

City of Grand Island, Nebraska
Electric Department

Independent Auditor's Report and Financial Statements

September 30, 2021 and 2020

City of Grand Island, Nebraska
Electric Department
September 30, 2021 and 2020

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Independent Auditor's Report

The Honorable Mayor and City Council
Grand Island, Nebraska

We have audited the accompanying financial statements of the Electric Department of the City of Grand Island, Nebraska (the Department), an enterprise fund of the City of Grand Island, Nebraska, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Department of the City of Grand Island, Nebraska, as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Electric Department and do not purport to, and do not, present fairly the financial position of the City of Grand Island, Nebraska as of September 30, 2021 and 2020, the changes in its financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

BKD, LLP

Lincoln, Nebraska
April 27, 2022

City of Grand Island, Nebraska
Electric Department
Statements of Net Position
September 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 55,407,336	\$ 34,288,038
Investments	-	7,206,829
Receivables		
Accounts, net of allowance for doubtful accounts of \$617,175 for 2021 and \$584,927 for 2020	5,608,241	5,981,541
Unbilled revenue	3,395,382	3,108,085
Interest	30,395	43,202
Due from other funds	183,056	188,567
Inventory	9,796,595	9,791,891
Prepaid expenses	606,080	590,560
Total current assets	75,027,085	61,198,713
Noncurrent Assets		
Restricted cash and cash equivalents	3,154,924	1,781,974
Restricted investments	-	6,138,115
Deferred charges	2,274,977	2,864,174
Capital assets		
Construction in progress	2,956,988	7,470,680
Land and land improvements	6,069,593	6,069,593
Distribution and collection systems	333,286,379	327,169,816
Buildings and equipment	45,405,008	44,290,176
Less accumulated depreciation	(258,184,287)	(248,673,734)
Net capital assets	129,533,681	136,326,531
Total noncurrent assets	134,963,582	147,110,794
Total assets	209,990,667	208,309,507
Deferred Outflows of Resources		
Deferred loss on debt refunding	1,861,294	-
Total assets and deferred outflows of resources	\$ 211,851,961	\$ 208,309,507

See Notes to Financial Statements

	<u>2021</u>	<u>2020</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,978,646	\$ 2,738,383
Due to other funds	127,536	117,737
Accrued expenses	1,150,348	1,299,469
Compensated absences - current	359,352	394,544
Accrual for payments in lieu of taxes	1,102,375	449,060
Current portion of long-term obligations	<u>3,785,000</u>	<u>3,345,000</u>
Total current liabilities	<u>9,503,257</u>	<u>8,344,193</u>
Noncurrent Liabilities		
Compensated absences - noncurrent	1,437,408	1,578,177
Closure/post-closure liability	1,416,505	1,002,360
Noncurrent portion of long-term obligations	23,435,000	28,090,000
Unamortized bond premiums	<u>-</u>	<u>1,547,215</u>
Total noncurrent liabilities	<u>26,288,913</u>	<u>32,217,752</u>
Total liabilities	<u>35,792,170</u>	<u>40,561,945</u>
Net Position		
Net investment in capital assets	104,036,473	103,247,751
Restricted for		
Debt service	686,716	6,138,115
Closure/post-closure costs	1,051,703	779,614
Unrestricted	<u>70,284,899</u>	<u>57,582,082</u>
Total net position	<u>176,059,791</u>	<u>167,747,562</u>
Total liabilities and net position	<u>\$ 211,851,961</u>	<u>\$ 208,309,507</u>

City of Grand Island, Nebraska
Electric Department
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Electric energy sales		
Residential	\$ 21,205,728	\$ 22,033,045
Commercial and industrial	39,797,451	40,419,110
Municipal and interdepartmental	1,975,924	1,958,443
Wholesale	<u>67,713,490</u>	<u>16,170,324</u>
Total sales	130,692,593	80,580,922
Other revenue	<u>903,449</u>	<u>938,015</u>
Total operating revenues	<u>131,596,042</u>	<u>81,518,937</u>
Operating Expenses		
Cost of power	97,380,706	60,152,137
Operation of system	3,177,815	3,094,520
Maintenance of system	2,750,772	2,665,388
Consumer accounting and collection	1,658,739	1,617,849
Employee benefits and payroll	957,982	1,126,125
General office salaries and expense	780,536	779,255
Special services	1,138,835	1,180,438
Insurance	706,333	630,913
Miscellaneous	140,048	141,835
Depreciation	<u>12,532,856</u>	<u>12,435,682</u>
Total operating expenses	<u>121,224,622</u>	<u>83,824,142</u>
Operating income (loss)	<u>10,371,420</u>	<u>(2,305,205)</u>
Nonoperating Revenues (Expenses)		
Investment income	243,931	1,147,626
Gain on disposal of capital assets	7,217	32,970
Debt issuance costs	(447,674)	-
Interest expense	<u>(760,290)</u>	<u>(1,200,832)</u>
Total nonoperating expenses	<u>(956,816)</u>	<u>(20,236)</u>
Transfer to City of Grand Island - Payments in Lieu of Taxes	<u>(1,102,375)</u>	<u>(449,060)</u>
Change in Net Position	8,312,229	(2,774,501)
Net Position, Beginning of Year	<u>167,747,562</u>	<u>170,522,063</u>
Net Position, End of Year	<u>\$ 176,059,791</u>	<u>\$ 167,747,562</u>

City of Grand Island, Nebraska
Electric Department
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 131,682,045	\$ 80,767,703
Cash paid to suppliers for goods and services	(104,390,358)	(67,630,227)
Cash paid to employees for services	(3,305,139)	(2,918,159)
	<u>23,986,548</u>	<u>10,219,317</u>
Cash Flows From Noncapital Financing Activities		
Advances from other funds	15,310	(22,902)
Payments in lieu of taxes	(449,060)	(445,443)
	<u>(433,750)</u>	<u>(468,345)</u>
Cash Flows From Capital and Related Financing Activities		
Purchase of property and equipment	(5,698,069)	(9,224,247)
Proceeds on sales of capital assets	7,217	92,937
Principal payments on long-term debt	(3,860,000)	(3,225,000)
Net transfer to bond refunding agent	(4,851,000)	-
Interest paid	(260,380)	(1,583,550)
	<u>(14,662,232)</u>	<u>(13,939,860)</u>
Cash Flows From Investing Activities		
Purchases of investments	(800,015)	(7,206,829)
Sales and maturities of investments	14,144,959	13,602,010
Interest received	256,738	1,370,974
	<u>13,601,682</u>	<u>7,766,155</u>
Net Change in Cash and Cash Equivalents	22,492,248	3,577,267
Cash and Cash Equivalents, Beginning of Year	<u>36,070,012</u>	<u>32,492,745</u>
Cash and Cash Equivalents, End of Year	<u>\$ 58,562,260</u>	<u>\$ 36,070,012</u>
Composition of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 55,407,336	\$ 34,288,038
Restricted cash and cash equivalents	<u>3,154,924</u>	<u>1,781,974</u>
	<u>\$ 58,562,260</u>	<u>\$ 36,070,012</u>

City of Grand Island, Nebraska
Electric Department
Statements of Cash Flows – Continued
Years Ended September 30, 2021 and 2020

	2021	2020
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ 10,371,420	\$ (2,305,205)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	12,532,856	12,435,682
Changes in operating assets and liabilities:		
Receivables	86,003	(751,234)
Inventories	(4,704)	(58,235)
Prepaid expenses	(15,520)	(132,632)
Deferred charges	589,197	880,898
Accounts payable and accrued expenses	13,151	86,970
Other	414,145	63,073
Total adjustments	13,615,128	12,524,522
Net cash provided by operating activities	\$ 23,986,548	\$ 10,219,317
Supplemental Cash Flow Information		
Amortization of bond premium	\$ 27,576	\$ 366,593
Accounts payable incurred for capital asset purchases	\$ 138,502	\$ 96,565

City of Grand Island, Nebraska Electric Department

Notes to Financial Statements September 30, 2021 and 2020

Note 1: Summary of Significant Accounting Policies

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

The financial statements referred to above present only the Department and do not purport to, and do not, present fairly the financial position of the City of Grand Island, Nebraska, as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Financial Reporting Entity

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

In determining the financial reporting entity, the Department has considered all potential component units for which the Department may be financially accountable, and as such, should be included within the Department's financial statements. The Department (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Department. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

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

Measurement Focus and Basis of Accounting

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

Basis of Accounting

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

City of Grand Island, Nebraska

Electric Department

Notes to Financial Statements September 30, 2021 and 2020

Note 1: Summary of Significant Accounting Policies - Continued

Basis of Accounting - Continued

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

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

The Department participates in a cash management pool, managed by the City. The Department's interest in this pool consists of \$58,562,260 and \$36,070,012 of cash and cash equivalents at September 30, 2021 and 2020, respectively.

Investments and Investment Income

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

City of Grand Island, Nebraska
Electric Department

Notes to Financial Statements
September 30, 2021 and 2020

Note 1: Summary of Significant Accounting Policies - Continued

Receivables

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

Inventories

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

Restricted Assets

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

Capital Assets

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

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

Deferred Charges

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

City of Grand Island, Nebraska

Electric Department

Notes to Financial Statements September 30, 2021 and 2020

Note 1: Summary of Significant Accounting Policies - Continued

Deferred Outflows of Resources

Deferred outflows of resources include the unamortized difference between the reacquisition price and net carrying amount related to the Department's bond refunding activities. The deferred outflows of resources related to the bond refunding activity will be amortized through 2028.

Compensated Absences

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

Unamortized Bond Premiums

Bond premiums for the Department are deferred and accreted over the life of the bonds using the effective interest method. For the years ended September 30, 2021 and 2020, premium amortization of \$27,576 and \$366,593, respectively, on the Series 2013 and 2012 Electric bonds is included in interest expense.

Net Position Classifications

Net position is classified into three components:

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

Revenues and Expenses

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

City of Grand Island, Nebraska
Electric Department
Notes to Financial Statements
September 30, 2021 and 2020

Note 2: Deposits and Investments

Deposits

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

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

Summary of Carrying Values

The carrying values of pooled cash and investments at September 30, 2021 and 2020, are included in the statement of net position as follows:

	<u>2021</u>	<u>2020</u>
Equity in pooled cash and investments	\$ 55,407,336	\$ 34,288,038
Investments	-	7,206,829
Equity in pooled cash - restricted	3,154,924	1,781,974
Restricted investments	-	6,138,115
	<u>\$ 58,562,260</u>	<u>\$ 49,414,956</u>

City of Grand Island, Nebraska
Electric Department
Notes to Financial Statements
September 30, 2021 and 2020

Note 2: Deposits and Investments - Continued

Investments

The Department is authorized by statute to invest in securities based upon the prudent person investment criteria. The Department follows a policy of investing in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and bank certificates of deposit. The Department had no specifically held investments at September 30, 2021. At September 30, 2020, the Department had the following investments and maturities:

Type	Carrying Value	Maturities in Years		
		Less than 1	1 - 5	6 - 10
September 30, 2020				
Certificates of deposit	\$ 7,696,829	\$ 7,206,829	\$ 490,000	\$ -
Money markets	<u>5,648,115</u>			
	<u>\$13,344,944</u>			

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

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

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

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

City of Grand Island, Nebraska
Electric Department

Notes to Financial Statements
September 30, 2021 and 2020

Note 2: Deposits and Investments - Continued

Restricted Assets

The restricted assets as of September 30, 2021 and 2020, are as follows:

	2021	2020
Restricted cash and cash equivalents	\$ 3,154,924	\$ 1,781,974
Restricted investments	-	6,138,115
Total restricted cash, cash equivalents and investments	\$ 3,154,924	\$ 7,920,089

The restricted cash and cash equivalents are restricted for fly ash disposal closure/post-closure care, and also include amounts included for the debt service reserve for the electric bonds as of September 30, 2021. The restricted investments represent the debt service reserve for the electric bonds.

Note 3: Capital Assets

Capital assets activity for the year ended September 30, 2021 and 2020, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets:					
Construction work-in-process	\$ 7,470,680	\$ 7,091,719	\$ (87,773)	\$ (11,517,638)	\$ 2,956,988
Land and land rights	3,903,085	-	-	-	3,903,085
Production plant	213,731,215	-	-	562,260	214,293,475
Transmission plant	28,844,788	-	-	1,114,832	29,959,620
Distribution plant	113,438,601	-	(4,286,243)	9,840,546	118,992,904
General plant	15,445,388	-	-	-	15,445,388
Plant acquisition adjustment	2,166,508	-	-	-	2,166,508
Total capital assets	385,000,265	7,091,719	(4,374,016)	-	387,717,968
Less: Accumulated depreciation	(248,673,734)	(12,532,856)	3,022,303	-	(258,184,287)
Total capital assets, net	\$ 136,326,531	\$ (5,441,137)	\$ (1,351,713)	\$ -	\$ 129,533,681

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

**Notes to Financial Statements
September 30, 2021 and 2020**

Note 3: Capital Assets - Continued

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

Note 4: Long-term Obligations

Long-term debt at September 30, 2021 and 2020, is shown below:

	<u>2021</u>	<u>2020</u>
Electric System Revenue Refunding Bonds, 2012 Series, due serially to August 15, 2022, interest from 0.2% to 4.0%	\$ -	\$ 3,980,000
Electric System Revenue Refunding Bonds, 2013 Series, due serially to September 15, 2028, interest from 0.5% to 5.375%	-	27,455,000
Combined Utilities Revenue Refunding Bonds (Taxable Interest), Series 2020B, due annually to August 15, 2028, interest from 0.44% to 2.78%	<u>27,220,000</u>	<u>-</u>
Total long-term debt	<u>27,220,000</u>	<u>31,435,000</u>
Less current maturities	<u>3,785,000</u>	<u>3,345,000</u>
Noncurrent portion	<u>\$ 23,435,000</u>	<u>\$ 28,090,000</u>

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

**Notes to Financial Statements
September 30, 2021 and 2020**

Note 4: Long-term Obligations - Continued

Long-term obligations activity for 2021 and 2020 is summarized as follows:

September 30, 2021	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	\$ 31,435,000	\$ 31,080,000	\$ (35,295,000)	\$ 27,220,000	\$ 3,785,000
Compensated absences	1,972,721	505,638	(681,599)	1,796,760	359,352
Closure/post-closure liability	1,002,360	414,145	-	1,416,505	-
	<u>\$ 34,410,081</u>	<u>\$ 31,999,783</u>	<u>\$ (35,976,599)</u>	<u>\$ 30,433,265</u>	<u>\$ 4,144,352</u>
September 30, 2020					
Revenue bonds payable	\$ 34,660,000	\$ -	\$ (3,225,000)	\$ 31,435,000	\$ 3,345,000
Compensated absences	1,695,744	777,050	(500,073)	1,972,721	394,544
Closure/post-closure liability	939,287	63,073	-	1,002,360	-
	<u>\$ 37,295,031</u>	<u>\$ 840,123</u>	<u>\$ (3,725,073)</u>	<u>\$ 34,410,081</u>	<u>\$ 3,739,544</u>

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

Fiscal Year Ending September 30	Revenue Bonds	
	Principal	Interest
2022	\$ 3,785,000	\$ 335,294
2023	3,805,000	314,363
2024	3,830,000	285,635
2025	3,870,000	246,607
2026	3,915,000	202,141
2027 - 2031	<u>8,015,000</u>	<u>222,433</u>
	<u>\$ 27,220,000</u>	<u>\$ 1,606,473</u>

The indentures under which the Department's revenue bonds were issued provide for the creation and maintenance of certain accounts. These accounts at September 30, 2021 and 2020 are shown in Note 3 under Restricted Assets. There are a number of other limitations, restrictions, and covenants contained in the indentures under which the Department's revenue bonds were issued.

City of Grand Island, Nebraska

Electric Department

Notes to Financial Statements

September 30, 2021 and 2020

Note 4: Long-term Obligations - Continued

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

Note 5: Payments to the City of Grand Island

The Department is exempt from Federal and state income taxes and local property taxes. City ordinances provide for payments in lieu of taxes. The annual payment in lieu of taxes, amounting to \$1,102,375 and \$449,060 for 2021 and 2020, respectively, are set at 5% of the net operating revenues of the Department, excluding depreciation. The Department does pay sales tax.

The City provides certain administrative services to the Department for which the Department pays fees to the City. These fees are included in special services expense and amount to \$1,090,892 and \$1,129,129 for the years ended September 30, 2021 and 2020, respectively.

Note 6: Pension Plan

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

All participants are fully vested in their own contributions and become vested in the Department's contribution at varying rates depending on their date of employment. Full vesting in the Department's contributions occurs after five years of participation in the plan. The participants' and Department's contributions were \$743,838 and \$906,726, for the years ended September 30, 2021 and 2020, respectively.

City of Grand Island, Nebraska

Electric Department

Notes to Financial Statements

September 30, 2021 and 2020

Note 7: Risk Management

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

Note 8: Commitments and Contingencies

Power Supply

The Department currently has generation capacity of approximately 181 MW from coal-fired and gas/oil-fired electric generating stations. The peak load of the Department during the fiscal years ended September 30, 2021 and 2020, respectively, was approximately 162 MW in June 2021 and 153 MW in July 2020.

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

Purchased Power Agreements

The Department entered into a participation power agreement with Omaha Public Power District (OPPD) on January 15, 2004, to obtain approximately 33 MW of energy from the OPPD Nebraska City Unit #2. The project was completed in May 2009 and was financed through a bond issuance by OPPD. The Department has also entered into an agreement with the Public Power Generation Agency to obtain approximately 15 MW of energy. The project was completed in May 2011. During the year ended September 30, 2016, the Department entered into a 25-year agreement with Invenergy for the entire 35.8 MW output of the Prairie Breeze III windfarm near Elgin, Nebraska. This facility came online in March 2016. Subsequent agreements with the City of Nebraska City and City of Neligh for 7 MW and 2 MW, respectively, have since been signed. During the year ended September 30, 2017, the Department entered into a 25 year agreement with Sempra for the entire 50 MW output of Prairie Hills windfarm to be located in Custer County, Nebraska. This facility is due to be online by the end of 2022. During the year ended September 30, 2017, the Department also entered into a 25 year agreement with Sol Systems for the entire 1 MW output of a new solar installation to be located near a Department substation. This facility came online in October 2018.

City of Grand Island, Nebraska

Electric Department

Notes to Financial Statements September 30, 2021 and 2020

Note 8: Commitments and Contingencies- Continued

Regulatory Compliance

In 1997, the Department entered into an agreement with the Nebraska Department of Environmental Quality to establish a closure/post-closure care account. The purpose of this account is to accumulate sufficient monies to fund all related costs of closure and post-closure of the fly ash disposal area at the Platte Generating Station. The calculated amount of the closure/post-closure liability was \$1,416,505 and \$1,002,360 for the years ended September 30, 2021 and 2020, respectively. The amount on deposit in the closure/post-closure care account was \$2,468,208 and \$1,781,974 at September 30, 2021 and 2020, respectively.

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

Construction

The Department has commitments under major construction contracts of approximately \$280,000 at September 30, 2021.

Claims and Litigation

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

Other Information

City of Grand Island, Nebraska
Electric Department
Operating Statistics
Year Ended September 30, 2021
(Unaudited)

Total net kilowatt hours generated	388,362,500	
Additional kilowatt hours used at plant	6,307,602	
Net kilowatt hours produced	<u>382,054,898</u>	
Net scheduled/metered interchange	<u>363,245,932</u>	
Total kilowatt hours available for sale	743,274,530	
Kilowatt hours sold, as metered	<u>711,381,778</u>	
Line loss	<u><u>31,892,752</u></u>	
Line loss percentage	<u><u>4.29%</u></u>	
Monthly average number billed by class:		
Residential	22,495	
Commercial	4,561	
Industrial	<u>94</u>	
Total	<u><u>27,150</u></u>	
	KWH	Revenue*
Total KWH and revenue by class:		
Residential	219,727,900	\$ 21,103,484
Commercial	202,068,489	19,302,436
Industrial	<u>289,585,389</u>	<u>22,266,114</u>
Total	<u><u>711,381,778</u></u>	<u><u>\$ 62,672,034</u></u>
Average revenue per KWH sold		<u><u>\$ 0.0881</u></u>

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