

City of Grand Island, Nebraska

Independent Auditor's Reports and Financial Statements

September 30, 2019

City of Grand Island, Nebraska
September 30, 2019

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Independent Auditor's Report

The Honorable Mayor and City Council
City of Grand Island
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 and the aggregate remaining fund information of the City of Grand Island, Nebraska (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Grand Island, Nebraska, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison, condition rating for the streets system, pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund schedules and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund schedules and 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 combining fund schedules and 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 also have issued our report dated April 2, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Lincoln, Nebraska
April 2, 2020

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2019

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, 2019.

Financial Highlights

- The assets and deferred outflows of resources of the City of Grand Island exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$723,035,736 (*net position*). Of this amount, \$124,324,661 (*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's governmental activities reported combined ending net position of \$398,963,473. Approximately 7.5 percent of this total amount, \$29,820,939 is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$25,078,940, or 63.7 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Grand Island's basic financial statements. The City of Grand Island's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required 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 deferred outflows of resources and liabilities and deferred inflows of resources, 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, 2019

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, and Landfill funds.

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

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Grand Island, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Grand Island can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Grand Island maintains 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, and the Streets Fund, all of which are considered to be major funds. Data from the other governmental funds is 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, 2019

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

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

Proprietary funds. The City of Grand Island maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Grand Island uses enterprise funds to account for its Electric, Water, Sewer, and Landfill 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 an 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, and Sewer Funds, all of which are considered to be major funds, and the Landfill Fund, a nonmajor enterprise fund.

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

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

The basic fiduciary fund financial statement can be found on page 26 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 starting on page 27 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 pension and other postemployment benefits information. Required supplementary information can be found on pages 58-63 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 64-73 of this report.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$723,035,736 at the close of the most recent fiscal year.

Summary Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 52,041,255	\$ 49,089,947	\$ 117,760,737	\$ 115,514,857	\$ 169,801,992	\$ 164,604,804
Capital assets	369,310,254	360,946,751	324,437,355	331,650,107	693,747,609	692,596,858
Total assets	421,351,509	410,036,698	442,198,092	447,164,964	863,549,601	857,201,662
Deferred outflows of resources	396,781	-	-	-	396,781	-
Total assets and deferred outflows	421,748,290	410,036,698	442,198,092	447,164,964	863,946,382	857,201,662
Long term liabilities	17,769,545	18,470,555	111,983,851	117,835,670	129,753,396	136,306,225
Other liabilities	4,886,845	5,951,738	6,141,978	5,641,916	11,028,823	11,593,654
Total liabilities	22,656,390	24,422,293	118,125,829	123,477,586	140,782,219	147,899,879
Deferred inflows of resources	128,427	139,129	-	-	128,427	139,129
Total liabilities and deferred inflows	22,784,817	24,561,422	118,125,829	123,477,586	140,910,646	148,039,008
Net position						
Net investment in capital assets	357,121,847	345,367,659	219,560,264	220,597,854	576,682,111	565,965,513
Restricted	12,020,687	4,444,946	10,008,277	9,853,800	22,028,964	14,298,746
Unrestricted	29,820,939	35,662,671	94,503,722	93,235,724	124,324,661	128,898,395
Total net position	\$ 398,963,473	\$ 385,475,276	\$ 324,072,263	\$ 323,687,378	\$ 723,035,736	\$ 709,162,654

By far, the largest portion of the City of Grand Island's net position (79.8 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 (3.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$124,324,661 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, 2019

Summary Statements of Activities

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues						
Charges for services	\$ 11,521,024	\$ 11,829,876	\$ 109,584,101	\$ 110,348,520	\$ 121,105,125	\$ 122,178,396
Operating grants and contributions	2,153,074	1,955,683	122,594	73,241	2,275,668	2,028,924
Capital grants and contributions	2,689,172	2,227,157	2,188,748	106,149	4,877,920	2,333,306
General revenues						
Property taxes	12,447,959	11,284,420	-	-	12,447,959	11,284,420
Other taxes	26,649,147	22,584,528	-	-	26,649,147	22,584,528
State allocation	6,404,231	6,071,943	-	-	6,404,231	6,071,943
Special assessments	-	189,641	23,626	160,320	23,626	349,961
Other	2,184,583	2,013,059	1,688,173	901,086	3,872,756	2,914,145
Total revenues	64,049,190	58,156,307	113,607,242	111,589,316	177,656,432	169,745,623
Expenses:						
General government	6,827,218	7,748,009	-	-	6,827,218	7,748,009
Public safety	26,292,494	23,424,298	-	-	26,292,494	23,424,298
Public works	5,901,740	6,852,275	-	-	5,901,740	6,852,275
Community betterment	-	462,681	-	-	-	462,681
Environment and leisure	9,128,811	9,023,857	-	-	9,128,811	9,023,857
Nondepartmental	2,678,990	1,498,648	-	-	2,678,990	1,498,648
Interest on long-term debt	249,106	350,866	-	-	249,106	350,866
Electric	-	-	90,388,083	85,381,761	90,388,083	85,381,761
Water	-	-	5,583,431	5,329,980	5,583,431	5,329,980
Sewer	-	-	13,545,317	14,455,571	13,545,317	14,455,571
Landfill	-	-	3,188,160	2,646,987	3,188,160	2,646,987
Total expenses	51,078,359	49,360,634	112,704,991	107,814,299	163,783,350	157,174,933
Increase in net position before transfers	12,970,831	8,795,673	902,251	3,775,017	13,873,082	12,570,690
Transfers, net	517,366	1,497,146	(517,366)	(1,497,146)	-	-
Increase in net position	13,488,197	10,292,819	384,885	2,277,871	13,873,082	12,570,690
Net position, beginning of year	385,475,276	375,182,457	323,687,378	321,409,507	709,162,654	696,591,964
Net position, end of year	\$ 398,963,473	\$ 385,475,276	\$ 324,072,263	\$ 323,687,378	\$ 723,035,736	\$ 709,162,654

Governmental activities. Revenues exceeded expenses and net transfers out by \$13,488,197. Revenues increased from the previous fiscal year by approximately \$5.9 million. Property taxes increased approximately \$1.2 million due to general increases in valuation and other taxes increased approximately \$4.1 million, primarily as a result of increased sales taxes from the previous fiscal year, driven by more economic activity and fewer sales tax refunds. Additionally, the sales tax rate was increased from 1.5% to 2.0%, effective April 1, 2019. Expenses increased approximately \$1.7 million, driven by increases in public safety and nondepartmental expenses, offset by decreases in general government and public works expenses.

Business-type activities. Business-type activities increased the City of Grand Island's net position \$384,885. Revenues increased from the previous fiscal year by approximately \$2.0 million, however expenses increased from the previous fiscal year by approximately \$4.9 million, primarily driven by an increase in electric expenses.

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.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

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 \$43,702,110. Approximately 57.2 percent of this total amount (\$25,007,281) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is not available for new spending because it has already been 1) placed in a nonspendable endowment for cemetery perpetual care (\$863,010), 2) placed in a nonspendable trust for library expenditures (\$64,621), 3) restricted for street improvements (\$1,137,711), 4) restricted for capital projects (\$574,403), 5) restricted for debt service (\$129,575), 6) restricted for economic development (\$1,825,589), 7) restricted for Federal programs (\$102,866), 8) restricted to fund housing loans (\$352,665), 9) restricted for community improvements (\$6,749,778), 10) restricted for other purposes (\$220,469), 11) assigned for a variety of other purposes (\$6,674,142).

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 \$25,078,940, while total fund balance reached \$28,318,908. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 63.7 percent of total General Fund expenditures, while total fund balance represents 71.9 percent of that same amount.

The fund balance of the City of Grand Island's General Fund increased by \$6,990,153 during the current fiscal year.

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, 2019, amounts to \$693,747,609 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

- The Northwest Flood Control project is nearing completion for construction with a FY2020 expenditure of \$400,000 from the City. The total City obligation for this project is estimated at \$6,537,300. This project was delayed two (2) years due to the Army Corp of Engineers concerns that some explosive materials 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 substantial projected completion in 2019. 2019 City expenditures were \$295,631.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

- Moores Creek Drain Extension: Project No. 2017-D-1 is to plan, design and build the extension of drainage to the southwest and to serve current areas as well as the proposed US Highway 30 realignment project. By coordinating with the State of Nebraska US Highway 30 realignment project, which has been delayed, overall City cost should be reduced and will provide the opportunity for some of this drainage project to be constructed as part of such. The northwest part of the City has a need for this large drainage project, which will handle water in the newly developed subdivision and commercial areas. FY 2019 expenditures were \$113,602, which consisted of preliminary design work and property acquisition. Project construction will begin after completion of US Highway 30 realignment.
- North Broadwell Drainage; Project No. 2018-D-1 will improve drainage and consists of removing trees and re-grading the ditch to allow for proper maintenance and improved channel flow on North Broadwell Avenue between Burlington Northern Santa Fe Railroad and US Highway 281, with a FY 2019 cost of \$57,287.
- Sugar Beet Ditch; Project No. 2019-D-1 allows for enclosure of the ditch along the hike/bike trail with extension of an existing drainage pipe between Arthur Street and Harrison Street. Maintenance and safety will be improved with this work. FY 2019 expenditures were \$85,378.
- Kaufman Detention Cell; Project No. 2019-D-2 will improve drainage in the area of Old Potash Highway, North Road and Diers/ Kaufman Avenue and is planned to be constructed in connection with the Old Potash Highway improvements. FY 2019 expenses were \$50,418.
- The Handicap Ramp project consists of the ADA compliant curb ramps in the 2019-CR-1 and 2019-CR-2 CDBG projects, which were for the installation of handicap ramps along Stolley Park Road; Henry Street to Sylvan Street [2019-CR-1], and the area of Dodge Elementary School, Ashton Avenue; Vine Street to Cherry Street, Vine Street; Meves Avenue to the Beltline Trail, and 7th Street; Market Street to Superior Street [2019-CR- 2 CDBG]. 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 24 years. Project No. 2019-CR-1 was completed August 9, 2019 for a total cost of \$144,904 and Project No. 2018-CR-2 CDBG was also completed August 9, 2019 at a total cost of \$155,458.
- 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. This project was completed Summer 2019. FY 2019 expenses were \$8,456.
- 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 2019 expenses were \$113,321.
- South Front Street over Sycamore Underpass Rehab; Project No. 2017-U-1 provides for a number of repairs and replacements necessary to preserve the structure. This includes a number of issues related to the retaining walls, the South Front Street Bridge, and the storm sewer pumping system. FY 2019 expenses were \$1,163,022.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

- Five Points intersection improvements are to improve geometrics with a multi-lane roundabout, which will right size the lane configuration to optimize safety and efficiency, and meet the Federal Highway Administration (FHWA) safety program requirements. FY 2019 expenses were \$91,983.
- 13th Street at North Road intersection improvements provided a three lane curb and gutter roadway section with associated sidewalk and other miscellaneous improvements. Much needed drainage improvements at this intersection were also part of this project. FY 2019 expenses were \$886,707.
- Old Potash Highway Corridor Study established a master plan from North Road to Webb Road, including intersections to the north and south of Old Potash Highway. The plan will allow the corridor to safely handle the ever increase traffic in this area. FY 2019 expenses were \$533,793.
- Pavement Condition Survey 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 information is also used for the City's annual audit for 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). FY 2019 expenditures were \$98,519.
- Broadwell/UPRR Grade Separation Feasibility Report for a grade separation structure with the UPRR to be located at or around the existing Broadwell Avenue crossing north of 3rd Street. This study is necessary for the City to submit to the Nebraska Department of Transportation (NDOT) in order to secure potential federal funding for assistance in building a grade separation in this area. FY 2019 expenditures were \$95,545. US Highway 281 Signal Timing will optimize traffic signal timings/ operations along the US 281 Highway corridor from Capital Avenue to US Highway 30 interchange. It is thought that four (4) optimized timing plans will be required including AM, MIDDAY, PM, and Off-Peak time periods. FY 2019 expenditures were \$94,686.
- North Rd; 13th to Hwy 2 will improve this roadway by providing a concrete curb and gutter section with associated sidewalk, traffic control, drainage and other related improvements. FY 2019 expenditures were \$406,689.
- North Rd; Old Potash to 13th will improve this roadway by providing a concrete curb and gutter roadway section with associated sidewalk, traffic control, drainage and all other related improvements. FY 2019 expenditures were \$91,889.
- US Highway 281 Lighting added roadway lighting to allow for improved safety by creating consistent lighting for commuters on US Highway 281 from Stolley Park Road to US Highway 30 interchange. This was the last section from north to south through the City. FY 2019 expenditures were \$94,686.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

**City of Grand Island's Capital
Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land and land improvements	\$ 36,066,266	\$ 29,600,987	\$ 159,316,018	\$ 151,410,896	\$ 195,382,284	\$ 181,011,883
Infrastructure	277,677,436	274,632,318	-	-	277,677,436	274,632,318
Construction in progress	28,385,057	28,702,934	13,724,693	21,093,954	42,109,750	49,796,888
Buildings and systems	58,847,592	58,334,420	463,191,727	454,931,842	522,039,319	513,266,262
Machinery and equipment	10,430,513	8,955,663	-	-	10,430,513	8,955,663
Office furniture and equipment	3,206,982	3,163,313	4,814,265	4,814,265	8,021,247	7,977,578
Vehicles	9,472,292	9,376,419	9,698,440	8,970,208	19,170,732	18,346,627
Accumulated depreciation	(54,775,884)	(51,819,303)	(326,307,788)	(309,571,058)	(381,083,672)	(361,390,361)
Net totals	<u>\$ 369,310,254</u>	<u>\$ 360,946,751</u>	<u>\$ 324,437,355</u>	<u>\$ 331,650,107</u>	<u>\$ 693,747,609</u>	<u>\$ 692,596,858</u>

Additional information on the City of Grand Island's capital assets can be found in Note 5 on pages 41-42 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 \$113,884,850. Of this amount, \$4,560,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Grand Island's debt represents bonds and notes payable secured solely by specified revenue sources (i.e., revenue bonds) and capital lease obligations.

City of Grand Island's Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 4,560,000	\$ 5,052,000	\$ -	\$ -	\$ 4,560,000	\$ 5,052,000
Revenue bonds	-	-	71,265,000	75,640,000	71,265,000	75,640,000
Notes payable	4,333,045	4,780,667	30,431,443	31,859,767	34,764,488	36,640,434
Capital leases	3,295,362	3,531,315	-	-	3,295,362	3,531,315
Total	<u>\$ 12,188,407</u>	<u>\$ 13,363,982</u>	<u>\$ 101,696,443</u>	<u>\$ 107,499,767</u>	<u>\$ 113,884,850</u>	<u>\$ 120,863,749</u>

The City of Grand Island's total debt decreased by \$6,978,899 (5.8 percent) during the current fiscal year due to scheduled repayments on outstanding obligations exceeding additions to capital leases and notes payable.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

Additional information on the City of Grand Island's long-term debt can be found in Note 6 starting on page 43 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.

- Sanitary Sewer: Most of the 2011 Wastewater Rehabilitation projects have been completed. Half of these projects were financed with Clean Water State Revolving Fund loans authorized by the Nebraska Department of Environmental Quality at 2.25 percent interest for "Green" projects and 2.5 percent interest for others. For fiscal year 2019 expenses were incurred on the following projects:

The Biological Nutrient Removal (BNR) Study will give the City sufficient time to make any necessary adjustments to the wastewater treatment process prior to new permit limits being imposed by the Nebraska Department of Environmental Quality (NDEQ). FY 2019 expenses were \$59,935.

Concrete Pad Upgrade will extend the existing concrete pad at the Wastewater Treatment Plant to allow for easier movement of equipment used daily in the plant operations. FY 2019 expenditures were \$104.

Flow Monitoring allowed for installation of flowmeters at six (6) critical points along the South Interceptor. These flowmeters help staff evaluate flow conditions and capacity within the South Interceptor and aid in decision making and planning. Information is sent wirelessly and can be monitored in real time. FY 2019 expenditures were \$251,601.

The WAS Tank Blower Replacement project allowed for removal and replacement of process aeration blowers, building ventilation, and an electrical and heating system. FY 2019 expenses were \$115,298.

The Lift Station No. 20 project accommodated anticipated growth to handle a daily flow rate of over 1 million gallons a day, upgrades to this lift station were necessary. The existing force main from Lift Station No. 20 was also in need of replacement and or repair due to poor pipe condition. The force main experienced multiple breaks in recent years. As part of this project Lift Station No. 14 was also abandoned. FY 2019 expenses were \$312,669.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

Sanitary Sewer Rehab Project No. 2017-S-2A addressed the old clay tile pipe and/or damaged/dilapidated manholes. Along with this, Project No. 2017-S-2B was for the rehabilitation work of fixing cracks and leaks in the existing pipe with a cast in place liner that runs inside the existing pipe. FY 2019 expenses were \$404,813.

The Lift Station No. 11 Relocation will alleviate some capacity issues in the South Interceptor by re-routing such lift station force main to the North Interceptor. FY 2019 expenses were \$549,428.

Sanitary Sewer Project No. 2017-S-3 / District No 540T provided sanitary sewer service from the Stolley Park Road and Freedom Drive intersection west to just beyond the planned new US Highway 30 west realignment, and continue west to areas between the existing US Highway 30 alignment and the proposed realignment including the West Park Plaza Mobile Home Park. FY 2019 expenses were \$62,349.

Seedling Mile Road Emergency Sanitary Sewer Repairs addressed a seriously buckled section of sanitary sewer pipe that was discovered in the North Interceptor. The pipe section in question (at least 200 feet) was raised between 30 and 48 inches from its normal grade line. This section is a 54-inch sanitary sewage line that handles approximately 40% of the household and commercial wastewater in the City. FY 2019 expenses \$284,649.

Sanitary Sewer District No. 543; Willow Street will serve an area previously underserved that is located north of 4th Street, east of Congdon Avenue. This district will eliminate around fifteen (15) septic tanks and provide sanitary service to thirty-seven (37) lots. It is advantageous to construct such sanitary sewer main now as there is Community Development Block Grant (CDBG) funding available for 2019, which will reduce the assessment amount for the property owners by about half. FY 2019 expenses were \$32,512.

- With the ever-increasing personnel costs and growth in operating expenses, the City balanced the General Fund budget for the 2018-2019 budget year. The revenue for the City has continued to increase over the past few years with sales tax receipts representing 37 percent of the general fund resources followed by property tax receipt at 27 percent for the 2018-2019 budget year.
- In 2013 the City of Grand Island became a Metropolitan Statistical Area (MSA) resulting in a new array for wage comparability. In 2019 the City negotiated two new union contracts. The new wage rates continued to impact the 2018-2019 budget year and will continue to influence the budget for years to come.
- The Grand Island AREA Metropolitan Planning Organization (GIAMPO) was established in 2013 and is mandated by the United States 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 percent federally funded with 20 percent local match; usually the 20 percent is divided among all of the transportation providers in the MPO planning area, but the City of Grand Island provides 100 percent of the match. MPOs are usually a separate agency similar to the EDC; this is likely to happen once the population reaches over 2,100,000 (the division between a

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

small MPO and a large MPO). One FTE is dedicated to this function and other employees provide assistance.

- As a result of the City's status of metropolitan statistical area, the City became the direct recipient of federal funds for public transit services from the United States Department of Transportation, Federal Transit Administration. This requires public transportation trips originating and terminating within the Grand Island urbanized area to be funded utilizing urban transportation funds. In June 2019 the City entered into a contract with Senior Citizens Industries, Inc. to provide transit service in the maximum amount of \$697,213 for the time period of July 1, 2019- June 20, 2020. This initial agreement will provide for service to June 30, 2022, with the City having the option of renewing the agreement on an annual basis for a two (2) year period, at which time proposal will be solicited.

All of these factors were considered in preparing the City of Grand Island's budget for the 2019 fiscal year.

City of Grand Island, Nebraska
Statement of Net Position
September 30, 2019

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 10,692,423	\$ 45,581,108	\$ 56,273,531	\$ 833,272
Investments	24,346,178	23,729,168	48,075,346	-
County treasurer cash	746,536	-	746,536	89,992
Receivables				
Accounts, net of allowance for doubtful accounts	1,654,697	6,680,127	8,334,824	-
Unbilled revenue	-	3,800,409	3,800,409	-
Property tax	667,546	-	667,546	196,379
Special assessments	736,200	473,195	1,209,395	93,214
Interest	883,116	382,560	1,265,676	3,097
Current portion of notes receivable	-	120,000	120,000	-
Current portion of notes from redevelopers	-	-	-	38,568
Internal balances	168,247	(168,247)	-	-
Due from other governments	5,810,931	171,213	5,982,144	19,795
Prepaid expenses	-	472,091	472,091	-
Inventory	118,001	10,024,597	10,142,598	-
Total current assets	<u>45,823,875</u>	<u>91,266,221</u>	<u>137,090,096</u>	<u>1,274,317</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	6,519,477	6,519,477	47,040
Restricted investments	5,019,498	14,340,244	19,359,742	-
Permanently restricted investments	596,837	-	596,837	-
Notes receivable	601,045	-	601,045	-
Noncurrent portion of note receivable	-	1,889,723	1,889,723	-
Deferred charges	-	3,745,072	3,745,072	-
Capital assets:				
Land, infrastructure, and construction in progress	314,794,232	162,987,587	477,781,819	-
Other capital assets, net of depreciation	54,516,022	161,449,768	215,965,790	529,554
Net capital assets	<u>369,310,254</u>	<u>324,437,355</u>	<u>693,747,609</u>	<u>529,554</u>
Total noncurrent assets	<u>375,527,634</u>	<u>350,931,871</u>	<u>726,459,505</u>	<u>576,594</u>
Total assets	<u>421,351,509</u>	<u>442,198,092</u>	<u>863,549,601</u>	<u>1,850,911</u>
Deferred Outflows for OPEB	<u>396,781</u>	<u>-</u>	<u>396,781</u>	<u>-</u>
Liabilities:				
Current liabilities:				
Accounts payable	1,105,815	3,871,815	4,977,630	44,081
Accrued expenses	3,781,030	2,270,163	6,051,193	5,986
Compensated absences - current	208,695	392,706	601,401	-
Current portion of total pension liability	107,000	-	107,000	-
Current portion of total OPEB liability	72,000	-	72,000	-
Current portion of long-term obligations	1,546,803	5,982,498	7,529,301	216,693
Total current liabilities	<u>6,821,343</u>	<u>12,517,182</u>	<u>19,338,525</u>	<u>266,760</u>
Noncurrent liabilities:				
Compensated absences - noncurrent	2,378,419	1,746,709	4,125,128	-
Closure/post-closure liability	-	5,220,777	5,220,777	-
Total pension liability	688,888	-	688,888	-
Total other postemployment benefits liability	2,126,136	-	2,126,136	-
Noncurrent portion of long-term obligations	10,641,604	95,713,945	106,355,549	570,000
Unamortized bond premiums	-	2,927,216	2,927,216	-
Total noncurrent liabilities	<u>15,835,047</u>	<u>105,608,647</u>	<u>121,443,694</u>	<u>570,000</u>
Total liabilities	<u>22,656,390</u>	<u>118,125,829</u>	<u>140,782,219</u>	<u>836,760</u>
Deferred Inflows for OPEB	<u>128,427</u>	<u>-</u>	<u>128,427</u>	<u>-</u>
Net position:				
Net investment in capital assets	357,121,847	219,560,264	576,682,111	529,554
Restricted for:				
Debt service	129,575	8,829,911	8,959,486	-
Landfill closure/post-closure costs	-	953,366	953,366	-
Perpetual care - permanent	927,631	-	927,631	-
Street improvements	1,137,711	-	1,137,711	-
Capital projects	574,403	-	574,403	-
Economic development	1,825,589	-	1,825,589	-
Community improvements	6,749,778	-	6,749,778	-
Other purposes	676,000	225,000	901,000	47,040
Unrestricted	<u>29,820,939</u>	<u>94,503,722</u>	<u>124,324,661</u>	<u>437,557</u>
Total net position	<u>\$ 398,963,473</u>	<u>\$ 324,072,263</u>	<u>\$ 723,035,736</u>	<u>\$ 1,014,151</u>

City of Grand Island, Nebraska
Statement of Activities
Year Ended September 30, 2019

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>			<u>Component Units</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Functions/programs:								
Primary government:								
Governmental activities:								
General government	\$ 6,827,218	\$ 3,716,919	\$ 425,595	\$ 721,467	\$ (1,963,237)	\$ -	\$ (1,963,237)	\$ -
Public safety	26,292,494	5,454,913	1,138,834	288,554	(19,410,193)	-	(19,410,193)	-
Public works	5,901,740	480,955	8,000	1,347,171	(4,065,614)	-	(4,065,614)	-
Environment and leisure	9,128,811	1,868,237	530,645	331,980	(6,397,949)	-	(6,397,949)	-
Non-departmental	2,678,990	-	50,000	-	(2,628,990)	-	(2,628,990)	-
Interest and fees on long-term debt	249,106	-	-	-	(249,106)	-	(249,106)	-
Total governmental activities	<u>51,078,359</u>	<u>11,521,024</u>	<u>2,153,074</u>	<u>2,689,172</u>	<u>(34,715,089)</u>	<u>-</u>	<u>(34,715,089)</u>	<u>-</u>
Business-type activities:								
Electric	90,388,083	86,586,028	-	-	-	(3,802,055)	(3,802,055)	-
Water	5,583,431	5,952,820	-	1,049,478	-	1,418,867	1,418,867	-
Sewer	13,545,317	13,701,268	122,594	1,139,270	-	1,417,815	1,417,815	-
Landfill	3,188,160	3,343,985	-	-	-	155,825	155,825	-
Total business-type activities	<u>112,704,991</u>	<u>109,584,101</u>	<u>122,594</u>	<u>2,188,748</u>	<u>-</u>	<u>(809,548)</u>	<u>(809,548)</u>	<u>-</u>
Total primary government	<u>\$ 163,783,350</u>	<u>\$ 121,105,125</u>	<u>\$ 2,275,668</u>	<u>\$ 4,877,920</u>	<u>(34,715,089)</u>	<u>(809,548)</u>	<u>(35,524,637)</u>	<u>-</u>
Component units:								
Business Improvement Districts	\$ 254,726	\$ 3,500	\$ 31,350	\$ 2,550	-	-	-	(217,326)
Community Redevelopment Authority	4,011,630	-	-	-	-	-	-	(4,011,630)
Total component units	<u>\$ 4,266,356</u>	<u>\$ 3,500</u>	<u>\$ 31,350</u>	<u>\$ 2,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,228,956)</u>
General revenues:								
Taxes:								
Property					12,447,959	-	12,447,959	2,982,164
Motor vehicle taxes					1,930,587	-	1,930,587	-
Occupation					3,130,186	-	3,130,186	-
Sales taxes					19,804,431	-	19,804,431	-
Franchise					1,783,943	-	1,783,943	-
State allocation					6,404,231	-	6,404,231	-
Special assessments					-	23,626	23,626	238,564
Miscellaneous					886,314	-	886,314	1,231,405
Interest income					1,298,269	1,676,512	2,974,781	19,967
Gain on sale of capital assets					-	11,661	11,661	500
Interfund transfers					517,366	(517,366)	-	-
Total general revenues and transfers					<u>48,203,286</u>	<u>1,194,433</u>	<u>49,397,719</u>	<u>4,472,600</u>
Change in net position					13,488,197	384,885	13,873,082	243,644
Net position, beginning of year					385,475,276	323,687,378	709,162,654	770,507
Net position, end of year					<u>\$ 398,963,473</u>	<u>\$ 324,072,263</u>	<u>\$ 723,035,736</u>	<u>\$ 1,014,151</u>

City of Grand Island, Nebraska
Balance Sheet – Governmental Funds
September 30, 2019

Assets	General Fund	Capital Projects Fund	Streets Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 7,292,845	\$ 792,625	\$ 1,770,210	\$ 3,739,160	\$ 13,594,840
Investments	14,565,614	971,163	2,171,030	4,776,645	22,484,452
County treasurer cash	745,928	-	-	608	746,536
Receivables:					
Accounts, net of allowance and doubtful accounts	1,360,057	-	21,586	273,054	1,654,697
Property taxes	635,521	-	-	32,025	667,546
Occupation taxes	-	-	-	-	-
Special assessments	-	-	750	735,450	736,200
Interest	854,916	6,812	91	15,705	877,524
Notes receivable	-	-	-	601,045	601,045
Due from other funds	296,563	-	-	-	296,563
Due from other governments	4,654,867	-	989,417	166,647	5,810,931
Total assets	<u>\$ 30,406,311</u>	<u>\$ 1,770,600</u>	<u>\$ 4,953,084</u>	<u>\$ 10,340,339</u>	<u>\$ 47,470,334</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 53,866	\$ 396,344	\$ 303,119	\$ 753,329
Accrued expenses	1,022,755	-	87,293	10,685	1,120,733
Due to other funds	92,689	-	81,133	10,148	183,970
Total liabilities	<u>1,115,444</u>	<u>53,866</u>	<u>564,770</u>	<u>323,952</u>	<u>2,058,032</u>
Deferred inflows of resources					
Unavailable revenues	971,959	-	-	738,233	1,710,192
Fund balances (deficits):					
Nonspendable					
Cemetery perpetual care	-	-	-	863,010	863,010
Library trust	-	-	-	64,621	64,621
Restricted					
Street improvements	-	-	1,137,711	-	1,137,711
Capital projects	-	574,403	-	-	574,403
Debt service	-	-	-	129,575	129,575
Economic development	-	-	-	1,825,589	1,825,589
Federal programs	-	-	-	102,866	102,866
Housing loans	-	-	-	352,665	352,665
Community improvements	3,182,613	-	-	3,567,165	6,749,778
Other purposes	-	-	-	220,469	220,469
Assigned	57,355	1,142,331	3,250,603	2,223,853	6,674,142
Unassigned	25,078,940	-	-	(71,659)	25,007,281
Total fund balances	<u>28,318,908</u>	<u>1,716,734</u>	<u>4,388,314</u>	<u>9,278,154</u>	<u>43,702,110</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 30,406,311</u>	<u>\$ 1,770,600</u>	<u>\$ 4,953,084</u>	<u>\$ 10,340,339</u>	<u>\$ 47,470,334</u>

City of Grand Island, Nebraska
Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position
September 30, 2019

Total fund balances - governmental funds		\$ 43,702,110
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and; therefore, are not reported as assets in governmental funds.		369,127,483
Deferred inflows of resources for unavailable revenues not available to pay for current-period expenditures and; therefore the revenues are not recognized in the funds.		1,710,192
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.		1,958,484
Pension and OPEB liabilities and related deferred items do not represent an obligation of current financial resources, and are therefore not reported in the funds.		(2,725,670)
Long-term liabilities, including bonds payable and related interest 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 consists of:		
Compensated absences	\$ (2,494,099)	
Accrued interest payable	(126,620)	
Capital lease obligations	(3,295,362)	
Note payable	(4,333,045)	
General obligation bonds payable	(4,560,000)	<u>(14,809,126)</u>
Total net position - governmental activities		<u>\$ 398,963,473</u>

City of Grand Island, Nebraska
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Streets Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes:					
Property	\$ 12,002,123	\$ -	\$ 431,000	\$ 27,969	\$ 12,461,092
Motor vehicle	1,259,988	-	-	534	1,260,522
Occupation	229,422	-	-	2,900,764	3,130,186
Sales tax	18,004,722	-	1,799,709	-	19,804,431
Franchise	1,783,943	-	-	-	1,783,943
Intergovernmental	2,208,352	-	8,405,205	1,012,619	11,626,176
Keno	-	-	-	356,868	356,868
Special assessments	-	-	-	374,069	374,069
Charges for services	10,778,946	-	47,956	694,090	11,520,992
Interest income	1,000,451	83,255	-	123,432	1,207,138
Contributions and grants	4,962	-	-	429,913	434,875
Other revenue	347,479	-	20,104	166,673	534,256
Total revenues	<u>47,620,388</u>	<u>83,255</u>	<u>10,703,974</u>	<u>6,086,931</u>	<u>64,494,548</u>
Expenditures:					
General government	4,062,349	1,635,794	-	2,484,331	8,182,474
Public safety	23,993,083	-	-	1,218,306	25,211,389
Public works	1,476,302	525,983	9,318,735	26	11,321,046
Environment and leisure	7,601,503	-	-	4,575,660	12,177,163
Non-departmental	1,557,458	-	-	-	1,557,458
Principal payments on debt	693,276	-	-	746,013	1,439,289
Interest on long-term debt	6,590	-	4,503	236,143	247,236
Total expenditures	<u>39,390,561</u>	<u>2,161,777</u>	<u>9,323,238</u>	<u>9,260,479</u>	<u>60,136,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,229,827</u>	<u>(2,078,522)</u>	<u>1,380,736</u>	<u>(3,173,548)</u>	<u>4,358,493</u>
Other financing sources (uses):					
Proceeds from sales of capital asset	177,960	-	-	-	177,960
Transfers in	2,467,366	1,000,000	-	1,343,089	4,810,455
Transfers out	<u>(3,885,000)</u>	<u>-</u>	<u>-</u>	<u>(408,089)</u>	<u>(4,293,089)</u>
Total other financing sources (uses)	<u>(1,239,674)</u>	<u>1,000,000</u>	<u>-</u>	<u>935,000</u>	<u>695,326</u>
Net change in fund balances	6,990,153	(1,078,522)	1,380,736	(2,238,548)	5,053,819
Fund balances, beginning of year	<u>21,328,755</u>	<u>2,795,256</u>	<u>3,007,578</u>	<u>11,516,702</u>	<u>38,648,291</u>
Fund balances, end of year	<u>\$ 28,318,908</u>	<u>\$ 1,716,734</u>	<u>\$ 4,388,314</u>	<u>\$ 9,278,154</u>	<u>\$ 43,702,110</u>

City of Grand Island, Nebraska
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
Year Ended September 30, 2019

Total net change in fund balances - governmental funds	\$ 5,053,819
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 (\$12,278,424) exceeded depreciation expense (\$3,739,823).	8,538,601
The net effect of various transactions involving capital asset activity to decrease net position.	(549,159)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: Change in revenues in fund statements previously recognized in the statement of activities.	(276,864)
Internal service funds are used by management to charge the costs of certain activities, such as information technology and fleet services, to individual funds. The change in net position of the internal service funds is reported within governmental activities.	(741,552)
The change in compensated absences is reported as an expense in the statement of activities. Compensated absences are not reported in the governmental funds.	(43,752)
Changes in the total pension liability, total OPEB liability and deferred inflows and outflows for OPEB do not represent financial activity in the governmental funds.	69,685
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position, including the change in accrued interest payable not recognized in the fund financial statements.	<u>1,437,419</u>
Change in net position of governmental activities	<u><u>\$ 13,488,197</u></u>

City of Grand Island, Nebraska
Statement of Net Position
Proprietary Funds
Year Ended September 30, 2019

	Enterprise Funds					Internal Service Fund
	Major Funds			Nonmajor Landfill Fund	Total	
	Electric Fund	Water Fund	Sewer Fund			
Assets:						
Current assets:						
Cash and cash equivalents	\$ 30,723,510	\$ 6,611,434	\$ 6,978,434	\$ 1,267,730	\$ 45,581,108	\$ 2,117,081
Investments	13,625,558	-	8,550,323	1,553,287	23,729,168	2,458,563
Receivables						
Accounts, net of allowance for doubtful accounts	5,336,922	453,036	652,894	237,275	6,680,127	-
Unbilled revenue	3,001,470	332,997	465,942	-	3,800,409	-
Interest	266,550	2,874	69,542	43,594	382,560	5,592
Special assessments	-	66,709	406,486	-	473,195	-
Current portion of note receivable	-	-	120,000	-	120,000	-
Due from other funds	183,199	17,739	-	16,711	217,649	85,434
Due from other governments	-	-	171,213	-	171,213	-
Inventory	9,733,656	290,941	-	-	10,024,597	118,001
Prepaid expenses	457,928	14,163	-	-	472,091	-
Total current assets	<u>63,328,793</u>	<u>7,789,893</u>	<u>17,414,834</u>	<u>3,118,597</u>	<u>91,652,117</u>	<u>4,784,671</u>
Noncurrent assets:						
Restricted cash and cash equivalents	1,769,235	418,992	4,331,250	-	6,519,477	-
Restricted investments	6,114,567	-	2,521,352	5,704,325	14,340,244	-
Noncurrent portion of note receivable	-	-	1,889,723	-	1,889,723	-
Deferred charges	3,745,072	-	-	-	3,745,072	-
Capital assets:						
Land and improvements	6,069,593	-	142,939,786	253,515	149,262,894	-
Construction in progress	2,863,774	4,432,643	3,056,145	3,372,131	13,724,693	-
Distribution and collection systems	324,210,540	77,246,882	8,296,661	-	409,754,083	-
Buildings and equipment	43,962,548	4,216,738	17,917,803	11,906,384	78,003,473	1,835,168
Less accumulated depreciation	<u>(237,351,655)</u>	<u>(19,572,295)</u>	<u>(61,668,747)</u>	<u>(7,715,091)</u>	<u>(326,307,788)</u>	<u>(1,652,397)</u>
Net capital assets	139,754,800	66,323,968	110,541,648	7,816,939	324,437,355	182,771
Total noncurrent assets	<u>151,383,674</u>	<u>66,742,960</u>	<u>119,283,973</u>	<u>13,521,264</u>	<u>350,931,871</u>	<u>182,771</u>
Total assets	<u>214,712,467</u>	<u>74,532,853</u>	<u>136,698,807</u>	<u>16,639,861</u>	<u>442,583,988</u>	<u>4,967,442</u>
Liabilities:						
Current liabilities:						
Accounts payable	3,106,885	46,009	597,594	121,327	3,871,815	352,486
Due to other funds	135,271	73,368	160,049	17,208	385,896	29,780
Accrued expenses	1,739,409	223,157	266,377	41,220	2,270,163	2,532,158
Unearned revenue	-	-	-	-	-	1,519
Compensated absences - current	339,149	33,542	12,201	7,814	392,706	7,569
Current portion of long-term obligations	3,225,000	305,000	2,452,498	-	5,982,498	-
Total current liabilities	<u>8,545,714</u>	<u>681,076</u>	<u>3,488,719</u>	<u>187,569</u>	<u>12,903,078</u>	<u>2,923,512</u>
Noncurrent liabilities:						
Compensated absences - noncurrent	1,356,595	134,169	161,220	94,725	1,746,709	85,446
Closure/post-closure liability	939,287	-	-	4,281,490	5,220,777	-
Noncurrent portion of long-term obligations	31,435,000	6,535,000	57,743,945	-	95,713,945	-
Unamortized bond premiums	1,913,808	-	1,013,408	-	2,927,216	-
Total noncurrent liabilities	<u>35,644,690</u>	<u>6,669,169</u>	<u>58,918,573</u>	<u>4,376,215</u>	<u>105,608,647</u>	<u>85,446</u>
Total liabilities	<u>44,190,404</u>	<u>7,350,245</u>	<u>62,407,292</u>	<u>4,563,784</u>	<u>118,511,725</u>	<u>3,008,958</u>
Net position:						
Net investment in capital assets	102,927,560	59,483,968	49,331,797	7,816,939	219,560,264	182,771
Restricted for:						
Debt service	6,114,567	193,992	2,521,352	-	8,829,911	-
Uranium removal	-	225,000	-	-	225,000	-
Closure/post-closure costs	829,948	-	-	123,418	953,366	-
Unrestricted	60,649,988	7,279,648	22,438,366	4,135,720	94,503,722	1,775,713
Total net position	<u>\$ 170,522,063</u>	<u>\$ 67,182,608</u>	<u>\$ 74,291,515</u>	<u>\$ 12,076,077</u>	<u>\$ 324,072,263</u>	<u>\$ 1,958,484</u>

City of Grand Island, Nebraska
Statement of Revenues, Expenditures, and
Changes in Net Position – Proprietary Funds
Year Ended September 30, 2019

	Enterprise Funds					Internal Service Funds
	Major Funds			Nonmajor Landfill Funds	Total	
	Electric Fund	Water Fund	Sewer Fund			
Operating revenues:						
Sales						
Consumers	\$ 59,679,374	\$ 5,436,741	\$ 13,015,455	\$ 3,339,941	\$ 81,471,511	\$ -
Municipal and interdepartmental	1,875,645	187,498	-	-	2,063,143	10,925,170
Wholesale	24,495,994	-	-	-	24,495,994	-
Total sales	86,051,013	5,624,239	13,015,455	3,339,941	108,030,648	10,925,170
Tap fees	-	36,906	526,509	-	563,415	-
Other revenue	535,015	291,675	159,304	4,044	990,038	-
Total operating revenues	86,586,028	5,952,820	13,701,268	3,343,985	109,584,101	10,925,170
Operating expenses:						
Cost of power	65,249,911	-	-	-	65,249,911	-
Production	-	2,178,819	-	-	2,178,819	-
Operation of system	2,884,828	916,069	4,601,722	1,578,523	9,981,142	-
Maintenance of system	2,901,738	-	177,871	205,783	3,285,392	-
Consumer accounting and collection	1,625,749	485,897	906,011	129,208	3,146,865	-
General office expense	1,989,706	266,262	648,811	289,650	3,194,429	-
Special services	1,274,104	120,764	86,040	117,023	1,597,931	-
Information technology	-	-	-	-	-	1,218,424
Central garage	-	-	-	-	-	1,185,713
Insurance	718,164	12,980	93,103	42,718	866,965	9,277,164
Miscellaneous	136,059	268,646	-	-	404,705	78,946
Closure costs	-	-	-	217,297	217,297	-
Depreciation	12,325,650	1,138,892	5,048,645	607,958	19,121,145	47,606
Total operating expenses	89,105,909	5,388,329	11,562,203	3,188,160	109,244,601	11,807,853
Operating income (loss)	(2,519,881)	564,491	2,139,065	155,825	339,500	(882,683)
Nonoperating revenues (expenses):						
Interest income	1,090,179	7,348	307,658	271,327	1,676,512	91,131
Intergovernmental/grants	-	-	122,594	-	122,594	50,000
Interest expense	(1,282,174)	(195,102)	(1,983,114)	-	(3,460,390)	-
Gain on disposal of assets	56	10,125	1,480	-	11,661	-
Special assessments	-	-	23,626	-	23,626	-
Total nonoperating revenues (expenses)	(191,939)	(177,629)	(1,527,756)	271,327	(1,625,997)	141,131
Excess (deficiency) of revenues over expenditures	(2,711,820)	386,862	611,309	427,152	(1,286,497)	(741,552)
Capital contributions	-	1,049,478	1,139,270	-	2,188,748	-
Transfers in (out)	(445,443)	(71,923)	-	-	(517,366)	-
Change in net position	(3,157,263)	1,364,417	1,750,579	427,152	384,885	(741,552)
Net position, beginning	173,679,326	65,818,191	72,540,936	11,648,925	323,687,378	2,700,036
Net position, ending	\$ 170,522,063	\$ 67,182,608	\$ 74,291,515	\$ 12,076,077	\$ 324,072,263	\$ 1,958,484

City of Grand Island, Nebraska
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2019

	Enterprise Funds					Internal Service Funds
	Electric Fund	Major Funds Water Fund	Sewer Fund	Nonmajor Landfill Fund	Total	
Cash flows from operating activities:						
Receipts from customers	\$ 87,035,731	\$ 6,118,125	\$ 14,023,829	\$ 3,327,815	\$ 110,505,500	\$ -
Receipts from other funds	-	-	-	-	-	10,932,384
Payments to suppliers	(75,348,596)	(3,986,820)	(4,552,418)	(1,411,132)	(85,298,966)	(10,567,822)
Payments to employees	(1,879,110)	(252,008)	(2,013,753)	(815,798)	(4,960,669)	(740,376)
Net cash provided by (used in) operating activities	<u>9,808,025</u>	<u>1,879,297</u>	<u>7,457,658</u>	<u>1,100,885</u>	<u>20,245,865</u>	<u>(375,814)</u>
Cash flows from noncapital financing activities:						
Payments in lieu of taxes	(771,399)	(66,442)	-	-	(837,841)	-
Transfer from (to) other funds	(122,873)	50,535	-	-	(72,338)	-
Change in interfund balances	-	-	6,931	719	7,650	36,485
Net cash provided by (used in) noncapital financing activities	<u>(894,272)</u>	<u>(15,907)</u>	<u>6,931</u>	<u>719</u>	<u>(902,529)</u>	<u>36,485</u>
Cash flows from capital and related financing activities:						
Purchase of property and equipment	(4,264,497)	(1,678,326)	(2,342,795)	(1,307,501)	(9,593,119)	(43,669)
Proceeds from sale of property and equipment	56	14,128	1,480	-	15,664	-
Intergovernmental receipts	-	-	1,698,545	-	1,698,545	50,000
Special assessment collections	-	7,101	64,090	-	71,191	-
Principal payments on capital debt	(3,110,000)	(300,000)	(2,363,554)	-	(5,773,554)	-
Interest paid on capital debt	(1,693,449)	(195,904)	(2,070,916)	-	(3,960,269)	-
Net cash provided by (used in) capital and related financing activities	<u>(9,067,890)</u>	<u>(2,153,001)</u>	<u>(5,013,150)</u>	<u>(1,307,501)</u>	<u>(17,541,542)</u>	<u>6,331</u>
Cash flows from investing activities:						
Proceeds from the sale of maturities of investment securities	11,150,951	-	-	-	11,150,951	-
Purchase of investment securities	(11,125,558)	-	-	-	(11,125,558)	-
Change in allocation of pooled investments	-	-	2,945,674	809,368	3,755,042	723,481
Collections on notes receivable	-	-	120,000	-	120,000	-
Interest received	1,054,739	8,863	303,981	227,733	1,595,316	90,501
Net cash provided by investing activities	<u>1,080,132</u>	<u>8,863</u>	<u>3,369,655</u>	<u>1,037,101</u>	<u>5,495,751</u>	<u>813,982</u>
Net increase (decrease) in cash and cash equivalents	925,995	(280,748)	5,821,094	831,204	7,297,545	480,984
Cash and cash equivalents, beginning	31,566,750	7,311,174	5,488,590	436,526	44,803,040	1,636,097
Cash and cash equivalents, ending	<u>\$ 32,492,745</u>	<u>\$ 7,030,426</u>	<u>\$ 11,309,684</u>	<u>\$ 1,267,730</u>	<u>\$ 52,100,585</u>	<u>\$ 2,117,081</u>

City of Grand Island, Nebraska
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2019

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Major Funds Water Fund	Sewer Fund	Nonmajor Landfill Fund		
Composition of cash and cash equivalents						
Cash and cash equivalents	\$ 30,723,510	\$ 6,611,434	\$ 6,978,434	\$ 1,267,730	\$ 45,581,108	\$ 2,117,081
Restricted cash and cash equivalents	1,769,235	418,992	4,331,250	-	6,519,477	-
	<u>\$ 32,492,745</u>	<u>\$ 7,030,426</u>	<u>\$ 11,309,684</u>	<u>\$ 1,267,730</u>	<u>\$ 52,100,585</u>	<u>\$ 2,117,081</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (2,519,881)	\$ 564,491	\$ 2,139,065	\$ 155,825	\$ 339,500	\$ (882,683)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	12,325,650	1,138,892	5,048,645	607,958	19,121,145	47,606
Change in assets and liabilities:						
Accounts receivable	449,703	165,305	322,561	(16,170)	921,399	5,695
Inventories	228,706	(27,418)	-	-	201,288	(3,578)
Prepaid expenses	(38,234)	(1,183)	-	-	(39,417)	-
Deferred charges	(1,374,822)	-	-	-	(1,374,822)	-
Accounts payable and accrued expenses	679,151	39,210	(52,613)	135,975	801,723	455,627
Other	57,752	-	-	217,297	275,049	1,519
Net cash provided by (used in) operating activities	<u>\$ 9,808,025</u>	<u>\$ 1,879,297</u>	<u>\$ 7,457,658</u>	<u>\$ 1,100,885</u>	<u>\$ 20,245,865</u>	<u>\$ (375,814)</u>
Supplemental cash flow information						
Capital contributions	\$ -	\$ 1,049,478	\$ 1,139,270	\$ -	\$ 2,188,748	\$ -
Accounts payable incurred for capital asset purchase	\$ 253,432	\$ -	\$ 395,283	\$ -	\$ 648,715	\$ -

City of Grand Island, Nebraska
Statement of Net Position
Fiduciary Funds
September 30, 2019

	Agency Funds
Assets	
Cash	\$ 159,426
Investments	195,337
Interest receivable	957
Special assessments receivable	93,214
Total assets	\$ 448,934
Liabilities	
Due to others	\$ 448,934
Total liabilities	\$ 448,934

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 1: 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.

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 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

In determining the financial reporting entity, the City has considered all potential component units 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 exclusions would cause the reporting entity's financial statements to be misleading.

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. The City has determined the Grand Island Facilities Corporation (Facilities Corporation) is a blended component unit as the governing body consists of members appointed by City government and the City is the sole corporate member of the Facilities Corporation.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 1: Summary of Significant Accounting Policies - Continued

Financial Reporting Entity - Continued

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 (CRA)	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.
Business Improvement Districts (BID)	The BIDs account for funding held for improvement and maintenance of public areas within the boundaries of the District.

The CRA and BID do not have separately issued financial statements.

Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and Statement of Activities present 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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 1: Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued

- b) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Governmental Funds

The City reports the following major 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.

Capital Projects Fund – The Capital Projects Fund is used to account for resources restricted for acquisition or construction of specific capital projects with transfers made to governmental funds.

Streets Fund – The Streets Fund, a special revenue fund, is used to account for operation of the street department. Revenues are provided by the City’s share of state gasoline taxes, in addition to the required match from the City. State law requires these taxes to be used to construct and maintain roads, streets and improvements, and for the street program administration.

Additionally, the city reports the following non-major fund types:

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. These nonmajor funds consist of the Enhanced 911, PSC Wireless, Pioneer Consortium, Occupation Tax, Keno, Transportation, Community Youth Council, Program Income Reuse, Economic Development, HUD Entitlement, Housing Reuse, Community Development, Community Grants, Police Grants, Parking District #1, Parking District #2, and Local Assistance funds.

Capital Projects Fund – The nonmajor capital projects fund, the Special Assessments Fund, is used to account for collections of special assessments for the Debt Service or Capital Projects Fund.

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 the debt service payments made by the enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City’s general obligation bonds.

Permanent Funds – The Permanent Funds account for assets held by the City pursuant to trust agreements. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. These nonmajor funds consist of the Library Trust and Cemetery Trust funds.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 1: Summary of Significant Accounting Policies - Continued

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 the change in net position 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. The City’s internal service funds consist of the Information Technology, Fleet Services, Insurance, and Equipment Reserve funds.

The City reports the following major proprietary funds:

Electric Fund – The Electric Fund accounts for the revenues and expenses of the electric utility.

Water Fund – The Water Fund accounts for the revenues and expenses of the water utility.

Sewer Fund – The Sewer Fund accounts for the activity from sewer service charges and related expenditures for operation, maintenance, and capital improvements of the sanitary sewer system.

Additionally, the City reports the following nonmajor enterprise fund:

Landfill Fund – The Landfill Fund accounts for the revenues and expenses for the maintenance and operation of the landfill.

Fiduciary Funds

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:

Fund	Brief Description
Cafeteria Plan	Accounts for voluntary employee contributions as a tax-free reimbursement for medical and child care expenses.
Other Agencies	Accounts for fines and fees collected by the City which are ultimately remitted to Grand Island Public Schools.
BID Assessments	Accounts for the collection of assessments for the Railside, South Locust and Fonner Park Business Improvement Districts, and remittance of assessments to the Districts.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 1: Summary of Significant Accounting Policies - Continued

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 measurement focus applied.

The government-wide and proprietary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows takes place. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants and similar items are recognized when the eligibility requirements have been met.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for debt service expenditures and other certain long-term obligations, which are reported as expenditures in the year due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for goods and services. Operating expenses include the cost of sales and service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Use of 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, liabilities and deferred inflows/outflows of resources 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.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 1: Summary of Significant Accounting Policies - Continued

Cash and Investments

For the purpose of the Statement of Net Position and Balance Sheet, “cash and cash equivalents” include all demand accounts and savings accounts. For the purpose of 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.

Nonnegotiable certificates of deposit are carried at amortized cost, which approximates fair value. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is assigned to the funds with which the related investment asset is associated.

Receivables

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 receivables 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.

Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies and repair parts and are recorded on the government-wide financial statements and the proprietary fund statements. In the governmental funds, inventory is recorded as an expenditure when purchased. There are not significant balances of inventory to record in the governmental funds.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as 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.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 1: Summary of Significant Accounting Policies - Continued

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 Section Re10, *Regulated Operations*, 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.

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 acquisition 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.

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

Bond premiums for the Electric and Sewer Funds are amortized over the life of the bonds using the effective interest method.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 1: Summary of Significant Accounting Policies - Continued

Unavailable Property Tax

Unavailable property tax consists 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 government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and closure/post-closure liabilities.

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.

Net Position

Net position is required to be displayed in three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvements of those assets are also included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to unspent proceeds is not included in the calculation of net investment in capital assets.

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 provision or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 1: Summary of Significant Accounting Policies - Continued

Fund Balance Classification

Fund balances for the City's governmental funds are classified as follows:

Nonspendable – Amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, 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 – The residual classification for the general fund and includes all amounts not included in the other classifications.

Sales and Use Tax

The City presently levies a sales tax on taxable sales within the City. The sales tax rate was 1.5% from October 1, 2018 to March 31, 2019, and 2.0% from April 1, 2019 to September 30, 2019. 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 and October (which represents sales for August and September) and received by the City in October and November 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, 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% interest.

Property taxes levied for 2018-19 are recorded as revenue when expected to be collected within 60 days after September 30, 2019. Prior-year levies were recorded using these same principles, and remaining receivables are re-evacuated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 1: Summary of Significant Accounting Policies - Continued

Property Taxes - Continued

The City-owned electric and water utilities may make payments in lieu of taxes. The electric department pays 5% of its net operating revenues, excluding depreciation, and the water department pays 1% of its gross revenues derived from within the City limits.

Contributions in Aid of Construction

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

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.

Note 2: 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:

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, and Agency Funds.

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 pledging institution in the City's name.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 2: Stewardship, Compliance and Accountability - Continued

Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements.

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.

Budgetary Data

The City is required by state laws to adopt annual budgets for all funds 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 expenditures 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 become 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.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 2: Stewardship, Compliance and Accountability - Continued

Budgetary Data - Continued

h. The City of Grand Island adopts a budget by resolution for all fund types.

Deficit Fund Balances

The deficit fund balance in the Transportation Fund of \$71,651 is the result of costs incurred during 2019 in excess of the related revenues. This deficit will be resolved in future years through additional revenues and transfers from the General Fund. The deficit fund balance in the HUD Entitlements Fund of \$8 is the result of unavailable revenues from amounts owed under grants, not collected within 60 days of the City's fiscal year-end. This deficit fund balance will be resolved as these unavailable revenues are collected and recognized in future years.

Note 3: Deposits and Investments

Deposits

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. As of September 30, 2019, all of the City's deposits with financial institutions were fully insured or collateralized by securities held in the City's name in the form of pledged securities.

Investments

The City's investments consist of nonnegotiable certificates of deposits and investments in equity securities, U.S. Government and agency obligations, and corporate bonds.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates (market rates) will affect the fair value of an investment. 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:

Investment Type	Carrying Value	Investment Term			Credit Rating Moody's / S&P
		Less Than 1	1 - 5 Years	6 - 10 Years	
Certificates of deposit	\$ 51,850,250	\$ 50,360,250	\$ 1,490,000	\$ -	Not Rated
U.S. Treasury securities	100,541	-	-	100,541	AAA / Not Rated
Corporate bonds	302,620	99,984	202,636	-	A2 / A-
Domestic common stock	4,152,457	4,152,457	-	-	Not Rated
Money markets	5,216,870	5,216,870	-	-	Not Rated
	<u>\$ 61,622,738</u>	<u>\$ 59,829,561</u>	<u>\$ 1,692,636</u>	<u>\$ 100,541</u>	

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 3: Deposits and Investments - Continued

Investments - Continued

Custodial Credit Risk – 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 possession of an outside party. All of the underlying securities for the City’s investments at September 30, 2019, 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.

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, corporate bonds, equity securities 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 places no limit on the amount that may be invested in any one issuer.

Fair Value of Investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The City’s investments in certificates of deposit and money markets are carried at cost, and thus are not included within the fair value hierarchy.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 3: Deposits and Investments - Continued

Recurring Measurements

The following table presents the fair value measurements of investments recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Treasury securities	\$ 100,541	\$ -	\$ 100,541	\$ -
Corporate bonds	302,620	-	302,620	-
Domestic common stock	4,152,457	4,152,457	-	-
	<u>\$ 4,555,618</u>	<u>\$ 4,152,457</u>	<u>\$ 403,161</u>	<u>\$ -</u>

Summary of Carrying Values

The carrying values of deposits and investments are as follows:

Deposits	\$ 69,556,958
Investments	<u>61,622,738</u>
	<u>\$ 131,179,696</u>

Included in the following statement of net position captions:

	Government-Wide	Fiduciary Funds	Total
Cash and cash equivalents	\$ 56,273,531	\$ 159,426	\$ 56,432,957
Restricted cash and cash equivalents	6,519,477	195,337	6,714,814
Investments	48,075,346	-	48,075,346
Restricted investments	19,359,742	-	19,359,742
Permanently restricted investments	596,837	-	596,837
	<u>\$ 130,824,933</u>	<u>\$ 354,763</u>	<u>\$ 131,179,696</u>

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 4: Accounts and Notes Receivable

Accounts and notes receivable at September 30, 2019 consist of the following:

Fund			Special			Gross		
	Taxes	Accounts	Assessments	Interest	Notes	Receivables	Allowance	Net
General	\$ 635,521	\$ 1,360,057	\$ -	\$ 854,916	\$ -	\$ 2,850,494	\$ -	\$ 2,850,494
Capital Projects	-	-	-	6,812	-	6,812	-	6,812
Streets	-	21,586	750	91	-	22,427	-	22,427
Nonmajor	32,025	273,054	735,450	15,705	601,045	1,657,279	-	1,657,279
Electric	-	8,946,340	-	266,550	-	9,212,890	(607,948)	8,604,942
Water	-	839,580	66,709	2,874	-	909,163	(53,547)	855,616
Sewer	-	1,365,247	406,486	69,542	2,009,723	3,850,998	(75,198)	3,775,800
Landfill	-	237,275	-	43,594	-	280,869	-	280,869
Internal Service	-	-	-	5,592	-	5,592	-	5,592
	<u>\$ 667,546</u>	<u>\$ 13,043,139</u>	<u>\$ 1,209,395</u>	<u>\$ 1,265,676</u>	<u>\$ 2,610,768</u>	<u>\$ 18,796,524</u>	<u>\$ (736,693)</u>	<u>\$ 18,059,831</u>

Note 5: Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 8,731,739	\$ -	\$ -	\$ 8,731,739
Infrastructure	274,632,318	3,045,118	-	277,677,436
Construction in progress	28,702,934	9,270,231	9,588,108	28,385,057
Total capital assets, not being depreciated	<u>312,066,991</u>	<u>12,315,349</u>	<u>9,588,108</u>	<u>314,794,232</u>
Capital assets, being depreciated:				
Land improvements	20,869,248	6,493,824	28,545	27,334,527
Buildings	58,334,420	513,172	-	58,847,592
Machinery and equipment	8,955,663	1,717,827	242,977	10,430,513
Office furniture and equipment	3,163,313	43,669	-	3,206,982
Vehicles	9,376,419	780,975	685,102	9,472,292
Total capital assets, being depreciated	<u>100,699,063</u>	<u>9,549,467</u>	<u>956,624</u>	<u>109,291,906</u>
Less accumulated depreciation for:				
Land improvements	9,296,776	653,042	22,122	9,927,696
Buildings	26,001,910	1,833,608	-	27,835,518
Machinery and equipment	6,770,666	424,770	158,107	7,037,329
Office furniture and equipment	2,874,605	99,334	-	2,973,939
Vehicles	6,875,346	729,069	603,013	7,001,402
Total accumulated depreciation	<u>51,819,303</u>	<u>3,739,823</u>	<u>783,242</u>	<u>54,775,884</u>
Total capital assets, being depreciated, net	<u>48,879,760</u>	<u>5,809,644</u>	<u>173,382</u>	<u>54,516,022</u>
Governmental activities capital assets, net	<u>\$ 360,946,751</u>	<u>\$ 18,124,993</u>	<u>\$ 9,761,490</u>	<u>\$ 369,310,254</u>

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 5: Capital Assets - Continued

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 7,356,258	\$ -	\$ -	\$ -	\$ 7,356,258
Construction in progress	21,093,954	7,936,846	-	(15,306,107)	13,724,693
Total capital assets, not being depreciated	<u>28,450,212</u>	<u>7,936,846</u>	<u>-</u>	<u>(15,306,107)</u>	<u>21,080,951</u>
Capital assets, being depreciated:					
Land improvements	144,054,638	1,139,270	-	6,765,852	151,959,760
Buildings, distribution systems, equipment	454,931,842	2,208,281	2,270,478	8,322,082	463,191,727
Office furniture and equipment	4,814,265	-	-	-	4,814,265
Vehicles	8,970,208	634,977	124,918	218,173	9,698,440
Total capital assets, being depreciated	<u>612,770,953</u>	<u>3,982,528</u>	<u>2,395,396</u>	<u>15,306,107</u>	<u>629,664,192</u>
Less accumulated depreciation for:					
Land improvements	56,767,084	4,549,001	-	(10,006,597)	51,309,488
Buildings, distribution systems, equipment	250,783,172	13,711,006	2,263,498	5,667,868	267,898,548
Office furniture and equipment	205,711	38,556	-	-	244,267
Vehicles	1,815,091	822,582	120,917	4,338,729	6,855,485
Total accumulated depreciation	<u>309,571,058</u>	<u>19,121,145</u>	<u>2,384,415</u>	<u>-</u>	<u>326,307,788</u>
Total capital assets, being depreciated, net	<u>303,199,895</u>	<u>(15,138,617)</u>	<u>10,981</u>	<u>15,306,107</u>	<u>303,356,404</u>
Business-type activities capital assets, net	<u>\$ 331,650,107</u>	<u>\$ (7,201,771)</u>	<u>\$ 10,981</u>	<u>\$ -</u>	<u>\$ 324,437,355</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 414,735
Public safety	2,176,739
Public works	182,681
Environment and leisure	748,898
Nondepartmental	216,770
Total depreciation expense - governmental	<u>\$ 3,739,823</u>
Business-type activities:	
Electric	\$ 12,325,650
Water	1,138,892
Sewer	5,048,645
Landfill	607,958
Total depreciation expense - business-type activities	<u>\$ 19,121,145</u>

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 6: Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2019:

	Balances at October 1, 2018	Additions	Retirements or Other Reductions	Balances at September 30, 2019	Amount Due Within One Year
Governmental activities:					
Bonds payable	\$ 5,052,000	\$ -	\$ (492,000)	\$ 4,560,000	\$ 494,000
Notes payable - direct borrowings	4,780,667	-	(447,622)	4,333,045	459,835
Capital lease - direct borrowings	3,531,315	299,557	(535,510)	3,295,362	592,968
Compensated absences	2,450,347	2,361,083	(2,224,316)	2,587,114	208,695
Total governmental activities	<u>15,814,329</u>	<u>2,660,640</u>	<u>(3,699,448)</u>	<u>14,775,521</u>	<u>1,755,498</u>
Business-type activities					
Bonds payable	75,640,000	-	(4,375,000)	71,265,000	4,520,000
Bond premium	3,412,189	-	(484,973)	2,927,216	-
Notes payable - direct borrowings	31,859,767	171,213	(1,599,537)	30,431,443	1,462,498
Compensated absences	1,977,986	1,520,839	(1,359,410)	2,139,415	392,706
Closure/post-closure liability	4,945,728	275,049	-	5,220,777	-
Total business-type activities	<u>117,835,670</u>	<u>1,967,101</u>	<u>(7,818,920)</u>	<u>111,983,851</u>	<u>6,375,204</u>
Total primary government	<u>\$ 133,649,999</u>	<u>\$ 4,627,741</u>	<u>\$ (11,518,368)</u>	<u>\$ 126,759,372</u>	<u>\$ 8,130,702</u>
Component units					
Bonds payable	\$ 930,000	\$ -	\$ 180,000	\$ 750,000	\$ 180,000
Notes payable - direct borrowings	105,250	-	68,557	36,693	36,693
Total component units	<u>\$ 1,035,250</u>	<u>\$ -</u>	<u>\$ 248,557</u>	<u>\$ 786,693</u>	<u>\$ 216,693</u>

Governmental Activities

As of September 30, 2019, the governmental activities long-term debt consisted of the following:

Original Amount	Issued	Issue	Interest Rate	Final Maturity	Outstanding
Governmental Activities					
Bonds Payable					
\$ 1,231,000	11/9/2015	General Obligation Various Purpose Bonds	1.10 - 2.30	12/15/2024	\$ 840,000
4,435,000	12/23/2016	Public Safety Anticipation Bonds	2.90	12/15/2036	<u>3,720,000</u>
Total Bonds Payable					<u>\$ 4,560,000</u>
Notes Payable - Direct Borrowing					
\$ 5,000,000	12/8/2016	Promissory Note	Variable	12/8/2028	<u>\$ 4,333,045</u>
Capital Leases - Direct Borrowings					
\$ 3,728,681	4/7/2017	Capital Lease Refunding Obligation - Heartland Events Center	14.80	12/15/2024	\$ 2,842,403
158,052	6/9/2017	Capital Lease - Tractors	2.70	6/9/2021	79,996
213,600	5/26/2016	Capital Lease - Motor Grader	2.785	11/25/2020	83,406
299,557	12/6/2018	Capital Lease - Combo Sewer/Cleaner	4.76	12/6/2023	<u>289,557</u>
Total Capital Leases					<u>\$ 3,295,362</u>

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 6: Long-term Debt - Continued

The Debt Service and General Funds are making the principal and interest payments on the bonds, the Occupation Tax Fund is making the principal and interest payments on the note payable, and the Gas Tax Fund is paying the capital lease obligations. The capital lease agreements are secured by the related financed facilities and equipment.

Business-type Activities

As of September 30, 2019, the long-term debt payable from proprietary fund resources consisted of the following:

Original Amount	Issued	Issue	Interest Rate	Final Maturity	Outstanding
Business-Type Activities					
Bonds Payable					
\$ 35,430,000	9/17/2013	Sewer System Revenue Bonds	0.500 - 5.375	9/15/2038	\$29,765,000
18,510,000	3/8/2012	Electric System Revenue Refunding Bonds, Series 2012	0.200 - 4.000	8/15/2022	5,625,000
36,915,000	10/31/2013	Electric System Revenue Refunding Bonds, Series 2013	0.250 - 5.000	8/15/2028	29,035,000
7,435,000	4/10/2017	Water Revenue Refunding Bonds, Series 2017	2.000 - 3.375	3/15/2037	6,840,000
Total Bonds Payable					<u>\$71,265,000</u>
Notes Payable - Direct Borrowings					
\$ 6,200,000	9/12/2014	DEQ Sewer Note - Project C317867	1.50	12/15/2025	\$ 5,357,488
29,000,000	9/12/2014	DEQ Sewer Note - Project C317981	1.25	12/15/2037	20,516,854
4,800,000	9/17/2015	DEQ Sewer Note - Project C317984	1.50	12/15/2037	1,985,085
6,473,500	9/18/2017	DEQ Sewer Note - Project C317990	0.50	N/A	2,572,016
Total Notes Payable					<u>\$30,431,443</u>

Component Units

Original Amount	Issued	Issue	Interest Rate	Final Maturity	Outstanding
Component Units					
Bonds Payable					
\$ 1,800,000	10/30/2012	Limited Tax Obligation Bonds	0.40 - 2.40	12/15/2022	\$ 750,000
Notes Payable - Direct Borrowing					
\$ 668,000	12/15/2004	Notes Payable - Walnut Housing, Ltd. Redevelopment	6.743	12/15/2019	\$ 36,693

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 6: Long-term Debt - Continued

Debt Service Requirements

Annual debt service requirement to maturity, including principal and interest, for long-term debt as of September 30, 2019, are as follows:

Bonds Payable

	Governmental Activities		Business- type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 494,000	\$ 119,532	\$ 4,520,000	\$ 3,296,405
2021	496,000	106,814	4,690,000	3,116,705
2022	498,000	94,062	4,780,000	2,935,205
2023	296,000	84,249	5,090,000	2,726,355
2024	299,000	76,511	5,325,000	2,492,690
2025-2029	967,000	282,506	25,750,000	8,536,194
2030-2034	910,000	145,290	10,840,000	4,242,300
2035-2039	600,000	35,090	10,270,000	1,293,863
Total	<u>\$ 4,560,000</u>	<u>\$ 944,054</u>	<u>\$ 71,265,000</u>	<u>\$ 28,639,717</u>

Notes Payable – Direct Borrowings

	Governmental Activities		Business- type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 459,835	\$ 126,544	\$ 1,462,498	\$ 385,398
2021	472,381	114,331	1,538,414	377,213
2022	485,269	101,785	1,558,808	356,818
2023	498,509	88,897	1,579,475	336,151
2024	512,109	75,657	1,600,418	315,208
2025-2029	1,904,942	166,693	8,326,151	1,251,980
2030-2034	-	-	8,893,292	684,840
2035-2039	-	-	5,472,387	129,672
Total	<u>\$ 4,333,045</u>	<u>\$ 673,907</u>	<u>\$ 30,431,443</u>	<u>\$ 3,837,280</u>

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 6: Long-term Debt - Continued

Debt Service Requirements - Continued

Capital Lease Obligations – Direct Borrowings

	Governmental Activities
Year Ending September 30,	
2020	\$ 658,465
2021	651,601
2022	562,879
2023	569,375
2024	565,100
2025-2029	497,932
Total minimum lease payments	3,505,352
Less amount representing interest	(209,990)
	\$ 3,295,362

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 \$939,287 at September 30, 2019, which is based on 53.09% usage (filled) of the ash disposal area. The remaining estimated liability for these costs is approximately \$830,000, 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, 2019. 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.

At September 30, 2019, the City incurred a liability of \$4,281,490 for the municipal solid waste landfill, which represents the costs reported to date based on the approximately 40.62% of the landfill capacity used to date. The remaining estimated liability for these costs is approximately \$6,259,000, which will be recognized as the remaining capacity is used (estimated to be over approximately 12 years).

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 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, 2019, funds of \$953,366 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 of 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.

Letter of Credit

The City has a \$2,000,000 standby letter of credit available through Wells Fargo Bank, with Southwest Power Pool, Inc. as the beneficiary. As of September 30, 2019, nothing had been drawn on this letter of credit, which expires August 1, 2020.

Note 7: Interfund Transactions and Balances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those that are related to goods and services transactions are classified as “due to and from other funds”.

	Receivable Fund					Total
	General Fund	Electric	Water	Landfill	Internal Service	
Payable Fund:						
General	\$ -	\$ 54,724	\$ -	\$ -	\$ 37,965	\$ 92,689
Streets	35,148	30,349	219	897	14,520	81,133
Nonmajor Governme	4,146	675	-	-	5,327	10,148
Electric	101,686	-	17,520	932	15,133	135,271
Water	35,886	35,630	-	-	1,852	73,368
Sewer	75,394	61,407	-	14,808	8,440	160,049
Landfill	15,141	-	-	-	2,067	17,208
Internal Service	29,162	414	-	74	130	29,780
	<u>\$ 296,563</u>	<u>\$ 183,199</u>	<u>\$ 17,739</u>	<u>\$ 16,711</u>	<u>\$ 85,434</u>	<u>\$ 599,646</u>

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 7: Interfund Transactions and Balances - Continued

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (b) move revenues from restricted funds to funds where the expenditures were incurred related to the restriction and to (c) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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 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.

Note 8: Defined Contribution Retirement Plans

The City participants in defined contribution employee pension plans as follows:

Name of Plan	Type of Plan
City General Plan	Defined Contribution Plan
Police Plan	Defined Contribution Plan
Firefighters Plan	Defined Contribution Plan
Deferred Compensation Plan	Qualified Deferred Compensation Plan

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 a continuous year, to participate in the plan immediately. Participants are required to contribute 6.0-7.5% of their earnings, depending on union agreements, and the City is required to match those participant contributions. The participant can contribute an additional 10% with no City match.

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

Vested Year	Percentage
1	60%
2	70%
3	80%
4	90%
5	100%

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 8: Defined Contribution Retirement Plans - Continued

The employees and the City contributed \$1,783,827 and \$1,783,827, respectively, as required by the plan for the fiscal year ended September 30, 2019.

Police Plan

All regular full-time sworn officers of the City are covered by a defined contribution plan. Certain sworn officers are also covered by a single-employer defined benefit pension plan (see Note 9). Participants are required to contribute 7.0% of their earnings, but may contribute up to the maximum amount allowed under the Internal Revenue Code. Contributions made by the City equal 7.0% of the participants' compensation. Vesting of employer contributions occurs between four and ten years of service. Forfeitures shall first be applied to administrative expense of the Plan and then may be used by the City to reduce City contributions. The plan members and the City contributed \$461,004 and \$447,210, respectively, to the plan in fiscal 2019. There were no forfeitures used to reduce the amount of funding required by the City for the year ended September 30, 2019. The Plan is administered by a trustee independent of the City and is, therefore, not included in these financial statements.

Fire Plan

All regular full-time fire fighters of the City are covered by a defined contribution plan. Certain fire fighters are also covered by a single-employer defined benefit pension plan (see Note 9). Participants are required to contribute 6.50% of their earnings, but may contribute up to the maximum amount allowed under the Internal Revenue Code. Contributions made by the City equal 13.0% of the participants' compensation. Vesting of employer contributions occurs between four and ten years of service. Forfeitures shall first be applied to administrative expense of the Plan and then may be used by the City to reduce City contributions. The plan members and the City contributed \$295,969 and \$591,941, respectively, to the plan in fiscal 2019. There were no forfeitures used to reduce the amount of funding required by the City for the year ended September 30, 2019. The Plan is administered by a trustee independent of the City and is, therefore, not included in these financial statements.

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.

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.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 9: Police and Fire Defined Benefit Retirement Plan

Plan Description

The City has a single-employer defined benefit pension plan with certain members of the Grand Island Police and Fire Departments. The Plan covers 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 benefits under the new plan at least as great as those under the old defined benefit plan. 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 68. The Plan does not issue separate financial statements.

Summary of Benefit Provisions

Police – 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% of regular pay. All current employees will receive a benefit based on their defined contribution account. An employee is 100% vested in his or her contributions of 7.0% of monthly compensation, and vests 40% after two years of service, 60% after four years, 80% after five years, and is 100% vested at seven years or more in the City’s contributions, which is a matching 7%.

Fire – An employee who 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% of regular pay. All current employees will receive a benefit based on their defined contribution account. An employees is 100% vested in his or her contributions, 6.5% of monthly compensation, and vests 40% after four years of service plus 10% for each year thereafter, up to 100%, in the City’s contributions, 13% of monthly compensation.

Plan Membership

As of September 30, 2019, plan membership consisted of the following:

Inactive members and beneficiaries receiving benefits	16
Active plan members - Police	1
Active plan members - Fire	1
	1
Total participants	18

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 9: Police and Fire Defined Benefit Retirement Plans - Continued

Contributions and Funding Policy

The City’s contributions for the additional amount to fund minimum pension benefits are limited to amounts paid to retirees during the fiscal year.

Actuarial Methods and Assumptions

The total pension liability was determined using the following actuarial assumptions:

Valuation Date	September 30, 2019
Measurement Date	September 30, 2019
Actuarial Cost Method	Entry Age Normal
Salary Increases	2.00%
Investment Rate of Return	6.0% per year for defined contribution accounts
Mortality Rates	RP-2014 Combined Generational Mortality Tables, adjusted for mortality improvement using Projection Scale MP-2019

Total Pension Liability

The total pension liability of the City at September 30, 2019 was \$795,888.

Discount Rate

The discount rate used to measure the total pension liability as of September 30, 2019 was 2.81%. As an unfunded plan, the discount rate reflects the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following presents the City’s total pension liability, calculated using the current discount rate of 2.81%, as well as the total pension liability calculated using a discount rate that is 1% lower (1.81%) or 1% higher (3.81%) than the current rate:

	1% Decrease 1.81%	Current Discount Rate 2.81%	1% Increase 3.81%
Total pension liability	\$ 842,530	\$ 795,888	\$ 753,924

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 9: Police and Fire Defined Benefit Retirement Plans - Continued

Changes in the Total Pension Liability

	Total Pension Liability
Balance, Beginning of Year	\$ 957,418
Changes for the year	
Interest on total pension liability	36,990
Differences between expected and actual experience	(136,905)
Changes in assumptions	45,506
Benefit payments	(107,121)
Net changes	(161,530)
Balance, End of Year	\$ 795,888

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

Pension expense for the year ended September 30, 2019 was (\$54,409).

Gains and losses which are amortized over future years are referred to as deferred inflows of resources or gains, and deferred outflows of resources losses. As of September 30, 2019, there were no deferred items related to the Plan.

Note 10: Other Postemployment Benefits

Plan Description

The City administers a single-employer other postemployment benefits (OPEB) plan providing disability benefits to eligible members who become disabled due to a work-related accident. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements.

Summary of Benefit Provisions

Any police officer or firefighter is automatically eligible for benefits under the plan. Benefits include 50% of regular pay, offset by amounts paid under the Nebraska Worker's Compensation Act. In addition, payments shall not commence until all credit for unused annual or sick leave and other similar credits, such as a member's Defined Contribution retirement account balance, have been fully utilized by the disabled member. Benefits are funded by the member's Defined Contribution account balance until the balance is depleted, at which time the remaining benefits are paid by the City.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 10: Other Postemployment Benefits - Continued

Plan Membership

As of September 30, 2019, plan membership consisted of the following:

Disabled members currently receiving benefits	3
Active employees - Police	78
Active employees - Fire	63
	144
	144

Contributions and Funding Policy

The City’s contributions are made on a pay-as-you-go basis. There are no assets accumulated to pay these benefits.

Actuarial Methods and Assumptions

The total OPEB liability was determined using the following actuarial assumptions:

Valuation Date	September 30, 2017 rolled forward to September 30, 2019
Measurement Date	September 30, 2019
Actuarial Cost Method	Entry Age Normal
Salary Increases	4.0%, including inflation
Investment Rate of Return	6.0% per year for defined contribution accounts
Mortality Rates	RP-2014 Combined Generational Mortality Tables for males and females, adjusted for mortality improvement using Projection Scale MP-2017

Total OPEB Liability

The total OPEB liability of the City at September 30, 2019 was \$2,198,136.

Discount Rate

The discount rate used to measure the total OPEB liability as of September 30, 2019 was 2.81%, obtained from The Bond Buyer General Obligation 20-year Municipal Bond Index published weekly. The discount rate at September 30, 2018 was 4.09%. As an unfunded plan, the discount rate reflects the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 10: Other Postemployment Benefits - Continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the City's total OPEB liability, calculated using the current discount rate of 2.81%, as well as the total pension liability calculated using a discount rate that is 1% lower (1.81%) or 1% higher (3.81%) than the current rate:

	1% Decrease 1.81%	Current Discount Rate 2.81%	1% Increase 3.81%
Total OPEB Liability	\$ 2,642,939	\$ 2,198,136	\$ 1,853,163

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, beginning of year	<u>\$ 1,698,808</u>
Changes for the year:	
Service cost	75,756
Interest	68,028
Changes of assumptions	427,303
Benefit payments	<u>(71,759)</u>
Net changes	<u>499,328</u>
Balance, end of year	<u><u>\$ 2,198,136</u></u>

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

Total OPEB expense for the year ended September 30, 2019 was \$163,604.

Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members. As of September 30, the deferred inflows of resources and deferred outflows of resources related to OPEB are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 396,781	\$ (128,427)

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 10: Other Postemployment Benefits - Continued

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - Continued

Amounts currently reported as deferred inflows of resources and deferred outflows of resources related to OPEB will be recognized in future years' OPEB expense as follows:

Fiscal Year	Amount
2020	\$ 19,820
2021	19,820
2022	19,820
2023	19,820
2024	19,820
Thereafter	169,254
	\$ 268,354

Note 11: Risk Management

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.

Settled claims in the past three years have not exceeded the commercial coverages.

Note 12: 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.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 12: Commitments and Contingencies - Continued

Claims and Litigation

The City is involved in various litigation in the normal course of its operations and services. In the opinion of City management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the City in connection with its legal proceedings will not have a material effect on the City's financial position, but could be material to the results of operations in future accounting periods.

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 2013-2014 and will continue for 10 years. A three percent fee will be retained by the City for program administration.

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. During the year ended September 30, 2017, the Department entered into a 25 year agreement with Sempra for the entire 50 MW output of Prairie Hills windfarm to be located in Custer County, Nebraska. This facility is due to be online by the end of 2019. During the year ended September 30, 2017, the Department also entered into a 25 year agreement with Sol Systems for the entire 1 MW output of a new solar installation to be located near a Department substation. This facility came online in October 2018.

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 181 MW from coal-fired and gas/oil-fired electric generating stations. One older gas-fired steam unit has been removed from the market lowering the generation capacity by 54 MW. The peak load of the Department during the fiscal year ended September 30, 2019 was approximately 161 MW in July 2019.

City of Grand Island, Nebraska
Notes to the Financial Statements
September 30, 2019

Note 12: Commitments and Contingencies - Continued

Purchased Power Agreements - Continued

The Department is party to an agreement with the Department of Energy (DOE) pursuant to which the Department may purchase up to 9,168 KW of power to be transmitted through DOE and Nebraska Public Power District (NPPD) facilities. Such power is sold to the Department at standard DOE wholesale firm power service rates. The agreement expires on December 31, 2050.

Note 13: Tax Abatements

The Community Redevelopment Agency (CRA), who is authorized by Nebraska statutes to enter into property tax abatement agreements for the purpose of developing properties in blighted areas, has entered into tax increment financing (TIF) agreements with various redevelopers. The TIF program has the stated purpose of increasing valuation, business activity and employment in the community.

Under the TIF program, redevelopers can apply for TIF financing whereby the property tax they pay on the increased valuation of property under a TIF agreement is returned to the redeveloper by the CRA to finance the project for a period of up to 15 years.

Total property taxes abated through TIF for the year ended September 30, 2019 were approximately \$3,126,000.

Note 14: Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the City. Measures are being taken to safeguard employees and citizens. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

City of Grand Island, Nebraska
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 27,964,518	\$ 27,964,518	\$ 28,216,991	\$ 252,473
Licenses and permits	787,300	787,300	709,612	(77,688)
Intergovernmental revenues	1,308,122	1,308,122	1,345,280	37,158
Charges for services	4,269,814	4,269,814	6,846,100	2,576,286
Grant income	322,653	322,653	188,859	(133,794)
Interest income	100,000	100,000	1,317,630	1,217,630
Miscellaneous	6,422,114	6,422,114	6,621,853	199,739
Total revenues	<u>41,174,521</u>	<u>41,174,521</u>	<u>45,246,325</u>	<u>4,071,804</u>
Expenditures				
General government	4,380,546	4,380,546	4,213,514	167,032
Public works	21,036,960	21,036,960	23,774,798	(2,737,838)
Public safety	1,270,293	1,270,293	1,159,765	110,528
Environment and leisure	7,198,851	7,198,851	7,293,217	(94,366)
Nondepartmental	5,972,365	5,972,365	5,876,433	95,932
Total expenditures	<u>39,859,015</u>	<u>39,859,015</u>	<u>42,317,727</u>	<u>(2,458,712)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,315,506	1,315,506	2,928,598	1,613,092
Other Financing Sources (Uses)				
Proceeds from sales of capital assets	-	-	177,960	177,960
Operating transfers, net	(3,885,000)	(3,885,000)	(1,417,634)	2,467,366
Total other financing sources	<u>(3,885,000)</u>	<u>(3,885,000)</u>	<u>(1,239,674)</u>	<u>2,467,366</u>
Net Change in Fund Balances	<u>\$ (2,569,494)</u>	<u>\$ (2,569,494)</u>	<u>\$ 1,688,924</u>	<u>\$ 4,080,458</u>

City of Grand Island, Nebraska
Budgetary Comparison Schedule
Streets Fund
Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 3,679,275	\$ 3,679,275	\$ 3,323,270	\$ (356,005)
Licenses and permits	20,000	20,000	12,744	(7,256)
Intergovernmental revenues	6,398,600	6,398,600	7,002,629	604,029
Charges for services	300,000	300,000	345,227	45,227
Miscellaneous	13,000	13,000	20,104	7,104
Total revenues	<u>10,410,875</u>	<u>10,410,875</u>	<u>10,703,974</u>	<u>293,099</u>
Expenditures				
Public works	<u>11,334,370</u>	<u>11,334,370</u>	<u>9,507,864</u>	<u>1,826,506</u>
Total expenditures	<u>11,334,370</u>	<u>11,334,370</u>	<u>9,507,864</u>	<u>1,826,506</u>
Net Change in Fund Balances	<u>\$ (923,495)</u>	<u>\$ (923,495)</u>	<u>\$ 1,196,110</u>	<u>\$ 2,119,605</u>

City of Grand Island, Nebraska
Budgetary Comparison Schedules
Note to Required Supplementary Information
Year Ended September 30, 2019

	General Fund	Streets Fund
Net change in fund balances:		
Balance on a GAAP basis	\$ 6,990,153	\$ 1,380,736
Basis differences (accruals) occur because the cash basis of accounting used for budgeting differs from the modified accrual basis of accounting prescribed for government funds	(5,301,229)	(184,626)
Balance on a budget basis	\$ 1,688,924	\$ 1,196,110

City of Grand Island, Nebraska
Condition Rating of the Street System
Year Ended September 30, 2019

Condition Rating of the City’s Street System

	Percentage of Streets in Good or Better Condition
Arterial	85.75%
Local	80.20%
Collector	58.00%
Overall system	75.94%
	Percentage of Streets in Substandard Condition
Arterial	5.60%
Local	6.40%
Collector	2.50%
Overall system	3.18%

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

Overall System	
Needed	\$ 2,800
Actual	1,506
Difference	\$ 1,294

Note: The condition of road payment 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 (75-85), 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 74.0 percent at September 30, 2017). 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 began the same assessment starting in the Fall of 2019, in accordance with the three year requirement, with the results expected in early 2020.

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 24 bridges on the bridge inventory. All of the bridges are in service and classified as functional.

City of Grand Island, Nebraska
Schedule of Changes in the Total Pension Liability and Related Ratios
Year Ended September 30, 2019

	<u>2019</u>	<u>2018</u>
Total Pension Liability		
Interest	\$ 36,990	\$ 41,278
Difference between expected and actual experience	(136,905)	-
Changes of assumptions	45,506	(29,917)
Benefit payments	<u>(107,121)</u>	<u>(416,704)</u>
Net Change in Total Pension Liability	(161,530)	(405,343)
Total Pension Liability - Beginning	<u>957,418</u>	<u>1,362,761</u>
Total Pension Liability - Ending	<u>\$ 795,888</u>	<u>\$ 957,418</u>
Covered-Employee Payroll	\$ 314,812	\$ 516,607
Total Pension Liability as a Percentage of Covered-Employee Payroll	252.81%	185.33%

Notes to schedule:

2019

Benefit changes - None

Changes of assumptions - The discount rate changed from 4.09% to 2.81%. The mortality improvement scale was updated from MP-2017 to MP-2019.

2018

Benefit changes - None

Changes of assumptions - The discount rate changed from 3.57% to 4.09%.

Schedule is intended to show information for 10 years. Additional years will be displayed when available.

City of Grand Island, Nebraska
Schedule of Changes in the Total Other Postemployment
Liability and Related Ratios
Year Ended September 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 75,756	\$ 83,394
Interest	68,028	62,099
Changes of benefit terms	-	-
Difference between expected and actual experience	-	-
Changes of assumptions	427,303	(149,831)
Benefit payments	<u>(71,759)</u>	<u>(72,056)</u>
Net Change in Total OPEB Liability	499,328	(76,394)
Total OPEB Liability - Beginning	<u>1,698,808</u>	<u>1,775,202</u>
Total OPEB Liability - Ending	<u>\$ 2,198,136</u>	<u>\$ 1,698,808</u>
Covered-Employee Payroll	\$ 10,942,114	\$ 10,629,848
Total OPEB Liability as a Percentage of Covered-Employee Payroll	20.09%	15.98%

Notes to schedule:

2019

Benefit changes - None

Changes of assumptions - The discount rate changed from 4.09% to 2.81%.

2018

Benefit changes - None

Changes of assumptions - The discount rate changed from 3.57% to 4.09%.

Schedule is intended to show information for 10 years. Additional years will be displayed when available.

Supplementary Information

City of Grand Island, Nebraska
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2019

Assets	Special Revenue Funds										
	Permanent Funds		Enhanced 911	PSC Wireless	Keno	Transportation	Community Youth Council	Program Income Reuse Fund	Housing Reuse Fund	Community Development	Metropolitan Planning Organization
	Library Trust	Cemetery Trust									
Cash and cash equivalents	\$ -	\$ 333,346	\$ 75,986	\$ 50,209	\$ 162,134	\$ -	\$ 18,079	\$ 110,989	\$ 89,749	\$ 13,384	\$ 132,302
Investments	70,935	525,902	93,102	61,519	198,654	-	22,152	135,988	-	16,399	162,104
County treasurer cash	-	-	-	-	-	-	-	-	-	-	-
Receivables											
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Property tax	-	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-	-
Interest	-	3,762	-	-	441	-	49	-	-	36	360
Notes	-	-	-	-	-	-	-	-	235,678	-	-
Due from other governments	-	-	13,500	-	26,015	35,829	-	-	-	-	18,239
Total assets	<u>\$ 70,935</u>	<u>\$ 863,010</u>	<u>\$ 182,588</u>	<u>\$ 111,728</u>	<u>\$ 387,244</u>	<u>\$ 35,829</u>	<u>\$ 40,280</u>	<u>\$ 246,977</u>	<u>\$ 325,427</u>	<u>\$ 29,819</u>	<u>\$ 313,005</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances											
Liabilities:											
Accounts payable	\$ 3,967	\$ -	\$ 26,054	\$ -	\$ -	\$ 98,393	\$ -	\$ -	\$ -	\$ 33	\$ 1,417
Accrued expenses	-	-	4,801	-	-	3,338	-	-	-	2,546	-
Due to other funds	2,347	-	3	-	1,331	5,749	-	-	-	2	-
Total liabilities	<u>6,314</u>	<u>-</u>	<u>30,858</u>	<u>-</u>	<u>1,331</u>	<u>107,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,581</u>	<u>1,417</u>
Deferred inflows of resources											
Unavailable revenue	-	-	-	-	-	-	-	-	-	-	-
Fund balances:											
Nonspendable											
Cemetery perpetual care	-	863,010	-	-	-	-	-	-	-	-	-
Library trust	64,621	-	-	-	-	-	-	-	-	-	-
Restricted for											
Economic development	-	-	-	-	-	-	-	246,977	-	-	-
Federal programs	-	-	-	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	325,427	27,238	-
Community improvements	-	-	-	-	385,913	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	151,730	111,728	-	-	40,280	-	-	-	311,588
Unassigned	-	-	-	-	-	(71,651)	-	-	-	-	-
Total fund balances	<u>64,621</u>	<u>863,010</u>	<u>151,730</u>	<u>111,728</u>	<u>385,913</u>	<u>(71,651)</u>	<u>40,280</u>	<u>246,977</u>	<u>325,427</u>	<u>27,238</u>	<u>311,588</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 70,935</u>	<u>\$ 863,010</u>	<u>\$ 182,588</u>	<u>\$ 111,728</u>	<u>\$ 387,244</u>	<u>\$ 35,829</u>	<u>\$ 40,280</u>	<u>\$ 246,977</u>	<u>\$ 325,427</u>	<u>\$ 29,819</u>	<u>\$ 313,005</u>

City of Grand Island, Nebraska
Combining Balance Sheet - Continued
Nonmajor Governmental Funds
September 30, 2019

Assets	Special Revenue Funds									Capital	Debt	Total
	Police Grants	Occupation Tax	Parking District #1	Parking District #2	Local Assistance	Pioneer Consortium	HUD Entitlements	Economic Development	Community Grants	Projects Fund Special Assessments	Service Fund	Nonmajor Governmental Funds
Cash and cash equivalents	\$ 6,648	\$ 1,372,165	\$ 22,527	\$ 58,643	\$ 182,539	\$ 42,008	\$ -	\$ 557,051	\$ 28,157	\$ 427,589	\$ 55,655	\$ 3,739,160
Investments	8,146	1,681,245	27,601	71,852	340,454	51,471	-	682,527	34,499	523,904	68,191	4,776,645
County treasurer cash	-	-	-	608	-	-	-	-	-	-	-	608
Receivables												
Accounts receivable	-	273,054	-	-	-	-	-	-	-	-	-	273,054
Property tax	-	-	-	-	-	-	-	-	-	-	32,025	32,025
Special assessments	-	-	7,221	-	-	-	-	-	-	728,229	-	735,450
Interest	-	-	61	160	575	114	-	1,515	-	8,481	151	15,705
Notes	-	-	-	-	-	-	-	354,662	10,705	-	-	601,045
Due from other governments	15,406	-	-	608	-	-	57,050	-	-	-	-	166,647
Total assets	<u>\$ 30,200</u>	<u>\$ 3,326,464</u>	<u>\$ 57,410</u>	<u>\$ 131,871</u>	<u>\$ 523,568</u>	<u>\$ 93,593</u>	<u>\$ 57,050</u>	<u>\$ 1,595,755</u>	<u>\$ 73,361</u>	<u>\$ 1,688,203</u>	<u>\$ 156,022</u>	<u>\$ 10,340,339</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances												
Liabilities:												
Accounts payable	\$ 695	\$ 145,212	\$ 816	\$ -	\$ 4,750	\$ 4,639	\$ -	\$ 17,143	\$ -	\$ -	\$ -	\$ 303,119
Accrued expenses	-	-	-	-	-	-	-	-	-	-	-	10,685
Due to other funds	-	-	319	356	-	-	41	-	-	-	-	10,148
Total liabilities	<u>695</u>	<u>145,212</u>	<u>1,135</u>	<u>356</u>	<u>4,750</u>	<u>4,639</u>	<u>41</u>	<u>17,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>323,952</u>
Deferred inflows of resources:												
Unavailable revenue	-	-	2,268	-	-	-	57,017	-	-	652,501	26,447	738,233
Fund balances:												
Nonspendable												
Cemetery perpetual care	-	-	-	-	-	-	-	-	-	-	-	863,010
Library trust	-	-	-	-	-	-	-	-	-	-	-	64,621
Restricted for												
Economic development	-	-	-	-	-	-	-	1,578,612	-	-	-	1,825,589
Federal programs	29,505	-	-	-	-	-	-	-	73,361	-	-	102,866
Housing loans	-	-	-	-	-	-	-	-	-	-	-	352,665
Community improvements	-	3,181,252	-	-	-	-	-	-	-	-	-	3,567,165
Debt service	-	-	-	-	-	-	-	-	-	-	129,575	129,575
Other purposes	-	-	-	131,515	-	88,954	-	-	-	-	-	220,469
Assigned	-	-	54,007	-	518,818	-	-	-	-	1,035,702	-	2,223,853
Unassigned	-	-	-	-	-	-	(8)	-	-	-	-	(71,659)
Total fund balances	<u>29,505</u>	<u>3,181,252</u>	<u>54,007</u>	<u>131,515</u>	<u>518,818</u>	<u>88,954</u>	<u>(8)</u>	<u>1,578,612</u>	<u>73,361</u>	<u>1,035,702</u>	<u>129,575</u>	<u>9,278,154</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 30,200</u>	<u>\$ 3,326,464</u>	<u>\$ 57,410</u>	<u>\$ 131,871</u>	<u>\$ 523,568</u>	<u>\$ 93,593</u>	<u>\$ 57,050</u>	<u>\$ 1,595,755</u>	<u>\$ 73,361</u>	<u>\$ 1,688,203</u>	<u>\$ 156,022</u>	<u>\$ 10,340,339</u>

City of Grand Island, Nebraska
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2019

	Special Revenue Funds										
	Permanent Funds		Enhanced 911	PSC Wireless	Keno	Transportation	Community Youth Council	Program Income Reuse Fund	Housing Reuse Fund	Community Development	Metropolitan Planning Organization
	Library Trust	Cemetery Trust									
Revenues:											
Taxes:											
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Motor vehicle	-	-	-	-	-	-	-	-	-	-	-
Occupation	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	408,351	-	-	-	-	-
Keno	-	-	-	-	356,868	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	40,932	175,300	119,588	-	-	-	-	388	-	-
Interest income	-	19,197	-	-	5,386	859	756	-	-	-	5,579
Contributions and grants	-	-	-	-	-	-	-	-	-	-	66,317
Other revenue	-	-	-	-	-	-	-	4,355	-	-	-
Total revenues	-	60,129	175,300	119,588	362,254	409,210	756	-	4,355	388	71,896
Expenditures:											
General government	-	-	-	-	177,948	108	-	-	-	77,523	83,209
Public safety	-	-	731,675	223,104	86,388	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-	-	-
Environment and leisure	7,001	-	-	-	2,156	700,504	128	-	26,361	-	-
Principal payments on long-term debt	-	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	7,001	-	731,675	223,104	266,492	700,612	128	-	26,361	77,523	83,209
Excess (deficiency) of revenues over (under) expenditures	(7,001)	60,129	(556,375)	(103,516)	95,762	(291,402)	628	-	(22,006)	(77,135)	(11,313)
Other financing sources (uses):											
Transfers in	-	-	-	-	-	160,000	-	-	-	25,000	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	160,000	-	-	-	25,000	-
Net change in fund balances	(7,001)	60,129	(556,375)	(103,516)	95,762	(131,402)	628	-	(22,006)	(52,135)	(11,313)
Fund balances, beginning of year	71,622	802,881	708,105	215,244	290,151	59,751	39,652	246,977	347,433	79,373	322,901
Fund balances, ending	\$ 64,621	\$ 863,010	\$ 151,730	\$ 111,728	\$ 385,913	\$ (71,651)	\$ 40,280	\$ 246,977	\$ 325,427	\$ 27,238	\$ 311,588

City of Grand Island, Nebraska
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Continued
Nonmajor Governmental Funds
Year Ended September 30, 2019

	Special Revenue Funds									Capital Projects Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	Police Grants	Occupation Tax	Parking District #1	Parking District #2	Local Assistance	Pioneer Consortium	HUD Entitlement	Economic Development	Community Grants	Special Assessments		
Revenues:												
Taxes:												
Property	\$ -	\$ -	\$ -	\$ 10,483	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,486	\$ 27,969
Motor vehicle	-	-	-	32	-	-	-	-	-	-	502	534
Occupation	-	2,900,764	-	-	-	-	-	-	-	-	-	2,900,764
Intergovernmental	109,896	-	-	-	17,244	477,128	-	-	-	-	-	1,012,619
Keno	-	-	-	-	-	-	-	-	-	-	-	356,868
Special assessments	-	-	56,498	-	-	-	-	-	317,571	-	-	374,069
Charges for services	-	201,911	3,485	6,415	146,071	-	-	-	-	-	-	694,090
Interest income	-	41,561	1,149	2,319	4,876	1,609	24,290	-	14,277	1,574	-	123,432
Contributions and grants	-	-	-	-	363,596	-	-	-	-	-	-	429,913
Other revenue	23,542	107,500	-	-	-	31,226	-	-	50	-	-	166,673
Total revenues	<u>133,438</u>	<u>3,251,736</u>	<u>61,132</u>	<u>19,249</u>	<u>531,787</u>	<u>32,835</u>	<u>477,128</u>	<u>24,290</u>	<u>-</u>	<u>331,898</u>	<u>19,562</u>	<u>6,086,931</u>
Expenditures:												
General government	-	913,361	93,665	7,759	-	-	413,940	694,356	22,462	-	-	2,484,331
Public safety	145,195	-	-	-	31,944	-	-	-	-	-	-	1,218,306
Public works	-	-	-	-	-	-	-	-	26	-	-	26
Environment and leisure	-	2,612,814	-	-	1,197,339	29,357	-	-	-	-	-	4,575,660
Principal payments on long-term debt	-	447,855	-	-	-	-	-	-	-	-	298,158	746,013
Interest on long-term debt	-	126,213	-	-	-	-	-	-	-	-	109,930	236,143
Total expenditures	<u>145,195</u>	<u>4,100,243</u>	<u>93,665</u>	<u>7,759</u>	<u>1,229,283</u>	<u>29,357</u>	<u>413,940</u>	<u>694,356</u>	<u>22,462</u>	<u>26</u>	<u>408,088</u>	<u>9,260,479</u>
Excess (deficiency) of revenues over expenditures	<u>(11,757)</u>	<u>(848,507)</u>	<u>(32,533)</u>	<u>11,490</u>	<u>(697,496)</u>	<u>3,478</u>	<u>63,188</u>	<u>(670,066)</u>	<u>(22,462)</u>	<u>331,872</u>	<u>(388,526)</u>	<u>(3,173,548)</u>
Other financing sources (uses):												
Transfers in	-	-	-	-	-	-	750,000	-	-	-	408,089	1,343,089
Transfers out	-	(257,765)	-	-	-	-	-	-	(150,324)	-	-	(408,089)
Total other financing sources (uses)	<u>-</u>	<u>(257,765)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,000</u>	<u>-</u>	<u>(150,324)</u>	<u>408,089</u>	<u>408,089</u>	<u>935,000</u>
Net change in fund balances	<u>(11,757)</u>	<u>(1,106,272)</u>	<u>(32,533)</u>	<u>11,490</u>	<u>(697,496)</u>	<u>3,478</u>	<u>63,188</u>	<u>79,934</u>	<u>(22,462)</u>	<u>181,548</u>	<u>19,563</u>	<u>(2,238,548)</u>
Fund balances, beginning of year	<u>41,262</u>	<u>4,287,524</u>	<u>86,540</u>	<u>120,025</u>	<u>1,216,314</u>	<u>85,476</u>	<u>(63,196)</u>	<u>1,498,678</u>	<u>95,823</u>	<u>854,154</u>	<u>110,012</u>	<u>11,516,702</u>
Fund balances, end of year	<u>\$ 29,505</u>	<u>\$ 3,181,252</u>	<u>\$ 54,007</u>	<u>\$ 131,515</u>	<u>\$ 518,818</u>	<u>\$ 88,954</u>	<u>\$ (8)</u>	<u>\$ 1,578,612</u>	<u>\$ 73,361</u>	<u>\$ 1,035,702</u>	<u>\$ 129,575</u>	<u>\$ 9,278,154</u>

City of Grand Island, Nebraska
Combining Statement of Net Position
Internal Service Funds
September 30, 2019

	Internal Service Funds				Total
	Information Technology	Fleet Services	Insurance	Equipment Reserve	
Assets					
Current assets					
Cash and cash equivalents	\$ 104,674	\$ -	\$ 1,826,804	\$ 185,603	\$ 2,117,081
Investments	128,252	-	2,102,900	227,411	2,458,563
Receivables					
Interest	285	-	4,802	505	5,592
Due from other funds	1,519	83,915	-	-	85,434
Inventory	-	118,001	-	-	118,001
Total current assets	<u>234,730</u>	<u>201,916</u>	<u>3,934,506</u>	<u>413,519</u>	<u>4,784,671</u>
Noncurrent assets					
Capital assets					
Buildings and equipment	1,544,580	290,588	-	-	1,835,168
Less accumulated depreciation	(1,406,734)	(245,663)	-	-	(1,652,397)
Net capital assets	<u>137,846</u>	<u>44,925</u>	<u>-</u>	<u>-</u>	<u>182,771</u>
Total assets	<u>372,576</u>	<u>246,841</u>	<u>3,934,506</u>	<u>413,519</u>	<u>4,967,442</u>
Liabilities					
Current liabilities					
Accounts payable	-	9,885	284,601	58,000	352,486
Accrued expenses	20,949	10,209	2,501,000	-	2,532,158
Due to other funds	7	29,773	-	-	29,780
Unearned revenue	1,519	-	-	-	1,519
Compensated absences - current	5,137	2,432	-	-	7,569
Total current liabilities	<u>27,612</u>	<u>52,299</u>	<u>2,785,601</u>	<u>58,000</u>	<u>2,923,512</u>
Noncurrent liabilities					
Compensated absences - noncurrent	66,884	18,562	-	-	85,446
Total liabilities	<u>94,496</u>	<u>70,861</u>	<u>2,785,601</u>	<u>58,000</u>	<u>3,008,958</u>
Net Position					
Net investment in capital assets	137,846	44,925	-	-	182,771
Unrestricted	140,234	131,055	1,148,905	355,519	1,775,713
Total net position	<u>\$ 278,080</u>	<u>\$ 175,980</u>	<u>\$ 1,148,905</u>	<u>\$ 355,519</u>	<u>\$ 1,958,484</u>

City of Grand Island, Nebraska
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended September 30, 2019

	Internal Service Funds				Total
	Information Technology	Fleet Services	Insurance	Equipment Reserve	
Operating Revenues:					
Charges for services	\$ 1,208,269	\$ 1,158,572	\$ 8,558,329	\$ -	\$ 10,925,170
Total operating revenues	<u>1,208,269</u>	<u>1,158,572</u>	<u>8,558,329</u>	<u>-</u>	<u>10,925,170</u>
Operating Expenses					
Information technology	1,218,424	-	-	-	1,218,424
Central garage	-	1,185,713	-	-	1,185,713
Insurance and benefits	-	-	9,277,164	-	9,277,164
Building maintenance	-	-	-	78,946	78,946
Depreciation	41,602	6,004	-	-	47,606
Total operating expenditures	<u>1,260,026</u>	<u>1,191,717</u>	<u>9,277,164</u>	<u>78,946</u>	<u>11,807,853</u>
Operating income (loss)	<u>(51,757)</u>	<u>(33,145)</u>	<u>(718,835)</u>	<u>(78,946)</u>	<u>(882,683)</u>
Nonoperating Revenues (Expenses):					
Interest income	14,365	641	68,348	7,777	91,131
Intergovernmental	-	-	-	50,000	50,000
Total nonoperating revenues (expenses)	<u>14,365</u>	<u>641</u>	<u>68,348</u>	<u>57,777</u>	<u>141,131</u>
Change in net position	<u>(37,392)</u>	<u>(32,504)</u>	<u>(650,487)</u>	<u>(21,169)</u>	<u>(741,552)</u>
Net Position - September 30, 2018	<u>315,472</u>	<u>208,484</u>	<u>1,799,392</u>	<u>376,688</u>	<u>2,700,036</u>
Net Position - September 30, 2019	<u>\$ 278,080</u>	<u>\$ 175,980</u>	<u>\$ 1,148,905</u>	<u>\$ 355,519</u>	<u>\$ 1,958,484</u>

City of Grand Island, Nebraska
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2019

	Internal Service Funds				Total
	Information Technology	Fleet Services	Insurance	Equipment Reserve	
Cash Flows from Operating Activities					
Receipts from other funds	\$ 1,209,788	\$ 1,164,267	\$ 8,558,329	\$ -	\$ 10,932,384
Payments to suppliers	(760,403)	(924,318)	(8,862,155)	(20,946)	(10,567,822)
Payments to employees	(447,010)	(293,366)	-	-	(740,376)
Net cash provided by (used in) operating activities	<u>2,375</u>	<u>(53,417)</u>	<u>(303,826)</u>	<u>(20,946)</u>	<u>(375,814)</u>
Cash Flows From Noncapital Financing Activities					
Changes in interfund balances	(1,512)	37,997	-	-	36,485
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(43,669)	-	-	-	(43,669)
Intergovernmental receipts	-	-	-	50,000	50,000
Net cash provided by (used in) capital and related financing activities	<u>(43,669)</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>6,331</u>
Cash Flows From Investing Activities					
Change in allocation of pooled investments	44,373	9,750	648,249	21,109	723,481
Interest received	14,349	656	67,836	7,660	90,501
Net cash provided by investing activities	<u>58,722</u>	<u>10,406</u>	<u>716,085</u>	<u>28,769</u>	<u>813,982</u>
Increase (decrease) in cash and cash equivalents	15,916	(5,014)	412,259	57,823	444,499
Cash and Cash Equivalents - Beginning of the Year	<u>88,758</u>	<u>5,014</u>	<u>1,414,545</u>	<u>127,780</u>	<u>1,636,097</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 104,674</u>	<u>\$ -</u>	<u>\$ 1,826,804</u>	<u>\$ 185,603</u>	<u>\$ 2,117,081</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating loss	\$ (51,757)	\$ (33,145)	\$ (718,835)	\$ (78,946)	\$ (882,683)
Adjustments to reconciled operating loss to net cash provided by (used in) operating activities					
Depreciation expense	41,602	6,004	-	-	47,606
Change in assets and liabilities					
Accounts receivable	-	5,695	-	-	5,695
Inventories	-	(3,578)	-	-	(3,578)
Accounts payable and accrued expenses	11,011	(28,393)	415,009	58,000	455,627
Unearned revenue	1,519	-	-	-	1,519
Net cash provided by (used in) operating activities	<u>\$ 2,375</u>	<u>\$ (53,417)</u>	<u>\$ (303,826)</u>	<u>\$ (20,946)</u>	<u>\$ (375,814)</u>

City of Grand Island, Nebraska
Combining Statement of Net Position
Fiduciary Funds
September 30, 2019

	Agency Funds				Total Agency Funds
	Cafeteria Plan	Other Agencies	Tri City Task Force	BID Assessment	
Assets					
Cash	\$ 2,247	\$ 112,096	\$ -	\$ 45,083	\$ 159,426
Investments	2,753	137,346	-	55,238	195,337
Interest receivable	-	957	-	-	957
Special assessments receivable	-	-	-	93,214	93,214
	<u>5,000</u>	<u>250,399</u>	<u>-</u>	<u>193,535</u>	<u>448,934</u>
Total assets	<u>\$ 5,000</u>	<u>\$ 250,399</u>	<u>\$ -</u>	<u>\$ 193,535</u>	<u>\$ 448,934</u>
Liabilities					
Due to others	<u>\$ 5,000</u>	<u>\$ 250,399</u>	<u>\$ -</u>	<u>\$ 193,535</u>	<u>\$ 448,934</u>
Total liabilities	<u>\$ 5,000</u>	<u>\$ 250,399</u>	<u>\$ -</u>	<u>\$ 193,535</u>	<u>\$ 448,934</u>

City of Grand Island, Nebraska
Combining Statement of Net Position
Discretely Presented Component Units
September 30, 2019

Assets	Business Improvement Districts	Community Redevelopment Authority	Total
Current assets			
Cash and cash equivalents	\$ 71,190	\$ 762,082	\$ 833,272
County treasurer cash	-	89,992	89,992
Receivables			
Special assessments	93,214	-	93,214
Interest	223	2,874	3,097
Current portion of notes from redevelopers	-	38,568	38,568
Property tax	-	196,379	196,379
Due from other governments	19,795	-	19,795
Total current assets	<u>184,422</u>	<u>1,089,895</u>	<u>1,274,317</u>
Noncurrent assets			
Restricted cash	-	47,040	47,040
Capital assets			
Other capital assets, net of depreciation	39,068	490,486	529,554
Net capital assets	<u>39,068</u>	<u>490,486</u>	<u>529,554</u>
Total noncurrent assets	<u>39,068</u>	<u>537,526</u>	<u>576,594</u>
Total assets	<u>223,490</u>	<u>1,627,421</u>	<u>1,850,911</u>
Liabilities			
Current liabilities:			
Accounts payable	7,719	31,887	39,606
Accrued expenses	1,376	4,610	5,986
Due to other governments	707	3,768	4,475
Current portion of long-term obligations	-	216,693	216,693
Total current liabilities	<u>9,802</u>	<u>256,958</u>	<u>266,760</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations	-	570,000	570,000
Total noncurrent liabilities	<u>-</u>	<u>570,000</u>	<u>570,000</u>
Total liabilities	<u>9,802</u>	<u>826,958</u>	<u>836,760</u>
Net Position			
Net investment in capital assets	39,068	490,486	529,554
Restricted for			
Redevelopers	-	47,040	47,040
Unrestricted	174,620	262,937	437,557
Total net position	<u>\$ 213,688</u>	<u>\$ 800,463</u>	<u>\$ 1,014,151</u>

City of Grand Island, Nebraska
Combining Statement of Activities
Discretely Presented Component Units
Year Ended September 30, 2019

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Business Improvement Districts</u>	<u>Community Redevelopment Authority</u>	<u>Total</u>
Business Improvement Districts							
Fonner Park Business Improvement District	\$ 36,698	\$ -	\$ -	\$ -	\$ (36,698)	\$ -	\$ (36,698)
South Locust Business Improvement District	70,110	-	-	-	(70,110)	-	(70,110)
Downtown Business Improvement District	147,918	3,500	31,350	2,550	(110,518)	-	(110,518)
Total Business Improvement District	<u>254,726</u>	<u>3,500</u>	<u>31,350</u>	<u>2,550</u>	<u>(217,326)</u>	<u>-</u>	<u>(217,326)</u>
Community Redevelopment Authority							
General Government	1,267,270	-	-	-	-	(1,267,270)	(1,267,270)
Community Development	2,722,115	-	-	-	-	(2,722,115)	(2,722,115)
Interest on Long-term Debt	22,245	-	-	-	-	(22,245)	(22,245)
Total Community Redevelopment Authority	<u>4,011,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,011,630)</u>	<u>(4,011,630)</u>
Total Component Units	<u>\$ 4,266,356</u>	<u>\$ 3,500</u>	<u>\$ 31,350</u>	<u>\$ 2,550</u>	<u>(217,326)</u>	<u>(4,011,630)</u>	<u>(4,228,956)</u>
General revenues							
Taxes							
Property							
					-	2,982,164	2,982,164
					238,564	-	238,564
					-	1,231,405	1,231,405
					-	500	500
					3,338	16,629	19,967
					<u>241,902</u>	<u>4,230,698</u>	<u>4,472,600</u>
					24,576	219,068	243,644
					189,112	581,395	770,507
					<u>\$ 213,688</u>	<u>\$ 800,463</u>	<u>\$ 1,014,151</u>

Single Audit Reports

City of Grand Island, Nebraska
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal Grantor/ Program Title	Pass-Through Grantor	Federal CFDA Number	Grant Number / Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
Department of Housing and Urban Development:					
CDBG Entitlement Grants Cluster:					
CDBG Entitlement Grant		14.218		\$ -	\$ 426,874
CDBG Entitlement Grant		14.218		-	91,163
Total CDBG Entitlement Grant Cluster				<u>-</u>	<u>518,037</u>
Total Department of Housing and Urban Development				<u>-</u>	<u>518,037</u>
Department of Justice:					
Crime Victim Assistance	Nebraska Crime Commission	16.575	17-VA-0206	-	75,553
Crime Victim Assistance	Nebraska Crime Commission	16.575	2020-VA-1014	-	25,130
Total Department of Justice				<u>-</u>	<u>100,683</u>
Department of Transportation:					
Highway Planning and Construction Cluster:					
Highway Planning and Construction	Nebraska Department of Transportation	20.205	FHWA PL Funding	-	82,725
Highway Planning and Construction	Nebraska Department of Transportation	20.205	Rail and Transit	-	6,766
Total Highway Planning and Construction Cluster				<u>-</u>	<u>89,491</u>
Federal Transit Cluster:					
Federal Transit - Formula Grants		20.507		-	387,293
Total Federal Transit Cluster				<u>-</u>	<u>387,293</u>
Total Department of Transportation				<u>-</u>	<u>476,784</u>
Environmental Protection Agency:					
Clean Water State Revolving Fund Cluster:					
Capitalization Grants for Clean Water State Revolving Funds	Nebraska Department of Environmental Quality	66.458	C317990	-	606,617
Total Clean Water State Revolving Fund Cluster				<u>-</u>	<u>606,617</u>
Total Environmental Protection Agency				<u>-</u>	<u>606,617</u>
Executive Office of the President:					
High Intensity Drug Trafficking Area Program	Nebraska State Patrol	95.001	17HD06	-	77,758
Total Executive Office of the President				<u>-</u>	<u>77,758</u>
Total Federal Expenditures				<u>\$ -</u>	<u>\$ 1,779,879</u>

City of Grand Island, Nebraska
Schedule of Expenditures of Federal Awards - Continued
Year Ended September 30, 2019

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Grand Island, Nebraska (the "City") under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.
2. Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Grand Island has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The federal loan programs listed subsequently are administered directly by the City of Grand Island, Nebraska, and balances and transactions relating to these programs are included in the City of Grand Island, Nebraska's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at September 30, 2019, consists of:

CFDA Number	Program Name	Outstanding Balance at September 30, 2019
14.218	CDBG Entitlement Grant	\$235,678

**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***

Independent Auditor's Report

The Mayor and City Council
City of Grand Island
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 and the aggregate remaining fund information of the City of Grand Island, Nebraska (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 2, 2020.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

Compliance and Other Matters

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

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Lincoln, Nebraska
April 2, 2020

Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited the City of Grand Island, Nebraska's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2019. The City's major federal program is 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 the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the 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 its major federal program for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 a 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.

BKD, LLP

Lincoln, Nebraska
April 2, 2020

City of Grand Island, Nebraska
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The City qualified as a low-risk auditee? Yes No

City of Grand Island, Nebraska
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
2019-001	<p>Material Weakness - Proposed Audit Adjustments</p> <p><i>Criteria or Specific Requirement</i> – Management is responsible for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).</p> <p><i>Condition</i> – The preparation of the City’s financial statements required proposed adjusting journal entries for proper financial statement presentation.</p> <p><i>Effect</i> – Auditor proposed significant prior period and current year adjustments were identified and proposed for proper financial statement presentation.</p> <p><i>Cause</i> – Procedures were not maintained throughout the year that allowed for the proper evaluation of potential adjustments that, individually or in the aggregate, had a significant effect on the financial statements.</p> <p><i>Recommendation</i> – Management should consider modification to procedures to ensure that controls and resources are in place that will allow for preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions (Management’s Response)</i> – Finance Department personnel did attend training on Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) statements during the audit year, and will continue to attend additional trainings in the future. The Finance Department recognizes its need to compile a comprehensive list of Department procedures and will continue to work on those lists in 2020.</p>

City of Grand Island, Nebraska
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Reference Number	Finding
2019-002	<p>Significant Deficiency – Preparation and Timeliness of Bank Reconciliations</p> <p><i>Criteria or Specific Requirement</i> – Management is responsible for establishing and maintaining effective internal controls over financial reporting and the safekeeping of assets.</p> <p><i>Condition</i> – City bank reconciliations were not completed on a routine basis with multiple months of activity not reconciled as of year-end. In addition, there is no formal review of completed reconciliations.</p> <p>Effective accounting control practices require access, monitoring and recording responsibilities be assigned to different individuals. Where these duties are not segregated, potential internal control deficiencies exist.</p> <p><i>Effect</i> – Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected and corrected in a timely manner.</p> <p><i>Cause</i> – Duties over financial reporting are not adequately monitoring and other compensation controls related to the cash reconciliation process are insufficient.</p> <p><i>Recommendation</i> – Management should consider modification to procedures to ensure that controls are in place that will allow for timely preparation and review of cash reconciliations on a routine (i.e. monthly) basis.</p> <p>In addition, a formal review process should be put in place which would require the personnel reconciling the cash accounts to be a separate individual from the personnel reviewing and approving the reconciliations.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions (Management’s Response)</i> – The Finance Department is currently implementing a MUNIS Cash Management Module. This implementation began in 2019, however was delayed due to a shortage of personnel resources (replacement of Assistant Finance Director and Accountant), the City's implementation of electronic time clocks throughout the entire organization, and software changes at the City's primary financial institution in order to provide the necessary electronic files for the module. These other matters have been resolved and the City anticipates completing implementation of the module in 2020.</p>

City of Grand Island, Nebraska
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

City of Grand Island, Nebraska
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2019

Reference Number	Summary of Finding	Status
2018-001	<p><i>Finding</i> – The preparation of the City’s financial statements required prior period adjustments and proposed adjusting journal entries for proper financial statement presentation.</p> <p><i>Reasons for Recurrence and Planned Corrective Action</i> – Finance Department personnel did attend training on Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) statements during the audit year, and will continue to attend additional trainings in the future. The Finance Department recognizes its need to compile a comprehensive list of Department procedures and will continue to work on those lists in 2020.</p>	Not Corrected. See Finding 2019-001.
2018-002	<p><i>Finding</i> – System access rights allows Information Technology Managers and the Director of Finance to have access to modify employee master files and general ledger information. In addition, the general ledger system allows the same individual to prepare, review and post general journal entries without formal review or approval.</p>	Corrected.
2018-003	<p><i>Finding</i> – City bank reconciliations were not completed on a routine basis with multiple months of activity not reconciled as of year-end. In addition, there is no formal review of completed reconciliations.</p> <p><i>Reasons for Recurrence and Planned Corrective Action</i> – The Finance Department is currently implementing a MUNIS Cash Management Module. This implementation began in 2019, however was delayed due to a shortage of personnel resources (replacement of Assistant Finance Director and Accountant), the City's implementation of electronic time clocks throughout the entire organization, and software changes at the City's primary financial institution in order to provide the necessary electronic files for the module. These other matters have been resolved and the City anticipates completing implementation of the module in 2020.</p>	Not Corrected. See Finding 2019-002.
2018-004	<p><i>Finding</i> – Concentrations of duties exist within the payroll cycle. Various individuals from the payroll, human resources and finance department have the ability to add employees and modify payroll data and related journal entries.</p>	Corrected.