

**City of Grand Island, Nebraska  
Electric Department**

Independent Auditor's Report and Financial Statements

September 30, 2020 and 2019

**City of Grand Island, Nebraska**  
**Electric Department**  
September 30, 2020 and 2019

**Contents**

<b>Independent Auditor’s Report</b> .....	<b>1</b>
 <b>Basic Financial Statements</b>	
Statements of Net Position .....	3
Statements of Revenues, Expenses and Changes in Net Position .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	7
 <b>Other Information</b>	
Operating Statistics.....	19

## Independent Auditor's Report

The Honorable Mayor and City Council  
Grand Island, Nebraska

We have audited the accompanying financial statements of the Electric Department of the City of Grand Island, Nebraska (the Department), an enterprise fund of the City of Grand Island, Nebraska, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Department'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Department of the City of Grand Island, Nebraska, as of September 30, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Electric Department and do not purport to, and do not, present fairly the financial position of the City of Grand Island, Nebraska as of September 30, 2020 and 2019, the changes in its financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The accompanying operating statistics 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**BKD, LLP**

Lincoln, Nebraska  
January 26, 2021

**City of Grand Island, Nebraska**  
**Electric Department**  
**Statements of Net Position**  
**September 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 34,288,038	\$ 30,723,510
Investments	7,206,829	13,625,558
Receivables		
Accounts, net of allowance for doubtful accounts of \$584,927 for 2020 and \$607,948 for 2019	5,981,541	5,336,922
Unbilled revenue	3,108,085	3,001,470
Interest	43,202	266,550
Due from other funds	188,567	183,199
Inventory	9,791,891	9,733,656
Prepaid expenses	590,560	457,928
Total current assets	61,198,713	63,328,793
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	1,781,974	1,769,235
Restricted investments	6,138,115	6,114,567
Deferred charges	2,864,174	3,745,072
<b>Capital assets</b>		
Construction in progress	7,470,680	2,863,774
Land and land improvements	6,069,593	6,069,593
Distribution and collection systems	327,169,816	324,210,540
Buildings and equipment	44,290,176	43,962,548
Less accumulated depreciation	(248,673,734)	(237,351,655)
Net capital assets	136,326,531	139,754,800
Total noncurrent assets	147,110,794	151,383,674
Total assets	\$ 208,309,507	\$ 214,712,467

	<u>2020</u>	<u>2019</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	\$ 2,738,383	\$ 3,106,885
Due to other funds	117,737	135,271
Accrued expenses	1,299,469	1,293,966
Compensated absences - current	394,544	339,149
Accrual for payments in lieu of taxes	449,060	445,443
Current portion of long-term obligations	<u>3,345,000</u>	<u>3,225,000</u>
Total current liabilities	<u>8,344,193</u>	<u>8,545,714</u>
Noncurrent Liabilities		
Compensated absences - noncurrent	1,578,177	1,356,595
Closure/post-closure liability	1,002,360	939,287
Noncurrent portion of long-term obligations	28,090,000	31,435,000
Unamortized bond premiums	<u>1,547,215</u>	<u>1,913,808</u>
Total noncurrent liabilities	<u>32,217,752</u>	<u>35,644,690</u>
Total liabilities	<u>40,561,945</u>	<u>44,190,404</u>
Net Position		
Net investment in capital assets	103,247,751	102,927,560
Restricted for		
Debt service	6,138,115	6,114,567
Closure/post-closure costs	779,614	829,948
Unrestricted	<u>57,582,082</u>	<u>60,649,988</u>
Total net position	<u>167,747,562</u>	<u>170,522,063</u>
Total liabilities and net position	<u>\$ 208,309,507</u>	<u>\$ 214,712,467</u>

**City of Grand Island, Nebraska**  
**Electric Department**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
Electric energy sales		
Residential	\$ 22,033,045	\$ 20,169,638
Commercial and industrial	40,419,110	39,509,736
Municipal and interdepartmental	1,958,443	1,875,645
Wholesale	<u>16,170,324</u>	<u>24,495,994</u>
Total sales	80,580,922	86,051,013
Other revenue	<u>938,015</u>	<u>535,015</u>
Total operating revenues	<u>81,518,937</u>	<u>86,586,028</u>
<b>Operating Expenses</b>		
Cost of power	60,152,137	65,249,911
Operation of system	3,094,520	2,884,828
Maintenance of system	2,665,388	2,901,738
Consumer accounting and collection	1,617,849	1,625,749
Employee benefits and payroll	1,126,125	1,425,046
General office salaries and expense	779,255	564,660
Special services	1,180,438	1,274,104
Insurance	630,913	718,164
Miscellaneous	141,835	136,059
Depreciation	<u>12,435,682</u>	<u>12,325,650</u>
Total operating expenses	<u>83,824,142</u>	<u>89,105,909</u>
Operating loss	<u>(2,305,205)</u>	<u>(2,519,881)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	1,147,626	1,090,179
Gain on disposal of capital assets	32,970	56
Interest expense	<u>(1,200,832)</u>	<u>(1,282,174)</u>
Total nonoperating expenses	<u>(20,236)</u>	<u>(191,939)</u>
<b>Transfer to City of Grand Island - Payments in Lieu of Taxes</b>	<u>(449,060)</u>	<u>(445,443)</u>
<b>Change in Net Position</b>	(2,774,501)	(3,157,263)
<b>Net Position, Beginning of Year</b>	<u>170,522,063</u>	<u>173,679,326</u>
<b>Net Position, End of Year</b>	<u>\$ 167,747,562</u>	<u>\$ 170,522,063</u>

**City of Grand Island, Nebraska**  
**Electric Department**  
**Statements of Cash Flows**  
**Years Ended September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 80,767,703	\$ 87,035,731
Cash paid to suppliers for goods and services	(67,630,227)	(75,348,596)
Cash paid to employees for services	<u>(2,918,159)</u>	<u>(1,879,110)</u>
Net cash provided by operating activities	<u>10,219,317</u>	<u>9,808,025</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Advances from other funds	(22,902)	(122,873)
Payments in lieu of taxes	<u>(445,443)</u>	<u>(771,399)</u>
Net cash used in noncapital financing activities	<u>(468,345)</u>	<u>(894,272)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of property and equipment	(9,224,247)	(4,264,497)
Proceeds on sales of capital assets	92,937	56
Principal payments on long-term debt	(3,225,000)	(3,110,000)
Interest paid	<u>(1,583,550)</u>	<u>(1,693,449)</u>
Net cash used in capital and related financing activities	<u>(13,939,860)</u>	<u>(9,067,890)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(7,206,829)	(11,125,558)
Sales and maturities of investments	13,602,010	11,150,951
Interest received	<u>1,370,974</u>	<u>1,054,739</u>
Net cash provided by investing activities	<u>7,766,155</u>	<u>1,080,132</u>
<b>Net Change in Cash and Cash Equivalents</b>	3,577,267	925,995
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>32,492,745</u>	<u>31,566,750</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 36,070,012</u>	<u>\$ 32,492,745</u>
<b>Composition of Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 34,288,038	\$ 30,723,510
Restricted cash and cash equivalents	<u>1,781,974</u>	<u>1,769,235</u>
Total cash and cash equivalents	<u>\$ 36,070,012</u>	<u>\$ 32,492,745</u>



**City of Grand Island, Nebraska**  
**Electric Department**  
**Statements of Cash Flows – Continued**  
**Years Ended September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>		
Operating loss	\$ (2,305,205)	\$ (2,519,881)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	12,435,682	12,325,650
Changes in operating assets and liabilities:		
Receivables	(751,234)	449,703
Inventories	(58,235)	228,706
Prepaid expenses	(132,632)	(38,234)
Deferred charges	880,898	(1,374,822)
Accounts payable and accrued expenses	86,970	679,151
Other	63,073	57,752
Total adjustments	<u>12,524,522</u>	<u>12,327,906</u>
Net cash provided by operating activities	<u>\$ 10,219,317</u>	<u>\$ 9,808,025</u>
<b>Supplemental Cash Flow Information</b>		
Amortization of bond premium	\$ 366,593	\$ 397,538
Accounts payable incurred for capital asset purchases	\$ 96,565	\$ 253,432

# City of Grand Island, Nebraska Electric Department

## Notes to Financial Statements September 30, 2020 and 2019

### **Note 1: Summary of Significant Accounting Policies**

The financial statements of the City of Grand Island, Nebraska, Electric Department (Department), are prepared in accordance with generally accepted accounting principles (GAAP). The Department's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The financial statements referred to above present only the Department and do not purport to, and do not, present fairly the financial position of the City of Grand Island, Nebraska, as of September 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

#### ***Financial Reporting Entity***

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

In determining the financial reporting entity, the Department has considered all potential component units for which the Department may be financially accountable, and as such, should be included within the Department's financial statements. The Department (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 Department. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

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

#### ***Measurement Focus and Basis of Accounting***

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

#### ***Basis of Accounting***

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

# City of Grand Island, Nebraska

## Electric Department

### Notes to Financial Statements September 30, 2020 and 2019

#### Note 1: Summary of Significant Accounting Policies - Continued

##### ***Basis of Accounting - Continued***

The Department's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and License prescribed by the Federal Energy Regulatory Commission (FERC). The Department prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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

The Department applies the accounting policies established in the GASB Codification Section Re10, *Regulated Operations*. This guidance permits an entity with cost-based rates to include costs in a period other than the period in which the costs would be charged to expense by an unregulated entity if it is probable that these costs will be recovered through rates charged to customers. This guidance also permits an entity to defer revenues by recognizing liabilities to cover future expenditures.

##### ***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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### ***Cash and Cash Equivalents***

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

The Department participates in a cash management pool, managed by the City. The Department's interest in this pool consists of \$36,070,012 and \$32,492,745 of cash and cash equivalents at September 30, 2020 and 2019, respectively.

##### ***Investments and Investment Income***

Investments in non-negotiable certificates of deposit are carried at cost. Investment income consists of interest income from non-negotiable certificates of deposit and cash and cash equivalents.

**City of Grand Island, Nebraska**  
**Electric Department**

**Notes to Financial Statements**  
**September 30, 2020 and 2019**

**Note 1: Summary of Significant Accounting Policies - Continued**

***Receivables***

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

***Inventories***

Fuel, materials and supplies inventories are stated at cost. Cost is generally determined on a weighted-average basis.

***Restricted Assets***

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

***Capital Assets***

Utility plant additions and replacements are generally stated at cost. Costs of labor, materials, supervision, and other expenses incurred in making repairs and minor replacements and in maintaining the plant in efficient operating condition are charged to expense. Plant accounts are charged with the costs of betterments and replacements of plant, except minor replacements, and the accumulated provision for depreciation is charged with retirements, together with removal costs, less salvage.

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

***Unamortized Bond Premiums***

Bond premiums for the Department are deferred and accreted over the life of the bonds using the effective interest method. For the years ended September 30, 2020 and 2019, premium amortization of \$366,593 and \$397,538, respectively, on the Series 2013 and 2012 Electric bonds is included in interest expense.

**City of Grand Island, Nebraska**  
**Electric Department**

**Notes to Financial Statements**  
**September 30, 2020 and 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 Standards, the maintenance costs which would be recognized during the current period are deferred and not included in the determination of the change in net position until such costs are recoverable.

***Compensated Absences***

All regular full-time employees earn sick leave and vacation leave. Employees accrue vacation leave at variable rates based on years of service. Sick leave accrues at a rate of eight hours per month of service.

***Net Position Classifications***

Net position is classified into three components:

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

***Revenues and Expenses***

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

***Contributions in Aid of Construction***

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

**City of Grand Island, Nebraska**  
**Electric Department**  
**Notes to Financial Statements**  
**September 30, 2020 and 2019**

**Note 2: Deposits and Investments**

***Deposits***

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The Department has been allocated a portion of the City's pooled cash. The Department's demand deposits are insured up to \$250,000 and certificates of deposits/savings accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the Department's names.

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

***Summary of Carrying Values***

The carrying values of pooled cash and investments at September 30, 2020 and 2019, are included in the statement of net position as follows:

	<u>2020</u>	<u>2019</u>
Equity in pooled cash	\$ 34,288,038	\$ 30,723,510
Investments	7,206,829	13,625,558
Equity in pooled cash - restricted	1,781,974	1,769,235
Restricted investments	6,138,115	6,114,567
	<u>\$ 49,414,956</u>	<u>\$ 52,232,870</u>

***Investments***

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

**City of Grand Island, Nebraska  
Electric Department**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**Note 2: Deposits and Investments - Continued**

***Investments - Continued***

At September 30, 2020 and 2019, the Department had the following investments and maturities:

Type	Carrying Value	Maturities in Years		
		Less than 1	1 - 5	6 - 10
<b>September 30, 2020</b>				
Certificates of deposit	\$ 7,696,829	\$ 7,206,829	\$ 490,000	\$ -
Money markets	<u>5,648,115</u>			
	<u><u>\$ 13,344,944</u></u>			
<b>September 30, 2019</b>				
Certificates of deposit	\$ 15,110,558	\$ 14,620,558	\$ 490,000	\$ -
Money markets	<u>4,629,567</u>			
	<u><u>\$ 19,740,125</u></u>			

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

**Credit Risk:** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Excluding investments restricted for debt service, the Department limits its investments to certificates of deposit, money market funds, and other securities backed by U.S. Government obligations, which minimizes credit risk associated with the Department's investment portfolio.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Department's investments at September 30, 2020 and 2019, are held by the counterparties in the City's name.

**Concentration of Credit Risk:** The Department's investment policy places no limit on the amount that may be invested in any one issuer. The Department's investments consisted of nonnegotiable certificates of deposit and money market accounts at September 30, 2020 and 2019.

**City of Grand Island, Nebraska  
Electric Department**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**Note 2: Deposits and Investments - Continued**

***Restricted Assets***

The restricted assets as of September 30, 2020 and 2019, are as follows:

	<b>2020</b>	<b>2019</b>
Restricted cash and cash equivalents	\$ 1,781,974	\$ 1,769,235
Restricted investments	6,138,115	6,114,567
Total restricted cash, cash equivalents and investments	\$ 7,920,089	\$ 7,883,802

The restricted cash and cash equivalents are restricted for fly ash disposal closure/post-closure care. The restricted investments represent the debt service reserve for the electric bonds.

**Note 3: Capital Assets**

Capital assets activity for the year ended September 30, 2020 and 2019, was as follows:

<b>2020</b>	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balances</b>
Capital assets:					
Construction work-in-process	\$ 2,863,774	\$ 8,666,580	\$ -	\$ (4,059,674)	\$ 7,470,680
Land and land rights	3,903,085	-	-	-	3,903,085
Production plant	213,731,215	-	-	-	213,731,215
Transmission plant	28,815,746	-	-	29,042	28,844,788
Distribution plant	110,479,325	-	(1,071,356)	4,030,632	113,438,601
General plant	15,146,802	400,800	(102,214)	-	15,445,388
Plant acquisition adjustment	2,166,508	-	-	-	2,166,508
Total capital assets	377,106,455	9,067,380	(1,173,570)	-	385,000,265
Less: Accumulated depreciation	(237,351,655)	(12,435,682)	1,113,603	-	(248,673,734)
Total capital assets, net	\$ 139,754,800	\$ (3,368,302)	\$ (59,967)	\$ -	\$ 136,326,531



**City of Grand Island, Nebraska  
Electric Department**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**Note 3: Capital Assets – Continued**

2019	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets:					
Construction work-in-process	\$ 6,471,756	\$ 4,048,508	\$ -	\$ (7,656,490)	\$ 2,863,774
Land and land rights	3,903,085	-	-	-	3,903,085
Production plant	213,941,746	-	(1,486,275)	1,275,744	213,731,215
Transmission plant	28,643,221	-	-	172,525	28,815,746
Distribution plant	104,961,026	-	(653,233)	6,171,532	110,479,325
General plant	14,804,145	469,421	(163,453)	36,689	15,146,802
Plant acquisition adjustment	2,166,508	-	-	-	2,166,508
Total capital assets	<u>374,891,487</u>	<u>4,517,929</u>	<u>(2,302,961)</u>	<u>-</u>	<u>377,106,455</u>
Less: Accumulated depreciation	<u>(227,328,966)</u>	<u>(12,325,650)</u>	<u>2,302,961</u>	<u>-</u>	<u>(237,351,655)</u>
Total capital assets, net	<u>\$ 147,562,521</u>	<u>\$ (7,807,721)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,754,800</u>

**Note 4: Long-term Obligations**

Long-term debt at September 30, 2020 and 2019, is shown below:

	2020	2019
Electric System Revenue Refunding Bonds, 2012 Series, due serially to August 15, 2022, interest from 0.2% to 4.0%, secured by the Electric System revenues	\$ 3,980,000	\$ 5,625,000
Electric System Revenue Refunding Bonds, 2013 Series, due serially to September 15, 2028, interest from 0.5% to 5.375%, secured by the Electric System revenues	<u>27,455,000</u>	<u>29,035,000</u>
Total long-term debt	31,435,000	34,660,000
Less current maturities	<u>3,345,000</u>	<u>3,225,000</u>
Noncurrent portion	<u>\$ 28,090,000</u>	<u>\$ 31,435,000</u>

**City of Grand Island, Nebraska  
Electric Department**

**Notes to Financial Statements  
September 30, 2020 and 2019**

**Note 4: Long-term Obligations - Continued**

Long-term obligations activity for 2020 and 2019 is summarized as follows:

<b>September 30, 2020</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Revenue bonds payable	\$ 34,660,000	\$ -	\$ (3,225,000)	\$ 31,435,000	\$ 3,345,000
Compensated absences	1,695,744	777,050	(500,073)	1,972,721	394,544
Closure/post-closure liability	939,287	63,073	-	1,002,360	-
	<u>\$ 37,295,031</u>	<u>\$ 840,123</u>	<u>\$ (3,725,073)</u>	<u>\$ 34,410,081</u>	<u>\$ 3,739,544</u>
<b>September 30, 2019</b>					
Revenue bonds payable	\$ 37,770,000	\$ -	\$ (3,110,000)	\$ 34,660,000	\$ 3,225,000
Compensated absences	1,585,148	610,317	(499,721)	1,695,744	339,149
Closure/post-closure liability	881,535	57,752	-	939,287	-
	<u>\$ 40,236,683</u>	<u>\$ 668,069</u>	<u>\$ (3,609,721)</u>	<u>\$ 37,295,031</u>	<u>\$ 3,564,149</u>

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

<b>Fiscal Year Ending September 30</b>	<b>Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2021	\$ 3,345,000	\$ 1,454,550
2022	3,485,000	1,320,750
2023	3,635,000	1,167,100
2024	3,820,000	985,350
2025	4,010,000	794,350
2026 - 2028	13,140,000	1,269,100
	<u>\$ 31,435,000</u>	<u>\$ 6,991,200</u>

The indentures under which the Department's revenue bonds were issued provide for the creation and maintenance of certain accounts. These accounts at September 30, 2020 and 2019 are shown in Note 3 under Restricted Assets. There are a number of other limitations, restrictions, and covenants contained in the indentures under which the Department's revenue bonds were issued.

The 2012 bonds are not subject to optional redemption prior to maturity. The 2013 bonds are subject to optional redemption prior to maturity at any time on or after the tenth anniversary of the date of delivery, which will be November 26, 2023.

# City of Grand Island, Nebraska

## Electric Department

### Notes to Financial Statements

#### September 30, 2020 and 2019

#### **Note 4: Long-term Obligations - Continued**

In November 2020, the City issued \$68,485,000 of Combined Utilities Revenue Refunding Bonds (Taxable Interest), Series 2020B. The proceeds of the Series 2020B bonds, along with other available funds of the City, were used to refund \$28,775,000 of Sewer Revenue Refunding Bonds, Series 2013, \$3,980,000 of Electric System Revenue Refunding Bonds, Series 2012, \$27,455,000 of Electric System Revenue Bonds, Series 2013, and \$6,535,000 of Water Revenue and Refunding Bonds, Series 2017. The Series 2020B bonds are due in annual installments, with a final stated maturity of December 15, 2037, and bear interest at rates ranging from 0.443% to 2.78%. The refunding will result in a combined cash flow savings of approximately \$13,930,000 and a net present value savings of approximately \$5,200,000.

#### **Note 5: Payments to the City of Grand Island**

The Department is exempt from Federal and state income taxes and local property taxes. City ordinances provide for payments in lieu of taxes. The annual payment in lieu of taxes, amounting to \$449,060 and \$445,443 for 2020 and 2019, respectively, are set at 5% of the net operating revenues of the Department, excluding depreciation. The Department does pay sales tax.

The City provides certain administrative services to the Department for which the Department pays fees to the City. These fees are included in special services expense and amount to \$1,129,129 and \$1,176,487 for the years ended September 30, 2020 and 2019, respectively.

#### **Note 6: Pension Plan**

The City has a defined contribution employees' pension plan in which employees of the Department participate. The plan requires any new employee working a minimum of 1,000 hours to participate in the plan. The plan requires general participants and IBEW participants to contribute 6% or 7.5%, respectively, of participant earnings in order for the pension plan to meet Internal Revenue Service guidelines for tax deferred pension plans. The Department is required to match the participant's contributions. As of October 1, 1997, participants can elect to contribute an additional 4% of their earnings with no Department match.

All participants are fully vested in their own contributions and become vested in the Department's contribution at varying rates depending on their date of employment. Full vesting in the Department's contributions occurs after five years of participation in the plan. The participants' and Department's contributions were \$906,726 and \$856,801, for the years ended September 30, 2020 and 2019, respectively.

# City of Grand Island, Nebraska

## Electric Department

### Notes to Financial Statements

#### September 30, 2020 and 2019

#### **Note 7: Risk Management**

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

#### **Note 8: Commitments and Contingencies**

##### ***Power Supply***

The Department currently has generation capacity of approximately 181 MW from coal-fired and gas/oil-fired electric generating stations. The peak load of the Department during the fiscal years ended September 30, 2020 and 2019, respectively, was approximately 153 MW in July 2020 and 161 MW in July 2019.

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.

##### ***Purchased Power Agreements***

The Department entered into a participation power agreement with Omaha Public Power District (OPPD) on January 15, 2004, to obtain approximately 33 MW of energy from the OPPD Nebraska City Unit #2. 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 Generation 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 2022. 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.

**City of Grand Island, Nebraska**  
**Electric Department**

**Notes to Financial Statements**  
**September 30, 2020 and 2019**

**Note 8: Commitments and Contingencies- Continued**

***Regulatory Compliance***

In 1997, the Department entered into an agreement with the Nebraska Department of Environmental Quality to establish a closure/post-closure care account. The purpose of this account is to accumulate sufficient monies to fund all related costs of closure and post-closure of the fly ash disposal area at the Platte Generating Station. The calculated amount of the closure/post-closure liability was \$1,002,360 and \$939,287 for the years ended September 30, 2020 and 2019, respectively. The amount on deposit in the closure/post-closure care account was \$1,781,974 and \$1,769,235 at September 30, 2020 and 2019, respectively.

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

***Construction***

The Department has commitments under major construction contracts of approximately \$923,000 at September 30, 2020.

***Claims and Litigation***

The Department 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 Department in connection with its legal proceedings will not have a material effect on the Department's financial position but could be material to the results of operations in future accounting periods.

**Note 9: COVID-19**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Department. The duration of the uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## **Other Information**

**City of Grand Island, Nebraska**  
**Electric Department**  
**Operating Statistics**  
**Year Ended September 30, 2020**  
**(Unaudited)**

Total net kilowatt hours generated	417,930,400
Additional kilowatt hours used at plant	<u>5,859,502</u>
Net kilowatt hours produced	412,070,898
Net scheduled/metered interchange	<u>325,426,016</u>
Total kilowatt hours available for sale	737,496,914
Kilowatt hours sold, as metered	<u>708,643,888</u>
Line loss	<u>28,853,026</u>
Line loss percentage	<u>3.91%</u>
Monthly average number billed by class:	
Residential	22,357
Commercial	4,547
Industrial	<u>93</u>
Total	<u>26,997</u>

	KWH	Revenue*
Total KWH and revenue by class:		
Residential	222,923,146	\$ 21,884,149
Commercial	194,741,721	19,116,016
Industrial	<u>290,979,021</u>	<u>23,176,797</u>
Total	<u>708,643,888</u>	<u>\$ 64,176,962</u>
Average revenue per KWH sold		<u>\$ 0.0906</u>

\* These figures are based on actual billings during the fiscal year, and don't include the impacts of other items included within operating revenues on the Statement of Revenues, Expenses and Changes in Net Position.