

CITY OF GRAND ISLAND, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2011

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	21
Statement of Net Assets - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Net Assets - Fiduciary Funds	26
Statement of Changes in Net Assets - Fiduciary Funds	27
Notes to Financial Statements	28
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	100
Capital Projects Fund	102
Debt Service Fund	103
Note to Required Supplementary Information	104
RSI Disclosures for a Street System Based on a Percentage of Roads in Good or Substandard Condition	105
Schedule of Funding Progress - Public Safety Employees Retirement System	106
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	107
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	109
Combining Statement of Net Assets - Internal Service Funds	111

TABLE OF CONTENTS, Continued

	Page
OTHER SUPPLEMENTARY INFORMATION, continued	
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	112
Combining Statement of Cash Flows - Internal Service Funds	113
Combining Statement of Net Assets - Fiduciary Funds	114
Combining Statement of Changes in Net Assets - Fiduciary Funds	115
Combining Statement of Net Assets - Component Units	116
Combining Statement of Activities - Component Units	117
SINGLE AUDIT REPORTS	
Schedule of Expenditures of Federal Awards	118
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	120
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	122
Schedule of Findings and Questioned Costs	124
Summary Schedule of Prior Audit Findings	125



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of Grand Island, Nebraska, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of Grand Island, Nebraska, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

SHAREHOLDERS

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2012, on our consideration of the City of Grand Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and required supplementary information on pages 5 through 15 and 100 through 106 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplementary information and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Grand Island, Nebraska
February 4, 2012

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2011

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, 2011. For information on the Community Redevelopment Authority component unit included in these financial statements, please see the separate audit report for the Authority.

Financial Highlights

- The assets of the City of Grand Island exceeded its liabilities at the close of the most recent fiscal year by \$568,900,889 (*net assets*). Of this amount, \$72,671,636 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Grand Island governmental funds reported combined ending net assets of \$316,535,193. Approximately 5.4 percent of this total amount, \$17,002,094 is *unrestricted net assets*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,120,132, or 18.0 percent of total General Fund expenditures.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City of Grand Island's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Grand Island is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

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 Water, Sewer, Electric, and Golf Enterprise Funds.

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

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

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

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

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

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

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-99 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Grand Island's budgetary comparison schedules and disclosures on the modified approach to reporting infrastructure. Required supplementary information can be found on pages 100-106 of this report.

**CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011**

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 107-117 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Grand Island, assets exceeded liabilities by \$568,900,889 at the close of the most recent fiscal year.

Net Assets

	September 30, 2011			September 30, 2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 27,796,124	\$ 77,247,572	\$ 105,043,696	\$ 26,932,585	\$ 75,521,090	\$ 102,453,675
Capital Assets	315,132,221	213,029,055	528,161,276	315,583,439	213,901,271	529,484,710
Total Assets	<u>342,928,345</u>	<u>290,276,627</u>	<u>633,204,972</u>	<u>342,516,024</u>	<u>289,422,361</u>	<u>631,938,385</u>
Long-term Liabilities	19,997,190	25,333,978	45,331,168	22,650,395	31,836,043	54,486,438
Other Liabilities	6,395,962	12,576,953	18,972,915	6,983,239	10,964,574	17,947,813
Total Liabilities	<u>26,393,152</u>	<u>37,910,931</u>	<u>64,304,083</u>	<u>29,633,634</u>	<u>42,800,617</u>	<u>72,434,251</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	292,965,415	187,118,252	480,083,667	290,624,610	183,949,943	474,574,553
Restricted	6,567,684	9,577,902	16,145,586	3,725,811	9,506,210	13,232,021
Unrestricted	17,002,094	55,669,542	72,671,636	18,531,969	53,165,591	71,697,560
Total Net Assets	<u>\$ 316,535,193</u>	<u>\$ 252,365,696</u>	<u>\$ 568,900,889</u>	<u>\$ 312,882,390</u>	<u>\$ 246,621,744</u>	<u>\$ 559,504,134</u>

By far, the largest portion of the City of Grand Island's net assets (84.4 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Grand Island uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Grand Island's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Grand Island's net assets (2.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$72,671,636) may be used to meet the government's ongoing obligations to citizens and creditors.

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

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

Expenses and Program Revenues – Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2011</u>		<u>Year Ended September 30, 2010</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 4,508,527	\$ 6,478,817	\$ 3,623,506	\$ 5,294,754
Public Safety	5,499,423	18,031,173	5,928,407	19,278,879
Public Works	1,138,320	6,083,824	4,005,801	8,548,109
Environment & Leisure	2,376,025	7,598,207	1,363,517	6,972,187
Non-Departmental	-	391,057	-	363,104
Interest and Bond Fees	-	1,157,611	-	995,775
Total	<u>13,522,295</u>	<u>39,740,689</u>	<u>14,921,231</u>	<u>41,452,808</u>
Interfund Transfers	-	-	-	329,000
	<u>\$ 13,522,295</u>	<u>\$ 39,740,689</u>	<u>\$ 14,921,231</u>	<u>\$ 41,781,808</u>

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2011</u>		<u>Year Ended September 30, 2010</u>	
Charges for Services	\$ 8,379,682	19.47 %	\$ 8,093,847	18.54 %
Operating Grants & Contributions	2,892,281	6.72	2,028,980	4.65
Capital Grants & Contributions	2,250,332	5.23	4,798,404	10.99
Property Taxes	6,635,024	15.41	6,409,203	14.68
Motor Vehicle Taxes	823,720	1.91	825,433	1.89
Payments in Lieu of Taxes	711,073	1.65	837,187	1.92
Occupation Taxes	1,352,108	3.14	1,253,353	2.87
Sales Tax	13,630,857	31.66	13,381,884	30.65
Franchise Taxes	1,841,648	4.28	1,833,214	4.20
State Allocation	4,191,584	9.74	3,805,863	8.71
Keno	272,123	0.63	235,612	0.54
Special Assessments	90,976	0.21	87,967	0.20
Miscellaneous	100,735	0.23	48,333	0.11
Interest	71,139	0.17	70,310	0.16
Gain (Loss) on Sale of Assets	(194,790)	(0.45)	(48,517)	(0.11)
Total	<u>\$ 43,048,492</u>	<u>100.00 %</u>	<u>\$ 43,661,073</u>	<u>100.00 %</u>

Net assets increased \$3,307,803 in the governmental funds during the year ended September 30, 2011.

**CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011**

Business-type activities. Business-type activities increased the City of Grand Island's net assets by \$5,743,952, accounting for 63.5 percent of the total growth in the government's net assets for the year ended September 30, 2011. Key elements of this increase are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2011</u>		<u>Year Ended September 30, 2010</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 57,373,551	\$ 55,209,338	\$ 54,269,895	\$ 52,811,802
Water	5,318,334	3,353,572	5,489,366	3,304,386
Sewer	9,090,190	8,132,516	9,421,097	8,766,078
Golf	598,599	566,468	577,224	575,747
Total	<u>\$ 72,380,674</u>	<u>\$ 67,261,894</u>	<u>\$ 69,757,582</u>	<u>\$ 65,458,013</u>

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2011</u>		<u>Year Ended September 30, 2010</u>	
Charges for Services	\$ 71,115,024	97.41 %	\$ 68,565,217	96.68 %
Operating Grants & Contributions	-	-	-	-
Capital Grants & Contributions	1,265,650	1.73	1,192,365	1.68
Special Assessments	50,964	0.07	62,031	0.09
Interest	511,126	0.70	762,737	1.08
Interfund Transfers	-	-	329,000	0.46
Gain on Sale of Assets	63,082	0.09	6,200	0.01
Total	<u>\$ 73,005,846</u>	<u>100.00 %</u>	<u>\$ 70,917,550</u>	<u>100.00 %</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Grand Island's governmental funds reported combined ending fund balances of \$19,241,605. Approximately 42.1 percent of this total amount (\$8,100,789) 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 (\$394,483), 2) placed in a nonspendable trust for library expenditures (\$38,605), 3) restricted for

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

street improvements (\$1,008,379), 4) restricted for capital projects (\$243,260), 5) restricted for debt service (\$958,651), 6) restricted for economic development (\$1,522,154), 7) restricted for Federal programs (\$743,887), 8) restricted to fund housing loans (\$626,826), 9) restricted for community improvements (\$251,250), 10) restricted for library expenses (\$757,600), 11) restricted for other donor purposes (\$22,589), 12) assigned for budgetary stabilization (\$1,685,869), 13) assigned to liquidate contracts and purchase orders of the prior period (\$798,641), 14) assigned for a variety of other purposes (\$2,088,622).

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 \$8,120,132, while total fund balance reached \$9,842,419. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18.0 percent of total General Fund expenditures, while total fund balance represents 21.8 percent of that same amount.

The fund balance of the City of Grand Island's General Fund decreased by \$84,851 during the current fiscal year.

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

Unrestricted net assets of the proprietary funds at the end of the year were as follows: Electric Fund - \$41,242,649, Water Fund - \$4,454,727, Sewer Fund - \$9,827,860, and Golf Fund - \$144,306. The growth in net assets for the proprietary funds was as follows: Electric Fund - \$2,609,148, Water Fund - \$1,992,416, Sewer Fund - \$1,110,257, and Golf Fund - \$32,131. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Grand Island's business-type activities.

Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets. The City of Grand Island's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$528,161,276 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Capital spending for fiscal 2011 was taken up largely by the on-going Northwest Flood Control project and the widening of Capital Avenue at Highway 281. As monies after operating expenses are becoming tighter and tighter, justifications and prioritization of the use of funds for capital works will become even more critical.

**CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011**

- The Northwest Flood Control project is scheduled to take several years. It was originally anticipated that the annual commitment would be fairly flat year over each year, typically in the \$375,000-\$400,000 range. Instead, expenditures for the project started out slower than anticipated and then billings by the Central Platte Natural Resources District ran higher than the \$375,000-\$400,000 range. For 2011, expenditures were \$113,116.
- The widening of Capital Avenue at Highway 281 ran into significant delays. The majority of the construction work was completed in 2009, with final acceptance of the project scheduled in 2012. Total project cost for 2011 was \$30,362.
- The Grand Island Quiet Zone Improvement Project developed improvements at the Union Pacific Railroad crossings at Oak Street, Pine Street, Walnut Street, and Elm Street so that train horns will not need to be activated for these crossings. "Silent" crossings will be created at Oak Street and Pine Street by constructing concrete medians and concrete curb to narrow the streets at the crossing approaches. Walnut Street will have an Automated Horn System installed and concrete curb will be constructed to narrow the street. The crossing at Elm Street will be closed at the completion of the project. Project Cost in 2011 was \$156,668.
- Due to the traffic volume and size of the intersection at Webb Road and West North Front Street the installation of a traffic signal was recommended by the Engineering Division of the Public Works Department. Public Works Streets department installed the traffic signal at a cost of \$66,868 in 2011.
- The Moores Creek Drain Extension Project extended the last constructed segment of Moores Creek Drainway to the south under Old Potash Highway with project costs of \$195,822. The Moores Creek Drainway is one portion of a series of open ditches, detention cells and storm sewer that were proposed in a 1975 study to provide flood relief to urbanized areas in western Grand Island. Future extensions of this drainway will be constructed west and south beyond Engleman Road and Stolley Park Road.
- The Central Community College to Wood River (southwest drainage project) is in the final design stages and drainage pipe was purchased in 2011 totaling \$199,728.
- The Concrete Ditch Lining - Sugar Beet Ditch and Sucks Lake Overflow Ditch project allowed for the lining of what is referred to as the Sugar Beet Ditch and additional piping for better drainage, as well as ease in maintenance. Total project cost was \$88,335.
- The St. Joseph Trail reconstruction, along the west side of the St. Joseph Railroad from U.S. Highway 34 to Stolley Park Road, was improved to concrete with a project cost of \$171,460 for this one mile section of trail.

**CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011**

- The Handicap ramp project consists of the ADA compliant curb ramps in the 2011 project which is adjacent to the streets in the 2010 Asphalt Resurfacing program. The City is also required to have a planned schedule for upgrading public sidewalks to conform to ADA requirements. The current schedule and budget will bring the City into compliance in approximately 25 years. The 2011 project cost is \$163,797.
- The Broadwell shoulder project consists of placing 6' wide asphalt shoulders on the east and west sides of Broadwell Avenue from the intersection of Capital Avenue north to the Veteran's Athletic Field Complex entrance and totaled \$116,642.
- Intersection improvements were done to South Locust and Highway 34 and to Capital and Skypark for drainage and improved turning radius. Project cost was \$37,664.

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

	<u>Year Ended September 30, 2011</u>			<u>Year Ended September 30, 2010</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 5,552,803	\$ 6,983,571	\$ 12,536,374	\$ 5,277,396	\$ 6,983,571	\$ 12,260,967
Infrastructure	245,454,829	-	245,454,829	244,908,587	-	244,908,587
Construction in Progress	9,625,020	10,459,987	20,085,007	13,252,524	6,940,705	20,193,229
Land Improvement	7,961,964	28,492,952	36,454,916	8,546,590	27,092,875	35,639,465
Buildings	44,137,252	-	44,137,252	40,845,178	-	40,845,178
Machinery and Equipment	1,096,790	-	1,096,790	1,255,911	-	1,255,911
Buildings, Distribution Systems, and Equipment	-	159,318,423	159,318,423	-	165,077,597	165,077,597
Office Furniture and Equipment	285,881	3,472,141	3,758,022	275,146	3,472,441	3,747,587
Vehicles	1,017,682	4,301,981	5,319,663	1,222,107	4,334,082	5,556,189
Total	<u>\$ 315,132,221</u>	<u>\$ 213,029,055</u>	<u>\$ 528,161,276</u>	<u>\$ 315,583,439</u>	<u>\$ 213,901,271</u>	<u>\$ 529,484,710</u>

Additional information on the City of Grand Island's capital assets can be found in Note C4 on pages 55-59 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 \$53,391,806. Of this amount, \$8,625,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Grand Island's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) and capital lease obligations.

**CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011**

City of Grand Island's Outstanding Debt

	Year Ended September 30, 2011			Year Ended September 30, 2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General Obligation						
Bonds	\$ 8,625,000	\$ -	\$ 8,625,000	\$ 9,645,000	\$ -	\$ 9,645,000
Special Assessment						
Debt	-	-	-	55,000	-	55,000
Revenue Bonds	-	31,225,000	31,225,000	-	37,560,000	37,560,000
Capital Lease	13,541,806	-	13,541,806	15,258,829	-	15,258,829
Total	<u>\$ 22,166,806</u>	<u>\$ 31,225,000</u>	<u>\$ 53,391,806</u>	<u>\$ 24,958,829</u>	<u>\$ 37,560,000</u>	<u>\$ 62,518,829</u>

The City of Grand Island's total debt decreased by \$9,127,023 (14.6 percent) during the current fiscal year due to scheduled principal payments.

Additional information on the City of Grand Island's long-term debt can be found in Note C6 on pages 59-65 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 one-third of the eligible infrastructure assets every year. There were no significant changes in the assessed condition of infrastructure from the prior assessment.

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

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

Economic Factors and Next Year's Budgets and Rates

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

- Electric Utility. No rate increase was included in the fiscal 2011-2012 budget. Included in the fiscal 2011-2012 budget is funding for maintenance and replacement of aging, critical equipment at the power plants and in the electrical transmission and distribution systems. The utility also has capital improvement projects underway to continue to meet projected growth of the community, including the addition of an incremental 115kv transmission tie to the regional electric grid and the construction of an additional 115kv/13.8kv distribution substation.

CITY OF GRAND ISLAND, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

- **Water.** No rate increase was included in the fiscal 2011-2012 budget. The 2011-2012 budget is focused on meeting City obligations to cooperative projects, repair, and upgrade of critical facilities, and system improvements to meet continued growth. Also included in the fiscal 2011-2012 budget are funds to procure and install a large-scale pilot treatment plant for the removal of naturally occurring uranium at the Platte River Well Field.
- **Sanitary Sewer.** The City had a sanitary sewer rate study completed and presented to Council in April 2011. The rate study indicated the need for several yearly rate increases. The study indicated an initial nine percent increase in 2012 followed by nine percent increases in 2013 and 2014 and a five percent increase in 2015. The rate increases will fund the \$44 million failing infrastructure associated with the collection system and address the headwork rehabilitation at the wastewater treatment plant. Black & Veatch was selected and contracted to begin the preliminary design in October of 2011. The first project will be to replace the North interceptor. This project will likely take three years to complete and cost between \$12 million and \$17 million, depending on the final capacity needed. There is sufficient cash to start this project, but the larger portion will probably require a bond issuance.
- The recession has had an impact on the City's sales tax receipts which provide nearly 33 percent of the revenue in Governmental Activities. With the ever-increasing personnel costs and growth in operating expenses, the City completed its second year of budgeting by programs within the general fund to match available revenues to programs and prioritize program expenditures for the fiscal 2012 budget process.

All of these factors were considered in preparing the City of Grand Island's budget for the 2012 fiscal year.

Request for Information

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

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF NET ASSETS

September 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,722,249	\$ 10,969,150	\$ 17,691,399	\$ 1,765,391
Investments	10,029,173	29,531,559	39,560,732	1,939,928
County treasurer cash	1,024,122	-	1,024,122	189,292
Receivables:				
Special assessments	430,073	1,060,097	1,490,170	11,455
Accounts, net of allowance for doubtful accounts	898,217	5,865,867	6,764,084	201,760
Unbilled revenue	-	2,856,445	2,856,445	-
Current portion of notes from redevelopers	-	-	-	140,371
Current portion of capital lease receivable	-	-	-	710,000
Interest	125,311	201,961	327,272	1,428
Property tax	864,033	-	864,033	74,395
Due from other governments	3,465,311	-	3,465,311	-
Due from other funds	988,416	-	988,416	-
Prepaid expenses	-	405,308	405,308	-
Inventory	134,127	11,135,463	11,269,590	-
Total current assets	<u>24,681,032</u>	<u>62,025,850</u>	<u>86,706,882</u>	<u>5,034,020</u>
Noncurrent assets:				
Restricted cash and cash equivalents	567,496	948,779	1,516,275	1,047,758
Restricted investments	459,663	8,958,746	9,418,409	3,810,698
Permanently restricted investments	433,088	-	433,088	-
Permanently restricted notes receivable	1,654,845	-	1,654,845	-
Notes from redevelopers	-	-	-	634,076
Capital lease receivable - City of Grand Island	-	-	-	3,085,000
Deferred charges	-	1,743,650	1,743,650	-
Prepaid transmission	-	3,276,241	3,276,241	-
Unamortized bond costs	-	294,306	294,306	35,056
Capital assets:				
Land, infrastructure, and construction in progress	260,632,652	71,186,423	331,819,075	748,869
Other capital assets, net of depreciation	54,499,569	141,842,632	196,342,201	4,814,521
Net capital assets	<u>315,132,221</u>	<u>213,029,055</u>	<u>528,161,276</u>	<u>5,563,390</u>
Total noncurrent assets	<u>318,247,313</u>	<u>228,250,777</u>	<u>546,498,090</u>	<u>14,175,978</u>
Total assets	<u>342,928,345</u>	<u>290,276,627</u>	<u>633,204,972</u>	<u>19,209,998</u>
LIABILITIES				
Current liabilities:				
Accounts payable	538,833	3,332,036	3,870,869	392,157
Accrued expenses	2,459,251	2,694,917	5,154,168	47,064
Deferred revenue	756,501	-	756,501	66,848
Current portion of long-term obligations	2,641,377	6,550,000	9,191,377	850,371
Total current liabilities	<u>6,395,962</u>	<u>12,576,953</u>	<u>18,972,915</u>	<u>1,356,440</u>
Noncurrent liabilities:				
Compensated absences - noncurrent	471,761	489,980	961,741	13,863
Fly ash liability/closure costs payable	-	168,998	168,998	3,739,719
Noncurrent portion of long-term obligations	19,525,429	24,675,000	44,200,429	3,719,076
Total noncurrent liabilities	<u>19,997,190</u>	<u>25,333,978</u>	<u>45,331,168</u>	<u>7,472,658</u>
Total liabilities	<u>26,393,152</u>	<u>37,910,931</u>	<u>64,304,083</u>	<u>8,829,098</u>
NET ASSETS				
Invested in capital assets, net of related debt	292,965,415	187,118,252	480,083,667	5,598,446
Restricted for:				
Debt service	958,651	9,577,902	10,536,553	-
Perpetual care - permanent	394,483	-	394,483	-
Street improvements	1,008,379	-	1,008,379	-
Capital projects	243,260	-	243,260	-
Economic development	1,522,154	-	1,522,154	-
Other purposes	2,440,757	-	2,440,757	47,758
Unrestricted	17,002,094	55,669,542	72,671,636	4,734,696
Total net assets	<u>\$ 316,535,193</u>	<u>\$ 252,365,696</u>	<u>\$ 568,900,889</u>	<u>\$ 10,380,900</u>

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 6,478,817	\$ 2,837,462	\$ 1,671,065
Public safety	18,031,173	4,301,144	886,520
Public works	6,083,824	152,574	-
Environment and leisure	7,598,207	1,088,502	334,696
Non-departmental	391,057	-	-
Interest and fees on long-term debt	1,157,611	-	-
Total governmental activities	<u>39,740,689</u>	<u>8,379,682</u>	<u>2,892,281</u>
Business-type activities:			
Electric	55,209,338	57,373,551	-
Water	3,353,572	4,417,371	-
Sewer	8,132,516	8,725,503	-
Golf	566,468	598,599	-
Total business-type activities	<u>67,261,894</u>	<u>71,115,024</u>	<u>-</u>
Total primary government	<u><u>\$ 107,002,583</u></u>	<u><u>\$ 79,494,706</u></u>	<u><u>\$ 2,892,281</u></u>
Component units:			
Landfill	\$ 2,359,375	\$ 2,293,091	\$ -
Business Improvement Districts	154,572	-	-
Grand Island Facilities Corporation	895,444	867,604	-
Community Redevelopment Authority	1,003,904	-	164,510
Total component units	<u><u>\$ 4,413,295</u></u>	<u><u>\$ 3,160,695</u></u>	<u><u>\$ 164,510</u></u>

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets			Component Units
	Primary Government			
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (1,970,290)		\$ (1,970,290)	
311,759	(12,531,750)		(12,531,750)	
985,746	(4,945,504)		(4,945,504)	
952,827	(5,222,182)		(5,222,182)	
-	(391,057)		(391,057)	
-	(1,157,611)		(1,157,611)	
<u>2,250,332</u>	<u>(26,218,394)</u>	\$ -	<u>(26,218,394)</u>	
-	-	2,164,213	2,164,213	
900,963	-	1,964,762	1,964,762	
364,687	-	957,674	957,674	
-	-	32,131	32,131	
<u>1,265,650</u>	<u>-</u>	<u>5,118,780</u>	<u>5,118,780</u>	
<u>\$ 3,515,982</u>	<u>(26,218,394)</u>	<u>5,118,780</u>	<u>(21,099,614)</u>	
\$ -				\$ (66,284)
1,300				(153,272)
-				(27,840)
-				(839,394)
<u>\$ 1,300</u>				<u>(1,086,790)</u>
General revenues:				
Taxes:				
Property	6,635,024	-	6,635,024	427,800
Motor vehicle	823,720	-	823,720	1,872
Payments in lieu of taxes	711,073	-	711,073	-
Occupation	1,352,108	-	1,352,108	-
Sales tax	13,630,857	-	13,630,857	-
Franchise	1,841,648	-	1,841,648	-
State allocation	4,191,584	-	4,191,584	-
Keno	272,123	-	272,123	-
Special assessments	90,976	50,964	141,940	190,018
Miscellaneous	100,735	-	100,735	31,864
Interest income	71,139	511,126	582,265	36,721
Gain (loss) on sale of assets	(194,790)	63,082	(131,708)	(134,676)
Total general revenues	<u>29,526,197</u>	<u>625,172</u>	<u>30,151,369</u>	<u>553,599</u>
Change in net assets	3,307,803	5,743,952	9,051,755	(533,191)
Net assets - September 30, 2010:				
As previously reported	312,882,390	246,621,744	559,504,134	10,914,091
Restatement of net assets	345,000	-	345,000	-
As restated	<u>313,227,390</u>	<u>246,621,744</u>	<u>559,849,134</u>	<u>10,914,091</u>
Net assets - September 30, 2011	<u>\$ 316,535,193</u>	<u>\$ 252,365,696</u>	<u>\$ 568,900,889</u>	<u>\$ 10,380,900</u>

CITY OF GRAND ISLAND, NEBRASKA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

September 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 2,645,441	\$ 36,495	\$ 293,172	\$ 2,033,153	\$ -	\$ 5,008,261
Investments	3,640,092	54,447	437,395	3,386,161	-	7,518,095
County treasurer cash	785,191	-	237,275	1,656	-	1,024,122
Receivables:						
Special assessments	-	-	-	430,073	-	430,073
Accounts, net of allowance for doubtful accounts	799,517	-	-	-	-	799,517
Notes receivable	-	43,604	-	1,611,241	-	1,654,845
Interest	77,301	-	-	48,010	-	125,311
Property tax	594,811	-	269,222	-	-	864,033
Due from other governments	2,590,817	164,735	-	709,759	-	3,465,311
Due from other funds	911,476	-	-	11,910	(21,620)	901,766
Total assets	\$ 12,044,646	\$ 299,281	\$ 1,237,064	\$ 8,231,963	\$ (21,620)	\$ 21,791,334
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 292,449	\$ 34,816	\$ -	\$ 22,217	\$ -	\$ 349,482
Accrued expenses	1,394,582	-	37,108	12,056	-	1,443,746
Due to other funds	-	-	-	21,620	(21,620)	-
Deferred revenue	515,196	-	241,305	-	-	756,501
Total liabilities	2,202,227	34,816	278,413	55,893	(21,620)	2,549,729
Fund balances (deficit):						
Nonspendable:						
Cemetery perpetual care	-	-	-	394,483	-	394,483
Library trust	-	-	-	38,605	-	38,605
Restricted for:						
Street improvements	1,008,379	-	-	-	-	1,008,379
Capital projects	205,598	-	-	37,662	-	243,260
Debt service	-	-	958,651	-	-	958,651
Economic development	-	-	-	1,522,154	-	1,522,154
Federal programs	-	-	-	743,887	-	743,887
Housing loans	-	-	-	626,826	-	626,826
Community improvements	-	-	-	251,250	-	251,250
Library expenses	-	-	-	757,600	-	757,600
Other purposes	-	-	-	22,589	-	22,589
Assigned for:						
Budgetary stabilization	-	-	-	1,685,869	-	1,685,869
Encumbrances	508,310	264,465	-	25,866	-	798,641
Other purposes	-	-	-	2,088,622	-	2,088,622
Unassigned	8,120,132	-	-	(19,343)	-	8,100,789
Total fund balances	9,842,419	264,465	958,651	8,176,070	-	19,241,605
Total liabilities and fund balances	\$ 12,044,646	\$ 299,281	\$ 1,237,064	\$ 8,231,963	\$ (21,620)	\$ 21,791,334

See notes to financial statements.

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

September 30, 2011

Total fund balances - governmental funds \$ 19,241,605

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$344,662,600, and the accumulated depreciation is \$29,925,202. 314,737,398

Internal service funds are used by management to charge the costs of certain activities, such as information technology, fleet services, and insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 5,170,491

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

Noncurrent compensated absences	\$ (447,495)	
Capital lease obligations	(13,541,806)	
General obligation bonds payable	<u>(8,625,000)</u>	<u>(22,614,301)</u>

Total net assets - governmental activities \$ 316,535,193

See notes to financial statements.

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

For the year ended September 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 4,997,102	\$ -	\$ 1,629,900	\$ 8,022	\$ 6,635,024
Motor vehicle	816,643	-	7,049	28	823,720
Occupation	1,352,108	-	-	-	1,352,108
Sales tax	13,630,857	-	-	-	13,630,857
Franchise	1,841,648	-	-	-	1,841,648
Intergovernmental	1,545,415	709,630	-	5,771,238	8,026,283
Keno	-	-	-	272,123	272,123
Special assessments	-	-	-	90,976	90,976
Charges for services	7,961,516	-	-	418,166	8,379,682
Interest income	53,158	-	3,779	14,202	71,139
Contributions	93,352	260,445	-	954,117	1,307,914
Sale of assets	119,941	-	-	-	119,941
Bond/loan proceeds	9,590,000	-	5,535,000	-	15,125,000
Other revenue	96,272	-	-	4,463	100,735
Total revenues	<u>42,098,012</u>	<u>970,075</u>	<u>7,175,728</u>	<u>7,533,335</u>	<u>57,777,150</u>
EXPENDITURES					
General government	3,592,520	-	-	2,640,312	6,232,832
Public safety	17,146,759	-	-	383,144	17,529,903
Public works	5,848,939	1,056,379	-	-	6,905,318
Environment and leisure	6,202,447	615,733	-	246,817	7,064,997
Non-departmental	391,057	-	-	-	391,057
Principal payments on debt	11,307,023	-	6,610,000	-	17,917,023
Interest on long-term debt	530,126	-	366,117	-	896,243
Bond/loan fees	194,499	-	66,869	-	261,368
Total expenditures	<u>45,213,370</u>	<u>1,672,112</u>	<u>7,042,986</u>	<u>3,270,273</u>	<u>57,198,741</u>
Excess (deficiency) of revenues over expenditures	(3,115,358)	(702,037)	132,742	4,263,062	578,409
OTHER FINANCING SOURCES (USES)					
Transfers in	5,007,705	1,049,597	439,100	872,968	7,369,370
Transfers out	(1,977,198)	(367,134)	-	(4,480,642)	(6,824,974)
Net transfers	<u>3,030,507</u>	<u>682,463</u>	<u>439,100</u>	<u>(3,607,674)</u>	<u>544,396</u>
Net change in fund balances	(84,851)	(19,574)	571,842	655,388	1,122,805
Fund balances - September 30, 2010	<u>9,927,270</u>	<u>284,039</u>	<u>386,809</u>	<u>7,520,682</u>	<u>18,118,800</u>
Fund balances - September 30, 2011	<u>\$ 9,842,419</u>	<u>\$ 264,465</u>	<u>\$ 958,651</u>	<u>\$ 8,176,070</u>	<u>\$ 19,241,605</u>

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2011

Total net change in fund balances - governmental funds	\$ 1,122,805
Amounts reported for governmental <i>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 (\$2,439,296) was exceeded by depreciation expense (\$2,893,283) during the period.	(453,987)
Losses on disposal of capital assets are not shown in the governmental fund financial statements. However, in the statement of activities, the loss is reported as a reduction to asset sales proceeds.	(342,231)
Internal service fund capital activity is removed from the reconciliation, since it is accounted for on the economic resource basis in the fund financial statements.	(21,320)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information technology, and fleet services, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities in the statement of activities.	211,234
The change in noncurrent compensated absences is reported as an expense in the statement of net assets. Noncurrent compensated absences are not reported in the governmental funds.	(721)
Proceeds from the issuance of bonds/loans are reported as revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets.	(15,125,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>17,917,023</u>
Change in net assets of governmental activities	<u><u>\$ 3,307,803</u></u>

See notes to financial statements.

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

September 30, 2011

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Golf Fund		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 5,958,118	\$ 1,588,750	\$ 3,348,167	\$ 74,115	\$ 10,969,150	\$ 2,281,484
Investments	21,905,458	2,520,270	4,995,256	110,575	29,531,559	3,403,829
Receivables:						
Accounts, net of allowance for doubtful accounts	4,831,304	401,726	627,491	5,346	5,865,867	98,700
Unbilled revenue	2,262,287	229,059	365,099	-	2,856,445	-
Interest	72,309	9,033	120,619	-	201,961	-
Special assessments	-	68,729	991,368	-	1,060,097	-
Due from other funds	-	-	-	-	-	86,650
Inventory	10,857,185	278,278	-	-	11,135,463	134,127
Prepaid expenses	393,149	12,159	-	-	405,308	-
Total current assets	<u>46,279,810</u>	<u>5,108,004</u>	<u>10,448,000</u>	<u>190,036</u>	<u>62,025,850</u>	<u>6,004,790</u>
Noncurrent assets:						
Restricted cash and cash equivalents	330,708	100,511	517,560	-	948,779	-
Restricted investments	6,510,499	412,219	2,036,028	-	8,958,746	-
Deferred charges	1,743,650	-	-	-	1,743,650	-
Prepaid transmission	3,276,241	-	-	-	3,276,241	-
Unamortized bond costs	70,719	3,573	220,014	-	294,306	-
Capital assets:						
Land and improvements	6,068,304	-	53,790,558	867,573	60,726,435	-
Construction in progress	6,679,188	597,960	3,182,840	-	10,459,988	-
Distribution and collection systems	271,682,812	51,290,121	5,541,123	-	328,514,056	-
Buildings and equipment	27,706,594	3,230,954	16,548,623	723,592	48,209,763	1,456,069
Less accumulated depreciation	<u>(186,712,321)</u>	<u>(12,141,603)</u>	<u>(34,583,692)</u>	<u>(1,443,571)</u>	<u>(234,881,187)</u>	<u>(1,061,246)</u>
Net capital assets	<u>125,424,577</u>	<u>42,977,432</u>	<u>44,479,452</u>	<u>147,594</u>	<u>213,029,055</u>	<u>394,823</u>
Total noncurrent assets	<u>137,356,394</u>	<u>43,493,735</u>	<u>47,253,054</u>	<u>147,594</u>	<u>228,250,777</u>	<u>394,823</u>
Total assets	<u>183,636,204</u>	<u>48,601,739</u>	<u>57,701,054</u>	<u>337,630</u>	<u>290,276,627</u>	<u>6,399,613</u>
LIABILITIES						
Current liabilities:						
Accounts payable	2,491,415	383,364	448,887	8,370	3,332,036	189,351
Accrued expenses	2,311,131	230,823	126,149	26,814	2,694,917	1,015,505
Current portion of						
long-term obligations	<u>4,610,000</u>	<u>350,000</u>	<u>1,590,000</u>	<u>-</u>	<u>6,550,000</u>	<u>-</u>
Total current liabilities	<u>9,412,546</u>	<u>964,187</u>	<u>2,165,036</u>	<u>35,184</u>	<u>12,576,953</u>	<u>1,204,856</u>
Noncurrent liabilities:						
Compensated absences - noncurrent	395,240	39,090	45,104	10,546	489,980	24,266
Fly ash liability	168,998	-	-	-	168,998	-
Noncurrent portion of						
long-term obligations	<u>20,880,000</u>	<u>745,000</u>	<u>3,050,000</u>	<u>-</u>	<u>24,675,000</u>	<u>-</u>
Total noncurrent liabilities	<u>21,444,238</u>	<u>784,090</u>	<u>3,095,104</u>	<u>10,546</u>	<u>25,333,978</u>	<u>24,266</u>
Total liabilities	<u>30,856,784</u>	<u>1,748,277</u>	<u>5,260,140</u>	<u>45,730</u>	<u>37,910,931</u>	<u>1,229,122</u>
NET ASSETS						
Invested in capital assets, net of related debt	105,025,187	41,886,005	40,059,466	147,594	187,118,252	394,823
Restricted for:						
Debt service	6,511,584	512,730	2,553,588	-	9,577,902	-
Unrestricted	<u>41,242,649</u>	<u>4,454,727</u>	<u>9,827,860</u>	<u>144,306</u>	<u>55,669,542</u>	<u>4,775,668</u>
Total net assets	<u>\$ 152,779,420</u>	<u>\$ 46,853,462</u>	<u>\$ 52,440,914</u>	<u>\$ 291,900</u>	<u>\$ 252,365,696</u>	<u>\$ 5,170,491</u>

See notes to financial statements.

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

For the year ended September 30, 2011

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Golf Fund		
Operating revenues:						
Sales:						
Consumers	\$ 52,039,509	\$ 4,115,419	\$ 8,616,829	\$ 590,010	\$ 65,361,767	\$ -
Municipal and interdepartmental	1,936,424	83,499	-	-	2,019,923	8,811,749
Wholesale	2,818,760	-	-	-	2,818,760	-
Total sales	<u>56,794,693</u>	<u>4,198,918</u>	<u>8,616,829</u>	<u>590,010</u>	<u>70,200,450</u>	<u>8,811,749</u>
Tap fees	-	6,434	6,360	-	12,794	-
Other revenue	578,858	212,019	102,314	8,589	901,780	-
Total operating revenues	<u>57,373,551</u>	<u>4,417,371</u>	<u>8,725,503</u>	<u>598,599</u>	<u>71,115,024</u>	<u>8,811,749</u>
Operating expenses:						
Cost of power	29,569,667	-	-	-	29,569,667	-
Production	-	876,200	-	-	876,200	-
Operation of system	1,799,692	840,525	3,534,684	420,013	6,594,914	-
Maintenance of system	1,454,554	-	526,239	38,532	2,019,325	-
Consumer accounting and collection	1,226,200	441,217	704,765	-	2,372,182	-
General office expense	1,623,848	158,750	532,363	71,480	2,386,441	-
Special services	1,161,334	95,643	9,318	521	1,266,816	-
Information technology	-	-	-	-	-	865,643
Central garage	-	-	-	-	-	1,321,993
Insurance	705,440	9,009	69,500	3,000	786,949	6,572,631
Miscellaneous	303,560	170,729	-	-	474,289	16,827
Depreciation	9,850,659	640,932	2,472,030	32,922	12,996,543	77,502
Amortization	26,923	2,410	100,426	-	129,759	-
Total operating expenses	<u>47,721,877</u>	<u>3,235,415</u>	<u>7,949,325</u>	<u>566,468</u>	<u>59,473,085</u>	<u>8,854,596</u>
Operating income (loss)	9,651,674	1,181,956	776,178	32,131	11,641,939	(42,847)
Nonoperating revenues (expenses):						
Interest income	425,196	27,654	58,276	-	511,126	34,759
Intergovernmental/grants	-	-	-	-	-	50,000
Allocated debt on participation power	(5,345,260)	-	-	-	(5,345,260)	-
Interest expense	(1,452,742)	(63,474)	(183,191)	-	(1,699,407)	-
Payments in lieu of taxes	(689,459)	(54,683)	-	-	(744,142)	-
Gain on sale of assets	19,739	-	43,343	-	63,082	-
Special assessments	-	-	50,964	-	50,964	-
Contributions in aid of construction	-	900,963	364,687	-	1,265,650	-
Total nonoperating revenues (expenses)	<u>(7,042,526)</u>	<u>810,460</u>	<u>334,079</u>	<u>-</u>	<u>(5,897,987)</u>	<u>84,759</u>
Excess (deficiency) of revenues over expenditures	2,609,148	1,992,416	1,110,257	32,131	5,743,952	41,912
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	169,322
Change in net assets	2,609,148	1,992,416	1,110,257	32,131	5,743,952	211,234
Net assets - September 30, 2010	<u>150,170,272</u>	<u>44,861,046</u>	<u>51,330,657</u>	<u>259,769</u>	<u>246,621,744</u>	<u>4,959,257</u>
Net assets - September 30, 2011	<u>\$ 152,779,420</u>	<u>\$ 46,853,462</u>	<u>\$ 52,440,914</u>	<u>\$ 291,900</u>	<u>\$ 252,365,696</u>	<u>\$ 5,170,491</u>

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2011

	Enterprise Funds	
	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 57,063,003	\$ 4,470,018
Receipts from other funds	-	-
Payments to suppliers	(25,853,086)	(2,004,468)
Payments to employees	(8,841,685)	(584,582)
Net cash provided (used) by operating activities	22,368,232	1,880,968
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments in lieu of taxes	(654,280)	(56,792)
Transfer from (to) other funds	-	-
Net cash provided (used) by noncapital financing activities	(654,280)	(56,792)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(7,379,440)	(1,113,486)
Proceeds from sale of property and equipment	145,460	2,003
Decrease in deferred charges	908,995	-
Intergovernmental receipts	-	-
Special assessment collections	-	-
Payment of allocated debt on participation power purchase	(5,345,260)	-
Principal payments on capital debt	(4,425,000)	(335,000)
Interest paid on capital debt	(1,476,250)	(67,285)
Increase in fly ash liability	1,591	-
Net cash used by capital and related financing activities	(17,569,904)	(1,513,768)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale and maturities of investment securities	18,432,851	550,985
Purchase of investment securities	(20,283,939)	(412,219)
Interest received	454,666	31,319
Net cash provided (used) by investing activities	(1,396,422)	170,085
Increase in cash and cash equivalents	2,747,626	480,493
Cash and cash equivalents - beginning of the year	3,541,200	1,208,768
Cash and cash equivalents - end of the year	\$ 6,288,826	\$ 1,689,261
Composition of cash and cash equivalents:		
Cash and cash equivalents	\$ 5,958,118	\$ 1,588,750
Restricted cash and cash equivalents	330,708	100,511
Total cash and cash equivalents	\$ 6,288,826	\$ 1,689,261

See notes to financial statements.

Enterprise Funds			Internal Service Funds
Sewer Fund	Golf Fund	Total	
\$ 8,693,636	\$ 584,664	\$ 70,811,321	\$ -
-	-	-	8,852,528
(3,654,043)	(332,680)	(31,844,277)	(8,167,767)
(1,513,066)	(187,988)	(11,127,321)	(982,175)
<u>3,526,527</u>	<u>63,996</u>	<u>27,839,723</u>	<u>(297,414)</u>
-	-	(711,072)	-
-	-	-	169,322
-	-	<u>(711,072)</u>	<u>169,322</u>
(2,199,541)	-	(10,692,467)	(126,322)
50,372	-	197,835	-
-	-	908,995	-
-	-	-	50,000
250,730	-	250,730	-
-	-	(5,345,260)	-
(1,575,000)	-	(6,335,000)	-
(183,191)	-	(1,726,726)	-
-	-	1,591	-
<u>(3,656,630)</u>	<u>-</u>	<u>(22,740,302)</u>	<u>(76,322)</u>
744,333	-	19,728,169	622,391
-	(27,579)	(20,723,737)	-
58,328	-	544,313	34,759
<u>802,661</u>	<u>(27,579)</u>	<u>(451,255)</u>	<u>657,150</u>
672,558	36,417	3,937,094	452,736
3,193,169	37,698	7,980,835	1,828,748
<u>\$ 3,865,727</u>	<u>\$ 74,115</u>	<u>\$ 11,917,929</u>	<u>\$ 2,281,484</u>
\$ 3,348,167	\$ 74,115	\$ 10,969,150	\$ 2,281,484
517,560	-	948,779	-
<u>\$ 3,865,727</u>	<u>\$ 74,115</u>	<u>\$ 11,917,929</u>	<u>\$ 2,281,484</u>

CITY OF GRAND ISLAND, NEBRASKA

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

For the year ended September 30, 2011

	Enterprise Funds	
	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 9,651,674	\$ 1,181,956
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	9,850,659	640,932
Amortization expense	26,923	2,410
Change in assets and liabilities:		
Accounts receivable	(310,548)	52,647
Inventories	937,589	228
Prepaid expenses	(27,684)	(1,528)
Prepaid transmissions	1,255,722	-
Accounts payable and accrued expenses	983,897	4,323
Net cash provided (used) by operating activities	\$ 22,368,232	\$ 1,880,968
Supplemental cash flow information:		
Acquisition of capital assets through developers' aid of construction	\$ -	\$ 900,963
Accounts payable incurred for capital asset purchases	\$ -	\$ 329,752

See notes to financial statements.

Enterprise Funds			Internal Service Funds
Sewer Fund	Golf Fund	Total	Funds
\$ 776,178	\$ 32,131	\$ 11,641,939	\$ (42,847)
2,472,030	32,922	12,996,543	77,502
100,426	-	129,759	-
(31,867)	(5,346)	(295,114)	40,779
-	-	937,817	5,645
-	-	(29,212)	-
-	-	1,255,722	-
209,760	4,289	1,202,269	(378,493)
<u>\$ 3,526,527</u>	<u>\$ 63,996</u>	<u>\$ 27,839,723</u>	<u>\$ (297,414)</u>
<u>\$ 364,687</u>	<u>\$ -</u>	<u>\$ 1,265,650</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,752</u>	<u>\$ -</u>

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

September 30, 2011

	<u>Employee Pension Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ 23,197	\$ 67,823
Investments	4,841,047	101,189
Accounts receivable	-	5,176
Special assessments receivable	-	11,455
Total assets	<u>4,864,244</u>	<u>185,643</u>
LIABILITIES		
Due to other funds	988,416	-
Agency liabilities	-	185,643
Pension liability	<u>1,269,789</u>	<u>-</u>
Total liabilities	<u>2,258,205</u>	<u>185,643</u>
NET ASSETS		
Held in trust for pension benefits	<u><u>\$ 2,606,039</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA

STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS

For the year ended September 30, 2011

	<u>Employee Pension Funds</u>
ADDITIONS	
Transfers from other funds	\$ 183,096
Interest and dividends	740,359
Other revenue	720
Total additions	<u>924,175</u>
DEDUCTIONS	
Pension benefits	63,927
Transfer to other funds	170,740
Loss on investments	661,708
Total deductions	<u>896,375</u>
Change in net assets	27,800
Net assets - September 30, 2010	<u>2,578,239</u>
Net assets - September 30, 2011	<u><u>\$ 2,606,039</u></u>

See notes to financial statements.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

INDEX

	Page
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
1. Financial Reporting Entity	29
2. Basis of Presentation	31
3. Measurement Focus and Basis of Accounting	38
4. Assets, Liabilities, and Equity	40
5. Revenues, Expenditures, and Expenses	46
NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
1. Fund Accounting Requirements	48
2. Deposit Laws and Regulations	48
3. Revenue Restrictions	48
4. Debt Restrictions and Covenants	48
5. Budgetary Data	49
NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS	
1. Cash and Investments	50
2. Restricted Assets	52
3. Accounts and Notes Receivable	52
4. Capital Assets	55
5. Accounts Payable	59
6. Long-term Debt	59
7. Interfund Transactions and Balances	66
8. Fund Equity	67
NOTE D – OTHER NOTES	
1. Employee Pension and Other Benefit Plans	68
2. Risk Management	74
3. Commitments and Contingencies	77
4. Related-party Transactions	81
5. Major Customers	82
6. EPA Emissions Allowances	82
7. Conduit Debt	82
8. Subsequent Events	82
9. Union Contracts	83
10. Interlocal Agreements	83

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Financial Reporting Entity

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

The City’s financial reporting entity comprises the following:

Primary Government:	City of Grand Island
Discretely Presented Component Units:	Community Redevelopment Authority of Grand Island Grand Island Area Solid Waste Agency (Landfill) Business Improvement Districts Grand Island Facilities Corporation

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

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

Blended Component Units

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

Discretely Presented Component Units

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

Brief Description of Activities and Relationship
To The City:

Community Redevelopment
Authority of Grand Island

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

Discretely Presented Component Units, continued

	<u>Brief Description of Activities and Relationship To The City:</u>
Grand Island Area Solid Waste Agency (Landfill)	Created in August 1992 to provide for the acquisition, construction financing, and operation of a solid waste transfer station, compost site, and disposal facility. The City Council serves as the governing body.
Business Improvement Districts	BID #4 was created on July 23, 2002; and BID #6, #7, and #8 were created during July 2008. The BIDs account for funding held for improvement and maintenance of public areas within the boundaries of the Districts.
Grand Island Facilities Corporation	Created in 2005 to provide for the construction and issuance of bonds for the library addition. The City Council appoints board members of this Corporation.

2. Basis of Presentation

Government-wide Financial Statements

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Governmental Funds, continued

Capital Project Funds

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

Debt Service Fund

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

Permanent Fund

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

Proprietary Funds

Enterprise Funds

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

Internal Service Funds

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fiduciary Funds (not included in government-wide statements)

Agency Funds

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

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

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

Trust Funds

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

Police and Fire Pension	Accounts for direct pension payments to police and fire personnel who retired prior to 1984 under a defined benefit plan.
Police Pension	Accounts for the administration of the police pension fund under a defined contribution plan.
Fire Pension	Accounts for the administration of the firefighters pension fund under a defined contribution plan.

Major and Nonmajor Funds

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

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

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

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

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

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

3. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus, continued

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

Basis of Accounting

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

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

All proprietary funds and discretely presented component units utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity

Estimates

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

Cash and Investments

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

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

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

Receivables

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

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Due from Other Governments

The total due from other governments includes the following amounts:

<u>Fund</u>	<u>Amount</u>	<u>Service</u>
General	\$ 2,457,147	Sales Tax
General	133,670	Hall County reimbursements
Capital projects	164,735	State reimbursements for Capital Avenue project
Gas Tax	392,609	Motor Vehicle/Gas Tax
Enhanced 911	44,000	Hall County 911 surcharge
Community grants	222,864	State reimbursement for CDBG grant expenditures
Keno	<u>50,286</u>	Keno Proceeds
Total governmental funds	<u>\$ 3,465,311</u>	

Inventory

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

Restricted Assets

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

Deferred Charges

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

Prepaid Transmission

The Electric Fund has made a long-term usage deposit for the availability of future transmission service with a public power district. The unused deposit at September 30, 2011, is \$3,276,241.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets

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

Government-wide Statements

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

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

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

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

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

	<u>Electric</u>	<u>Water</u>
Interest costs capitalized	\$ -	\$ -
Interest costs charged to expense	<u>1,452,742</u>	<u>63,474</u>
	<u>\$ 1,452,742</u>	<u>\$ 63,474</u>

Fund Financial Statements

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Unamortized Bond Discount/Deferred Charges

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

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

Deferred Revenues

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

Compensated Absences

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

Long-term Debt

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

Government-wide Statements

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Long-term Debt, continued

Fund Financial Statements

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

Equity Classifications

Government-wide Statements

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements. See Note C8 for additional disclosures.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Fund Financial Statements, continued

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

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

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

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

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

Unassigned—All amounts not included in other spendable classifications.

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

Net Asset Restatement

Governmental net assets were increased \$345,000 as of September 30, 2010, to reflect land for the Webb Road Athletic Field paid for in prior years with donations.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses

Sales and Use Tax

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

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

Property Taxes

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

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

Property taxes levied for 2010-2011 are recorded as revenue when expected to be collected within 60 days after September 30, 2011. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

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

Operating Revenues and Expenses

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Expenditures/Expenses

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

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

Governmental Funds – by Character and Function

Proprietary Fund – by Operating and Nonoperating

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

Contributions in Aid of Construction

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

Allocated Debt on Participation Power Purchases

A portion of the monthly bill the Department pays for participation power from OPPD is the Department's allocated debt on the NC2 Project. Allocated debt of \$5,345,260 is shown as a nonoperating expense for the year ended September 30, 2011.

Interfund Transfers

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Fund Accounting Requirements

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

2. Deposit Laws and Regulations

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

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

3. Revenue Restrictions

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

4. Debt Restrictions and Covenants

Bonds Payable

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data

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

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

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

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

1. Cash and Investments

Deposits

The City’s policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2011. The categories of collateral are defined as follows:

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

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

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

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits	\$ 23,707,193	\$ 6,428,344	\$ 17,278,849	\$ -	\$ <u>22,111,843</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 17,691,399
Restricted cash and cash equivalents	1,516,275
Component Units –	
Unrestricted cash and cash equivalents	1,765,391
Restricted cash and cash equivalents	1,047,758
Employee Pension Funds Cash (not included in government-wide statement)	23,197
Agency Fund Cash (not included in government-wide statement)	<u>67,823</u>
	<u>\$ 22,111,843</u>

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

1. Cash and Investments, continued

Investments

The City’s policies and applicable laws regarding investments are discussed in Notes A4 and B2. The table presented below is designed to disclose the level of market risk and custodial credit risk assumed by the City (or public trust) based upon whether the investments are insured or registered and upon who holds the security at September 30, 2011. The categories of credit risk are defined as follows:

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

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

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

<u>Type of Investment</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Time Deposits	\$ 48,380,405	\$ -	\$ -	\$ 48,380,405	\$ 48,380,405
U.S. Governmental Securities	-	1,360,499	-	1,360,499	1,360,499
Publicly Traded Equities	-	5,214,187	-	5,214,187	5,214,187
Guaranteed Investment Securities	-	5,150,000	-	<u>5,150,000</u>	<u>5,150,000</u>
				<u>\$ 60,105,091</u>	<u>\$ 60,105,091</u>

Reconciliation to Government-wide Statements of Net Assets:

Primary Government –	
Unrestricted investments	\$ 39,560,732
Restricted investments	9,418,409
Permanently restricted investments	433,088
Component Units –	
Unrestricted investments	1,939,928
Restricted investments	3,810,698
Employee Pension Funds (not included in government-wide statements)	4,841,047
Agency Funds (not included in government-wide statements)	<u>101,189</u>
	<u>\$ 60,105,091</u>

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

2. Restricted Assets

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

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Type of Restricted Assets:				
Cash and cash equivalents	\$ 567,496	\$ 948,779	\$ 1,516,275	\$ 1,047,758
Investments	459,663	8,958,746	9,418,409	3,810,698
Permanently restricted investments	433,088	-	433,088	-
Permanently restricted notes receivable	<u>1,654,845</u>	<u>-</u>	<u>1,654,845</u>	<u>-</u>
	<u>\$ 3,115,092</u>	<u>\$ 9,907,525</u>	<u>\$ 13,022,617</u>	<u>\$ 4,858,456</u>

3. Accounts and Notes Receivable

Accounts receivable of the business-type activities consist of utilities receivables. Accounts receivable of the governmental activities consist of telephone tax (13.2 percent), cable franchise tax (12.9 percent), other franchise/occupation tax (3.3 percent), ambulance (23.4 percent), payroll reimbursement (14.7 percent), administrative fees (12.1 percent), and other (20.4 percent) receivables. Accounts receivable for the component units consists entirely of landfill receivables. Receivables detail at September 30, 2011, is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Accounts receivable	\$1,059,717	\$6,253,641	\$7,313,358	\$ 201,760
Allowance for doubtful accounts	<u>(161,500)</u>	<u>(387,774)</u>	<u>(549,274)</u>	<u>-</u>
Net accounts receivable	<u>\$ 898,217</u>	<u>\$5,865,867</u>	<u>\$6,764,084</u>	<u>\$ 201,760</u>

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

3. Accounts and Notes Receivable, continued

Notes receivable for the governmental funds consist of the following at September 30, 2011:

<u>Note Held By:</u>	<u>Due From</u>	Note Balance at September 30, <u>2011</u>	<u>Terms</u>
Capital Projects Fund	Heartland Shooting Park	\$ 15,000	0%; \$5,000 due annually March 17, 2009, through March 17, 2013.
Capital Projects Fund	Central Nebraska Humane Society	28,604	0%; \$100 due annually through 2013, then \$10,000 due annually beginning in 2014 until the loan is paid in full.
Program Income Reuse	Standard Iron	154,762	\$250,000 is 0% loan due in 168 monthly installments.
Community Grants Fund	Rehab Housing - Various Homeowners	448,171	Forgivable over 5 or 10 years of continued home ownership.
Economic Development Fund	Rogue Manufacturing	15,000	Forgivable if employment objectives are met.
Economic Development Fund	Hornady Manufacturing	83,333	Forgivable if employment objectives and building occupancy terms are met.
Economic Development Fund	Hornady Manufacturing	51,334	Forgivable if employment objectives are met.
Economic Development Fund	Ace Machine Shop	17,500	Forgivable if employment objectives are met.
Economic Development Fund	CNH America, LLC	50,000	Forgivable if employment objectives are met.
Economic Development Fund	Structured Solutions	600,000	Forgivable if employment objectives are met. Loan is in default.
Economic Development Fund	Standard Iron	225,000	Forgivable if employment objectives are met.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

3. Accounts and Notes Receivable, continued

<u>Note Held By:</u>	<u>Due From</u>	Note Balance at September 30, <u>2011</u>	<u>Terms</u>
Economic Development Fund	O'Neill Wood Resources, LLC	5,000	Forgivable if employment objectives are met
Economic Development Fund	Heritage Disposal	20,000	Forgivable if employment objectives are met
Economic Development Fund	Hastings Foods	70,000	Forgivable if employment objectives are met
Economic Development Fund	Nova Tech	40,000	Forgivable if employment objectives are met.
Economic Development Fund	CNH America, LLC	100,000	Forgivable if employment objectives are met.
Housing Reuse Loan Fund	Rehab Housing - Various Homeowners	141,301	0%; due upon sale of house.
Housing Reuse Loan Fund	Housing Downpayment Loans - Various Homeowners	189,840	Forgivable over 5 to 10 years of continued home ownership.
		<hr style="width: 100%; border: 0.5px solid black;"/>	
		2,254,845	
Economic Development Fund	Less: Allowance for Uncollectible Notes	<u>(600,000)</u>	
		<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$ 1,654,845</u> <hr style="width: 100%; border: 0.5px solid black;"/>	

The above notes are permanently restricted as revolving loan funds.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance at October 1, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Restatement and Reclass</u>	Balance at September 30, <u>2011</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 5,277,396	\$ -	\$ (69,593)	\$ 345,000	\$ 5,552,803
Infrastructure	244,908,587	259,554	-	286,688	245,454,829
Construction in progress	<u>13,252,524</u>	<u>1,638,748</u>	<u>-</u>	<u>(5,266,252)</u>	<u>9,625,020</u>
Total capital assets not being depreciated	263,438,507	1,898,302	(69,593)	(4,634,564)	260,632,652
Other capital assets being depreciated:					
Land improvements	13,029,320	-	(272,352)	-	12,756,968
Buildings	52,578,771	132,611	-	4,952,064	57,663,446
Machinery and equipment	6,090,820	142,425	(79,280)	-	6,153,965
Office furniture and equipment	2,537,510	126,322	-	-	2,663,832
Vehicles	<u>6,204,167</u>	<u>139,636</u>	<u>(95,997)</u>	<u>-</u>	<u>6,247,806</u>
Total other capital assets at historical cost	80,440,588	540,994	(447,629)	4,952,064	85,486,017
Less accumulated depreciation for:					
Land improvements	(4,482,730)	(414,788)	102,514	-	(4,795,004)
Buildings	(11,733,593)	(1,792,601)	-	-	(13,526,194)
Machinery and equipment	(4,834,909)	(258,364)	36,098	-	(5,057,175)
Office furniture and equipment	(2,262,364)	(115,587)	-	-	(2,377,951)
Vehicles	<u>(4,982,060)</u>	<u>(311,943)</u>	<u>63,879</u>	<u>-</u>	<u>(5,230,124)</u>
Total accumulated depreciation	<u>(28,295,656)</u>	<u>(2,893,283) *</u>	<u>202,491</u>	<u>-</u>	<u>(30,986,448)</u>
Other capital assets, net	<u>52,144,932</u>	<u>(2,352,289)</u>	<u>(245,138)</u>	<u>4,952,064</u>	<u>54,499,569</u>
Governmental activities capital assets, net	<u>\$ 315,583,439</u>	<u>\$ (453,987)</u>	<u>\$ (314,731)</u>	<u>\$ 317,500</u>	<u>\$ 315,132,221</u>

* Depreciation expense was charged to governmental activities as follows:

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

4. Capital Assets, continued

Governmental Activities, continued:

General Fund:

General government:

Finance	\$ 1,855
City Hall	<u>228,479</u>
Total general government	230,334

Public safety:

Building inspection	6,975
Fire	160,747
Ambulance	62,211
Police	457,457
Emergency management	<u>10,121</u>
Total public safety	697,511

Public works:

Engineering	24,966
Street and alley	<u>182,422</u>
Total public works	207,388

Environment and leisure:

Library	250,324
Parks	229,444
Cemetery	27,438
Recreation	173,232
Water park and pools	98,086
Public information	34,944
Heartland Public Shooting Park	71,687
Heartland Events Center	<u>700,254</u>
Total environment and leisure	<u>1,585,409</u>

Total General Fund 2,720,642

Special Revenue Funds:

Enhanced 911	25,824
Community development	50,997
Downtown development	<u>18,318</u>
Total Special Revenue Funds	95,139

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

4. Capital Assets, continued

Governmental Activities, continued:

Internal Service Funds:

Information technology	67,915
Fleet services	<u>9,587</u>
Total Internal Service Funds	<u>77,502</u>
Total governmental activities depreciation expense	\$ <u>2,893,283</u>

	Balance at October 1, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	Reclass	Balance at September 30, <u>2011</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 6,983,571	\$ -	\$ -	\$ -	\$ 6,983,571
Construction in progress	<u>6,940,705</u>	<u>12,003,073</u>	<u>-</u>	<u>(8,483,791)</u>	<u>10,459,987</u>
Total capital assets not being depreciated	13,924,276	12,003,073	-	(8,483,791)	17,443,558
Other capital assets being depreciated:					
Land improvements	53,227,961	-	(9,752)	2,965,813	56,184,022
Buildings, distribution systems, and equipment	360,414,448	514,122	(1,067,428)	5,517,978	365,379,120
Office furniture and equipment	3,528,546	-	(4,858)	-	3,523,688
Vehicles	<u>5,331,495</u>	<u>275,548</u>	<u>(227,189)</u>	<u>-</u>	<u>5,379,854</u>
Total other capital assets at historical cost	422,502,450	789,670	(1,309,227)	8,483,791	430,466,684
Less accumulated depreciation for:					
Land improvements	(26,135,086)	(1,565,736)	9,752	-	(27,691,070)
Buildings, distribution systems, and equipment	(195,336,851)	(11,350,047)	626,201	-	(206,060,697)
Office furniture and equipment	(56,105)	(300)	4,858	-	(51,547)
Vehicles	<u>(997,413)</u>	<u>(80,460)</u>	<u>-</u>	<u>-</u>	<u>(1,077,873)</u>
Total accumulated depreciation	<u>(222,525,455)</u>	<u>(12,996,543) *</u>	<u>640,811</u>	<u>-</u>	<u>(234,881,187)</u>
Other capital assets, net	<u>199,976,995</u>	<u>(12,206,873)</u>	<u>(668,416)</u>	<u>8,483,791</u>	<u>195,585,497</u>
Business-type capital assets, net	<u>\$ 213,901,271</u>	<u>\$ (203,800)</u>	<u>\$ (668,416)</u>	<u>\$ -</u>	<u>\$ 213,029,055</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 9,850,659
Water	640,932
Sewer	2,472,030
Golf	<u>32,922</u>
Total business-type activities depreciation expense	\$ <u>12,996,543</u>

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

4. Capital Assets, continued

	Balance at October 1, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2011</u>
<u>Component Units:</u>				
<u>Landfill:</u>				
Capital assets not being depreciated:				
Land	\$ 253,515	\$ -	\$ -	\$ 253,515
Other capital assets being depreciated:				
Land improvements	4,878,040	-	-	4,878,040
Buildings	717,367	98,996	-	816,363
Machinery and equipment	3,008,056	683,699	(505,644)	3,186,111
Office furniture and equipment	53,504	-	(2,432)	51,072
Vehicles	669,874	-	-	669,874
Total other capital assets at historical cost	9,326,841	782,695	(508,076)	9,601,460
Less accumulated depreciation for:				
Land improvements	(2,456,376)	(162,601)	-	(2,618,977)
Buildings	(356,653)	(25,826)	-	(382,479)
Machinery and equipment	(1,277,492)	(262,099)	202,258	(1,337,333)
Office furniture and equipment	(53,504)	-	2,432	(51,072)
Vehicles	(361,474)	(72,302)	-	(433,776)
Total accumulated depreciation	(4,505,499)	(522,828)	204,690	(4,823,637)
Other capital assets, net	4,821,342	259,867	(303,386)	4,777,823
Landfill capital assets, net	\$ 5,074,857	\$ 259,867	\$ (303,386)	\$ 5,031,338

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

4. Capital Assets, continued

	Balance at October 1, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2011</u>
<u>Business Improvement Districts:</u>				
Capital assets being depreciated:				
Land improvements	\$ 45,873	\$ -	\$ -	\$ 45,873
Less accumulated depreciation:				
Land improvements	<u>(7,646)</u>	<u>(1,529)</u>	<u>-</u>	<u>(9,175)</u>
Business Improvement Districts, net	<u>\$ 38,227</u>	<u>\$ (1,529)</u>	<u>\$ -</u>	<u>\$ 36,698</u>
<u>Community Redevelopment Authority:</u>				
Capital assets not being depreciated:				
Land held for redevelopment	<u>\$ 526,129</u>	<u>\$ -</u>	<u>\$ (33,775)</u>	<u>\$ 492,354</u>

5. Accounts Payable

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

6. Long-term Debt

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

6. Long-term Debt, continued

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2011:

<u>Type of Debt</u>	Balance October 1, <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2011</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 9,700,000	\$ 5,535,000	\$ (6,610,000)	\$ 8,625,000	\$ 1,275,000
Capital lease	15,258,829	9,590,000	(11,307,023)	13,541,806	1,366,377
	<u>\$ 24,958,829</u>	<u>\$15,125,000</u>	<u>\$ (17,917,023)</u>	<u>\$ 22,166,806</u>	<u>\$ 2,641,377</u>
Business-type Activities:					
Bonds payable	<u>\$ 37,560,000</u>	<u>\$ -</u>	<u>\$ (6,335,000)</u>	<u>\$ 31,225,000</u>	<u>\$ 6,550,000</u>
Component Units:					
Landfill bonds payable	\$ 685,000	\$ -	\$ (685,000)	\$ -	\$ -
GI Facilities Corporation	4,470,000	3,795,000	(4,470,000)	3,795,000	710,000
CRA notes payable	934,073	-	(159,626)	774,447	140,371
Total Component Units	<u>\$ 6,089,073</u>	<u>\$ 3,795,000</u>	<u>\$ (5,314,626)</u>	<u>\$ 4,569,447</u>	<u>\$ 850,371</u>

Governmental Activities

As of September 30, 2011, the governmental long-term liabilities consisted of the following:

Bonds payable:

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

Callable after June 16, 2014.

\$ 2,365,000

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

6. Long-term Debt, continued

Governmental Activities, continued

Bonds payable, continued:

General obligation refunding bonds dated August 17, 2004, with original issue amount of \$2,125,000. Interest ranges from 1.50 to 4.10 percent with final maturity December 15, 2014. Callable after December 15, 2009. 1,005,000

Law enforcement center refunding bonds dated April 12, 2011, with original issue amount of \$5,535,000. Interest ranges from 0.45 to 2.90 percent with final maturity September 1, 2014. 5,255,000

Total bonds payable 8,625,000

Capital Lease:

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

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

Capital lease obligation due to Wells Fargo dated July 1, 2009, with original issue amount of \$5,062,500 to finance the State Fair building. The lease bears interest of 4.25 percent and is due in 16 semi-annual principal and interest payments of \$376,556, commencing January 1, 2010 through July 1, 2017. 3,951,806

Total capital lease obligations 13,541,806

Total governmental activities long-term obligations \$ 22,166,806

Current portion \$ 2,641,377

Noncurrent portion 19,525,429

Total \$ 22,166,806

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

6. Long-term Debt, continued

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

Business-type Activities

As of September 30, 2011, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds payable:

Sewer system revenue and refunding bonds dated June 25, 2003, with original issue amount of \$15,970,000. Interest ranges from 2.00 to 3.45 percent with final maturity on April 1, 2014. Callable after April 1, 2011. \$ 4,640,000

Electric system revenue bonds, Series 2001, due serially to August 15, 2016. Interest ranges from 3.800 to 5.125 percent; secured by electric system revenues. Callable after 2011. 25,490,000

Water revenue refunding bonds, Series 1999, due serially to July 1, 2014. Interest ranges from 3.55 to 4.85 percent; secured by water system revenue and a deposit in the debt service reserve account. Callable after March 3, 2004. 1,095,000

Total business-type activity bonds payable \$ 31,225,000

Current portion \$ 6,550,000

Noncurrent portion 24,675,000

Total \$ 31,225,000

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

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

6. Long-term Debt, continued

Component Units

Grand Island Facilities Corporation:

Library building bonds, Series 2005, dated November 1, 2005, with original issue amount of \$7,000,000. Interest ranges from 2.85 to 3.80 percent with final maturity on November 1, 2015, callable after November 1, 2010. (The City has a matching capital lease obligation to the Grand Island Facilities Corporation as described on page 61). \$ 3,795,000

CRA notes payable:

The Authority borrowed \$548,333 from Five Points Bank on December 15, 1996, to finance the Gili, L.L.C., redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest at 7.991 percent and payments are due semi-annually through December 5, 2011. 32,954

The Authority borrowed \$479,700 from Five Points Bank on December 15, 1999, to finance the GI Cherry Park, LTD, redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest at 7.74 percent with interest payments due semi-annually beginning June 15, 2001, and principal and interest payments due semi-annually beginning June 15, 2001, through December 15, 2013. 133,032

The Authority borrowed \$37,000 from Wells Fargo Bank on September 3, 2002, to finance the RSF Limited redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest of 6.9 percent and payments are due semi-annually through December 15, 2017. 21,411

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

6. Long-term Debt, continued

Component Units, continued

CRA notes payable continued:

The Authority borrowed \$169,267 from Home Federal Savings and Loan on September 1, 2003, to finance the PROCON Development Company, LLC, redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest of 7.0 percent and payments are due semi-annually beginning June 15, 2005, through December 15, 2018. 110,862

The Authority borrowed \$668,000 from Lincoln Federal Savings Bank on December 15, 2004. The funds were used to finance the Walnut Housing, Ltd., redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest of 6.743 percent and payments are due semi-annually beginning June 15, 2006, through December 15, 2019. 476,188

Total CRA notes payable 774,447

Total component units bonds and notes payable \$ 4,569,447

Current portion \$ 850,371

Noncurrent portion 3,719,076

Total \$ 4,569,447

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

6. Long-term Debt, continued

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2011, are as follows:

Year Ending <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 2,641,377	\$ 480,577	\$ 6,550,000	\$ 1,493,890	\$ 850,371	\$ 90,173
2013	3,071,778	461,974	6,840,000	1,196,235	875,334	78,510
2014	3,128,269	401,096	6,885,000	882,858	860,066	62,758
2015	3,190,899	330,930	5,340,000	561,187	845,309	47,474
2016	3,004,715	256,357	5,610,000	287,513	860,173	29,924
2017-2021	5,194,768	542,423	-	-	278,194	36,846
2022-2026	1,935,000	126,566	-	-	-	-
	<u>\$ 22,166,806</u>	<u>\$ 2,599,923</u>	<u>\$ 31,225,000</u>	<u>\$ 4,421,683</u>	<u>\$ 4,569,447</u>	<u>\$ 345,685</u>

Fly Ash Closure and Postclosure Care Costs

The City entered into an agreement with the Nebraska Department of Environmental Quality to establish a Closure/Post Closure Care Account. The purpose of this account is to accumulate sufficient monies to fund all related costs of closure and post closure of the ash disposal area at the Platte Generating Station. Monies are deposited into this account at a rate \$2.50 per ton of ash put into the disposal area. The calculated amount of the Closure/Post Closure liability was \$168,998 at September 30, 2011. The amount on deposit in the Closure/Post Closure Care Account was \$329,623 at September 30, 2011.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

7. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Gas Tax	\$ 4,100,000	\$ -
Community Development	-	57,000
Economic Development	-	750,000
Debt Service	-	439,100
Capital Projects	181,632	675,743
Fleet Services	-	43,000
Cafeteria Fund	15,000	-
Employee Pension Funds	-	12,355
Electric	654,281	-
Water	<u>56,792</u>	<u>-</u>
Total General Fund	5,007,705	1,977,198
Capital Projects Fund:		
General	675,743	181,632
Gas Tax	145,687	19,858
Keno	146,924	39,322
Information Technology	-	126,322
Special Assessments	<u>81,243</u>	<u>-</u>
Total Capital Projects Fund	1,049,597	367,134
Debt Service Fund:		
General Fund	439,100	-
Nonmajor Funds	872,968	4,480,642
Enterprise Funds (payments in lieu of taxes)	-	711,074
Internal Service Funds	169,322	-
Fiduciary Funds:		
Agency Fund	-	15,000
Employee Pension Funds	<u>183,096</u>	<u>170,740</u>
Total Operating Transfers	<u>\$ 7,721,788</u>	<u>\$ 7,721,788</u>

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

7. Interfund Transactions and Balances, continued

Interfund balances relate to negative pooled cash balances in two funds covered by the General Fund and amounts due from the Fire Pension Fund for current and prior year pension funding:

Library Trust Fund	\$ 6,128
Community Development Fund	<u>15,492</u>
Total due from governmental funds	21,620
Fire Pension Fund	<u>889,856</u>
Total due to General Fund	\$ <u>911,476</u>

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

8. Fund Equity

Restricted net assets for other purposes consist of the following:

Federal Projects	\$ 743,887
Housing Loans	626,826
Community Improvements	251,250
Library Expenses	796,205
Other Donor Purposes	<u>22,589</u>
	\$ <u>2,440,757</u>

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit Plans

The City participates in seven employee pension plans as follows:

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

The Police and Firefighters (Pre-1984) and Pensioners benefit plans are administered by the City and are included in the Fiduciary Fund Types. All other plans are administered by outside trustees and are not included in these financial statements.

City General Plan

The City of Grand Island has a contributory defined contribution employees' pension plan in which employees of the City participate. Changes in the plan effective January 1, 1991, allow any new employee anticipating working a minimum of 1,000 hours, for one continuous year, to participate in the plan immediately. City payroll totaled \$20,690,580, of which \$19,782,967 was qualified under this pension plan. As of October 1, 1997, the plan requires the participants to make only a six percent contribution, with the City being required to match the participants' contributions. The participant can contribute an additional 10 percent with no City match. The City applied for a private letter ruling from the Internal Revenue Service and received a favorable ruling that the participant's contribution to the plan is tax deferred.

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

September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

City General Plan, continued

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

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

The employees and the City contributed \$1,335,564 and \$1,186,978, respectively, as required by the plan for the fiscal year ending September 30, 2011.

Police and Firefighters Plan (Pre-1984)

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

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

The employees hired prior to January 1, 1984, participate in both plans and will receive either their benefit from the defined contribution plan or defined benefit plan, whichever is greater. The City has funded their portion of the respective Plan with the assets being held by a third party other than the administrator of the current defined contribution plan. These assets are recorded on the City's books in the Police Retirement Fund and the Firefighters Retirement Fund, respectively.

Based on the actuarial valuation, it is anticipated that the unallocated account is sufficient to provide the minimum defined benefits for the remaining pre-1984 hires. Therefore, it is anticipated that no additional contribution will be required to be contributed to the unallocated account.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Police Plan

Plan Description

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

For the year ended September 30, 2011, the City's payroll total and covered under the Plan was \$4,377,703.

As of January 1, 2011, the date of the last actuarial valuation of the defined contribution plan, there were 11 active employees in the Police Plan.

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

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

Funding Status of Defined Benefit Plan

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

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

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Police Plan, continued

Funding Status of Defined Benefit Plan, continued

Fair value of plan assets at September 30, 2011	\$ 3,049,852
Benefit obligation at January 1, 2011	<u>1,678,096</u>
Funded Status	\$ <u>1,371,756</u>
 Prepaid (accrued) benefit cost recognized in the balance sheet	 \$ <u> -</u>

Contribution Required and Made

The actuarially determined recommended contribution under the defined benefit plan was \$0, and no contributions were made for the year ended September 30, 2011.

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

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 261,976	6%
Employee	<u>261,976</u>	6%
Total	\$ <u>523,952</u>	

* In addition, there were \$1,476 of voluntary retirement contributions for the year ended September 30, 2011.

Firefighters Plan

Plan Description

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

For the year ended September 30, 2011, the City's payroll total and covered under the Plan was \$3,568,020.

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Firefighters Plan, continued

Plan Description, continued

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

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

Funding Status of Defined Benefit Plan

The projected retirement benefits at January 1, 2011, were determined through an actuarial valuation. The actuarial valuation was performed using the Aggregate Actuarial Cost Method, which determines the total cost of the projected pension benefits to all employees combined. This total cost is then spread over the average future remaining years to retirement for the employees. The cost is spread as a level percentage of compensation.

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

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

Fair value of plan assets at September 30, 2011	\$ 2,850,320
Benefit obligation at January 1, 2011	<u>452,399</u>
Funded Status	\$ <u>2,397,921</u>
Prepaid (accrued) benefit cost recognized in the balance sheet as due to other funds	\$ (988,416)

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Firefighters Plan, continued

Contribution Required and Made

The actuarially determined recommended contribution under the defined benefit plan was zero, and no contributions were made for the year ended September 30, 2011.

Contributions made under the defined contribution portion of the Firefighters Plan for the year ended September 30, 2011, were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 463,840	13.0%
Employee	<u>231,920</u>	6.5%
	<u>\$ 695,760</u>	

* In addition, there were \$4,143 of voluntary retirement contributions for the year ended September 30, 2011.

City Administrator Money Purchase Plan

The City provides pension benefits for the City Administrator under a separate defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Administrator is eligible to participate from the date of employment. The City contributes six percent of the Administrator's salary and the Administrator is eligible to contribute up to 10 percent of his salary. The City's contributions for the Administrator (and interest allocated to his account) are fully vested after entrance into the plan. The City's payroll for the City Administrator was \$33,665 in the year ended September 30, 2011. The City's required contribution of \$2,020 and the City Administrator's contribution of \$2,020 has been transferred to the plan's trustee during the year ended September 30, 2011.

Pensioners

The City provides pension benefits to police and firefighters who retired prior to January 1, 1984. This plan is administered by the City and payments are funded and budgeted for annually. The estimated benefit obligation at September 30, 2011, was \$1,269,789. It is fully funded by the excess in the defined benefit plans.

Three-year Trend Information for Public Safety Employees Retirement System

<u>Fiscal Year Ending</u>	<u>Annual Pension Percentage of APC</u>		<u>Net Pension Obligation</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	
9/30/09	\$ -	N/A	-
9/30/10	-	N/A	-
9/30/11	-	N/A	-

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Deferred Compensation Plan

The City has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all City employees and elected officials. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, unforeseeable emergency, or permanent disability. Employees contributed \$308,967 to the plan and the City contributed \$0. The employees also contributed \$4,714 to a Roth 457 plan.

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

2. Risk Management

Insurance

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

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Insurance, continued

Settled claims in the past three years have not exceeded the commercial coverages. The City has estimated unsubmitted claims on health insurance based on prior experience to be \$880,000; the amount represents two months of subsequent claims. Also accrued in the Insurance Fund is \$61,600 of estimated unsubmitted workers compensation claims at September 30, 2011. For all of the reserve funds, a reserve of \$3,994,126 is established in an internal service fund at September 30, 2011.

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

	<u>Beginning of Fiscal Period Liability</u>	<u>Current Period Claims and Changes in Estimates</u>	<u>Charges and Reimbursements</u>	<u>Balance at Fiscal Period-End</u>
2008-2009	\$ 736,700	\$ 6,040,546	\$ (6,286,546)	\$ 490,700
2009-2010	\$ 490,700	\$ 6,969,989	\$ (6,772,089)	\$ 688,600
2010-2011	\$ 688,600	\$ 6,572,631	\$ (6,381,231)	\$ 880,000

Deposits and Investments

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the City’s investments at September 30, 2011, 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.

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

<u>Maturities by Month</u>	<u>Amount</u>
October 2011	\$ 2,098,595
November 2011	4,857,063
December 2011	2,398,592
February 2012	2,773,983
March 2012	1,362,703

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

September 30, 2011

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

Interest Rate Risk, continued

<u>Maturities by Month</u>	<u>Amount</u>
April 2012	8,162,264
May 2012	3,121,138
June 2012	6,882,331
August 2012	10,608,681
September 2012	<u>6,115,055</u>
	\$ <u>48,380,405</u>

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

Concentration of Credit Risk. The City's investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2011, the City's investments in certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Five Points Bank	\$ 9,565,407
Wells Fargo Bank	3,055,650
Platte Valley State Bank	12,864,715
Home Federal Bank	6,407,171
NE Public Agency Investment Trust	10,565,831
Exchange Bank	4,376,031
Cornerstone Bank	<u>1,545,600</u>
	\$ <u>48,380,405</u>

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City's investments had no exposure to foreign currency risk and the City held no investments denominated in foreign currency at September 30, 2011.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies

Construction

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

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2011</u>	<u>Obligation Pending</u>
Walk to Walnut Construction Engineering	\$ 71,309	\$ 56,044	\$ 15,265
Wasmer Detention Cell Engineering	137,634	131,837	5,797
Southwest Drainage 2011-D-1 Project Pipe	199,728	-	199,728
Quiet Zone Improvements - Engineering	50,330	46,400	3,930
GI Quiet Zone Project No. 2012-QZ-1	247,718	-	247,718
Asphalt Resurfacing - Various Locations	38,198	-	38,198
Capital Ave Widening - Webb to Broadwell	79,807	-	79,807
Downtown Historical Lighting	9,815	-	9,815
Underpass Study 2011	42,932	-	42,932
US 30 Drainage Improvements	19,846	-	19,846
State & Capital Connector Trail	17,409	-	17,409
St Joseph Trail Reconstruction - 2011	168,769	-	168,769
Moore's Creek Drain Extension Project No. 2008-D-2	166,805	-	166,805
Sugar Beet Ditch Piping at Suck's Lake	69,664	-	69,664
2011-ACC-1 Asphalt Maintenance Project	327,701	282,674	45,027
Groundwater Study Update	45,000	-	45,000
Anaerobic Digestion System	35,700	14,165	21,535
Sludge Storage Facility	160,844	-	160,844
Lift Station #19	40,372	35,828	4,544
Lift Station #21	186,727	-	186,727
Primary Clarifier Mechanism	125,000	124,935	65
Treatment Capacity Study	59,800	55,424	4,376
Aeration Basin Improvements	4,585,149	1,381,812	3,203,337
Industrial Permitting	42,550	41,728	822
2010 MH Rehab	338,677	176,579	162,098
Rehabilitation Services	1,121,160	-	1,121,160

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction, continued

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2011</u>	<u>Obligation Pending</u>
Uranium Removal Equipment	9,822,600	-	9,822,600
Water Main Project 2011-W-3	178,474	109,314	69,160
Water Treatment System Replacement	399,959	386,525	13,434
Burdick Reservoir Painting	394,120	-	394,120
GT1 Enclosure Painting	73,370	-	73,370
Precipitator & Duct Cleaning - PGS	67,945	-	67,945
Pulverizer Separator Tops	61,700	-	61,700
Pipe Painting & Insulation	50,655	-	50,655
Total City Commitments	<u>\$ 19,429,467</u>	<u>\$ 2,843,265</u>	<u>\$ 16,594,202</u>

Closure and Postclosure Costs

State and federal laws and regulations require that the City of Grand Island place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$3,739,719 as of September 30, 2011, which is based on 44.7% usage (filled) of the landfill. It is estimated that an additional \$4,632,161 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care, \$8,371,880, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2011. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Closure and Postclosure Costs, continued

At September 30, 2011, funds of \$3,810,698 are restricted to finance closure and postclosure of the City’s landfill. These funds are presented on the City’s statement of net assets as “restricted for landfill closure costs.” It is anticipated that future inflation costs will be financed in part from earnings on funds reserved by the City. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

The Electric Fund has established a reserve for the Fly Ash Closure/Postclosure Costs of \$168,998 for closure and postclosure care (see note C6 for additional details)

Lease Commitments

<u>Lessor</u>	<u>Leased Property</u>	<u>Term</u>	<u>Amount</u>
Hometown Leasing	Copier	March 2008-March 2013	\$451/month
Hall County Regional Airport Authority	Land for Jack Rabbit Run golf course	May 2006-April 2026	\$17,672/year plus 3% annual increase
State of Nebraska	Veteran’s Home Land	May 1, 2009-April 30, 2018	\$1/year

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Lease Commitments, continued

Lease commitments as of September 30, 2011, are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2012	\$ 23,616
2013	21,456
2014	19,312
2015	19,891
2016	20,488
Thereafter	<u>230,523</u>
	<u>\$ 335,286</u>

Economic Development Program

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

Electric Department

Purchased Power Agreements:

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

The Department entered into a coal supply agreement with Arch Coal Sales Company, Inc., on November 23, 2010, to obtain approximately 310,000 tons of coal from January 1, 2011, to December 31, 2011, and approximately 250,000 tons of coal from January 1, 2012, to December 31, 2012. The Department received 252,082 tons from January 1, 2011, through September 30, 2011, leaving 57,918 tons under contract for the remainder of calendar year 2011 and 250,000 tons under contract for calendar year 2012.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Electric Department, continued

Purchased Power Agreements, continued:

The Department's operations are subject to stringent federal, state, and local laws and regulations relating to improving and maintaining environmental quality. Current studies have determined that a substantial capital investment will be required to bring the Department into compliance with environmental regulations including mercury emissions. Environmental expenditures related to current operations are factored into the strategic planning process of the Department and are considered when determining future energy rates. No construction or equipment purchase contracts have been entered into as of the current date. Financing of these expenditures is expected to be through available cash reserves and bonded debt.

The Department currently has generation capacity of approximately 273 MW from coal-fired and gas/oil-fired electric generating stations. The peak load of the Department during the fiscal year ended September 30, 2011, was approximately 167.9 MW in August 2011.

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

4. Related-party Transactions

The Electric Fund remits five percent of net operating revenues, excluding depreciation expense, to the General Fund annually as payments in lieu of taxes. The City provides certain administrative services to the Electric Department for which the Department pays fees to the General Fund. The Electric Fund made payments in the amount of \$684,459 for the year ended September 30, 2011.

The Water Fund remits one percent of net operating revenues, excluding depreciation, to the General Fund annually as payments in lieu of taxes. The City provides certain administrative services to the Water Department for which the Water Department pays administrative fees to the General Fund. These fees are included in special services expense and amount to \$54,683 for the year ended September 30, 2011.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

5. Major Customers

The City has one customer that was billed \$4,100,299 for electricity, \$834,108 for water and \$3,581,094 for sewer for the year ended September 30, 2011. This represents 7.2 percent of total electric billing, 19.9 percent of total water billing, and 41.6 percent of total sewer billing, respectively, for the year ended September 30, 2011. This customer maintains a current status on monthly billings.

The City has three sanitary landfill customers that had a combined total billing of \$1,697,377 for the year ended September 30, 2011. This represents 74.0 percent of total sanitary landfill billings for the year ended September 30, 2011. These customers maintain current status on monthly billings.

6. EPA Emissions Allowances

As of September 30, 2010, the City had 7,791 SO₂ Emissions Allowances. The EPA has granted these allowances, which can be used to offset plant emissions. The allowances can be bought and sold. If each allowance was sold for \$0.75 (the September 30, 2011, market value), the City would recognize revenue of \$5,843.

The City will receive an additional 2,932 credits per year until 2040.

7. Conduit Debt

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

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

8. Subsequent Events

Management has evaluated subsequent events through February 4, 2012, the date on which the financial statements were available for issue.

CITY OF GRAND ISLAND, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

NOTE D – OTHER NOTES, continued

9. Union Contracts

The City is subject to the following union contracts:

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

10. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2011:

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

Name of Agreement	Parties to Agreement	Date Effective	Term	Synopsis
Interlocal Agreement for Aerial Photography	Central Platte Natural Resources District, Cities of Grand Island, Kearney, Central City, Lexington, Cozad, Gothenburg, North Platte, and Hastings and Counties of Adams and Hamilton	February 9, 2010	Agreement to continue until December 31, 2010.	Agreement sets forth terms and conditions which parties will participate as local sponsors in planning and acquisition of High Resolution Orthophotos.
Joint City/NRD Ground Water Dewatering Plan	City of Grand Island and Central Platte Natural Resources District	July 28, 2011	Remains in effect during the term of study update.	Agreement is to update the September 2000 Grand Island Dewatering System Study
Interlocal Cooperation Agreement for Wood River/Warm Slough Food Control Project	Central Platte Natural Resources District, City of Grand Island, Hall County, Merrick County	February 17, 1997	Continues until December 31, 2050, or until terminated (as provided) and automatically renews for an additional 25 years commencing on January 1, 2051.	Interlocal Agreement authorizes CPNRD to execute Project/Cooperation Agreement with the Department of the Army to commence and proceed with the Wood River/Warm Slough Flood Control Project.
Interlocal Agreement for Riverway Hike/Bike Development	City of Grand Island, College Park	October 26, 2004	Perpetual. However, in the event that GI notifies College Park that the hike/bike trail will not be constructed or in the event that the trail will not be used as a hike/bike trail, then this agreement will terminate 30 days from the date of said notice.	Provides for encroachment on property owned by College Park for a hike/bike trail that is being extended over their property by the City of Grand Island.
Interlocal Agreement for Improvements to Engleman Road between U.S. Hwy 30 & Airport Road.	City of Grand Island, Hall County	July 26, 2011	Terminates upon completion and payment of the City's portion	Asphalt Maintenance Resurfacing Project on Engleman Road from U.S. Hwy 30 to Airport Road.

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements, continued

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

CITY OF GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

10. Interlocal Agreements

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND ISLAND, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

Year ended September 30, 2011

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 4,907,296	\$ 4,904,752	\$ (2,544)
Motor vehicle	822,300	814,549	(7,751)
Occupation	1,240,000	1,352,108	112,108
Sales tax	13,558,900	12,485,533	(1,073,367)
Franchise	1,866,100	1,826,578	(39,522)
Intergovernmental	2,017,668	1,407,361	(610,307)
Charges for services	6,876,048	8,921,888	2,045,840
Interest income	250,000	53,789	(196,211)
Contributions	8,000	-	(8,000)
Sale of property	101,000	119,940	18,940
Other	160,330	182,271	21,941
	<hr/>	<hr/>	<hr/>
Total resources	31,807,642	32,068,769	261,127
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government:			
City Administrator's office	313,182	251,487	(61,695)
Economic development	350,000	315,554	(34,446)
Mayor's office	24,580	15,981	(8,599)
Council	79,120	70,615	(8,505)
City clerk	105,775	105,575	(200)
Finance	1,943,767	1,888,968	(54,799)
Legal	325,004	271,538	(53,466)
City Hall	336,449	506,475	170,026
One stop building	-	2,640	2,640
Human resources	435,577	409,412	(26,165)
Total general government	<hr/>	<hr/>	<hr/>
	3,913,454	3,838,245	(75,209)
Public safety:			
Building inspection	825,856	794,657	(31,199)
Fire services	6,878,715	7,444,239	565,524
Police	8,252,641	8,286,683	34,042
Law Enforcement Center	245,085	215,681	(29,404)
Emergency management	296,862	310,250	13,388
Local emergency planning	15,560	5,062	(10,498)
Communication	792,020	761,503	(30,517)
Total public safety	<hr/>	<hr/>	<hr/>
	17,306,739	17,818,075	511,336

CITY OF GRAND ISLAND, NEBRASKA

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

Year ended September 30, 2011

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
CHARGES TO APPROPRIATIONS (OUTFLOWS), continued			
Public works:			
Engineering	870,930	850,092	(20,838)
Streets and transportation	5,463,895	5,191,616	(272,279)
Total public works	<u>6,334,825</u>	<u>6,041,708</u>	<u>(293,117)</u>
Environment and leisure:			
Planning	233,722	228,682	(5,040)
Library	1,865,468	1,970,718	105,250
Parks	1,447,787	1,620,246	172,459
Cemetery	454,101	466,534	12,433
Recreation	403,110	501,042	97,932
Aquatics	629,432	644,694	15,262
Public information	203,157	235,555	32,398
Heartland Shooting Park	375,130	473,795	98,665
Total environment and leisure	<u>5,611,907</u>	<u>6,141,266</u>	<u>529,359</u>
Non-departmental	<u>2,621,230</u>	<u>4,582,508</u>	<u>1,961,278</u>
Total charges to appropriations	<u>35,788,155</u>	<u>38,421,802</u>	<u>2,633,647</u>
Resources over (under) charges to appropriations	(3,980,513)	(6,353,033)	(2,372,520)
OTHER FINANCING SOURCES (USES)			
Transfers in	5,271,500	5,487,701	216,201
Transfers out	<u>(1,168,704)</u>	<u>(1,977,198)</u>	<u>(808,494)</u>
Net transfers	<u>4,102,796</u>	<u>3,510,503</u>	<u>(592,293)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ 122,283</u>	<u>\$ (2,842,530)</u>	<u>\$ (2,964,813)</u>

CITY OF GRAND ISLAND, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
CAPITAL PROJECTS FUND**

Year ended September 30, 2011

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Intergovernmental Contributions	\$ 220,066	\$ 228,560	\$ 8,494
	<u>-</u>	<u>5,100</u>	<u>5,100</u>
Total resources	220,066	233,660	13,594
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Capital projects	250,000	74,598	(175,402)
Drainage projects	1,498,615	152,235	(1,346,380)
Street construction	45,000	21,570	(23,430)
Bonded street and sewer projects	220,066	282,113	62,047
Public works projects	215,000	86,819	(128,181)
Parks and recreation	<u>500,400</u>	<u>662,665</u>	<u>162,265</u>
Total charges to appropriations	<u>2,729,081</u>	<u>1,280,000</u>	<u>(1,449,081)</u>
Resources over (under) charges to appropriations	(2,509,015)	(1,046,340)	1,462,675
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>2,675,981</u>	<u>1,051,522</u>	<u>(1,624,459)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ 166,966</u>	<u>\$ 5,182</u>	<u>\$ (161,784)</u>

CITY OF GRAND ISLAND, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
DEBT SERVICE FUND**

Year ended September 30, 2011

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Property tax	\$ 1,620,434	\$ 1,606,714	\$ (13,720)
Motor vehicle tax	7,500	7,049	(451)
Interest income	920	3,779	2,859
Bond proceeds	<u>1,170,000</u>	<u>5,535,000</u>	<u>4,365,000</u>
Total resources	2,798,854	7,152,542	4,353,688
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	1,215,000	6,610,000	5,395,000
Interest expense	391,012	381,687	(9,325)
Fiscal agent fees	<u>45,500</u>	<u>82,927</u>	<u>37,427</u>
Total charges to appropriations	<u>1,651,512</u>	<u>7,074,614</u>	<u>5,423,102</u>
Resources over (under) charges to appropriations	1,147,342	77,928	(1,069,414)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	439,100	439,100
Transfers out	<u>(1,131,500)</u>	<u>-</u>	<u>1,131,500</u>
Net transfers	<u>(1,131,500)</u>	<u>439,100</u>	<u>1,570,600</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<u>\$ 15,842</u>	<u>\$ 517,028</u>	<u>\$ 501,186</u>

CITY OF GRAND ISLAND, NEBRASKA

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

Year ended September 30, 2011

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
Sources/inflows of resources:			
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 32,068,769	\$ 233,660	\$ 7,152,542
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>10,029,243</u>	<u>736,415</u>	<u>23,186</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 42,098,012</u></u>	<u><u>\$ 970,075</u></u>	<u><u>\$ 7,175,728</u></u>
Uses/outflows of resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 38,421,802	\$ 1,280,000	\$ 7,074,614
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>6,791,568</u>	<u>392,112</u>	<u>(31,628)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 45,213,370</u></u>	<u><u>\$ 1,672,112</u></u>	<u><u>\$ 7,042,986</u></u>
Net transfers:			
Actual amounts (budgetary basis) from the budgetary comparison schedules	\$ 3,510,503	\$ 1,051,522	\$ 439,100
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>(479,996)</u>	<u>(369,059)</u>	<u>-</u>
Total net transfers as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 3,030,507</u></u>	<u><u>\$ 682,463</u></u>	<u><u>\$ 439,100</u></u>

CITY OF GRAND ISLAND, NEBRASKA

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

Year ended September 30, 2011

Condition Rating of the City's Street System

	Percentage of Lane-Miles in <u>Good or Better Condition</u> <u>2011</u>
Main arterial	80.26 %
Arterial	60.37 %
Collector	60.91 %
Stop sign protected	52.02 %
Secondary	65.16 %
Overall system	65.08 %

	Percentage of Lane-Miles in <u>Substandard Condition</u> <u>2011</u>
Main arterial	0.36 %
Arterial	2.26 %
Collector	4.13 %
Stop sign protected	1.37 %
Secondary	2.16 %
Overall system	2.07 %

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

	<u>2011</u>
Overall System:	
Needed	\$ 4,108 based on estimated 50-year life cycle cost
Actual	<u>2,766</u>
Difference	<u><u>\$ 1,342</u></u>

Note: The condition of road pavement is measured using the CartéGraph pavement management system, which is based on a weighted average of six distress factors found in pavement surfaces. The CartéGraph pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good or better condition (75-100), fair condition (50-75), and substandard condition (less than 50). It is the City's policy to maintain and preserve the infrastructure assets at a 75 percent condition level. (The condition level was 80.21 percent at September 30, 2011). No more than 10 percent should be in a substandard condition. Condition assessments are determined every year based on actual assessments of approximately 1/3 of the City's infrastructure, thereby completing a condition assessment on the whole City within three years.

CITY OF GRAND ISLAND, NEBRASKA

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

Year ended September 30, 2011

<u>Actuarial Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentag of Covered Payroll</u>
1/1/2003	\$ 14,129,258	\$ 12,123,749	\$ -	100%	\$ 1,642,439	N/A
1/1/2007	16,360,398	7,104,493	-	100%	886,241	N/A
1/1/2011	3,910,756	2,130,495	-	100%	609,189	N/A

OTHER SUPPLEMENTARY INFORMATION

CITY OF GRAND ISLAND, NEBRASKA

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2011

	Permanent Funds		Special Revenue Funds	
	Library Trust	Cemetery Trust	Gas Tax	Enhanced 911
ASSETS				
Cash and cash equivalents	\$ -	\$ 64,600	\$ 488,329	\$ 257,944
Investments	38,605	490,861	728,557	384,836
County treasurer cash	-	-	-	-
Receivables:				
Special assessments	-	-	-	-
Notes	-	-	-	-
Interest	-	2,412	-	-
Due from other funds	-	-	-	3,340
Due from other governments	-	-	392,609	44,000
Total assets	\$ 38,605	\$ 557,873	\$ 1,609,495	\$ 690,120
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,850
Due to other funds	6,128	-	-	-
Accrued expenses	-	-	-	7,150
Total liabilities	6,128	-	-	9,000
Fund balances (deficit):				
Nonspendable:				
Cemetery perpetual care	-	394,483	-	-
Library trust	38,605	-	-	-
Restricted for:				
Economic development	-	-	-	-
Federal programs	-	-	-	-
Housing loans	-	-	-	-
Equipment purchases	-	-	-	-
Community improvements	-	-	-	-
Library expenses	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Budgetary stabilization	-	-	1,461,581	7,023
Encumbrances	-	-	-	-
Other purposes	-	163,390	147,914	674,097
Unassigned	(6,128)	-	-	-
Total fund balances (deficit)	32,477	557,873	1,609,495	681,120
Total liabilities and fund balances	\$ 38,605	\$ 557,873	\$ 1,609,495	\$ 690,120

Special Revenue Funds

<u>PSC Wireless</u>	<u>Keno</u>	<u>Community Youth Council</u>	<u>Program Income Reuse Fund</u>	<u>Housing Reuse Fund</u>	<u>Community Development</u>
\$ 41,555	\$ 80,646	\$ 26,204	\$ 42,141	\$ 106,319	\$ 30,743
5,808	120,318	39,096	62,871	158,623	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	154,762	331,141	-
-	-	-	-	-	-
-	-	-	-	-	6,051
-	50,286	-	-	-	-
<u>\$ 47,363</u>	<u>\$ 251,250</u>	<u>\$ 65,300</u>	<u>\$ 259,774</u>	<u>\$ 596,083</u>	<u>\$ 36,794</u>
\$ 5,001	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	15,492
-	-	1,132	-	-	3,774
<u>5,001</u>	<u>-</u>	<u>1,132</u>	<u>-</u>	<u>-</u>	<u>19,266</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	259,774	-	-
-	-	-	-	-	-
-	-	-	-	596,083	30,743
37,662	-	-	-	-	-
-	251,250	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	16,875	-	-	-
-	-	-	-	-	-
4,700	-	47,293	-	-	-
-	-	-	-	-	-
<u>42,362</u>	<u>251,250</u>	<u>64,168</u>	<u>259,774</u>	<u>596,083</u>	<u>(13,215)</u>
<u>\$ 47,363</u>	<u>\$ 251,250</u>	<u>\$ 65,300</u>	<u>\$ 259,774</u>	<u>\$ 596,083</u>	<u>\$ 36,794</u>

CITY OF GRAND ISLAND, NEBRASKA

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS, Continued**

September 30, 2011

	Special Revenue Funds		
	Police Grants	Parking District #1	Parking District #2
ASSETS			
Cash and cash equivalents	\$ 13,455	\$ 37,298	\$ 54,385
Investments	20,073	55,647	80,662
County treasurer cash	-	-	1,656
Receivables:			
Special assessments	-	3,456	-
Notes	-	-	-
Interest	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
	Total assets	Total assets	Total assets
	\$ 33,528	\$ 96,401	\$ 136,703
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 249	\$ 367
Due to other funds	-	-	-
Accrued expenses	-	-	-
	Total liabilities	Total liabilities	Total liabilities
	-	249	367
Fund balances (deficit):			
Nonspendable:			
Cemetery perpetual care	-	-	-
Library trust	-	-	-
Restricted for:			
Economic development	-	-	-
Federal programs	33,528	-	-
Housing loans	-	-	-
Equipment purchases	-	-	-
Community improvements	-	-	-
Library expenses	-	-	-
Other purposes	-	-	320
Assigned for:			
Budgetary stabilization	-	29,197	22,889
Encumbrances	-	11,924	-
Other purposes	-	55,031	113,127
Unassigned	-	-	-
	Total fund balances (deficit)	Total fund balances (deficit)	Total fund balances (deficit)
	33,528	96,152	136,336
	Total liabilities and fund balances	Total liabilities and fund balances	Total liabilities and fund balances
	\$ 33,528	\$ 96,401	\$ 136,703

Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
<u>Local Assistance</u>	<u>Economic Development</u>	<u>Community Grants</u>	<u>Special Assessments</u>	
\$ 344,385	\$ 234,843	\$ 20,689	\$ 189,617	\$ 2,033,153
536,071	350,370	30,866	282,897	3,386,161
-	-	-	-	1,656
-	-	-	426,617	430,073
-	677,167	448,171	-	1,611,241
-	-	-	45,598	48,010
-	-	2,519	-	11,910
-	-	222,864	-	709,759
<u>\$ 880,456</u>	<u>\$ 1,262,380</u>	<u>\$ 725,109</u>	<u>\$ 944,729</u>	<u>\$ 8,231,963</u>
\$ -	\$ -	\$ 14,750	\$ -	\$ 22,217
-	-	-	-	21,620
-	-	-	-	12,056
-	-	14,750	-	55,893
-	-	-	-	394,483
-	-	-	-	38,605
-	1,262,380	-	-	1,522,154
-	-	710,359	-	743,887
-	-	-	-	626,826
-	-	-	-	37,662
-	-	-	-	251,250
757,600	-	-	-	757,600
22,269	-	-	-	22,589
83,904	-	-	64,400	1,685,869
13,942	-	-	-	25,866
2,741	-	-	880,329	2,088,622
-	-	-	-	(19,343)
<u>880,456</u>	<u>1,262,380</u>	<u>710,359</u>	<u>944,729</u>	<u>8,176,070</u>
<u>\$ 880,456</u>	<u>\$ 1,262,380</u>	<u>\$ 725,109</u>	<u>\$ 944,729</u>	<u>\$ 8,231,963</u>

CITY OF GRAND ISLAND, NEBRASKA

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

For the year ended September 30, 2011

	Permanent Funds		Special Revenue Funds	
	Library Trust	Cemetery Trust	Gas Tax	Enhanced 911
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 3,835,194	\$ -
Keno	-	-	-	-
Property tax	-	-	-	-
Motor vehicle tax	-	-	-	-
Special assessments	-	-	-	-
Charges for services	-	23,020	-	293,453
Interest income	1,028	3,469	-	-
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total revenues	1,028	26,489	3,835,194	293,453
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	172,415
Public works	-	-	-	-
Environment and leisure	-	-	-	-
Total expenditures	-	-	-	172,415
Excess (deficiency) of revenues over expenditures	1,028	26,489	3,835,194	121,038
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	19,858	-
Transfers out	-	-	(4,245,687)	(6,788)
Net transfers	-	-	(4,225,829)	(6,788)
Net change in fund balances	1,028	26,489	(390,635)	114,250
Fund balances - September 30, 2010	31,449	531,384	2,000,130	566,870
Fund balances - September 30, 2011	\$ 32,477	\$ 557,873	\$ 1,609,495	\$ 681,120

Special Revenue Funds

<u>PSC Wireless</u>	<u>Keno</u>	<u>Community Youth Council</u>	<u>Program Income Reuse Fund</u>	<u>Housing Reuse Fund</u>	<u>Community Development</u>
\$ -	\$ -	\$ 1,750	\$ -	\$ 224,135	\$ -
-	272,123	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
85,605	-	-	-	-	3,544
-	466	384	504	667	39
-	-	6,416	-	-	-
-	-	-	-	-	-
<u>85,605</u>	<u>272,589</u>	<u>8,550</u>	<u>504</u>	<u>224,802</u>	<u>3,583</u>
-	-	-	6,449	-	42,443
50,031	-	-	-	-	-
-	-	-	-	-	-
-	-	16,715	-	47,892	-
<u>50,031</u>	<u>-</u>	<u>16,715</u>	<u>6,449</u>	<u>47,892</u>	<u>42,443</u>
35,574	272,589	(8,165)	(5,945)	176,910	(38,860)
6,788	39,322	-	-	-	57,000
-	(146,924)	-	-	-	-
<u>6,788</u>	<u>(107,602)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,000</u>
42,362	164,987	(8,165)	(5,945)	176,910	18,140
-	86,263	72,333	265,719	419,173	(612)
<u>\$ 42,362</u>	<u>\$ 251,250</u>	<u>\$ 64,168</u>	<u>\$ 259,774</u>	<u>\$ 596,083</u>	<u>\$ 17,528</u>

CITY OF GRAND ISLAND, NEBRASKA

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

For the year ended September 30, 2011

	Special Revenue Funds		
	Police Grants	Parking District #1	Parking District #2
REVENUES			
Intergovernmental	\$ 170,695	\$ -	\$ -
Keno	-	-	-
Property tax	-	-	8,022
Motor vehicle tax	-	-	28
Special assessments	-	38,463	-
Charges for services	-	3,705	8,839
Interest income	-	528	739
Contributions	-	-	-
Other revenue	4,163	-	-
Total revenues	174,858	42,696	17,628
EXPENDITURES			
General government	-	31,206	27,218
Public safety	160,214	-	-
Public works	-	-	-
Environment and leisure	-	-	-
Total expenditures	160,214	31,206	27,218
Excess (deficiency) of revenues over expenditures	14,644	11,490	(9,590)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Net transfers	-	-	-
Net change in fund balances	14,644	11,490	(9,590)
Fund balances - September 30, 2010	18,884	84,662	145,926
Fund balances - September 30, 2011	\$ 33,528	\$ 96,152	\$ 136,336

<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Local Assistance</u>	<u>Economic Development</u>	<u>Community Grants</u>	<u>Special Assessments</u>	
\$ -	\$ -	\$ 1,539,464	\$ -	\$ 5,771,238
-	-	-	-	272,123
-	-	-	-	8,022
-	-	-	-	28
-	-	-	52,513	90,976
-	-	-	-	418,166
-	4,566	-	1,812	14,202
910,716	-	36,985	-	954,117
-	-	300	-	4,463
<u>910,716</u>	<u>4,566</u>	<u>1,576,749</u>	<u>54,325</u>	<u>7,533,335</u>
-	1,289,500	1,243,496	-	2,640,312
484	-	-	-	383,144
-	-	-	-	-
154,722	-	27,488	-	246,817
<u>155,206</u>	<u>1,289,500</u>	<u>1,270,984</u>	<u>-</u>	<u>3,270,273</u>
755,510	(1,284,934)	305,765	54,325	4,263,062
-	750,000	-	-	872,968
-	-	-	(81,243)	(4,480,642)
-	<u>750,000</u>	<u>-</u>	<u>(81,243)</u>	<u>(3,607,674)</u>
755,510	(534,934)	305,765	(26,918)	655,388
124,946	1,797,314	404,594	971,647	7,520,682
<u>\$ 880,456</u>	<u>\$ 1,262,380</u>	<u>\$ 710,359</u>	<u>\$ 944,729</u>	<u>\$ 8,176,070</u>

CITY OF GRAND ISLAND, NEBRASKA

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

September 30, 2011

	Internal Service Funds				
	Information Technology	Fleet Services	Insurance	Equipment Reserve	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 150,121	\$ 85	\$ 2,049,072	\$ 82,206	\$ 2,281,484
Investments	223,970	127	3,057,087	122,645	3,403,829
Receivables:					
Accounts, net of allowance for doubtful accounts	-	79,481	19,219	-	98,700
Due from other funds	51,162	35,488	-	-	86,650
Inventory	-	134,127	-	-	134,127
Total current assets	425,253	249,308	5,125,378	204,851	6,004,790
Noncurrent assets:					
Capital assets:					
Buildings and equipment	1,187,033	269,036	-	-	1,456,069
Less accumulated depreciation	(865,847)	(195,399)	-	-	(1,061,246)
Net capital assets	321,186	73,637	-	-	394,823
Total assets	746,439	322,945	5,125,378	204,851	6,399,613
LIABILITIES					
Current liabilities:					
Accounts payable	4,872	6,237	178,242	-	189,351
Accrued expenses	44,034	18,461	953,010	-	1,015,505
Total current liabilities	48,906	24,698	1,131,252	-	1,204,856
Noncurrent liabilities:					
Compensated absences - noncurrent	14,787	9,479	-	-	24,266
Total liabilities	63,693	34,177	1,131,252	-	1,229,122
NET ASSETS					
Invested in capital assets, net of related debt	321,186	73,637	-	-	394,823
Unrestricted	361,560	215,131	3,994,126	204,851	4,775,668
Total net assets	\$ 682,746	\$ 288,768	\$ 3,994,126	\$ 204,851	\$ 5,170,491

CITY OF GRAND ISLAND, NEBRASKA

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

For the year ended September 30, 2011

	Internal Service Funds				Total
	Information Technology	Fleet Services	Insurance	Equipment Reserve	
Operating revenues:					
Charges for services	\$ 982,307	\$ 1,171,611	\$ 6,537,035	\$ -	\$ 8,690,953
Other revenue	-	11,779	109,017	-	120,796
Total operating revenues	<u>982,307</u>	<u>1,183,390</u>	<u>6,646,052</u>	<u>-</u>	<u>8,811,749</u>
Operating expenses:					
Information technology	865,643	-	-	-	865,643
Central garage	-	1,321,993	-	-	1,321,993
Insurance and benefits	-	-	6,572,631	-	6,572,631
Building maintenance	-	-	-	16,827	16,827
Depreciation	67,915	9,587	-	-	77,502
Total operating expenses	<u>933,558</u>	<u>1,331,580</u>	<u>6,572,631</u>	<u>16,827</u>	<u>8,854,596</u>
Operating income (loss)	48,749	(148,190)	73,421	(16,827)	(42,847)
Nonoperating revenues (expenses):					
Interest income	2,270	396	30,958	1,135	34,759
Intergovernmental	-	-	-	50,000	50,000
Total nonoperating revenues (expenses)	<u>2,270</u>	<u>396</u>	<u>30,958</u>	<u>51,135</u>	<u>84,759</u>
Excess (deficiency) of revenues over expenditures	51,019	(147,794)	104,379	34,308	41,912
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>126,322</u>	<u>43,000</u>	<u>-</u>	<u>-</u>	<u>169,322</u>
Change in net assets	177,341	(104,794)	104,379	34,308	211,234
Net assets - September 30, 2010	<u>505,405</u>	<u>393,562</u>	<u>3,889,747</u>	<u>170,543</u>	<u>4,959,257</u>
Net assets - September 30, 2011	<u>\$ 682,746</u>	<u>\$ 288,768</u>	<u>\$ 3,994,126</u>	<u>\$ 204,851</u>	<u>\$ 5,170,491</u>

CITY OF GRAND ISLAND, NEBRASKA

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

For the year ended September 30, 2011

	Internal Service Funds				Total
	Information Technology	Fleet Services	Insurance	Equipment Reserve	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from other funds	\$ 982,307	\$ 1,243,388	\$ 6,626,833	\$ -	\$ 8,852,528
Payments to suppliers	(418,919)	(773,965)	(6,958,056)	(16,827)	(8,167,767)
Payments to employees	(444,854)	(537,321)	-	-	(982,175)
Net cash provided (used) by operating activities	118,534	(67,898)	(331,223)	(16,827)	(297,414)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:					
Transfers from other funds	126,322	43,000	-	-	169,322
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of capital assets	(126,322)	-	-	-	(126,322)
Intergovernmental receipts	-	-	-	50,000	50,000
Net cash provided (used) by capital and related financing activities	(126,322)	-	-	50,000	(76,322)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Net (purchase) sale of investment securities	(49,795)	16,868	660,688	(5,370)	622,391
Interest received	2,270	396	30,958	1,135	34,759
Net cash provided (used) by investing activities	(47,525)	17,264	691,646	(4,235)	657,150
Increase (decrease) in cash and cash equivalents	71,009	(7,634)	360,423	28,938	452,736
Cash and cash equivalents - beginning of the year	79,112	7,719	1,688,649	53,268	1,828,748
Cash and cash equivalents - end of the year	\$ 150,121	\$ 85	\$ 2,049,072	\$ 82,206	\$ 2,281,484
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 48,749	\$ (148,190)	\$ 73,421	\$ (16,827)	\$ (42,847)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	67,915	9,587	-	-	77,502
Change in assets and liabilities:					
Accounts receivable	-	59,998	(19,219)	-	40,779
Inventories	-	5,645	-	-	5,645
Accounts payable and accrued expenses	1,870	5,062	(385,425)	-	(378,493)
Net cash provided (used) by operating activities	\$ 118,534	\$ (67,898)	\$ (331,223)	\$ (16,827)	\$ (297,414)

CITY OF GRAND ISLAND, NEBRASKA

COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

September 30, 2011

	Employee Pension Funds			
	Police and Fire Pension	Police Pension	Fire Pension	Total Employee Pension Funds
ASSETS				
Cash	\$ 23,191	\$ 6	\$ -	\$ 23,197
Investments	1,500,600	10	3,340,437	4,841,047
Accounts receivable	-	-	-	-
Special assessments receivable	-	-	-	-
Total assets	1,523,791	16	3,340,437	4,864,244
LIABILITIES				
Due to other funds	-	-	988,416	988,416
Agency liabilities	-	-	-	-
Pension liability	1,269,789	-	-	1,269,789
Total liabilities	1,269,789	-	988,416	2,258,205
NET ASSETS				
Held in trust for pension benefits	254,002	16	2,352,021	\$ 2,606,039

<u>Cafeteria Plan</u>	<u>Agency Funds</u>		<u>Total Agency Funds</u>
	<u>Other Agencies</u>	<u>BID Assessments</u>	
\$ 2,006	\$ 64,267	\$ 1,550	\$ 67,823
2,994	95,882	2,313	101,189
-	5,176	-	5,176
-	-	11,455	11,455
<u>5,000</u>	<u>165,325</u>	<u>15,318</u>	<u>185,643</u>
-	-	-	-
5,000	165,325	15,318	185,643
-	-	-	-
<u>5,000</u>	<u>165,325</u>	<u>15,318</u>	<u>185,643</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF GRAND ISLAND, NEBRASKA

COMBINING STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS

For the year ended September 30, 2011

	Employee Pension Funds			
	Police and Fire Pension	Police Pension	Fire Pension	Total Employee Pension Funds
ADDITIONS				
Transfers from other funds	\$ 181,096	\$ 2,000	\$ -	\$ 183,096
Interest and dividends	-	-	740,359	740,359
Other revenue	-	80	640	720
Total additions	181,096	2,080	740,999	924,175
DEDUCTIONS				
Pension benefits	59,747	2,090	2,090	63,927
Transfers to other funds	-	-	170,740	170,740
Loss on investments	-	-	661,708	661,708
Total deductions	59,747	2,090	834,538	896,375
Change in net assets	121,349	(10)	(93,539)	27,800
Net assets - September 30, 2010	132,653	26	2,445,560	2,578,239
Net assets - September 30, 2011	\$ 254,002	\$ 16	\$ 2,352,021	\$ 2,606,039

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

September 30, 2011

	<u>Landfill</u>	<u>Business Improvement Districts</u>	<u>Grand Island Facilities Corporation</u>	<u>Community Redevelopment Authority</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,060,367	\$ 186,886	\$ -	\$ 518,138	\$ 1,765,391
Investments	1,582,001	-	-	357,927	1,939,928
County treasurer cash	-	-	-	189,292	189,292
Receivables:					
Special assessments	-	11,455	-	-	11,455
Accounts, net of allowance for doubtful accounts	201,760	-	-	-	201,760
Current portion of notes from redevelopers	-	-	-	140,371	140,371
Current portion of capital lease receivable	-	-	710,000	-	710,000
Interest	1,300	-	-	128	1,428
Property tax	-	-	-	74,395	74,395
Total current assets	<u>2,845,428</u>	<u>198,341</u>	<u>710,000</u>	<u>1,280,251</u>	<u>5,034,020</u>
Noncurrent assets:					
Restricted cash	1,000,000	-	-	47,758	1,047,758
Restricted investments	3,810,698	-	-	-	3,810,698
Notes from redevelopers	-	-	-	634,076	634,076
Capital lease receivable - City of Grand Island	-	-	3,085,000	-	3,085,000
Unamortized bond discount	-	-	35,056	-	35,056
Capital assets:					
Land, infrastructure, and construction in progress	253,515	-	-	495,354	748,869
Other capital assets, net of depreciation	4,777,823	36,698	-	-	4,814,521
Net capital assets	<u>5,031,338</u>	<u>36,698</u>	<u>-</u>	<u>495,354</u>	<u>5,563,390</u>
Total noncurrent assets	<u>9,842,036</u>	<u>36,698</u>	<u>3,120,056</u>	<u>1,177,188</u>	<u>14,175,978</u>
Total assets	<u>12,687,464</u>	<u>235,039</u>	<u>3,830,056</u>	<u>2,457,439</u>	<u>19,209,998</u>
LIABILITIES					
Current liabilities:					
Accounts payable	32,757	-	-	359,400	392,157
Accrued expenses	47,064	-	-	-	47,064
Deferred revenue - property taxes	-	-	-	66,848	66,848
Current portion of long-term obligations	-	-	710,000	140,371	850,371
Total current liabilities	<u>79,821</u>	<u>-</u>	<u>710,000</u>	<u>566,619</u>	<u>1,356,440</u>
Noncurrent liabilities:					
Compensated absences - noncurrent	13,863	-	-	-	13,863
Closure costs payable	3,739,719	-	-	-	3,739,719
Noncurrent portion of long-term obligations	-	-	3,085,000	634,076	3,719,076
Total noncurrent liabilities	<u>3,753,582</u>	<u>-</u>	<u>3,085,000</u>	<u>634,076</u>	<u>7,472,658</u>
Total liabilities	<u>3,833,403</u>	<u>-</u>	<u>3,795,000</u>	<u>1,200,695</u>	<u>8,829,098</u>
NET ASSETS					
Invested in capital assets, net of related debt	5,031,338	36,698	35,056	495,354	5,598,446
Restricted for:					
Redevelopers	-	-	-	47,758	47,758
Unrestricted	3,822,723	198,341	-	713,632	4,734,696
Total net assets	<u>\$ 8,854,061</u>	<u>\$ 235,039</u>	<u>\$ 35,056</u>	<u>\$ 1,256,744</u>	<u>\$ 10,380,900</u>

CITY OF GRAND ISLAND, NEBRASKA
COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS
For the year ended September 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Landfill:			
Landfill and transfer station	\$ 2,155,419	\$ 2,293,091	\$ -
Closure costs	197,745	-	-
Interest on long-term debt	6,211	-	-
Total Landfill	2,359,375	2,293,091	-
Business Improvement Districts:			
Business Improvement District #4	32,408	-	-
Business Improvement District #6	19,514	-	-
Business Improvement District #7	47,209	-	-
Business Improvement District #8	55,441	-	-
Total Business Improvement Districts	154,572	-	-
Grand Island Facilities Corporation:			
Library construction project	895,444	867,604	-
Community Redevelopment Authority:			
General government	56,878	-	-
Community development	883,856	-	164,510
Interest on long-term debt	63,170	-	-
Total Community Redevelopment Authority	1,003,904	-	164,510
Total Component Units	\$ 4,413,295	\$ 3,160,695	\$ 164,510

Program Revenues Capital Grants and Contributions	Net (Expenses) Receipts and Changes in Net Assets				
	Component Units				
	Landfill	Business Improvement Districts	Grand Island Facilities Corporation	Community Redevelopment Authority	Total
\$ -	\$ 137,672				\$ 137,672
-	(197,745)				(197,745)
-	(6,211)				(6,211)
<u>-</u>	<u>(66,284)</u>				<u>(66,284)</u>
-	-	\$ (32,408)			(32,408)
-	-	(19,514)			(19,514)
-	-	(47,209)			(47,209)
<u>1,300</u>	<u>-</u>	<u>(54,141)</u>			<u>(54,141)</u>
1,300	-	(153,272)			(153,272)
-	-	-	\$ (27,840)		(27,840)
-	-	-	-	\$ (56,878)	(56,878)
-	-	-	-	(719,346)	(719,346)
-	-	-	-	(63,170)	(63,170)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(839,394)</u>	<u>(839,394)</u>
<u>\$ 1,300</u>	<u>(66,284)</u>	<u>(153,272)</u>	<u>(27,840)</u>	<u>(839,394)</u>	<u>(1,086,790)</u>
General revenues:					
Taxes:					
Property	-	-	-	427,800	427,800
Motor vehicle	-	-	-	1,872	1,872
Special assessments	-	190,018	-	-	190,018
Miscellaneous	6,846	2,375	-	22,643	31,864
Interest income	30,969	375	-	5,377	36,721
Loss on sale of assets	(133,901)	-	-	(775)	(134,676)
Total general revenues	<u>(96,086)</u>	<u>192,768</u>	<u>-</u>	<u>456,917</u>	<u>553,599</u>
Change in net assets	(162,370)	39,496	(27,840)	(382,477)	(533,191)
Net assets - September 30, 2010	<u>9,016,431</u>	<u>195,543</u>	<u>62,896</u>	<u>1,639,221</u>	<u>10,914,091</u>
Net assets - September 30, 2011	<u>\$ 8,854,061</u>	<u>\$ 235,039</u>	<u>\$ 35,056</u>	<u>\$ 1,256,744</u>	<u>\$ 10,380,900</u>

SINGLE AUDIT REPORTS

CITY OF GRAND ISLAND, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2011

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>		<u>Expenditures</u>
<u>Department of Homeland Security:</u>			
Passed through the State of Nebraska:			
Disaster Grants - Public Assistance	97.036		\$ 39,442
Homeland Security Cluster:			
Emergency Management Performance Grants	97.042	\$ 163,190	
Homeland Security Grant Program	97.067	<u>5,498</u>	
Total Homeland Security Cluster			<u>168,688</u>
Total Department of Homeland Security			<u>208,130</u>
<u>Department of Transportation:</u>			
Passed through Nebraska Office of Highway Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	6,702	
Alcohol Impaired Driving	20.601	<u>2,133</u>	
Total Highway Safety Cluster			8,835
Passed through Nebraska Department of Roads:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	46,674 *	
ARRA - Highway Planning and Construction	20.205	<u>540,144 *</u>	
Total Highway Planning and Construction Cluster			<u>586,818</u>
Total Department of Transportation			<u>595,653</u>
<u>Department of Justice:</u>			
Direct Programs:			
Public Safety Partnership and Community Policing Grant	16.710		15,347
Bulletproof Vest Partnership Program	16.607		2,178
Edward Byrne Memorial Justice Assistance Grant	16.738		58,122
Passed through Nebraska Crime Commission:			
Crime Victim Assistance	16.575		<u>46,110</u>
Total Department of Justice			<u>121,757</u>
<u>Department of Health and Human Services:</u>			
Passed through Nebraska Department of Health and Human Services:			
Low-Income Home Energy Assistance	93.568		228,170
State Children's Insurance Program	93.767		3,068
Medicaid Cluster:			
State Survey and Certification	93.777	9	
Medical Assistance Program	93.778	<u>72,255</u>	
Total Medicaid Cluster			<u>72,264</u>
Total Department of Health and Human Services			<u>303,502</u>
<u>Department of Energy</u>			
Direct Programs:			
Energy Efficiency and Conservation Block Grant	81.128		95,297

CITY OF GRAND ISLAND, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended September 30, 2011

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Executive Office of the President:</u>		
Passed through Nebraska State Patrol:		
High Intensity Drug Trafficking Area Program	95.001	101,319
<u>Department of Housing and Urban Development:</u>		
Passed through Nebraska Department of Economic Development:		
Community Development Block Grant	14.228	<u>1,184,239</u> *
Total Expenditures of Federal Awards		<u><u>\$ 2,609,897</u></u>

*Major Program

NOTE A - BASIS OF PRESENTATION

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

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

NOTE B - FEDERAL LOAN PROGRAMS

The Revolving Loan Program is a Community Development Block Grant (CDBG) program whereby funds are made available to the City to loan to low- and moderate-income families for a variety of purposes. These funds, once issued, are repaid to the City, who in turn reloans the funds to another low- to moderate-income family. The balance of loans outstanding as of September 30, 2011, is \$141,301.



SHAREHOLDERS

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of Grand Island, Nebraska, as of and for the year ended September 30, 2011, which collectively comprise the City of Grand Island, Nebraska's basic financial statements and have issued our report thereon dated February 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Grand Island, Nebraska, in a separate letter dated February 4, 2012.

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

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

Grand Island, Nebraska
February 4, 2012



SHAREHOLDERS

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

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

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

Compliance

We have audited the compliance of the City of Grand Island, Nebraska, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grand Island, Nebraska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Grand Island, Nebraska, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

The management of the City of Grand Island, Nebraska, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

August M. Malmgren
Galloway & Luth, P.C.

Grand Island, Nebraska
February 4, 2012

CITY OF GRAND ISLAND, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2011

1. A summary of auditors' results:
 - (i) An unqualified opinion was issued on the financial statements of the City of Grand Island, Nebraska, as of September 30, 2011.
 - (ii) The audit did not disclose any significant deficiencies in the internal control of the City of Grand Island, Nebraska.
 - (iii) The audit did not disclose any noncompliance which is material to the financial statements of the City of Grand Island, Nebraska.
 - (iv) The audit did not disclose any significant deficiencies in the internal control over major programs for the City of Grand Island, Nebraska.
 - (v) An unqualified opinion was issued on compliance for major programs.
 - (vi) The audit did not disclose any audit findings which we are required to report under §___.510(a).
 - (vii) Major Programs: CFDA #20.205 – Highway Planning and Construction; #20.205 – ARRA-Highway Planning and Construction; and #14.228 – Community Development Block Grant.
 - (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
 - (ix) The City of Grand Island, Nebraska, qualified as a low-risk auditee under §___.530.

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

None

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

None

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

Year ended September 30, 2011

Program

Findings for the year ended September 30, 2010

None noted.