

City of Ralston, Nebraska

Independent Auditor's Reports and Financial Statements

September 30, 2019

City of Ralston, Nebraska
September 30, 2019

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Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of Ralston, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ralston, Nebraska (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ralston, Nebraska, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America for the business-type activities and each major proprietary fund, and in accordance with the basis of accounting described in the Basis of Accounting paragraph included below for the governmental activities, each major governmental fund and fiduciary funds.

Basis of Accounting

We draw attention to Note 1 of the basic financial statements, which describes the basis of accounting. The City prepares the financial statements for its governmental activities, each major governmental fund and fiduciary funds on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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 opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 30, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Omaha, Nebraska
March 30, 2020

City of Ralston, Nebraska
Statement of Net Position
September 30, 2019

	Governmental Activities (Cash Basis)	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Cash and cash equivalents	\$ 1,587,186	\$ 1,094,758	\$ 2,681,944
Cash held with trustee	7,059,569	-	7,059,569
Accounts receivable, net	-	214,668	214,668
Due from other governments	-	853,849	853,849
Inventories	-	43,955	43,955
Prepaid expenses	-	34,556	34,556
Net pension asset	-	4,146	4,146
Capital assets, net of accumulated depreciation	-	34,227,110	34,227,110
	<u>8,646,755</u>	<u>36,473,042</u>	<u>45,119,797</u>
Total assets			
Deferred outflows of resources	-	29,533	29,533
	<u>-</u>	<u>29,533</u>	<u>29,533</u>
Liabilities and Deferred Inflows of Resources			
Accounts payable	-	674,603	674,603
Accrued interest payable	-	207,641	207,641
Accrued liabilities	-	97,493	97,493
Unearned revenue	-	196,815	196,815
Noncurrent liabilities			
Unearned revenue - real estate	-	700,000	700,000
Accrued compensated balances			
Payable within one year	-	8,466	8,466
Payable in more than one year	-	16,725	16,725
Bonds payable			
Payable within one year	-	3,288,963	3,288,963
Payable in more than one year	-	32,245,310	32,245,310
	<u>-</u>	<u>37,436,016</u>	<u>37,436,016</u>
Total liabilities			
Deferred inflows of resources	-	37,265	37,265
	<u>-</u>	<u>37,265</u>	<u>37,265</u>
Net Position			
Net investment in capital assets	-	(1,307,163)	(1,307,163)
Restricted	8,059,587	925,070	8,984,657
Unrestricted	587,168	(588,613)	(1,445)
	<u>8,646,755</u>	<u>(970,706)</u>	<u>7,676,049</u>
Total net position			

City of Ralston, Nebraska
Statement of Activities
Year Ended September 30, 2019

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities (Cash Basis)	Business-Type Activities	Total
Primary Government							
Governmental Activities (Cash basis)							
General government	\$ 1,626,925	\$ 633,529	\$ 23,334	\$ -	\$ (970,062)	\$ -	\$ (970,062)
Public safety	1,748,908	-	-	-	(1,748,908)	-	(1,748,908)
Public works	1,828,378	-	834,402	-	(993,976)	-	(993,976)
Cultural and recreational	746,282	-	-	-	(746,282)	-	(746,282)
Economic and community development	1,320,492	1,323,899	-	2,945,052	2,948,459	-	2,948,459
Debt service	363,392	-	-	-	(363,392)	-	(363,392)
Total governmental activities	<u>7,634,377</u>	<u>1,957,428</u>	<u>857,736</u>	<u>2,945,052</u>	<u>(1,874,161)</u>	<u>-</u>	<u>(1,874,161)</u>
Business-Type Activities							
Sewer	1,211,786	1,058,625	-	-	-	(153,161)	(153,161)
Arena	8,785,365	4,778,453	3,034,002	-	-	(972,910)	(972,910)
Total business-type activities	<u>9,997,151</u>	<u>5,837,078</u>	<u>3,034,002</u>	<u>-</u>	<u>-</u>	<u>(1,126,071)</u>	<u>(1,126,071)</u>
Total Primary Government	<u>\$ 17,631,528</u>	<u>\$ 7,794,506</u>	<u>\$ 3,891,738</u>	<u>\$ 2,945,052</u>	<u>(1,874,161)</u>	<u>(1,126,071)</u>	<u>(3,000,232)</u>
General Revenues							
Property taxes					3,217,036	-	3,217,036
Intergovernmental					331,127	-	331,127
Sales taxes					1,718,417	-	1,718,417
Investment income					18,092	1,356	19,448
Transfers					(2,686,061)	2,686,061	-
Miscellaneous					81,902	305,933	387,835
Total general revenues and transfers					<u>2,680,513</u>	<u>2,993,350</u>	<u>5,673,863</u>
Change in Net Position					<u>806,352</u>	<u>1,867,279</u>	<u>2,673,631</u>
Net Position, Beginning of Year, as Previously Reported					3,209,170	(2,837,985)	371,185
Adjustment for Correction of an Error (see Note 1)					<u>4,631,233</u>	<u>-</u>	<u>4,631,233</u>
Net Position, Beginning of Year, as Restated					<u>7,840,403</u>	<u>(2,837,985)</u>	<u>5,002,418</u>
Net Position, End of Year					<u>\$ 8,646,755</u>	<u>\$ (970,706)</u>	<u>\$ 7,676,049</u>

City of Ralston, Nebraska

Balance Sheet – Cash Basis

Governmental Funds

September 30, 2019

	General Fund	Street Fund	Lottery Fund	Debt Service Fund	Community Development Fund	Total
Assets						
Cash and cash equivalents	\$ 587,168	\$ 87,056	\$ 473,863	\$ 105,214	\$ 333,885	\$ 1,587,186
Cash held with trustee	-	-	-	-	7,059,569	7,059,569
Total assets	<u>\$ 587,168</u>	<u>\$ 87,056</u>	<u>\$ 473,863</u>	<u>\$ 105,214</u>	<u>\$ 7,393,454</u>	<u>\$ 8,646,755</u>
Liabilities and Fund Balances						
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances						
Restricted for						
Streets	-	87,056	-	-	-	87,056
Community development	-	-	473,863	-	7,393,454	7,867,317
Debt service	-	-	-	105,214	-	105,214
Unassigned	<u>587,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>587,168</u>
Total fund balances	<u>587,168</u>	<u>87,056</u>	<u>473,863</u>	<u>105,214</u>	<u>7,393,454</u>	<u>8,646,755</u>
Total liabilities and fund balances	<u>\$ 587,168</u>	<u>\$ 87,056</u>	<u>\$ 473,863</u>	<u>\$ 105,214</u>	<u>\$ 7,393,454</u>	<u>\$ 8,646,755</u>

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

	General Fund	Street Fund	Lottery Fund	Debt Service Fund	Community Development Fund	Total
Revenues						
Property taxes	\$ 2,202,307	\$ -	\$ -	\$ 1,014,729	\$ -	\$ 3,217,036
Intergovernmental	281,585	834,402	-	49,542	-	1,165,529
Sales taxes	1,528,417	190,000	-	-	-	1,718,417
Charges for services	325,312	-	-	-	-	325,312
Keno income	-	-	1,323,899	-	-	1,323,899
Permits and fees	308,217	-	-	-	-	308,217
Grants and donations	23,334	-	-	-	2,945,052	2,968,386
Investment income	8,503	-	6,787	1,502	1,300	18,092
Miscellaneous	17,712	5,341	52,260	-	6,589	81,902
Total revenues	4,695,387	1,029,743	1,382,946	1,065,773	2,952,941	11,126,790
Expenditures						
Current						
General government	1,577,681	-	-	-	-	1,577,681
Public safety	1,748,908	-	-	-	-	1,748,908
Public works	-	831,272	-	-	-	831,272
Cultural and recreational	746,282	-	-	-	-	746,282
Economic and community development	-	-	792,024	-	528,468	1,320,492
Capital outlay	49,244	997,106	-	-	-	1,046,350
Debt service						
Principal	-	255,000	-	50,000	-	305,000
Interest and fiscal charges	-	29,570	-	28,822	-	58,392
Total expenditures	4,122,115	2,112,948	792,024	78,822	528,468	7,634,377
Excess (Deficiency) of Revenues Over (Under) Expenditures	573,272	(1,083,205)	590,922	986,951	2,424,473	3,492,413
Other Financing Sources (Uses)						
Transfers in	49,244	379,885	-	-	-	429,129
Transfers out	(552,064)	-	(1,610,626)	(952,500)	-	(3,115,190)
Total other financing sources (uses)	(502,820)	379,885	(1,610,626)	(952,500)	-	(2,686,061)
Change in Fund Balances	70,452	(703,320)	(1,019,704)	34,451	2,424,473	806,352
Fund Balance, Beginning of Year, as Previously Reported	516,716	790,376	1,493,567	70,763	337,748	3,209,170
Adjustment for Correction of an Error (see Note 1)	-	-	-	-	4,631,233	4,631,233
Fund Balance, Beginning of Year, as Restated	516,716	790,376	1,493,567	70,763	4,968,981	7,840,403
Fund Balance, End of Year	\$ 587,168	\$ 87,056	\$ 473,863	\$ 105,214	\$ 7,393,454	\$ 8,646,755

City of Ralston, Nebraska

Balance Sheet

Proprietary Funds

September 30, 2019

	Business-Type Activities		
	Sewer Fund	Arena Fund	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 692,929	\$ 401,829	\$ 1,094,758
Accounts receivable, net	111,605	103,063	214,668
Due from other governments	-	853,849	853,849
Inventories	-	43,955	43,955
Prepaid expenses	-	34,556	34,556
	804,534	1,437,252	2,241,786
Noncurrent Assets			
Net pension asset	4,146	-	4,146
Capital assets, net of accumulated depreciation	188,521	34,038,589	34,227,110
	192,667	34,038,589	34,231,256
Deferred Outflows of Resources			
Deferred for pensions	29,533	-	29,533
	29,533	-	29,533
Total Assets and Deferred Outflows of Resources	\$ 1,026,734	\$ 35,475,841	\$ 36,502,575
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable	\$ 307,655	\$ 366,948	\$ 674,603
Accrued compensated absences	8,466	-	8,466
Accrued interest payable	295	207,346	207,641
Accrued liabilities	6,456	91,037	97,493
Unearned revenue	-	196,815	196,815
Current portion of long-term debt	38,963	3,250,000	3,288,963
	361,835	4,112,146	4,473,981
Noncurrent Liabilities			
Unearned revenue - real estate	-	700,000	700,000
Accrued compensated absences	16,725	-	16,725
Long-term debt	40,657	32,204,653	32,245,310
	57,382	32,904,653	32,962,035
Deferred Inflows of Resources			
Deferred for pensions	37,265	-	37,265
	37,265	-	37,265
Net Position			
Net investment in capital assets	108,901	(1,416,064)	(1,307,163)
Restricted for debt service	-	925,070	925,070
Unrestricted	461,351	(1,049,964)	(588,613)
	570,252	(1,540,958)	(970,706)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,026,734	\$ 35,475,841	\$ 36,502,575

City of Ralston, Nebraska
Statement of Revenues, Expenses and Changes in
Net Position – Proprietary Funds
Year Ended September 30, 2019

	Business-Type Activities		
	Sewer Fund	Arena Fund	Total
Operating Revenues			
Charges for services	\$ 1,058,625	\$ -	\$ 1,058,625
Food and beverage sales	-	1,842,121	1,842,121
Event revenue	-	2,097,348	2,097,348
Rent income	-	508,442	508,442
Advertising revenue	-	201,102	201,102
Suite and premium seat revenue	-	129,440	129,440
Miscellaneous	-	305,933	305,933
	<u>1,058,625</u>	<u>5,084,386</u>	<u>6,143,011</u>
Operating Expenses			
Sewer service	861,596	-	861,596
Arena operations	-	2,427,638	2,427,638
Event expenses	-	1,899,203	1,899,203
Food and beverage cost of sales	-	814,451	814,451
General and administrative	309,580	359,322	668,902
Depreciation	32,647	801,595	834,242
Repairs and maintenance	1,840	806,734	808,574
	<u>1,205,663</u>	<u>7,108,943</u>	<u>8,314,606</u>
	<u>(147,038)</u>	<u>(2,024,557)</u>	<u>(2,171,595)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental	-	3,034,002	3,034,002
Interest income	-	1,356	1,356
Interest expense	(6,123)	(1,676,422)	(1,682,545)
	<u>(6,123)</u>	<u>1,358,936</u>	<u>1,352,813</u>
Other Financing Sources			
Transfers in	-	2,686,061	2,686,061
	<u>(153,161)</u>	<u>2,020,440</u>	<u>1,867,279</u>
Change in Net Position	<u>(153,161)</u>	<u>2,020,440</u>	<u>1,867,279</u>
Net Position, Beginning of Year	<u>723,413</u>	<u>(3,561,398)</u>	<u>(2,837,985)</u>
Net Position, End of Year	<u>\$ 570,252</u>	<u>\$ (1,540,958)</u>	<u>\$ (970,706)</u>

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

	Business-Type Activities		
	Sewer Fund	Arena Fund	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,071,050	\$ 4,751,886	\$ 5,822,936
Payments to suppliers	(880,695)	(4,478,343)	(5,359,038)
Payments to employees	(194,017)	(1,741,139)	(1,935,156)
Net cash used in operating activities	<u>(3,662)</u>	<u>(1,467,596)</u>	<u>(1,471,258)</u>
Cash Flows from Noncapital Financing Activities			
Repayments on revolving note payable	-	(160,373)	(160,373)
Transfers from other funds	-	1,654,564	1,654,564
Net cash provided by noncapital financing activities	<u>-</u>	<u>1,494,191</u>	<u>1,494,191</u>
Cash Flows from Capital and Related Financing Activities			
Payments for acquisition of capital assets	-	(59,398)	(59,398)
Principal paid on long-term debt	(76,380)	(1,930,000)	(2,006,380)
Proceeds from intergovernmental revenues	-	2,932,116	2,932,116
Interest and fiscal charges paid	(7,145)	(1,672,873)	(1,680,018)
Transfers from other funds	-	1,031,497	1,031,497
Net cash provided by (used in) capital and related financing activities	<u>(83,525)</u>	<u>301,342</u>	<u>217,817</u>
Cash Flows from Investing Activities			
Interest received	-	1,356	1,356
Net Change in Cash and Cash Equivalents	<u>(87,187)</u>	<u>329,293</u>	<u>242,106</u>
Cash and Cash Equivalents, Beginning of Year	<u>780,116</u>	<u>72,536</u>	<u>852,652</u>
Cash and Cash Equivalents, End of Year	<u>\$ 692,929</u>	<u>\$ 401,829</u>	<u>\$ 1,094,758</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating loss	\$ (147,038)	\$ (2,024,557)	\$ (2,171,595)
Depreciation	32,647	801,595	834,242
Changes in operating assets and liabilities			
Accounts receivable	12,425	(93,665)	(81,240)
Inventories	-	37,708	37,708
Prepaid expenses	-	(34,556)	(34,556)
Net pension asset	(4,146)	-	(4,146)
Deferred outflows for pensions	(24,873)	40,706	15,833
Accrued expenses	899	(7,260)	(6,361)
Accounts payable	98,080	129,205	227,285
Unearned revenue	-	(238,835)	(238,835)
Net pension liability	(995)	(8,693)	(9,688)
Deferred inflows for pensions	29,339	(69,244)	(39,905)
Net Cash Used in Operating Activities	<u>\$ (3,662)</u>	<u>\$ (1,467,596)</u>	<u>\$ (1,471,258)</u>

City of Ralston, Nebraska
Statement of Fiduciary Net Position – Cash Basis
September 30, 2019

	Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 137,404
Investments	5,703,301
Total assets	5,840,705
Liabilities - Due to Others	-
Net Position Restricted for Pensions	\$ 5,840,705

City of Ralston, Nebraska
Statement of Changes in Fiduciary Net Position – Cash Basis
Year Ended September 30, 2019

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 191,768
Employee	162,771
Net appreciation in fair value of investments	263,267
Total additions	617,806
Deductions	
Benefit payments	334,213
Total deductions	334,213
Net Increase in Net Position	283,593
Net Position Restricted for Pensions	
Beginning of year	5,557,112
End of year	\$ 5,840,705

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The City of Ralston (the City) is located in Douglas County, Nebraska, and was first incorporated in 1912 under the provisions of the constitution and the general statutes of the State of Nebraska. The City operates under a mayor-council form of government and provides a full range of services including public safety, roads, sanitation, culture and recreation, planning, zoning, and general administrative services to its residents.

The accompanying financial statements present the City as the primary government. In determining its financial reporting entity, the City has considered all potential component units for which it is financially accountable, including other organizations which are fiscally dependent on the City, or the significance of their relationship with the City is such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability, which was used in making this evaluation.

On July 31, 2007, the City of Ralston Municipal Facilities Corporation (Corporation) was established for the purpose of acquiring and/or leasing buildings, equipment, and facilities to the City of Ralston. As the Corporation was formed as a not-for-profit corporation with the City as the sole corporate member, the City has determined the Corporation to be a blended component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and thus are presented as such.

During 2019, the City entered into a Management Agreement with Global Spectrum, L.P. d/b/a Spectra Venue Management (Spectra) for the administration and operation of the City's Arena. Under the Management Agreement, the City retains ownership of all facilities, data, equipment and materials, while Spectra acts as the sole and exclusive manager and operator of the Arena facilities. For these services, Spectra earns a fixed management fee plus certain financial and qualitative incentive fees. The Management Agreement extends through September 30, 2024 and may be renewed for an additional five year period upon mutual written agreement between the City and Spectra.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

In the Statement of Net Position, Statement of Activities, and the fund financial statements, governmental activities and fiduciary funds are presented using the cash basis of accounting. This basis recognizes assets, net position/fund balance, revenues and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The City's business-type activities, in the Statement of Net Position, Statement of Activities, and the fund financial statements, are presented using the total economic resources measurement focus and accrual basis of accounting. This basis recognizes revenues when earned, and expenses are recognized when they are incurred, regardless of the timing of the related cash flows. Unbilled service revenues are accrued in the period of consumption.

City of Ralston, Nebraska

Notes to Financial Statements

September 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

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

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and charges between the business-type functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 which constitute its assets, deferred outflows, liabilities, deferred inflows, fund balance/net position, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. 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:

City of Ralston, Nebraska

Notes to Financial Statements

September 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Government-Wide and Fund Financial Statements - Continued

1. Total assets and deferred outflows, liabilities and deferred inflows, 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
2. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Major Governmental Funds

The City reports the following major governmental funds:

- The General Fund finances the day-to-day operation of the basic governmental activities, such as legislative, judicial, administration, parks and recreation, public safety, public works and public library.
- The Street Fund accounts for the resources obtained to fund the maintenance and betterment of highways and streets. The primary source of revenue for the fund is state highway allocations.
- The Lottery Fund accounts for the resources obtained from sponsoring keno operations, the funds from which are used for community betterment.
- The Debt Service Fund accounts for resources obtained and used for the payment of interest and principal on general long-term debt obligations.
- The Community Development Fund accounts for various economic and community development resources including grants and revolving loan programs.

Major Enterprise Funds

The City reports the following major enterprise funds:

- The Sewer Fund accounts for the activities of the City's sewer utility.
- The Arena Fund accounts for the activities of the City's sports and event center.

Fiduciary Funds

Civilian Employee and Police Pension Plan Funds – The pension plan funds account for the receipt, investment and distribution of retirement contributions made for the benefit of police, fire and general city employees.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Budget and Budgetary Accounting

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

1. The City's department and division heads prepare and submit budget requests for the following fiscal year to the City Treasurer who then reviews the requests with the department heads.
2. After this review process has been completed, the City Treasurer presents these budget requests to the Mayor and City Council along with recommendations as to what changes, if any, should be made. These budget requests and recommendations are reviewed by the City Council at meetings open to the public.
3. A public hearing on the budget is then conducted at a City Council meeting to obtain comments from citizens.
4. Prior to September 20, the City Council legally enacts the ensuing fiscal year's budget through the passage of a resolution adopting the budget.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. The budgets adopted are stated on a cash basis. Budgetary comparisons are presented in the financial statements for all funds which adopt a budget and are on the budgetary basis which is not in accordance with accounting principles generally accepted in the United States of America.

Cash, Cash Equivalents, Investments and Investment Income

The City maintains a cash deposit pool that is available for use by all funds. The pool consists of bank deposits. The equity of proprietary funds in this pool is considered to be cash and cash equivalents for purposes of the statement of cash flows. The pension trust funds consider all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents held within the pension trust funds consist of money market funds at September 30, 2019. In addition, cash and deposits are separately held by several of the City's funds.

Statutes authorize the City to invest in collateralized bank certificates of deposit, time deposits, obligations of the United States Government and selected Federal Agency securities. Certificates of deposit are carried at amortized cost, and all other investments are carried at fair value. Pension trust fund investments are reported at fair value. Fair value is determined using quoted market prices.

Investment income is assigned to the funds with which the related investment asset is associated, except for investments related to bond issues which are legally required to be assigned to the Debt Service Fund.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Cash Held with Trustee

The City has been named as the beneficiary of a charitable bequest from a donor, whereby an account has been established at the Nebraska Community Foundation (the Foundation) and monies deposited into the account from the donor are to be used specifically for the City's Hinge Project. The Foundation acts as the Trustee for the account and has the responsibility to approve distributions to the City from the account, once the City is able to substantiate that eligible expenditures have been incurred. During the 2019 fiscal year, distributions of \$512,786 were made from the account to the City for project costs, and are recorded as expenditures in the City's financial statements.

Property Taxes

The following is a summary of the tax payment dates for the City's property tax levies:

1. Real estate tax levies for all political subdivisions in Douglas County are certified by the County Board on or before October 15 of each year. The first and second halves of the taxes become delinquent on the following April 1, and August 1, respectively.
2. Personal property taxes are due November 1 of each year and may be paid in two equal installments. The first and second halves of the taxes become delinquent on December 1, and July 1, respectively.
3. Motor vehicle taxes are due when an application is made for registration of a motor vehicle.

Keno Revenue

Keno revenue is recorded by the City in the period in which it is received. Commissions paid to the Keno operator are netted against gross revenue.

Capital Assets – Sewer and Arena Funds

Capital assets of the Sewer Fund consist solely of machinery and equipment, while capital assets of the Arena Fund consist of land, building and improvements, furniture and fixtures, and machinery and equipment. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Machinery and equipment and furniture and fixtures are being depreciated using the straight-line method over 5 to 25 years. Building and improvements are being depreciated using the straight-line method over 35 years.

City of Ralston, Nebraska

Notes to Financial Statements

September 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Due From Other Governments – Arena Fund

Amounts due from other governments consist of amounts due from the State of Nebraska under provisions of the Sports Arena Facility Financing Assistance Act. Amounts are recorded when certified by the State Tax Commissioner.

Inventories – Arena Fund

Inventories consist of food and beverage items at the City's Arena Fund. Inventories are stated at cost, which is determined using the first-in, first-out (FIFO) method.

Risk Management

The City is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Unearned Revenue Real Estate – Arena Fund

The City has entered into a real estate purchase agreement for the retail store portion of the sports and event center. Under the terms of the agreement, the City is required to repurchase the property from the buyer at the buyer's option at certain dates as defined in the contract. If the buyer does not exercise the option to force the City to repurchase the real estate, the City maintains a perpetual option to repurchase the retail space. The real estate agreement does not meet the criteria for the sale of capital assets and the funds received under the agreement are recorded as unearned revenue.

Compensated Absences – Sewer Fund

In the Sewer Fund, vacation and sick leave are accrued as the benefits are earned if the leave is attributable to past service and it is probable the City will compensate the employee for such benefits. Such accruals are based on current salary rates and include salary-related payments directly and incrementally associated with payments made for compensated absences on termination. In the governmental funds, compensated absences are recorded when paid.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Fund Balance – Governmental Funds

The fund balances for the City’s governmental funds are displayed in five components:

Nonspendable – Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

Restricted – Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Committed fund balances may be used only for the specific purposes determined by formal action (ordinance or resolution) of the City Council. Commitments may be changed or lifted only by issuance of a resolution or ordinance by the City Council.

Assigned – Assigned fund balances are intended to be used by the City for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

Fund balances are classified as restricted, committed, assigned or unassigned. When expenditures are incurred that use funds from more than one classification, the city will generally determine the order which the funds are used on a case-by-case basis, taking into account any application requirements of grant agreements, contracts, business circumstances, or other constraints. If no other constraints exist, the order of spending of resources will be restricted, committed, assigned and, lastly, unassigned.

Net Position

Net position is displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations or other governments; or by law through constitutional provisions or enabling legislation.

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

City of Ralston, Nebraska

Notes to Financial Statements

September 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Net Position - Continued

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

The Arena Fund has a net position deficit of \$1,540,958 at September 30, 2019. During 2019, the City entered into a Management Agreement for the administration of the Arena, and management believes that the operations of the facility will continue to improve and generate smaller deficits to be covered by other City funds.

Use of Estimates

The preparation of the 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, deferred inflows 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.

Restatement of Prior Year Balances

During 2019, the City restated the 2018 ending net position for the governmental activities, to correct the balance of cash held with trustee for the Community Development Fund. The corrections included increasing net position and fund balance by \$4,631,233 as of September 30, 2018, for additional information identified by City management which indicated that monies held at the Nebraska Community Foundation for the benefit of the City's Hinge Project could be utilized by the City at any time, once the City was able to substantiate that eligible project costs had been incurred. The restatement also increased the change in fund balance for the Community Development Fund and change in net position for the governmental activities by \$4,631,233 for the fiscal year ended September 30, 2018.

Note 2: Deposits and Investments

Deposits

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

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 2: Deposits and Investments - Continued

Deposits - Continued

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Nebraska; bonds of any city, county, school district or special road district of the State of Nebraska; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The Statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC).

At September 30, 2019, the City’s deposits in excess of FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the City.

Pension Trust Fund Investments

The City’s civilian and police pension trusts are allowed to invest in domestic and international equity funds, domestic and foreign bonds and other alternative investments.

At September 30, 2019, the City’s pension trust funds had the following investments:

Type	Carrying Value	Credit Rating
Money market mutual funds	\$ 137,404	N/A
Mutual funds - fixed income	1,361,209	N/A
Mutual funds - bonds	106,494	N/A
Mutual funds - equities	4,235,598	N/A
	\$ 5,840,705	

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 securities that are in the possession of an outside party.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City uses its pension investment advisor to monitor market conditions and investment securities to determine the maximum yield that can be obtained while minimizing the impact of rising interest rates. The money market and mutual funds are considered investments with a maturity of less than 1 year because they are redeemable in full immediately.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 2: Deposits and Investments - Continued

Pension Trust Fund Investments - Continued

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City uses its pension investment advisor to monitor investments and minimize the impact of credit risk.

Concentration of Credit Risk – The pension advisory committee does not have any specific limitation on investments with a single issuer or mutual fund. The pension trust funds utilize various mutual fund groups to diversify investments.

Summary of Carrying Values

The carrying values of the City’s deposits and investments are included in the statements of net position as follows:

Government-wide statement of net position	
Cash and cash equivalents	\$ 2,681,944
Fiduciary funds statement of net position	
Cash and cash equivalents	\$ 137,404
Investments	5,703,301

Note 3: Disclosures About Fair Value of Assets and Liabilities

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

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

Money market mutual funds are carried at amortized cost, and thus are not included within the fair value hierarchy. The Pension Trust Funds’ investments in mutual funds are measured at fair value on a recurring basis, and are classified within Level 1 of the fair value hierarchy at September 30, 2019.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 4: Capital Assets - Sewer and Arena Funds

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

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities				
Capital assets, not being depreciated				
Land	\$ 8,623,388	\$ -	\$ -	\$ 8,623,388
Total capital assets, not being depreciated	<u>8,623,388</u>	<u>-</u>	<u>-</u>	<u>8,623,388</u>
Capital assets, being depreciated				
Building and improvements	31,037,166	-	-	31,037,166
Furniture and fixtures	4,624,268	59,398	-	4,683,666
Machinery and equipment	804,123	-	-	804,123
Total capital assets, being depreciated	<u>36,465,557</u>	<u>59,398</u>	<u>-</u>	<u>36,524,955</u>
Less accumulated depreciation for				
Building and improvements	4,905,401	785,537	-	5,690,938
Furniture and fixtures	4,601,405	14,458	-	4,615,863
Machinery and equipment	580,185	34,247	-	614,432
Total accumulated depreciation	<u>10,086,991</u>	<u>834,242</u>	<u>-</u>	<u>10,921,233</u>
Total capital assets, being depreciated, net	<u>26,378,566</u>	<u>(774,844)</u>	<u>-</u>	<u>25,603,722</u>
Business-type activities capital assets, net	<u>\$ 35,001,954</u>	<u>\$ (774,844)</u>	<u>\$ -</u>	<u>\$ 34,227,110</u>

Depreciation was charged to functions/programs as follows:

Business-Type Activities	
Sewer	\$ 32,647
Arena	<u>801,595</u>
	<u>\$ 834,242</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 5: Long-term Liabilities

The following is a summary of long-term liabilities activity of the City for the year ended September 30, 2019:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Governmental Activities					
General obligation bonds payable	\$ 2,545,000	\$ -	\$ 305,000	\$ 2,240,000	\$ 280,000
Business-Type Activities					
Bonds and Notes					
Sewer revenue bond	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -
General obligation bonds payable	35,370,000	-	1,930,000	33,440,000	3,090,000
Notes payable - Direct borrowing	2,396,000	-	196,753	2,199,247	198,963
Unamortized issuance discounts	(113,700)	-	(8,726)	(104,974)	-
Net bonds and notes	<u>37,692,300</u>	<u>-</u>	<u>2,158,027</u>	<u>35,534,273</u>	<u>3,288,963</u>
Other Liabilities					
Unearned revenue - real estate	700,000	-	-	700,000	-
Compensated absences	74,090	16,758	65,657	25,191	8,466
Net pension liability	6,354	-	6,354	-	-
	<u>780,444</u>	<u>16,758</u>	<u>72,011</u>	<u>725,191</u>	<u>8,466</u>
Business-type activities long-term liabilities	<u>\$ 38,472,744</u>	<u>\$ 16,758</u>	<u>\$ 2,230,038</u>	<u>\$ 36,259,464</u>	<u>\$ 3,297,429</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 5: Long-term Liabilities - Continued

Long-term debt of the City is comprised of the following individual issues:

Original Amount	Issued	Issue	Interest Rate	Dates Due	Date Callable	Interest Date	Outstanding
Governmental Activities							
General Obligation Bonds							
\$ 760,000	8/10/2010	Vehicle Off-Street Parking Bonds	0.75 - 4.10	Ser. '11 to '26	2015	Semiannually	\$ 390,000
530,000	4/9/2013	Highway Allocation Fund Pledge Bonds	0.40 - 2.15	Ser. '13 to '22	2018	Semiannually	195,000
530,000	9/3/2014	Highway Allocation Fund Pledge Bonds	0.45 - 2.70	Ser. '15 to '24	2019	Semiannually	315,000
300,000	8/21/2015	Highway Allocation Fund Pledge Bonds	0.90 - 2.30	Ser. '17 to '22	2020	Semiannually	150,000
405,000	10/6/2017	Street Improvement Bond Anticipation Notes	1.50	10/15/2020	2018	Semiannually	405,000
400,000	9/25/2018	Highway Allocation Fund Pledge Bonds	2.35 - 3.60	Ser. '19 to '28	2023	Semiannually	380,000
405,000	9/25/2018	Street Improvement Bond Anticipation Notes	2.35	10/15/2020	2019	Semiannually	405,000
Total General Obligation Bonds							<u>\$ 2,240,000</u>
Business-Type Activities							
General Obligation Bonds							
\$ 7,930,000	8/30/2011	General Obligation Arena Bonds	1.15 - 4.50	Ser. '15 to '31	2016	Semiannually	\$ 6,315,000
630,000	8/30/2011	General Obligation Arena Bonds	2.10 - 4.85	Ser. '15 to '31	2016	Semiannually	490,000
10,000,000	2/1/2012	General Obligation Arena Bonds Series A	2.00 - 5.00	Ser. '15 to '31	2017	Semiannually	8,015,000
10,440,000	5/22/2012	General Obligation Arena Bonds Series B	1.40 - 5.00	Ser. '14 to '31	2017	Semiannually	7,635,000
4,245,000	9/25/2012	Lease Purchase Bonds	1.65 - 5.10	Ser. '13 to '27	2017	Semiannually	2,735,000
4,075,000	6/1/2012	Vehicle Off-Street Parking Bonds	0.55 - 3.70	Ser. '14 to '32	2017	Semiannually	3,005,000
4,295,000	5/1/2013	Vehicle Off-Street Parking Bonds	2.30 - 6.00	Ser. '17 to '33	2018	Semiannually	4,145,000
1,100,000	5/15/2018	Promissory Note	5.00	5/15/2020	2018	Semiannually	1,100,000
Total General Obligation Bonds							<u>\$ 33,440,000</u>
Notes Payable - Direct borrowing							
\$ 2,600,000	Various	Note Payable - Revolving	6.50	12/1/2021	N/A	Monthly	\$ 2,119,627
147,000	1/5/2018	Note Payable - Equipment	2.625	9/1/2021	N/A	Monthly	79,620
Total Notes Payable							<u>\$ 2,199,247</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 5: Long-term Liabilities - Continued

Annual requirements to pay principal and interest to maturity on outstanding debt follow:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities General Obligation Bonds		
2020	\$ 280,000	\$ 55,891
2021	1,100,000	37,158
2022	295,000	27,068
2023	180,000	19,190
2024	180,000	13,615
2025-2028	205,000	12,620
	<u>\$ 2,240,000</u>	<u>\$ 165,542</u>
Business-Type Activities General Obligation Bonds		
2020	\$ 3,090,000	\$ 1,478,529
2021	2,060,000	1,363,358
2022	2,155,000	1,295,165
2023	2,165,000	1,218,003
2024	1,980,000	1,138,563
2025-2029	13,505,000	4,156,648
2030-2033	8,485,000	959,615
	<u>\$ 33,440,000</u>	<u>\$ 11,609,881</u>
Business-Type Activities Notes Payable - Direct Borrowing		
2020	\$ 198,963	\$ 140,584
2021	2,000,284	22,226
	<u>\$ 2,199,247</u>	<u>\$ 162,810</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 5: Long-term Liabilities - Continued

Line of Credit

The City has an unsecured revolving line of credit at a local financial institution, expiring in June 2020, that has a maximum limit of \$500,000, with an interest rate of 5.0% and payments due on demand. No amounts were drawn on this line of credit during the year ended September 30, 2019.

Pledged Revenue and Collateral

The Highway Allocation Fund Pledge Bonds are secured by a pledge of the revenues received from the City's annual allocation of the State of Nebraska Highway Funds, through final maturity of the bonds in 2028. The total principal and interest remaining to be paid on the bonds is \$1,123,341, with annual payments expected to require approximately 35% of revenues.

The revolving note payable is collateralized by the unrestricted revenues of the City and the equipment note payable is collateralized by the equipment financed with the borrowing. The Commercial Security Agreements for the notes payable include several instances which would constitute an event of default under the agreement, including, but not limited to, non-payment or other defaults, insolvency, and a material adverse change in the City's financial condition. Under the Commercial Security Agreements, in the event of such default, the lender has the ability to take possession of the collateral or also declare any outstanding indebtedness immediately due and payable.

Note 6: Retirement Plans

Civilian Employee Pension Plan

Statement of Fiduciary Net Position – Cash Basis
September 30, 2019

Assets	
Cash and cash equivalents	\$ 100,877
Investments	3,646,070
	3,746,947
Total assets	3,746,947
Liabilities - Due to Others	-
Net Position Restricted for Pensions	\$ 3,746,947

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 6: Retirement Plans - Continued

Statement of Changes in Fiduciary Net Position – Cash Basis
Year Ended September 30, 2019

Additions	
Contributions	
Employer	\$ 122,445
Employee	57,615
Net appreciation in fair value of investments	<u>207,898</u>
Total additions	<u>387,958</u>
 Deductions	
Benefit payments	<u>292,347</u>
Total deductions	<u>292,347</u>
Net Increase in Net Position	95,611
 Net Position Restricted for Pensions	
Beginning of year	<u>3,651,336</u>
End of year	<u>\$ 3,746,947</u>

Plan Description – The Civilian Employee Pension Plan (Civilian Plan) is a single-employer defined benefit pension plan administered by the City. The City Council serves as the Civilian Plan’s board. Plan provisions are established by State Statutes and City ordinance, and can be amended by the City Council. All full-time City employees that have reached the age of 21 are eligible to participate in the Civilian Plan. The City does not issue a separate report that includes financial statements and required supplementary information for the Civilian Plan.

Benefits – City employees who retire at or after age 65 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 50% of his or her average compensation, multiplied by an accrued benefit adjustment. Benefits vest over ten years of service. For employees opting for early retirement, the monthly benefit is reduced by a factor which is based on the number of years before the normal retirement date. For employees retiring after the normal retirement, the monthly benefit is increased by a factor which is based on the number of years following the normal retirement date.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 6: Retirement Plans - Continued

Contributions and Funding Policy – City employees participating in the Civilian Plan are required to contribute 6% of their annual salary. The City is required to contribute the remaining amounts necessary to fund the Civilian Plan, including plan expenses, using a consistent actuarial method. City contributions for 2019 were \$122,445. Amounts contributed by employees during 2019 totaled \$57,615.

Plan Membership – At September 30, 2019, membership in the Civilian Plan consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	<u>12</u>
Total	<u><u>39</u></u>

Net Pension Asset– The Civilian Plan’s net pension asset was measured as of September 30, 2019 based on an actuarial valuation as of August 1, 2019 rolled forward to September 30, 2019. The components of the net pension asset of the Civilian Plan at September 30, 2019, were as follows:

Total pension liability	\$ 3,701,168
Plan fiduciary net position (market value)	<u>(3,746,947)</u>
Net pension asset	<u><u>\$ (45,779)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	101.24%

Actuarial Assumptions – The total pension liability as of September 30, 2019, was determined by an actuarial valuation using the entry age normal cost method, and included the following actuarial assumptions:

Price inflation	2.60%
Salary increases, including wage inflation	5.00%
Long-term rate of return, net of investment expense, including price inflation	6.50%

Mortality rates are based on the RP-2014 Total Dataset Mortality Table with generational projection using Scale MP-2019.

City of Ralston, Nebraska

Notes to Financial Statements

September 30, 2019

Note 6: Retirement Plans - Continued

Discount Rate – The discount rate used to measure the total pension liability at September 30, 2019 was 6.50%, which was unchanged from the prior discount rate used to measure the total pension liability at September 30, 2018. The projection of cash flows used to determine the discount rate assumed that the contributions from the City would be made at the full actuarial contribution amount determined each year. Based on that assumption, the Civilian Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive Civilian Plan employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Long-term Rate of Return – The long-term expected rate of return on pension plan investments is generally reviewed on a regular basis as part of the actuarial valuation process. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Actual long-term historical results achieved by the plan were also considered. Best estimate of geometric real rate of return for each major asset class included in the Civilian Plan’s target asset allocation as of September 30, 2019, are summarized in the following table.

Asset Class	Allocation	Long-Term Expected Real Rate of Return
Fixed Income	38.00%	1.94%
Equities	46.00%	5.57%
Alternatives	16.00%	4.56%
	100.00%	

Sensitivity of the Net Pension Asset to Changes in the Discount Rate – The following presents the net pension asset of the Civilian Plan, calculated using the discount rate of 6.50%, as well as what the Civilian Plan’s net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
Net pension (asset) liability	\$ 358,611	\$ (45,779)	\$ (392,098)

City of Ralston, Nebraska

Notes to Financial Statements

September 30, 2019

Note 6: Retirement Plans - Continued

Changes in the Net Pension (Asset) Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balance at Beginning of Year	\$ 3,702,334	\$ 3,651,336	\$ 50,998
Changes for the year			
Service cost	181,107	-	181,107
Interest	231,300	-	231,300
Differences between expected and actual experience	(109,207)	-	(109,207)
Assumption changes	(12,019)	-	(12,019)
Employer contributions	-	122,445	(122,445)
Employee contributions	-	57,615	(57,615)
Net investment income	-	207,898	(207,898)
Benefit payments, including member refunds	(292,347)	(292,347)	-
Net changes	(1,166)	95,611	(96,777)
Balance at End of Year	<u>\$ 3,701,168</u>	<u>\$ 3,746,947</u>	<u>\$ (45,779)</u>

Deferred Inflows and Outflows of Resources Related to Pensions – Under GASB 68, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Investment gains and losses are recognized over a closed five-year period. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. As of September 30, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ -	\$ (385,047)
Changes of assumptions	189,459	(15,844)
Differences between expected and actual experience	-	(10,616)
Total	<u>\$ 189,459</u>	<u>\$ (411,507)</u>

City of Ralston, Nebraska

Notes to Financial Statements

September 30, 2019

Note 6: Retirement Plans - Continued

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized into pension expense as follows:

Year Ended September 30,	
2020	\$ (83,281)
2021	(73,213)
2022	(36,454)
2023	<u>(29,100)</u>
	<u>\$ (222,048)</u>

Police Pension Plan

Statement of Fiduciary Net Position – Cash Basis September 30, 2019

Assets	
Cash and cash equivalents	\$ 36,527
Investments	<u>2,057,231</u>
Total assets	<u>2,093,758</u>
Liabilities - Due to Others	
	<u>-</u>
Net Position Restricted for Pensions	<u><u>\$ 2,093,758</u></u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 6: Retirement Plans - Continued

Police Pension Plan - Continued

Statement of Changes in Fiduciary Net Position – Cash Basis
Year Ended September 30, 2019

Additions	
Contributions	
Employer	\$ 69,323
Employee	105,156
Net appreciation in fair value of investments	<u>55,369</u>
Total additions	<u>229,848</u>
 Deductions	
Benefit payments	<u>41,866</u>
Total deductions	<u>41,866</u>
Net Increase in Net Position	187,982
 Net Position Restricted for Pensions	
Beginning of year	<u>1,905,776</u>
End of year	<u>\$ 2,093,758</u>

The City’s single employer Police Pension Plan (Police Plan) covers all uniformed employees of the Ralston Police Department. The Police Plan was converted effective January 1, 1984, from a defined benefit plan to a defined contribution plan. As of September 30, 2019, there were 14 active participants in the Police Plan. The Police Plan has no participants employed prior to January 1, 1984.

Benefit provisions are contained in the plan document and were established and can be amended by action of the City’s governing body. The Police Plan requires that both the employee and the City contribute an amount equal to 6% of the employee’s base salary per pay period. Any forfeitures shall first be used to reduce the City’s contributions, then used to pay administrative costs of the Police Plan.

Contributions to the Police Plan by the City were \$69,323 and members contributed \$105,156 for 2019. No forfeitures were used to reduce City contributions during 2019. The Police Plan assets are held by a leading Nebraska financial institution, with administration services provided by an actuarial firm.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 7: Interfund Balances and Activity

Transfers included in the financial statements during the year ended September 30, 2019 consisted of:

Transfer From	Transfer To			
	General	Street	Arena	Total
General	\$ -	\$ -	\$ 552,064	\$ 552,064
Lottery	49,244	379,885	1,181,497	1,610,626
Debt Service	-	-	952,500	952,500
Total	<u>\$ 49,244</u>	<u>\$ 379,885</u>	<u>\$ 2,686,061</u>	<u>\$ 3,115,190</u>

Additional detail on these transfers is provided below:

From Lottery to General, Street and Arena for scheduled capital projects	\$ 1,460,626
From General to Arena for certain sales tax collections that were intended to be used for Arena purposes, but are initially collected within the General Fund	552,064
From Debt Service to Arena for property tax collections that were intended to be used for Arena debt service, but are initially collected within the Debt Service Fund	952,500
From Lottery to Arena for cash flow purposes	<u>150,000</u>
	<u>\$ 3,115,190</u>

Note 8: Tax Abatements

The City provides tax abatements under the Tax Increment Financing Program (TIF). TIF provides property tax abatements to encourage improvements to blighted property. The program is established under the auspices of a state statute (Article 21, Section 18-2101 - 2144) empowering cities and counties to establish such programs. The abatements equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, are administered as a rebate of the incremental taxes generated from the improvements to property, and last for 15 years (or fewer, if the loan is paid off). Eligibility for approval requires the property to have no loss of pre-existing tax revenues, and the developer demonstrates the project is not feasible without TIF. Abatements are obtained through application by the property owner and are reviewed and approved by a TIF council prior to commencing the improvements. This refund reduces the net monthly property tax to the City of Ralston. The City of Ralston is not prohibited from releasing information that may be considered public record and therefore available to any entity submitting the proper request to the city clerk. Taxes abated under this program for the fiscal year ended September 30, 2019 were approximately \$200,000.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2019

Note 9: Contingencies

Federal and State Programs

The City participates in a number of federal and state assistance programs. The programs are subject to financial and compliance audits or reviews. The amounts of expenditures, if any, which may be disallowed by the granting agencies, is not determinable; however, City officials do not believe such amounts would be significant.

Claims and Litigation

The City is involved in various litigation matters arising from the normal course of business. The outcome of such litigation is not expected to have a material effect on the City's financial position or results of operations.

Note 10: Subsequent Events

In October 2019, the City entered into a Lease Purchase Agreement for the acquisition of a pumper for the Fire Department. The lease agreement provides for the City to make annual principal and interest payments through October 2034, with total principal payments expected to approximate \$540,000. At the end of the lease term, the City has the ability to exercise a bargain purchase option for the equipment.

In February 2020, the City entered into a Purchase Agreement for the repurchase of the retail store portion of the sports and event center, described in Note 1. The Purchase Agreement provides for a repurchase price of \$700,000, with the transaction expected to close in March 2020. The City anticipates funding this repurchase through a loan with a local financial institution.

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

Required Supplementary Information

City of Ralston, Nebraska
Budgetary Comparison Schedule – Cash Basis
General Fund
Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 2,336,650	\$ 2,336,650	\$ 2,202,307	\$ (134,343)
Intergovernmental	148,572	148,572	281,585	133,013
Sales taxes	1,634,000	1,634,000	1,528,417	(105,583)
Charges for services	312,000	312,000	325,312	13,312
Permits and fees	277,200	277,200	308,217	31,017
Grants and donations	79,245	79,245	23,334	(55,911)
Investment income	3,600	3,600	8,503	4,903
Miscellaneous	-	-	17,712	17,712
	<u>4,791,267</u>	<u>4,791,267</u>	<u>4,695,387</u>	<u>(95,880)</u>
Expenditures				
General government	1,353,866	1,353,866	1,577,681	(223,815)
Public safety	1,992,991	1,992,991	1,748,908	244,083
Cultural and recreational	871,191	871,191	746,282	124,909
Capital outlay	64,542	64,542	49,244	15,298
	<u>4,282,590</u>	<u>4,282,590</u>	<u>4,122,115</u>	<u>160,475</u>
Excess of Revenues Over Expenditures	<u>508,677</u>	<u>508,677</u>	<u>573,272</u>	<u>64,595</u>
Other Financing Sources (Uses)				
Transfers in	64,542	64,542	49,244	(15,298)
Transfers out	(550,004)	(550,004)	(552,064)	(2,060)
	<u>(485,462)</u>	<u>(485,462)</u>	<u>(502,820)</u>	<u>(17,358)</u>
Change in Fund Balance	<u>\$ 23,215</u>	<u>\$ 23,215</u>	<u>\$ 70,452</u>	<u>\$ 47,237</u>

City of Ralston, Nebraska
Budgetary Comparison Schedule – Cash Basis
Street Fund
Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 774,000	\$ 774,000	\$ 834,402	\$ 60,402
Sales taxes	-	-	190,000	190,000
Miscellaneous	6,300	6,300	5,341	(959)
Total revenues	<u>780,300</u>	<u>780,300</u>	<u>1,029,743</u>	<u>249,443</u>
Expenditures				
Public works	899,142	899,142	831,272	67,870
Capital outlay	805,000	805,000	997,106	(192,106)
Debt service	252,855	252,855	284,570	(31,715)
Total expenditures	<u>1,956,997</u>	<u>1,956,997</u>	<u>2,112,948</u>	<u>(155,951)</u>
Deficiency of Revenues Under Expenditures	<u>(1,176,697)</u>	<u>(1,176,697)</u>	<u>(1,083,205)</u>	<u>93,492</u>
Other Financing Sources				
Issuance of long-term debt	805,000	805,000	-	(805,000)
Transfers in	371,838	371,838	379,885	8,047
Total other financing sources	<u>1,176,838</u>	<u>1,176,838</u>	<u>379,885</u>	<u>(796,953)</u>
Change in Fund Balance	<u>\$ 141</u>	<u>\$ 141</u>	<u>\$ (703,320)</u>	<u>\$ (703,461)</u>

City of Ralston, Nebraska
Budgetary Comparison Schedule – Cash Basis
Lottery Fund
Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Keno income	\$ 1,440,000	\$ 1,440,000	\$ 1,323,899	\$ (116,101)
Investment income	7,380	7,380	6,787	(593)
Miscellaneous	<u>12,000</u>	<u>12,000</u>	<u>52,260</u>	<u>40,260</u>
Total revenues	<u>1,459,380</u>	<u>1,459,380</u>	<u>1,382,946</u>	<u>(76,434)</u>
Expenditures				
Economic and community development	<u>725,600</u>	<u>725,600</u>	<u>792,024</u>	<u>(66,424)</u>
Total expenditures	<u>725,600</u>	<u>725,600</u>	<u>792,024</u>	<u>(66,424)</u>
Excess of Revenues Over Expenditures	733,780	733,780	590,922	(142,858)
Transfers Out	<u>(936,380)</u>	<u>(936,380)</u>	<u>(1,610,626)</u>	<u>(674,246)</u>
Change in Fund Balances	<u>\$ (202,600)</u>	<u>\$ (202,600)</u>	<u>\$ (1,019,704)</u>	<u>\$ (817,104)</u>

City of Ralston, Nebraska
Required Supplementary Information

**Schedule of Changes in the Net Pension (Asset)
Liability and Related Ratios
For the Civilian Employee Pension Plan**

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 181,107	\$ 236,794	\$ 256,946	\$ 234,430	\$ 215,084	\$ 202,145
Interest	231,300	225,833	230,948	226,653	241,941	199,518
Effect of economic/demographic gains or losses	(109,207)	(112,128)	(182,121)	(193,117)	(93,771)	75,094
Assumption changes	(12,019)	(9,474)	337,473	-	-	-
Benefit payments	(292,347)	(222,582)	(272,386)	(151,227)	(174,126)	(205,891)
Net change in total pension liability	(1,166)	118,443	370,860	116,739	189,128	270,866
Total pension liability - beginning	3,702,334	3,583,891	3,213,031	3,096,292	2,907,164	2,636,298
Total pension liability - ending	<u>\$ 3,701,168</u>	<u>\$ 3,702,334</u>	<u>\$ 3,583,891</u>	<u>\$ 3,213,031</u>	<u>\$ 3,096,292</u>	<u>\$ 2,907,164</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 122,445	\$ 193,174	\$ 206,899	\$ 187,063	\$ 255,090	\$ 212,054
Contributions - employee	57,615	69,163	86,899	87,063	86,008	92,054
Net investment income (loss)	207,898	155,233	388,406	254,998	(17,602)	211,563
Benefit payments	(292,347)	(222,582)	(272,386)	(151,227)	(174,126)	(205,891)
Net change in plan fiduciary net position	95,611	194,988	409,818	377,897	149,370	309,780
Plan fiduciary net position - beginning	3,651,336	3,456,348	3,046,530	2,668,633	2,519,263	2,209,483
Plan fiduciary net position - ending	<u>\$ 3,746,947</u>	<u>\$ 3,651,336</u>	<u>\$ 3,456,348</u>	<u>\$ 3,046,530</u>	<u>\$ 2,668,633</u>	<u>\$ 2,519,263</u>
Net Pension (Asset) Liability	<u>\$ (45,779)</u>	<u>\$ 50,998</u>	<u>\$ 127,543</u>	<u>\$ 166,501</u>	<u>\$ 427,659</u>	<u>\$ 387,901</u>
Plan fiduciary net position as a percentage of the total pension liability	101.24%	98.62%	96.44%	94.82%	86.19%	86.66%
Covered payroll	\$ 960,250	\$ 1,213,386	\$ 1,448,317	\$ 1,451,050	\$ 1,459,989	\$ 1,420,467
Net pension (asset) liability as a percentage of covered payroll	-4.77%	4.20%	8.81%	11.47%	29.29%	27.31%

Note to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

Schedule of Investment Returns

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	5.82%	4.48%	12.59%	9.36%	-0.68%	9.47%

City of Ralston, Nebraska Required Supplementary Information

Schedule of Employer Contributions For the Civilian Employee Pension Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contribution	\$ 122,445	\$ 193,174	\$ 204,628	\$ 143,079	\$ 147,383	\$ 159,536
Actual employer contribution	<u>122,445</u>	<u>193,174</u>	<u>206,899</u>	<u>187,063</u>	<u>255,090</u>	<u>212,054</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,271)</u>	<u>\$ (43,984)</u>	<u>\$ (107,707)</u>	<u>\$ (52,518)</u>
Covered payroll	\$ 960,250	\$ 1,213,386	\$ 1,448,317	\$ 1,451,050	\$ 1,459,989	\$ 1,420,467
Actual contributions as a percentage of covered payroll	12.75%	15.92%	14.29%	12.89%	17.47%	14.93%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

Valuation date:	8/1/2018	8/1/2017	8/1/2016	8/1/2015	8/1/2014	8/1/2013
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Actuarially determined contribution rates are calculated as of August 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method:	20 years, level dollar, open	20 years, level dollar, open	20 years, level dollar, open	20 years, level percent, open	20 years, level percent, open	20 years, level percent, open
Remaining amortization period:	18 years	20 years	20 years	20 years	20 years	20 years
Asset valuation method:	Market	Market	Market	Market	Market	Market
Inflation:	2.60%	2.60%	3.00%	3.00%	3.00%	3.00%
Salary increases:	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Investment rate of return:	6.50%	6.50%	7.50%	7.50%	7.50%	7.50%

City of Ralston, Nebraska
Required Supplementary Information

Schedule of Employer Contributions
For the Civilian Employee Pension Plan - Continued

Changes of benefit and funding terms: The following changes to the plan provisions were reflected in the valuation performed as of August 1:

8/1/2017 valuation:

- Employees who are hired on or after July 1, 2017 are not eligible to participate in the Plan.

Changes in actuarial assumptions and methods:

8/1/2019 valuation:

- The mortality improvement scale changed from MP-2018 to MP-2019

8/1/2018 valuation:

- The mortality improvement scale changed from MP-2017 to MP-2018

8/1/2017 valuation:

- The assumed rate of investment return was lowered from 7.50% to 6.50%.
- The assumed rate of inflation was lowered from 3.00% to 2.60%.
- The mortality improvement scale changed from MP-2016 to MP-2017.
- The UAL amortization period was changed from an open 20-year period to a closed 20-year period that began August 1, 2016.

8/1/2016 valuation:

- The mortality improvement scale changed from MP-2015 to MP-2016.

8/1/2015 valuation:

- The mortality improvement scale changed from MP-2014 to MP-2015.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards

Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of Ralston, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ralston, Nebraska (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2020, which contained a "Basis of Accounting" paragraph regarding the use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, an "Emphasis of Matter" paragraph regarding a restatement of previously issued financial statements, and an "Other Matter" paragraph regarding omission of required supplementary information.

Internal Control over Financial Reporting

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

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

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.

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

Compliance and Other Matters

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

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

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

BKD, LLP

Omaha, Nebraska
March 30, 2020

City of Ralston, Nebraska
Schedule of Findings and Responses
Year Ended September 30, 2019

Reference Number	Finding
2019-001	<p>Material Weakness</p> <p><i>Criteria or Specific Requirement</i> – Management is responsible for preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.</p> <p><i>Condition</i> – The City’s financial statements required the proposal of adjusting journal entries for proper financial statement presentation, including restatements of previously issued financial statements.</p> <p><i>Context</i> – Procedures were not maintained that allow for the proper evaluation of potential adjustments that, individually or in the aggregate, have a significant effect on the financial statements at year-end.</p> <p><i>Effect</i> – Significant adjustments were identified and proposed during the financial statement audit.</p> <p><i>Cause</i> – The Finance Director provided the majority of the entries necessary for the financial statements, however certain entries were identified in relation to the Arena Fund and one entry was also identified by management during the current period that related to a prior year.</p> <p><i>Recommendation</i> – Management should modify procedures to ensure that controls are in place that will allow for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions (Management’s Response)</i> – Management concurs with the finding and recommendation. Management reviews the financial statements prior to issuance for accuracy and understandability. Management will evaluate existing procedures to determine if modifications can be implemented.</p>

City of Ralston, Nebraska
Schedule of Findings and Responses - Continued
Year Ended September 30, 2019

Reference Number	Finding
2019-002	<p>Significant Deficiency</p> <p><i>Criteria or Specific Requirement</i> – Management is responsible for establishing and maintaining effective internal controls over financial reporting and the safekeeping of assets.</p> <p><i>Condition</i> – Concentrations of duties exist within the cash disbursements and payroll cycles.</p> <p>Effective internal control practices require access, monitoring and recording responsibilities be assigned to different individuals. Where these duties are not segregated, potential internal control deficiencies exist.</p> <p>In the cash disbursements cycle, one individual has the ability to issue a purchase order, generate a purchase document, change on-line purchasing instructions, issue and sign a check, generate a payment and have access to signed checks to be issued. This individual also has the ability to record accounts payable and checks, change on-line and master files for checks paid and vendors, and record journal entries to adjust cash and expense general ledger accounts.</p> <p>In the payroll cycle, this same individual has the ability to issue payroll checks, record payroll expense and perform bank reconciliations.</p> <p>Journal entries made by this one individual are also made without formal approval.</p> <p><i>Effect</i> – Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected and corrected in a timely manner.</p> <p><i>Cause</i> – Duties in the cash disbursement and payroll cycles were not adequately segregated and monitoring or other compensating controls were insufficient.</p>

City of Ralston, Nebraska
Schedule of Findings and Responses - Continued
Year Ended September 30, 2019

Reference Number	Finding
2019-002	<p><i>Recommendation</i> – Management should periodically evaluate the costs versus the benefits of further segregation of duties or the addition of monitoring or other compensating controls and implement those changes it deems appropriate. We recommend that approval of the payroll be formally documented by a member of executive management.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions (Management’s Response)</i> – Management concurs with the finding and recommendation; however we also believe all practical compensating controls have been implemented. Management does not currently believe other cost effective solutions are available, but will periodically evaluate the costs versus the benefits of further segregation of duties or addition of monitoring controls.</p>