimated at January 1, 2015	<u>3,367,848</u>
Funded Status	\$ (<u>179,586</u>)*
Prepaid (accrued) benefit cost recognized in the balance sheet	\$ <u> -</u>

* Recorded as a liability in Employee Reserve Fund.

Contribution Required and Made

The actuarially determined recommended contribution under the defined benefit plan was \$70,759, but no contributions were made for the year ended September 30, 2016, as the liability is covered by the Employee Reserve Fund.

Contributions made under the defined contribution portion of the Police Plan for the year ended September 30, 2016, were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 406,062	7.0%
Employee	<u>406,062</u>	7.0%
Total	\$ <u>812,124</u>	

In addition, there were \$2,456 of voluntary retirement contributions for the year ended September 30, 2016.

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, 2016, the City's payroll total and covered under the Plan was \$4,263,754 and \$4,263,754, respectively.

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

September 30, 2016

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Firefighters Plan, continued

Plan Description, continued

As of January 1, 2015, the date of the last actuarial valuation of the defined benefit plan, there was one active employee in the Firefighters Plan.

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, 2015, 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 five percent for pre-retirement and four 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:

Fair value of plan assets at January 1, 2015	\$ 819,983
Benefit obligation estimated at January 1, 2015	799,948
Funded Status	\$ <u>20,035</u>
Prepaid (accrued) benefit cost recognized in the balance sheet	\$ <u> -</u>

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

September 30, 2016

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, 2016.

Contributions made under the defined contribution portion of the Firefighters Plan for the year ended September 30, 2016, were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 554,288	13.0%
Employee	<u>277,145</u>	6.5%
Total	<u>\$ 831,433</u>	

In addition, there were \$2,428 of voluntary retirement contributions for the year ended September 30, 2016.

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, 2016, was \$624,093. It is recorded as a liability in the employee pension reserve fund.

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>	
9/30/14	\$ -	N/A	-
9/30/15	-	N/A	-
9/30/16	-	N/A	-

Disabled Public Safety Employees

The City provides pension benefits to disabled police officers and firefighters who suffered injuries while being employed by the City. This plan is administered by the City and payments are funded by their respective retirement accounts with the balance coming from the forfeiture/unallocated accounts and if needed the payments are funded and budgeted for annually. The estimated benefit obligation at September 30, 2016 was \$1,148,045 and it is recorded as a liability in the employee pension reserve fund.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

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 \$306,630 to the plan and the City contributed \$0. The employees also contributed \$116,407 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 \$150,000 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, 2016

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 \$1,055,000; the amount represents two months of subsequent claims. Also accrued in the Insurance Fund is \$175,000 of estimated unsubmitted workers compensation claims at September 30, 2016. For all of the reserve funds, a reserve of \$2,271,703 is established in an internal service fund at September 30, 2016.

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>
2013-2014	\$ 430,000	\$ 8,643,127	\$ (8,273,127)	\$ 800,000
2014-2015	800,000	8,651,563	(8,681,563)	770,000
2015-2016	770,000	9,235,965	(8,775,965)	1,230,000

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, 2016, 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, 2016

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>
November 2016	\$ 1,506,414
December 2016	1,434,250
January 2017	3,533,458
February 2017	500,000
March 2017	4,565,308
April 2017	4,519,513
May 2017	8,165,021
June 2017	3,331,001
July 2017	735,000
August 2017	3,127,446
October 2017	1,193,274
November 2017	7,006,427
December 2017	1,032,710
February 2018	2,023,676
March 2018	2,042,564
May 2018	11,567,263
June 2018	1,225,000
July 2018	3,251,357
September 2018	10,404,853
February 2019	500,000
August 2019	250,000
October 2019	750,000
November 2019	1,006,000
February 2020	750,000
May 2020	500,000
October 2020	500,000
November 2020	500,000
June 2022	490,000
	<u>\$ 76,410,535</u>

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

September 30, 2016

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

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.

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, 2016, the City's investments in certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Five Points Bank	\$ 5,034,083
Wells Fargo Bank	10,220,000
Bank of the West	1,000,000
Home Federal Bank	1,193,274
Exchange Bank	11,238,185
First National Bank	10,029,234
Great Western Bank	8,244,513
Cornerstone Bank	<u>29,451,246</u>
	\$ <u>76,410,535</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, 2016.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE D – OTHER NOTES, continued

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 9/30/2016</u>	<u>Obligation Pending</u>
Capital Ave Widening - Webb to Broadwell	\$ 3,638,726	\$ 2,534,420	\$ 1,104,306
Stolley Park Road Pavement Maintenance & Intersection Study	79,300	55,233	24,067
Adams Street Paving Project No. 2016-P-2	109,260	-	109,260
2016 Pavement Condition Assessment	194,365	83,248	111,117
Northwest Flood Control Project	3,442,582	890,287	2,552,295
Faidley Ave & Diers Ave Traffic Signal	65,691	52,144	13,547
4th St to 5th St; Eddy St to Sycamore St - Handicap Ramps	843,262	297,175	546,087
Sanitary Sewer Collection System Rehabilitation in Various Locations	45,862	-	45,862
Upgrade LS 20 & Rehab Forcemain & Abandon LS 14	299,864	-	299,864
Wastewater Major Rehab	9,227,115	8,306,090	921,025
Cemetery Masterplan Addition	4,772	-	4,772
Portable Turf at the Fieldhouse	170,145	-	170,145
Engineering for Restrooms/Concession Building at the Vet's Complex	19,750	-	19,750
North Interceptor Phase 2	11,204,400	10,262,054	942,346
Water Main Project 2015-W-10	148,277	-	148,277
Water Main Project 2016-W-1	131,531	91,342	40,189
Electric L10648 Rebuild	1,741,884	1,726,414	15,470

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction, continued

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2016</u>	<u>Obligation Pending</u>
Electric L1093 Construction	1,493,901	669,992	823,909
Transmission and Substation Engineering	2,383,000	368,442	2,014,558
NPPD 115 kV Substation Changes	45,000	19,496	25,504
Vehicle Storage Building	1,046,615	134,340	912,275
Total City Commitments	<u>\$ 36,335,302</u>	<u>\$ 25,490,677</u>	<u>\$ 10,844,625</u>

Lease Commitments

<u>Lessor</u>	<u>Leased Property</u>	<u>Term</u>	<u>Amount</u>
Hall County Regional Airport Authority	Land for Jack Rabbit Run golf course	May 2006-April 2026	\$18,748/year plus 3% annual increase

Lease commitments as of September 30, 2016, are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2017	\$ 21,101
2018	21,734
2019	22,386
2020	23,058
2021	23,750
Thereafter	<u>118,402</u>
	<u>\$ 230,431</u>

Letter of Credit

The City has a \$2,000,000 standby letter of credit available through Wells Fargo Bank, with Southern Power Pool, Inc. as the beneficiary. As of September 30, 2016, nothing had been drawn on this letter of credit, which expires August 1, 2017.

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

September 30, 2016

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

CDBG Conditional Grant

Under terms of CDBG grant No. 10-ED-010, the City must meet the condition of creating 37 jobs for 12 months to retain the full \$1,010,000 CDBG grant. If 37 jobs are not created by March 25, 2017, a prorated portion of grant will be due back to Nebraska Department of Economic Development. As of September 30, 2016, the City has not met the job creation condition but expects to receive an extension to the March 25, 2017 deadline from Nebraska DED.

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 has also entered into an agreement with the Public Power Generating Agency to obtain approximately 15 MW of energy. The project was completed in May 2011. During the year ended September 30, 2016, the Department entered into a 25-year agreement with Invenergy for the entire 35.8 MW output of the Prairie Breeze III windfarm near Elgin, Nebraska. This facility came online in March 2016. Subsequent agreements with the City of Nebraska City and City of Neligh for 7 MW and 2 MW, respectively, have since been signed.

The Department entered into a coal supply agreement with Cloud Peak Energy Resources, LLC, on April 28, 2015, to obtain approximately 375,000 tons of coal from January 1, 2016, to December 31, 2016. On April 21, 2016, the Department also entered into an agreement with Arch Coal Sales Company, Inc. to obtain at least 150,000 tons of coal from January 1, 2017, to December 31, 2017. The Department received 261,488 tons from January 1, 2016, through September 30, 2016, leaving 113,512 tons under contract for the remainder of calendar year 2016 and 150,000 tons under contract for calendar year 2017.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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 235 MW from coal-fired and gas/oil-fired electric generating stations. Two older gas-fired steam units have been removed from the market lowering the generation capacity by 38 MW. The peak load of the Department during the fiscal year ended September 30, 2016, was approximately 169 MW in July 2016.

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 accrued in lieu of tax in the amount of \$675,217 for the year ended September 30, 2016.

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. The Water Fund accrued in lieu of tax in the amount of \$78,886 for the year ended September 30, 2016.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE D – OTHER NOTES, continued

5. Major Customers

The City has one customer that was billed \$5,672,169 for electricity, \$861,478 for water and \$2,186,226 for sewer for the year ended September 30, 2016. This represents 8.7 percent of total electric billing, 15.6 percent of total water billing, and 18.8 percent of total sewer billing, respectively, for the year ended September 30, 2016. This customer maintains a current status on monthly billings.

The City has three sanitary landfill customers that had a combined total billing of \$2,207,538 for the year ended September 30, 2016. This represents 81.3 percent of total sanitary landfill billings for the year ended September 30, 2016. These customers maintain current status on monthly billings.

6. EPA Emissions Allowances

As of September 30, 2016, the City had 13,096 Acid Rain 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 \$0.75 (the September 30, 2016, market value), the City would recognize revenue of \$9,822. The City will receive an additional 2,932 credits per year until 2043.

The Cross-State Air Pollution Rule was revived in October 2014 when the DC Circuit Court lifted its stay of the rule which the EPA has proposed starting in 2015. This rule created four new emissions trading programs, two annual SO₂, an annual NO_x, and a seasonal NO_x. The annual programs started January 1, 2015, while the seasonal NO_x program began on May 1, 2015. The City is subject only to the annual programs for both NO_x and SO₂. As of September 30, 2016, the City had 393 annual NO_x credits and 3,119 Group 2 SO₂ allowances. The allowances can be bought and sold. If the credits and allowances were sold for their estimated market value of \$10 and \$4 per unit, respectively, the City would recognize revenue of \$16,406. The City will receive an additional 855 NO_x and 2,224 Group 2 SO₂ credits in 2017 and 2018.

7. Subsequent Events

Management has evaluated subsequent events through February 10, 2017, the date on which the financial statements were available for issue.

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

September 30, 2016

NOTE D – OTHER NOTES, continued

8. Union Contracts

The City is subject to the following union contracts:

- Grand Island Fraternal Order of Police #24. This agreement commenced on October 1, 2016, and terminates on September 30, 2019.
- Grand Island International Association of Firefighters Local #647. This agreement commenced on October 1, 2014, and terminates on September 30, 2017.
- Grand Island International Brotherhood of Electrical Workers (IBEW) (Wastewater Treatment Plant) Local #1597. This agreement commenced on October 1, 2014, and terminates September 30, 2018.
- Grand Island AFSCME Nebraska Public Employees Local #251. This agreement commenced October 1, 2014, and terminates September 30, 2018.
- Grand Island IBEW (Utilities) Local #1597. This agreement commenced October 1, 2014, and terminates September 30, 2017.
- Grand Island IBEW (Service-Clerical) Local #1597. This agreement commenced October 1, 2014, and terminates September 30, 2018.
- Grand Island IBEW (Finance Department) Local #1597. This agreement commenced October 1, 2014, and terminates September 30, 2018.

9. Interlocal Agreements

The City is a party to 52 interlocal agreements in effect as of September 30, 2016. The City Clerk maintains a complete list of the interlocal agreements in effect.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND ISLAND, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND

Year ended September 30, 2016

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 8,357,940	\$ 8,218,739	\$ (139,201)
Motor vehicle	951,492	1,082,389	130,897
Occupation	1,696,102	1,432,564	(263,538)
Sales tax	16,172,868	16,149,473	(23,395)
Franchise	1,723,247	2,292,362	569,115
Intergovernmental	2,020,412	2,041,735	21,323
Charges for services	7,932,064	10,011,432	2,079,368
Interest income	33,585	69,754	36,169
Contributions	-	16,510	16,510
Loan proceeds	970,000	-	(970,000)
Sale of property	190,220	101,698	(88,522)
Other	290,638	416,580	125,942
	<hr/>	<hr/>	<hr/>
Total resources	40,338,568	41,833,236	1,494,668
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government:			
City Administrator's office	422,053	448,630	26,577
Economic development	525,000	422,830	(102,170)
Mayor's office	24,865	19,169	(5,696)
Council	93,471	91,285	(2,186)
City clerk	144,769	136,832	(7,937)
Finance	2,152,104	2,021,701	(130,403)
Legal	366,156	366,708	552
Grand Generation Center	-	28,657	28,657
City Hall	500,383	305,027	(195,356)
Human resources	584,205	550,441	(33,764)
Total general government	<hr/>	<hr/>	<hr/>
	4,813,006	4,391,280	(421,726)
Public safety:			
Building inspection	943,051	862,044	(81,007)
Fire services	8,858,561	9,314,216	455,655
Police	11,111,866	10,557,746	(554,120)
Law Enforcement Center	289,289	281,277	(8,012)
Emergency management	417,108	428,649	11,541
Local emergency planning	15,570	2,225	(13,345)
Communication	1,027,161	943,404	(83,757)
Total public safety	<hr/>	<hr/>	<hr/>
	22,662,606	22,389,561	(273,045)

CITY OF GRAND ISLAND, NEBRASKA

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

Year ended September 30, 2016

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
CHARGES TO APPROPRIATIONS (OUTFLOWS), continued			
Public works:			
Engineering	1,441,795	933,445	(508,350)
Streets and transportation	7,214,017	6,924,035	(289,982)
Total public works	<u>8,655,812</u>	<u>7,857,480</u>	<u>(798,332)</u>
Environment and leisure:			
Planning	258,152	243,567	(14,585)
CRA division	46,710	44,192	(2,518)
Library	1,963,214	1,876,292	(86,922)
Parks	1,852,419	1,808,325	(44,094)
Cemetery	547,856	539,941	(7,915)
Recreation	216,461	221,935	5,474
Fieldhouse	242,635	216,896	(25,739)
Aquatics	598,939	591,901	(7,038)
Public information	234,466	210,793	(23,673)
Heartland Shooting Park	510,769	557,314	46,545
Total environment and leisure	<u>6,471,621</u>	<u>6,311,156</u>	<u>(160,465)</u>
Non-departmental	<u>3,175,891</u>	<u>3,815,839</u>	<u>639,948</u>
Total charges to appropriations	<u>45,778,936</u>	<u>44,765,316</u>	<u>(1,013,620)</u>
Resources over (under) charges to appropriations	(5,440,368)	(2,932,080)	2,508,288
OTHER FINANCING SOURCES (USES)			
Transfers in	5,070,000	3,362,094	(1,707,906)
Transfers out	<u>(2,145,000)</u>	<u>(2,130,000)</u>	<u>15,000</u>
Net transfers	<u>2,925,000</u>	<u>1,232,094</u>	<u>(1,692,906)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (2,515,368)</u>	<u>\$ (1,699,986)</u>	<u>\$ 815,382</u>

CITY OF GRAND ISLAND, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
CAPITAL PROJECTS FUND**

Year ended September 30, 2016

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Intergovernmental	\$ 2,109,713	\$ 1,019,804	\$ (1,089,909)
Other revenue	-	7,307	7,307
	<hr/>	<hr/>	<hr/>
Total resources	2,109,713	1,027,111	(1,082,602)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Capital projects	-	71,604	71,604
Gas tax projects	4,375,443	-	(4,375,443)
GITV HD implementation	80,000	-	(80,000)
Alternate 911 Center	100,000	-	(100,000)
Bonded street and sewer projects	2,500,000	-	(2,500,000)
Public works projects	1,005,000	1,809,661	804,661
Cemetery	5,000	-	(5,000)
Park projects	555,093	645,724	90,631
Contingency	750,000	-	(750,000)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	9,370,536	2,526,989	(6,843,547)
Resources over (under) charges to appropriations	(7,260,823)	(1,499,878)	5,760,945
OTHER FINANCING SOURCES (USES)			
Transfers in	8,320,000	3,450,002	(4,869,998)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	\$ 1,059,177	\$ 1,950,124	\$ 890,947
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF GRAND ISLAND, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
DEBT SERVICE FUND

Year ended September 30, 2016

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 816,000	\$ 809,405	\$ (6,595)
Motor vehicle tax	5,982	(5,572)	(11,554)
Interest income	900	3,962	3,062
Bond proceeds	<u>3,400,000</u>	<u>1,231,000</u>	<u>(2,169,000)</u>
Total resources	4,222,882	2,038,795	(2,184,087)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	3,209,117	2,985,000	(224,117)
Interest expense	99,818	64,892	(34,926)
Fiscal agent fees	<u>14,000</u>	<u>18,869</u>	<u>4,869</u>
Total charges to appropriations	<u>3,322,935</u>	<u>3,068,761</u>	<u>(254,174)</u>
Resources over (under) charges to appropriations	899,947	(1,029,966)	(1,929,913)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,521,000	1,013,291	(1,507,709)
Transfers out	<u>(3,400,000)</u>	<u>-</u>	<u>3,400,000</u>
Net transfers	<u>(879,000)</u>	<u>1,013,291</u>	<u>1,892,291</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ 20,947</u>	<u>\$ (16,675)</u>	<u>\$ (37,622)</u>

CITY OF GRAND ISLAND, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
GAS TAX FUND

Year ended September 30, 2016

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ -	\$ 261,405	\$ 261,405
Intergovernmental	5,039,765	5,153,265	113,500
Other revenue	-	138	138
	<hr/>	<hr/>	<hr/>
Total resources	5,039,765	5,414,808	375,043
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
	<hr/>	<hr/>	<hr/>
Resources over charges to appropriations	5,039,765	5,414,808	375,043
OTHER FINANCING SOURCES (USES)			
Transfers out	<hr/>	<hr/>	<hr/>
	(5,800,000)	(4,350,002)	1,449,998
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ (760,235)	\$ 1,064,806	\$ 1,825,041

CITY OF GRAND ISLAND, NEBRASKA

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

Year ended September 30, 2016

**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>	<u>Gas Tax Fund</u>
Sources/inflows of resources:				
Actual amounts of resources (budgetary basis from the budgetary comparison schedules)	\$ 41,833,236	\$ 1,027,111	\$ 2,038,795	\$ 5,414,808
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>(43,996)</u>	<u>-</u>	<u>(7,892)</u>	<u>4,421,870</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 41,789,240</u></u>	<u><u>\$ 1,027,111</u></u>	<u><u>\$ 2,030,903</u></u>	<u><u>\$ 9,836,678</u></u>
Uses/outflows of resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 44,765,316	\$ 2,526,989	\$ 3,068,761	\$ -
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>(535,763)</u>	<u>(178,609)</u>	<u>5,945</u>	<u>4,614,226</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 44,229,553</u></u>	<u><u>\$ 2,348,380</u></u>	<u><u>\$ 3,074,706</u></u>	<u><u>\$ 4,614,226</u></u>
Net transfers:				
Actual amounts (budgetary basis) from the budgetary comparison schedules	\$ 1,232,094	\$ 3,450,002	\$ 1,013,291	\$ (4,350,002)
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net transfers as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,232,094</u></u>	<u><u>\$ 3,450,002</u></u>	<u><u>\$ 1,013,291</u></u>	<u><u>\$ (4,350,002)</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, 2016

Condition Rating of the City's Street System

	Percentage of Streets in <u>Good or Better Condition</u>
	<u>2016</u>
Arterial	86.30 %
Local	81.50 %
Collector	59.40 %
Overall system	75.94 %

	Percentage of Streets in <u>Substandard Condition</u>
	<u>2016</u>
Arterial	3.00 %
Local	4.80 %
Collector	2.50 %
Overall system	2.87 %

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

	<u>2016</u>
Overall System:	
Needed	\$ 4,673
Actual	1,895
Difference	<u>\$ 2,778</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 excellent condition (85-100), very good condition (75-80), good condition (65-75), fair condition (55-65), marginal condition (45-55), poor condition (30-45), and very poor condition (0-30). It is the City's policy to maintain and preserve the infrastructure assets at a 75 percent condition level. (The condition level was 75.9 percent at September 30, 2014). No more than 10 percent should be in a substandard condition. The City completed an overall condition assessment of the entire City's roads during the Fall of 2016, in accordance with the three year requirement. The City will perform the same assessment during the Fall of 2019.

Note: City-Owned Bridges on the Nebraska Department of Roads Bridge Inventory are to be inspected at intervals not exceeding 24 months and the City is in compliance with that requirement. The City of Grand Island currently has 25 bridges on the bridge inventory. All of the bridges are in service and classified as functional.

CITY OF GRAND ISLAND, NEBRASKA

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

Year ended September 30, 2016

<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
1/1/2015	4,008,245	4,167,862	159,551	100% *	367,487	43.4%

* Funded by the employee pension reserve fund.

SUPPLEMENTARY INFORMATION

CITY OF GRAND ISLAND, NEBRASKA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2016

	Permanent Funds		Special Revenue Funds	
	Library Trust	Cemetery Trust	Enhanced 911	PSC Wireless
ASSETS				
Cash and cash equivalents	\$ 3,052	\$ 82,395	\$ 294,216	\$ 39,126
Investments	54,154	636,543	471,426	58,426
County treasurer cash	-	-	-	-
Receivables:				
Accounts receivable	-	-	-	-
Special assessments	-	-	-	-
Notes	-	-	-	-
Interest	-	249	-	-
Property tax	-	-	-	-
Due from other governments	-	-	-	-
	Total assets	\$ 719,187	\$ 765,642	\$ 97,552
	\$ 57,206	\$ 719,187	\$ 765,642	\$ 97,552
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 3	\$ -
Due to other funds	-	-	-	-
Unavailable property tax	-	-	-	-
Accrued expenses	-	-	986	2,984
Total liabilities	-	-	989	2,984
Fund balances:				
Nonspendable:				
Cemetery perpetual care	-	719,187	-	-
Library trust	57,206	-	-	-
Restricted for:				
Economic development	-	-	-	-
Federal programs	-	-	-	-
Housing loans	-	-	-	-
Equipment purchases	-	-	-	2,662
Community improvements	-	-	-	-
Library expenses	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Budgetary stabilization	-	-	426,637	52,457
Encumbrances	-	-	2,924	-
Other purposes	-	-	335,092	39,449
Unassigned	-	-	-	-
	Total fund balances	719,187	764,653	94,568
	\$ 57,206	\$ 719,187	\$ 765,642	\$ 97,552
	Total liabilities and fund			
	balances	\$ 719,187	\$ 765,642	\$ 97,552
	\$ 57,206	\$ 719,187	\$ 765,642	\$ 97,552

<u>Keno</u>	<u>Transportation</u>	<u>Community Youth Council</u>	<u>Program Income Reuse Fund</u>	<u>Housing Reuse Fund</u>	<u>Community Development</u>
\$ 54,688	\$ 4,686	\$ 14,914	\$ 69,674	\$ 47,861	\$ 26,055
87,627	7,510	23,898	111,640	76,688	821
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	65,476	350,745	-
-	-	-	-	-	-
-	-	-	-	-	-
11,460	50,000	-	-	-	-
<u>\$ 153,775</u>	<u>\$ 62,196</u>	<u>\$ 38,812</u>	<u>\$ 246,790</u>	<u>\$ 475,294</u>	<u>\$ 26,876</u>
\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 135
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,968
-	100,000	-	-	-	2,103
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	246,790	-	-
-	-	-	-	-	-
-	-	-	-	475,294	25,543
-	-	-	-	-	-
153,775	-	-	-	-	-
-	-	-	-	-	-
-	-	7,994	-	-	-
-	-	-	-	-	-
-	-	30,818	-	-	-
-	(37,804)	-	-	-	(770)
<u>153,775</u>	<u>(37,804)</u>	<u>38,812</u>	<u>246,790</u>	<u>475,294</u>	<u>24,773</u>
<u>\$ 153,775</u>	<u>\$ 62,196</u>	<u>\$ 38,812</u>	<u>\$ 246,790</u>	<u>\$ 475,294</u>	<u>\$ 26,876</u>

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

September 30, 2016

	Special Revenue Funds			
	Police <u>Grants</u>	Occupation <u>Tax</u>	Parking <u>District #1</u>	Parking <u>District #2</u>
ASSETS				
Cash and cash equivalents	\$ 4,528	\$ 175,890	\$ 21,197	\$ 57,595
Investments	7,255	281,831	33,963	49,122
County treasurer cash	-	-	-	1,569
Receivables:				
Accounts receivable	-	279,163	-	-
Special assessments	-	-	9,129	-
Notes	-	-	-	-
Interest	-	-	-	-
Property tax	-	-	261	-
Due from other governments	17,072	-	-	-
Total assets	\$ 28,855	\$ 736,884	\$ 64,550	\$ 108,286
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 137,681	\$ 865	\$ 244
Due to other funds	-	-	-	-
Unavailable property tax	-	-	171	-
Accrued expenses	-	-	-	-
Total liabilities	-	137,681	1,036	244
Fund balances:				
Nonspendable:				
Cemetery perpetual care	-	-	-	-
Library trust	-	-	-	-
Restricted for:				
Economic development	-	-	-	-
Federal programs	28,855	-	-	-
Housing loans	-	-	-	-
Equipment purchases	-	-	-	-
Community improvements	-	599,203	-	-
Library expenses	-	-	-	-
Other purposes	-	-	-	26,939
Assigned for:				
Budgetary stabilization	-	-	18,245	4,339
Encumbrances	-	-	3,407	501
Other purposes	-	-	41,862	76,263
Unassigned	-	-	-	-
Total fund balances	28,855	599,203	63,514	108,042
Total liabilities and fund balances	\$ 28,855	\$ 736,884	\$ 64,550	\$ 108,286

Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
Local Assistance	Pioneer Consortium	Economic Development	Community Grants	Special Assessments	
\$ 351,886	\$ 29,643	\$ 371,923	\$ 36,771	\$ 138,113	\$ 1,824,213
604,606	47,496	595,937	58,919	221,301	3,429,163
-	-	-	-	-	1,569
-	-	-	-	-	279,163
-	-	-	-	1,289,525	1,298,654
-	-	202,365	114,536	-	733,122
-	-	-	-	95,379	95,628
-	-	-	-	-	261
-	-	-	125,597	-	204,129
<u>\$ 956,492</u>	<u>\$ 77,139</u>	<u>\$ 1,170,225</u>	<u>\$ 335,823</u>	<u>\$ 1,744,318</u>	<u>\$ 7,865,902</u>
\$ -	\$ -	\$ -	\$ 125,597	\$ -	\$ 364,525
-	-	-	-	-	-
-	-	-	-	-	171
-	-	-	-	-	5,938
-	-	-	125,597	-	370,634
-	-	-	-	-	719,187
-	-	-	-	-	57,206
-	-	1,170,225	-	-	1,417,015
-	-	-	210,226	-	239,081
-	-	-	-	-	500,837
-	-	-	-	-	2,662
-	-	-	-	-	752,978
740,103	-	-	-	-	740,103
62,312	77,139	-	-	-	166,390
142,307	-	-	-	-	651,979
11,770	-	-	-	-	18,602
-	-	-	-	1,744,318	2,267,802
-	-	-	-	-	(38,574)
<u>956,492</u>	<u>77,139</u>	<u>1,170,225</u>	<u>210,226</u>	<u>1,744,318</u>	<u>7,495,268</u>
<u>\$ 956,492</u>	<u>\$ 77,139</u>	<u>\$ 1,170,225</u>	<u>\$ 335,823</u>	<u>\$ 1,744,318</u>	<u>\$ 7,865,902</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, 2016

	Permanent Funds		Special Revenue Funds	
	Library Trust	Cemetery Trust	Enhanced 911	PSC Wireless
REVENUES				
Occupation tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Keno	-	-	-	-
Property tax	-	-	-	-
Motor vehicle tax	-	-	-	-
Special assessments	-	-	-	-
Charges for services	-	31,340	204,269	122,335
Interest income	4,976	3,808	-	-
Contributions	-	-	-	-
Other revenue	-	-	812	-
Total revenues	4,976	35,148	205,081	122,335
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	157,679	105,286
Environment and leisure	-	-	-	-
Total expenditures	-	-	157,679	105,286
Excess (deficiency) of revenues over expenditures	4,976	35,148	47,402	17,049
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net transfers	-	-	-	-
Net change in fund balances	4,976	35,148	47,402	17,049
Fund balances - September 30, 2015				
As previously reported	52,230	684,039	716,332	73,878
Restatement	-	-	919	3,641
As restated	52,230	684,039	717,251	77,519
Fund balances - September 30, 2016	\$ 57,206	\$ 719,187	\$ 764,653	\$ 94,568

<u>Keno</u>	<u>Transportation</u>	<u>Community Youth Council</u>	<u>Program Income Reuse Fund</u>	<u>Housing Reuse Fund</u>	<u>Community Development</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	50,000	-	-	-	-
231,595	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	4,369
1,058	1	187	52	659	-
-	-	2,505	-	-	-
-	-	56	-	-	28
<u>232,653</u>	<u>50,001</u>	<u>2,748</u>	<u>52</u>	<u>659</u>	<u>4,397</u>
-	-	-	-	-	84,402
-	-	-	-	-	-
-	203,619	850	-	33,720	-
<u>-</u>	<u>203,619</u>	<u>850</u>	<u>-</u>	<u>33,720</u>	<u>84,402</u>
232,653	(153,618)	1,898	52	(33,061)	(80,005)
-	115,000	-	-	30,130	100,000
(300,000)	-	-	-	-	-
<u>(300,000)</u>	<u>115,000</u>	<u>-</u>	<u>-</u>	<u>30,130</u>	<u>100,000</u>
(67,347)	(38,618)	1,898	52	(2,931)	19,995
221,122	814	35,783	246,738	478,225	3,984
-	-	1,131	-	-	794
<u>221,122</u>	<u>814</u>	<u>36,914</u>	<u>246,738</u>	<u>478,225</u>	<u>4,778</u>
<u>\$153,775</u>	<u>\$ (37,804)</u>	<u>\$ 38,812</u>	<u>\$ 246,790</u>	<u>\$ 475,294</u>	<u>\$ 24,773</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, 2016

	Special Revenue Funds			
	Police <u>Grants</u>	Occupation <u>Tax</u>	Parking <u>District #1</u>	Parking <u>District #2</u>
REVENUES				
Occupation tax	\$ -	\$ 998,107	\$ -	\$ -
Intergovernmental	70,916	5,635	-	-
Keno	-	-	-	-
Property tax	-	-	90	8,011
Motor vehicle tax	-	-	-	24
Special assessments	-	-	39,224	-
Charges for services	-	-	6,170	7,485
Interest income	-	7,316	457	652
Contributions	-	-	-	-
Other revenue	27,477	-	753	27
Total revenues	<u>98,393</u>	<u>1,011,058</u>	<u>46,694</u>	<u>16,199</u>
EXPENDITURES				
General government	-	406,220	76,211	45,483
Public safety	77,311	-	-	-
Environment and leisure	-	5,635	-	-
Total expenditures	<u>77,311</u>	<u>411,855</u>	<u>76,211</u>	<u>45,483</u>
Excess (deficiency) of revenues over expenditures	21,082	599,203	(29,517)	(29,284)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(5,830)	-	-	-
Net transfers	<u>(5,830)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	15,252	599,203	(29,517)	(29,284)
Fund balances - September 30, 2015				
As previously reported	13,603	-	93,031	137,326
Restatement	-	-	-	-
As restated	<u>13,603</u>	<u>-</u>	<u>93,031</u>	<u>137,326</u>
Fund balances - September 30, 2016	<u>\$ 28,855</u>	<u>\$ 599,203</u>	<u>\$ 63,514</u>	<u>\$ 108,042</u>

<u>Special Revenue Funds</u>				<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Local Assistance</u>	<u>Pioneer Consortium</u>	<u>Economic Development</u>	<u>Community Grants</u>	<u>Special Assessments</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 998,107
-	34,591	-	380,544	-	541,686
-	-	-	-	-	231,595
-	-	-	-	-	8,101
-	-	-	-	-	24
-	-	-	-	83,031	122,255
38,246	-	-	-	-	414,214
-	368	4,519	-	5,380	29,433
55,115	-	-	2,999	-	60,619
164	-	-	1	-	29,318
<u>93,525</u>	<u>34,959</u>	<u>4,519</u>	<u>383,544</u>	<u>88,411</u>	<u>2,435,352</u>
10,000	-	407,500	420,212	-	1,450,028
24,995	-	-	-	-	365,271
23,559	34,470	-	-	-	301,853
<u>58,554</u>	<u>34,470</u>	<u>407,500</u>	<u>420,212</u>	<u>-</u>	<u>2,117,152</u>
34,971	489	(402,981)	(36,668)	88,411	318,200
-	-	750,000	-	-	995,130
-	-	-	(30,130)	(2,013,291)	(2,349,251)
<u>-</u>	<u>-</u>	<u>750,000</u>	<u>(30,130)</u>	<u>(2,013,291)</u>	<u>(1,354,121)</u>
34,971	489	347,019	(66,798)	(1,924,880)	(1,035,921)
921,521	76,650	823,206	277,024	3,669,198	8,524,704
-	-	-	-	-	6,485
<u>921,521</u>	<u>76,650</u>	<u>823,206</u>	<u>277,024</u>	<u>3,669,198</u>	<u>8,531,189</u>
<u>\$ 956,492</u>	<u>\$ 77,139</u>	<u>\$ 1,170,225</u>	<u>\$ 210,226</u>	<u>\$ 1,744,318</u>	<u>\$ 7,495,268</u>

CITY OF GRAND ISLAND, NEBRASKA

COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS

September 30, 2016

	Internal Service Funds				
	Information Technology	Fleet Services	Insurance	Equipment Reserve	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 116,956	\$ 41,401	\$ 1,378,969	\$ 113,006	\$ 1,650,332
Investments	187,400	66,338	2,209,542	181,071	2,644,351
Receivables:					
Accounts, net of allowance for doubtful accounts	-	77,358	-	-	77,358
Inventory	-	136,842	-	-	136,842
Total current assets	304,356	321,939	3,588,511	294,077	4,508,883
Noncurrent assets:					
Capital assets:					
Buildings and equipment	1,480,930	290,588	-	-	1,771,518
Less accumulated depreciation	(1,239,171)	(227,650)	-	-	(1,466,821)
Net capital assets	241,759	62,938	-	-	304,697
Total assets	546,115	384,877	3,588,511	294,077	4,813,580
LIABILITIES					
Current liabilities:					
Accounts payable	4,507	5,570	86,808	-	96,885
Accrued expenses	47,070	34,942	1,230,000	-	1,312,012
Total current liabilities	51,577	40,512	1,316,808	-	1,408,897
Noncurrent liabilities:					
Compensated absences - noncurrent	13,089	13,366	-	-	26,455
Total liabilities	64,666	53,878	1,316,808	-	1,435,352
NET POSITION					
Net investment in capital assets	241,759	62,938	-	-	304,697
Unrestricted	239,690	268,061	2,271,703	294,077	3,073,531
Total net position	\$ 481,449	\$ 330,999	\$ 2,271,703	\$ 294,077	\$ 3,378,228

CITY OF GRAND ISLAND, NEBRASKA

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

For the year ended September 30, 2016

	Internal Service Funds				Total
	Information Technology	Fleet Services	Insurance	Equipment Reserve	
Operating revenues:					
Charges for services	\$1,095,271	\$ 1,051,685	\$ 8,737,377	\$ -	\$ 10,884,333
Other revenue	3,481	12,533	15,329	211	31,554
Total operating revenues	<u>1,098,752</u>	<u>1,064,218</u>	<u>8,752,706</u>	<u>211</u>	<u>10,915,887</u>
Operating expenses:					
Information technology	1,073,546	-	-	-	1,073,546
Central garage	-	1,141,700	-	-	1,141,700
Insurance and benefits	-	-	9,374,168	-	9,374,168
Building maintenance	-	-	-	44,063	44,063
Depreciation	74,064	6,004	-	-	80,068
Total operating expenses	<u>1,147,610</u>	<u>1,147,704</u>	<u>9,374,168</u>	<u>44,063</u>	<u>11,713,545</u>
Operating loss	(48,858)	(83,486)	(621,462)	(43,852)	(797,658)
Nonoperating revenues (expenses):					
Interest income	4,488	600	23,258	1,551	29,897
Intergovernmental	-	-	-	51,198	51,198
Total nonoperating revenues (expenses)	<u>4,488</u>	<u>600</u>	<u>23,258</u>	<u>52,749</u>	<u>81,095</u>
Change in net position	(44,370)	(82,886)	(598,204)	8,897	(716,563)
Net position - September 30, 2015	<u>525,819</u>	<u>413,885</u>	<u>2,869,907</u>	<u>285,180</u>	<u>4,094,791</u>
Net position - September 30, 2016	<u>\$ 481,449</u>	<u>\$ 330,999</u>	<u>\$ 2,271,703</u>	<u>\$ 294,077</u>	<u>\$ 3,378,228</u>

CITY OF GRAND ISLAND, NEBRASKA

**COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS**

For the year ended September 30, 2016

	Internal Service Funds				Total
	Information Technology	Fleet Services	Insurance	Equipment Reserve	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from other funds	\$ 1,098,752	\$ 1,076,354	\$ 8,752,706	\$ 211	\$ 10,928,023
Payments to suppliers	(717,158)	(862,557)	(9,708,488)	(59,230)	(11,347,433)
Payments to employees	(347,345)	(273,004)	-	-	(620,349)
Net cash provided (used) by operating activities	34,249	(59,207)	(955,782)	(59,019)	(1,039,759)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of capital assets	(22,743)	-	-	-	(22,743)
Intergovernmental receipts	-	-	-	51,198	51,198
Net cash provided (used) by capital and related financing activities	(22,743)	-	-	51,198	28,455
CASH FLOWS FROM INVESTING ACTIVITIES:					
Net (purchase) sale of investment securities	(4,329)	39,269	660,705	9,609	705,254
Interest received	4,488	600	23,258	1,551	29,897
Net cash provided by investing activities	159	39,869	683,963	11,160	735,151
Increase (decrease) in cash and cash equivalents	11,665	(19,338)	(271,819)	3,339	(276,153)
Cash and cash equivalents - beginning of the year	105,291	60,739	1,650,788	109,667	1,926,485
Cash and cash equivalents - end of the year	\$ 116,956	\$ 41,401	\$ 1,378,969	\$ 113,006	\$ 1,650,332
Reconciliation of operating loss to net cash provided (used) by operating activities:					
Operating loss	\$ (48,858)	\$ (83,486)	\$ (621,462)	\$ (43,852)	\$ (797,658)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:					
Depreciation expense	74,064	6,004	-	-	80,068
Change in assets and liabilities:					
Accounts receivable	-	12,136	-	-	12,136
Inventories	-	(3,050)	-	-	(3,050)
Accounts payable and accrued expenses	9,043	9,189	(334,320)	(15,167)	(331,255)
Net cash provided (used) by operating activities	\$ 34,249	\$ (59,207)	\$ (955,782)	\$ (59,019)	\$ (1,039,759)

CITY OF GRAND ISLAND, NEBRASKA

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS

September 30, 2016

	Employee Reserve	Agency Funds			Total Agency Funds
		Cafeteria Plan	Other Agencies	BID Assessments	
ASSETS					
Cash	\$ 81,546	\$ 1,839	\$ 57,914	\$ 778	\$ 60,531
Investments	4,068,051	2,945	92,796	1,245	96,986
Special assessments receivable	-	-	-	27,460	27,460
Total assets	<u>4,149,597</u>	<u>4,784</u>	<u>150,710</u>	<u>29,483</u>	<u>184,977</u>
LIABILITIES					
Agency liabilities	-	4,784	150,710	29,483	184,977
Pension liability	2,031,549	-	-	-	-
Total liabilities	<u>2,031,549</u>	<u>4,784</u>	<u>150,710</u>	<u>29,483</u>	<u>184,977</u>
NET POSITION					
Held in trust for pension benefits	<u>\$ 2,118,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GRAND ISLAND, NEBRASKA

COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

For the year ended September 30, 2016

	<u>Employee Reserve</u>
ADDITIONS	
Interest and dividends	\$ 679,940
DEDUCTIONS	
Pension benefits	430,088
Loss on investments	309,413
Total deductions	<u>739,501</u>
Deductions in excess of additions	(59,561)
OTHER FINANCING USES	
Transfers out	<u>(456,264)</u>
Change in net position	(515,825)
Net position - September 30, 2015	<u>2,633,873</u>
Net position - September 30, 2016	<u><u>\$ 2,118,048</u></u>

CITY OF GRAND ISLAND, NEBRASKA

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS

September 30, 2016

	<u>Business Improvement Districts</u>	<u>Metropolitan Planning Organization</u>	<u>Grand Island Facilities Corporation</u>	<u>Community Redevelopment Authority</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 77,536	\$ 127,226	\$ -	\$ 725,075	\$ 929,837
County treasurer cash	-	203,856	-	114,460	318,316
Receivables:					
Special assessments	27,460	-	-	-	27,460
Current portion of notes from redevelopers	-	-	-	30,071	30,071
Property tax	-	-	-	66,935	66,935
Due from other governments	-	25,861	-	-	25,861
Total current assets	104,996	356,943	-	936,541	1,398,480
Noncurrent assets:					
Restricted cash	-	-	-	118,743	118,743
Notes from redevelopers	-	-	-	281,178	281,178
Capital assets:					
Land, infrastructure, and construction in progress	-	-	-	575,369	575,369
Other capital assets, net of depreciation	45,648	-	-	-	45,648
Net capital assets	45,648	-	-	575,369	621,017
Total noncurrent assets	45,648	-	-	975,290	1,020,938
Total assets	150,644	356,943	-	1,911,831	2,419,418
LIABILITIES					
Current liabilities:					
Accounts payable	-	34	-	34,474	34,508
Accrued expenses	1,948	3,607	-	6,289	11,844
Unavailable property tax	-	-	-	61,021	61,021
Current portion of long-term obligations	-	-	-	255,374	255,374
Total current liabilities	1,948	3,641	-	357,158	362,747
Noncurrent liabilities:					
Compensated absences - noncurrent	-	60	-	-	60
Noncurrent portion of long-term obligations	-	-	-	1,303,701	1,303,701
Total liabilities	1,948	3,701	-	1,660,859	1,666,508
NET POSITION					
Net investment in capital assets	45,648	-	-	575,369	621,017
Restricted for:					
Redevelopers	-	-	-	18,743	18,743
Life safety grants	-	-	-	100,000	100,000
Unrestricted	103,048	353,242	-	(443,140)	13,150
Total net position	\$ 148,696	\$ 353,242	\$ -	\$ 250,972	\$ 752,910

CITY OF GRAND ISLAND, NEBRASKA
COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS
For the year ended September 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Business Improvement Districts:			
Fonner Park Business Improvement District	\$ 29,547	\$ -	\$ -
South Locust Business Improvement District	69,788	-	-
Downtown Business Improvement District	207,756	7,314	-
Total Business Improvement Districts	307,091	7,314	-
Metropolitan Planning Organization:			
General government	257,539	891	165,624
Grand Island Facilities Corporation:			
Library construction project	792,261	792,261	-
Community Redevelopment Authority:			
General government	71,972	-	-
Community development	1,162,173	-	706,427
Interest on long-term debt	45,276	-	-
Total Community Redevelopment Authority	1,279,421	-	706,427
Total Component Units	\$ 2,636,312	\$ 800,466	\$ 872,051

Program Revenues	Net (Expenses) Receipts and Changes in Net Position				
	Component Units				
	Business Improvement Districts	Metropolitan Planning Organization	Grand Island Facilities Corporation	Community Redevelopment Authority	Total
\$ -	\$ (29,547)				\$ (29,547)
-	(69,788)				(69,788)
13,150	(187,292)				(187,292)
<u>13,150</u>	<u>(286,627)</u>				<u>(286,627)</u>
-	-	\$ (91,024)			(91,024)
-	-	-	\$ -		-
-	-	-	-	\$ (71,972)	(71,972)
-	-	-	-	(455,746)	(455,746)
-	-	-	-	(45,276)	(45,276)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(572,994)</u>	<u>(572,994)</u>
<u>\$ 13,150</u>	<u>(286,627)</u>	<u>(91,024)</u>	<u>-</u>	<u>(572,994)</u>	<u>(950,645)</u>
General revenues:					
Taxes:					
Property	-	-	-	725,532	725,532
Special assessments	206,043	-	-	-	206,043
Miscellaneous	-	6	-	24,806	24,812
Interest income	56	241	-	173	470
Transfer from City	-	465,000	-	-	465,000
Total general revenues	<u>206,099</u>	<u>465,247</u>	<u>-</u>	<u>750,511</u>	<u>1,421,857</u>
Change in net position	(80,528)	374,223	-	177,517	471,212
Net position - September 30, 2015	<u>229,224</u>	<u>(20,981)</u>	<u>-</u>	<u>73,455</u>	<u>281,698</u>
Net position - September 30, 2016	<u>\$ 148,696</u>	<u>\$ 353,242</u>	<u>\$ -</u>	<u>\$ 250,972</u>	<u>\$ 752,910</u>

SINGLE AUDIT REPORTS

CITY OF GRAND ISLAND, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2016

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Expenditures</u>
<u>Department of Homeland Security:</u>			
Passed through Nebraska Emergency Management Agency (NEMA):			
Emergency Management Performance Grants	97.042	47-6006205	\$ 127,780
Homeland Security Grant	97.067	47-6006205	17,500
Hazard Mitigation Grant	97.039	47-6006205	2,539
Total Passed through NEMA			<u>147,819</u>
<u>Department of Transportation:</u>			
Passed through Nebraska Office of Highway Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	47-6006205	\$ 3,586
National Priority Safety Programs	20.616	47-6006205	<u>17,750</u>
Total Highway Safety Cluster			21,336
Highway Planning and Construction Cluster:			
Highway Planning and Construction			
Passed through Nebraska Department of Roads	20.205	4210	725,792
Passed Nebraska Office of Highway Safety	20.205	47-6006205	<u>12,027</u>
Total Highway Planning and Construction Cluster			737,819
Passed through Nebraska Department of Roads:			
Metropolitan Transportation Planning	20.505	4210	23,180
Direct Program:			
Federal Transit Cluster			
Federal Transit - Formula Grant	20.500	n/a	<u>50,000</u>
Total Department of Transportation			<u>832,335</u>
<u>Department of Justice:</u>			
Direct Programs:			
Public Safety Partnership and Community Policing Grant	16.710	n/a	89,667
Edward Byrne Memorial Justice Assistance Grant	16.738	n/a	25,820
Passed through Nebraska Crime Commission:			
Crime Victim Assistance	16.575	47-6006205	<u>88,835</u>
Total Department of Justice			<u>204,322</u>
<u>Institute of Museum and Library Services:</u>			
Passed through Nebraska Library Commission			
Grants to States	45.310	47-6006205	1,464
<u>Executive Office of the President:</u>			
Passed through Nebraska State Patrol:			
High Intensity Drug Trafficking Area Program	95.001	47-6006205	44,226
<u>Department of Housing and Urban Development:</u>			
Passed through Nebraska Department of Economic Development:			
Community Development Block Grant	14.228	47-6006205	289,322

CITY OF GRAND ISLAND, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended September 30, 2016

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Expenditures</u>
<u>Environmental Protection Agency:</u>			
Passed through Nebraska Department of Environmental Quality			
Clean Water State Revolving Funds	66.458	47-6006205	<u>1,119,989</u> *
Total Expenditures of Federal Awards			<u><u>\$ 2,639,477</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 the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

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

The City has not elected to use the 10 percent de minimis cost rate.

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, 2016, is \$101,313.



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

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf

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

We have audited, 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, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 10, 2017.

Internal Control Over Financial Reporting

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

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

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

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*.

Purpose of this Report

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

*August Malthalm,
Galloway & Luth, P.C.*

Grand Island, Nebraska
February 10, 2017



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Grand Island, Nebraska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. The City of Grand Island, Nebraska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

SHAREHOLDERS

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Opinion on Each Major Federal Program

In our opinion, the City of Grand Island, Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

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

Grand Island, Nebraska
February 10, 2017

CITY OF GRAND ISLAND, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2016

1. A summary of auditor's results:
 - (i) Unmodified opinions were issued on all opinion units of the City of Grand Island, Nebraska, as of September 30, 2016.
 - (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 unmodified opinion was issued on compliance for major programs.
 - (vi) The audit did not disclose any audit findings which we are required to report under 2 CFR section 200.516(a).
 - (vii) Major Program: #66.458 – Clean Water State Revolving Funds.
 - (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
 - (ix) The City of Grand Island, Nebraska, qualified as a low-risk auditee.
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 2 CFR section 200.516(a).

None

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

Year ended September 30, 2016

Program

Findings for the year ended September 30, 2015

None noted.