

City of Ralston, Nebraska

Independent Auditor's Reports and Financial Statements

September 30, 2020

City of Ralston, Nebraska

September 30, 2020

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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, 2020, 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, 2020, 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.

Other Matter

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying budgetary comparison and pension information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison and pension information have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated March 26, 2021, 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 26, 2021

City of Ralston, Nebraska
Statement of Net Position
September 30, 2020

	Governmental Activities (Cash Basis)	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Cash and cash equivalents	\$ 1,215,080	\$ 1,311,200	\$ 2,526,280
Cash and investments held with trustee	4,490,134	-	4,490,134
Accounts receivable, net	-	225,390	225,390
Due from other governments	-	892,472	892,472
Inventories	-	31,039	31,039
Prepaid expenses	-	85,018	85,018
Capital assets, net of accumulated depreciation	-	33,434,671	33,434,671
	<u>5,705,214</u>	<u>35,979,790</u>	<u>41,685,004</u>
Total assets			
Deferred outflows of resources	-	34,725	34,725
	<u>-</u>	<u>34,725</u>	<u>34,725</u>
Liabilities and Deferred Inflows of Resources			
Accounts payable	-	613,143	613,143
Accrued interest payable	-	196,843	196,843
Accrued liabilities	-	61,728	61,728
Unearned revenue	-	165,307	165,307
Noncurrent liabilities			
Net pension liability	-	19,030	19,030
Accrued compensated balances			
Payable within one year	-	8,155	8,155
Payable in more than one year	-	16,557	16,557
Bonds payable			
Payable within one year	-	3,203,880	3,203,880
Payable in more than one year	-	30,682,019	30,682,019
	<u>-</u>	<u>34,966,662</u>	<u>34,966,662</u>
Total liabilities			
Deferred inflows of resources	-	25,844	25,844
	<u>-</u>	<u>25,844</u>	<u>25,844</u>
Net Position			
Net investment in capital assets	-	(471,848)	(471,848)
Restricted	5,007,346	1,292,364	6,299,710
Unrestricted	697,868	201,493	899,361
	<u>697,868</u>	<u>201,493</u>	<u>899,361</u>
Total net position	<u>\$ 5,705,214</u>	<u>\$ 1,022,009</u>	<u>\$ 6,727,223</u>

City of Ralston, Nebraska
Statement of Activities
Year Ended September 30, 2020

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	\$ 1,537,535	\$ 850,617	\$ 9,163	\$ -	\$ (677,755)	\$ -	\$ (677,755)
Public safety	1,866,823	-	-	-	(1,866,823)	-	(1,866,823)
Public works	1,057,829	-	805,552	-	(252,277)	-	(252,277)
Cultural and recreational	585,112	-	-	-	(585,112)	-	(585,112)
Economic and community development	3,427,825	1,194,179	-	-	(2,233,646)	-	(2,233,646)
Debt service	336,717	-	-	-	(336,717)	-	(336,717)
Total governmental activities	8,811,841	2,044,796	814,715	-	(5,952,330)	-	(5,952,330)
Business-Type Activities							
Sewer	1,109,100	1,121,072	-	-	-	11,972	11,972
Arena	6,701,379	2,496,991	3,343,138	-	-	(861,250)	(861,250)
Total business-type activities	7,810,479	3,618,063	3,343,138	-	-	(849,278)	(849,278)
Total Primary Government	\$ 16,622,320	\$ 5,662,859	\$ 4,157,853	\$ -	(5,952,330)	(849,278)	(6,801,608)
General Revenues							
Property taxes					3,341,903	-	3,341,903
Intergovernmental					521,656	-	521,656
Sales taxes					1,716,041	-	1,716,041
Investment income					170,910	816	171,726
Transfers					(2,807,547)	2,807,547	-
Miscellaneous					67,826	33,630	101,456
Total general revenues and transfers					3,010,789	2,841,993	5,852,782
Change in Net Position					(2,941,541)	1,992,715	(948,826)
Net Position, Beginning of Year					8,646,755	(970,706)	7,676,049
Net Position, End of Year					\$ 5,705,214	\$ 1,022,009	\$ 6,727,223

City of Ralston, Nebraska
Balance Sheet – Cash Basis
Governmental Funds
September 30, 2020

	General Fund	Street Fund	Lottery Fund	Debt Service Fund	Community Development Fund	Total
Assets						
Cash and cash equivalents	\$ 697,868	\$ 4,556	\$ 124,509	\$ 219,739	\$ 168,408	\$ 1,215,080
Cash and investments held with trustee	-	-	-	-	4,490,134	4,490,134
Total assets	<u>\$ 697,868</u>	<u>\$ 4,556</u>	<u>\$ 124,509</u>	<u>\$ 219,739</u>	<u>\$ 4,658,542</u>	<u>\$ 5,705,214</u>
Liabilities and Fund Balances						
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances						
Restricted for						
Streets	-	4,556	-	-	-	4,556
Community development	-	-	124,509	-	4,658,542	4,783,051
Debt service	-	-	-	219,739	-	219,739
Unassigned	<u>697,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>697,868</u>
Total fund balances	<u>697,868</u>	<u>4,556</u>	<u>124,509</u>	<u>219,739</u>	<u>4,658,542</u>	<u>5,705,214</u>
Total liabilities and fund balances	<u>\$ 697,868</u>	<u>\$ 4,556</u>	<u>\$ 124,509</u>	<u>\$ 219,739</u>	<u>\$ 4,658,542</u>	<u>\$ 5,705,214</u>

City of Ralston, Nebraska
Statement of Revenues, Expenditures and Changes in Fund
Balances – Cash Basis – Governmental Funds
Year Ended September 30, 2020

	General Fund	Street Fund	Lottery Fund	Debt Service Fund	Community Development Fund	Total
Revenues						
Property taxes	\$ 2,261,009	\$ -	\$ -	\$ 1,080,894	\$ -	\$ 3,341,903
Intergovernmental	427,374	805,552	-	94,282	-	1,327,208
Sales taxes	1,299,404	416,637	-	-	-	1,716,041
Charges for services	335,135	-	-	-	-	335,135
Keno income	-	-	1,194,179	-	-	1,194,179
Permits and fees	515,482	-	-	-	-	515,482
Grants and donations	9,163	-	-	-	-	9,163
Investment income	1,543	-	1,045	628	167,694	170,910
Miscellaneous	11,605	8,578	47,551	-	92	67,826
Total revenues	<u>4,860,715</u>	<u>1,230,767</u>	<u>1,242,775</u>	<u>1,175,804</u>	<u>167,786</u>	<u>8,677,847</u>
Expenditures						
Current						
General government	1,489,781	-	-	-	-	1,489,781
Public safety	1,866,823	-	-	-	-	1,866,823
Public works	-	885,731	-	-	-	885,731
Cultural and recreational	585,112	-	-	-	-	585,112
Economic and community development	-	-	525,127	-	2,902,698	3,427,825
Capital outlay	47,754	172,098	-	-	-	219,852
Debt service						
Principal	-	230,000	-	50,000	-	280,000
Interest and fiscal charges	-	25,438	-	31,279	-	56,717
Total expenditures	<u>3,989,470</u>	<u>1,313,267</u>	<u>525,127</u>	<u>81,279</u>	<u>2,902,698</u>	<u>8,811,841</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>871,245</u>	<u>(82,500)</u>	<u>717,648</u>	<u>1,094,525</u>	<u>(2,734,912)</u>	<u>(133,994)</u>
Other Financing Uses						
Transfers out	(760,545)	-	(1,067,002)	(980,000)	-	(2,807,547)
Total other financing uses	<u>(760,545)</u>	<u>-</u>	<u>(1,067,002)</u>	<u>(980,000)</u>	<u>-</u>	<u>(2,807,547)</u>
Change in Fund Balances	110,700	(82,500)	(349,354)	114,525	(2,734,912)	(2,941,541)
Fund Balance, Beginning of Year	<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>
Fund Balance, End of Year	<u>\$ 697,868</u>	<u>\$ 4,556</u>	<u>\$ 124,509</u>	<u>\$ 219,739</u>	<u>\$ 4,658,542</u>	<u>\$ 5,705,214</u>

City of Ralston, Nebraska

Balance Sheet

Proprietary Funds

September 30, 2020

	Business-Type Activities		
	Sewer Fund	Arena Fund	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 616,269	\$ 694,931	\$ 1,311,200
Accounts receivable, net	129,401	95,989	225,390
Due from other governments	-	892,472	892,472
Inventories	-	31,039	31,039
Prepaid expenses	-	85,018	85,018
	745,670	1,799,449	2,545,119
Noncurrent Assets			
Capital assets, net of accumulated depreciation	151,900	33,282,771	33,434,671
Deferred Outflows of Resources			
Deferred for pensions	34,725	-	34,725
	\$ 932,295	\$ 35,082,220	\$ 36,014,515
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable	\$ 237,940	\$ 375,203	\$ 613,143
Accrued compensated absences	8,155	-	8,155
Accrued interest payable	144	196,699	196,843
Accrued liabilities	1,681	60,047	61,728
Unearned revenue	-	165,307	165,307
Current portion of long-term debt	40,720	3,163,160	3,203,880
	288,640	3,960,416	4,249,056
Noncurrent Liabilities			
Net pension liability	19,030	-	19,030
Accrued compensated absences	16,557	-	16,557
Long-term debt	-	30,682,019	30,682,019
	35,587	30,682,019	30,717,606
Deferred Inflows of Resources			
Deferred for pensions	25,844	-	25,844
Net Position			
Net investment in capital assets	111,180	(583,028)	(471,848)
Restricted for debt service	-	1,292,364	1,292,364
Unrestricted	471,044	(269,551)	201,493
	582,224	439,785	1,022,009
	\$ 932,295	\$ 35,082,220	\$ 36,014,515

City of Ralston, Nebraska
Statement of Revenues, Expenses and Changes in
Net Position – Proprietary Funds
Year Ended September 30, 2020

	Business-Type Activities		
	Sewer Fund	Arena Fund	Total
Operating Revenues			
Charges for services	\$ 1,121,072	\$ -	\$ 1,121,072
Food and beverage sales	-	1,017,898	1,017,898
Event revenue	-	1,153,638	1,153,638
Rent income	-	164,711	164,711
Advertising revenue	-	140,511	140,511
Suite and premium seat revenue	-	20,233	20,233
Miscellaneous	-	33,630	33,630
	<u>1,121,072</u>	<u>2,530,621</u>	<u>3,651,693</u>
Operating Expenses			
Sewer service	758,574	-	758,574
Arena operations	-	1,769,746	1,769,746
Event expenses	-	1,414,599	1,414,599
Food and beverage cost of sales	-	416,402	416,402
General and administrative	302,331	331,517	633,848
Depreciation	36,621	806,111	842,732
Repairs and maintenance	5,399	325,962	331,361
	<u>1,102,925</u>	<u>5,064,337</u>	<u>6,167,262</u>
Operating Income (Loss)	<u>18,147</u>	<u>(2,533,716)</u>	<u>(2,515,569)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental	-	3,343,138	3,343,138
Interest income	-	816	816
Interest expense	(6,175)	(1,637,042)	(1,643,217)
	<u>(6,175)</u>	<u>1,706,912</u>	<u>1,700,737</u>
Other Financing Sources			
Transfers in	-	2,807,547	2,807,547
Change in Net Position	11,972	1,980,743	1,992,715
Net Position, Beginning of Year	<u>570,252</u>	<u>(1,540,958)</u>	<u>(970,706)</u>
Net Position, End of Year	<u>\$ 582,224</u>	<u>\$ 439,785</u>	<u>\$ 1,022,009</u>

City of Ralston, Nebraska
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2020

	Business-Type Activities		
	Sewer Fund	Arena Fund	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,103,276	\$ 2,506,187	\$ 3,609,463
Payments to suppliers	(954,985)	(3,159,963)	(4,114,948)
Payments to employees	(179,725)	(1,158,544)	(1,338,269)
Net cash used in operating activities	<u>(31,434)</u>	<u>(1,812,320)</u>	<u>(1,843,754)</u>
Cash Flows from Noncapital Financing Activities			
Repayments on revolving note payable	-	(201,126)	(201,126)
Transfers from other funds	-	1,827,547	1,827,547
Net cash provided by noncapital financing activities	<u>-</u>	<u>1,626,421</u>	<u>1,626,421</u>
Cash Flows from Capital and Related Financing Activities			
Payments for acquisition of capital assets	-	(50,293)	(50,293)
Principal paid on long-term debt	(38,900)	(2,117,174)	(2,156,074)
Proceeds from issuance of long-term debt	-	700,100	700,100
Remittance of real estate purchase deposit	-	(700,000)	(700,000)
Proceeds from intergovernmental revenues	-	3,304,515	3,304,515
Interest and fiscal charges paid	(6,326)	(1,638,963)	(1,645,289)
Transfers from other funds	-	980,000	980,000
Net cash provided by (used in) capital and related financing activities	<u>(45,226)</u>	<u>478,185</u>	<u>432,959</u>
Cash Flows from Investing Activities			
Interest received	-	816	816
Net Change in Cash and Cash Equivalents	(76,660)	293,102	216,442
Cash and Cash Equivalents, Beginning of Year	<u>692,929</u>	<u>401,829</u>	<u>1,094,758</u>
Cash and Cash Equivalents, End of Year	<u>\$ 616,269</u>	<u>\$ 694,931</u>	<u>\$ 1,311,200</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities			
Operating loss	\$ 18,147	\$ (2,533,716)	\$ (2,515,569)
Depreciation	36,621	806,111	842,732
Changes in operating assets and liabilities			
Accounts receivable	(17,796)	7,074	(10,722)
Inventories	-	12,916	12,916
Prepaid expenses	-	(50,462)	(50,462)
Net pension asset/liability	23,176	-	23,176
Deferred outflows for pensions	(5,192)	-	(5,192)
Accrued expenses	(5,254)	(30,990)	(36,244)
Accounts payable	(69,715)	8,255	(61,460)
Unearned revenue	-	(31,508)	(31,508)
Deferred inflows for pensions	(11,421)	-	(11,421)
Net Cash Used in Operating Activities	<u>\$ (31,434)</u>	<u>\$ (1,812,320)</u>	<u>\$ (1,843,754)</u>

See Notes to Financial Statements

City of Ralston, Nebraska
Statement of Fiduciary Net Position – Cash Basis
September 30, 2020

	<u>Pension Trust Funds</u>
Assets	
Cash and cash equivalents	\$ 91,143
Investments	<u>6,157,574</u>
Total assets	<u>6,248,717</u>
Liabilities - Due to Others	<u>-</u>
Net Position Restricted for Pensions	<u><u>\$ 6,248,717</u></u>

City of Ralston, Nebraska
Statement of Changes in Fiduciary Net Position – Cash Basis
Year Ended September 30, 2020

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 153,671
Employee	113,259
Net appreciation in fair value of investments	<u>402,746</u>
Total additions	<u>669,676</u>
Deductions	
Benefit payments	<u>261,664</u>
Total deductions	<u>261,664</u>
Net Increase in Net Position	408,012
Net Position Restricted for Pensions	
Beginning of year	<u>5,840,705</u>
End of year	<u><u>\$ 6,248,717</u></u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

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, 2020

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, 2020

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, 2020

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's Finance Committee who then reviews the requests with the department heads.
2. After this review process has been completed, these budget requests are presented 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, 2020. 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, 2020

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

Cash and Investments 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 and related development. 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. Any interest and investment earnings from the cash and investment funds held with the Trustee are allocated to the balance held for the benefit of the City. During the 2020 fiscal year, distributions of \$2,748,813 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, 2020

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.

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, 2020

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, 2020

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.

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.

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.

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, 2020, 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.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 2: Deposits and Investments - Continued

Investments Held with Trustee

The investments held with trustee represent an investment pool maintained by the Nebraska Community Foundation (the Foundation). Investment decisions related to the investment pool are made by investment managers selected and approved by the Foundation’s Board of Directors and must adhere to the Nebraska Community Foundation Investment Policy, adopted by the Foundation’s Board of Directors. The City’s investments at the Foundation are invested in accordance with the equity-weighted asset allocation model, which sets investment targets of 75% for equities and 25% for fixed income investments. The investment policy also states that fixed income investments must have an equivalent credit quality of investment grade or better, as measured by certain credit ratings for each specific investment type. The City’s allocated balance of the investment pool can be liquidated at any time, with 30 days notice provided to the Foundation.

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, 2020, the City’s pension trust funds had the following investments:

<u>Type</u>	<u>Carrying Value</u>	<u>Credit Rating</u>
Money market mutual funds	\$ 91,143	N/A
Mutual funds - fixed income	1,466,801	N/A
Mutual funds - bonds	113,012	N/A
Mutual funds - equities	<u>4,577,761</u>	N/A
	<u><u>\$ 6,248,717</u></u>	

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.

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.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 2: Deposits and Investments - Continued

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	\$ 2,526,280
Cash and investments held with trustee	
Cash held with trustee	1,358,195
Investments held with transfer	3,131,939
Fiduciary funds statement of net position	
Cash and cash equivalents	\$ 91,143
Investments	6,157,574

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 investments held with trustee are measured on a recurring basis and are classified within Level 2 of the fair value hierarchy at September 30, 2020. 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, 2020.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 4: Capital Assets - Sewer and Arena Funds

Capital assets activity for the year ended September 30, 2020, 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	38,290	-	31,075,456
Furniture and fixtures	4,683,666	5,547	-	4,689,213
Machinery and equipment	<u>804,123</u>	<u>6,456</u>	<u>-</u>	<u>810,579</u>
Total capital assets, being depreciated	<u>36,524,955</u>	<u>50,293</u>	<u>-</u>	<u>36,575,248</u>
Less accumulated depreciation for				
Building and improvements	5,690,938	788,090	-	6,479,028
Furniture and fixtures	4,615,863	15,560	-	4,631,423
Machinery and equipment	<u>614,432</u>	<u>39,082</u>	<u>-</u>	<u>653,514</u>
Total accumulated depreciation	<u>10,921,233</u>	<u>842,732</u>	<u>-</u>	<u>11,763,965</u>
Total capital assets, being depreciated, net	<u>25,603,722</u>	<u>(792,439)</u>	<u>-</u>	<u>24,811,283</u>
Business-type activities capital assets, net	<u>\$ 34,227,110</u>	<u>\$ (792,439)</u>	<u>\$ -</u>	<u>\$ 33,434,671</u>

Depreciation was charged to functions/programs as follows:

Business-Type Activities	
Sewer	\$ 36,621
Arena	<u>806,111</u>
	<u>\$ 842,732</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 5: Long-term Liabilities

The following is a summary of long-term liabilities activity of the City for the year ended September 30, 2020:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 2,240,000	\$ -	\$ 280,000	\$ 1,960,000	\$ 1,100,000
Notes payable - Direct borrowing	-	541,878	27,650	514,228	28,676
Governmental activities long-term liabilities	<u>\$ 2,240,000</u>	<u>\$ 541,878</u>	<u>\$ 307,650</u>	<u>\$ 2,474,228</u>	<u>\$ 1,128,676</u>
Business-Type Activities					
Bonds and Notes					
General obligation bonds and notes	\$ 33,440,000	\$ 1,015,000	\$ 3,090,000	\$ 31,365,000	\$ 3,075,000
Notes payable - Direct borrowing	2,199,247	700,100	282,200	2,617,147	128,880
Unamortized issuance discounts	(104,974)	-	(8,726)	(96,248)	-
Net bonds and notes	<u>35,534,273</u>	<u>1,715,100</u>	<u>3,363,474</u>	<u>33,885,899</u>	<u>3,203,880</u>
Other Liabilities					
Unearned revenue - real estate	700,000	-	700,000	-	-
Compensated absences	25,191	7,987	8,466	24,712	8,155
Net pension liability	-	19,030	-	19,030	-
Business-type activities long-term liabilities	<u>725,191</u>	<u>27,017</u>	<u>708,466</u>	<u>43,742</u>	<u>8,155</u>
	<u>\$ 36,259,464</u>	<u>\$ 1,742,117</u>	<u>\$ 4,071,940</u>	<u>\$ 33,929,641</u>	<u>\$ 3,212,035</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

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	\$ 340,000
530,000	4/9/2013	Highway Allocation Fund Pledge Bonds	0.40 - 2.15	Ser. '13 to '22	2018	Semiannually	130,000
530,000	9/3/2014	Highway Allocation Fund Pledge Bonds	0.45 - 2.70	Ser. '15 to '24	2019	Semiannually	260,000
300,000	8/21/2015	Highway Allocation Fund Pledge Bonds	0.90 - 2.30	Ser. '17 to '22	2020	Semiannually	100,000
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	320,000
405,000	9/25/2018	Street Improvement Bond Anticipation Notes	2.35	10/15/2020	2019	Semiannually	405,000
Total General Obligation Bonds							<u>\$ 1,960,000</u>
Notes Payable - Direct borrowing							
\$ 541,878	10/7/2019	Note Payable - Equipment	3.71	10/7/2034	N/A	Annually	<u>\$ 514,228</u>
Business-Type Activities							
General Obligation Bonds and Notes							
\$ 7,930,000	8/30/2011	General Obligation Arena Bonds	1.15 - 4.50	Ser. '15 to '31	2016	Semiannually	\$ 6,090,000
630,000	8/30/2011	General Obligation Arena Bonds	2.10 - 4.85	Ser. '15 to '31	2016	Semiannually	455,000
10,000,000	2/1/2012	General Obligation Arena Bonds Series A	2.00 - 5.00	Ser. '15 to '31	2017	Semiannually	7,545,000
10,440,000	5/22/2012	General Obligation Arena Bonds Series B	1.40 - 5.00	Ser. '14 to '31	2017	Semiannually	6,940,000
4,245,000	9/25/2012	Lease Purchase Bonds	1.65 - 5.10	Ser. '13 to '27	2017	Semiannually	2,410,000
4,075,000	6/1/2012	Vehicle Off-Street Parking Bonds	0.55 - 3.70	Ser. '14 to '32	2017	Semiannually	2,815,000
4,295,000	5/1/2013	Vehicle Off-Street Parking Bonds	2.30 - 6.00	Ser. '17 to '33	2018	Semiannually	4,095,000
1,015,000	5/14/2020	Promissory Note	5.00	5/15/2021	2020	Semiannually	1,015,000
Total General Obligation Bonds and Notes							<u>\$ 31,365,000</u>
Notes Payable - Direct borrowing							
\$ 2,600,000	Various	Note Payable - Revolving	6.50	12/1/2020	N/A	Monthly	\$ 1,918,501
147,000	1/5/2018	Note Payable - Equipment	2.625	9/1/2021	N/A	Monthly	40,720
700,100	3/19/2020	Note Payable - Facility Purchase	5.00	3/19/2027	N/A	Monthly	657,926
Total Notes Payable							<u>\$ 2,617,147</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 5: Long-term Liabilities - Continued

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

Year Ending September 30,	Principal	Interest
Governmental Activities General Obligation Bonds		
2021	\$ 1,100,000	\$ 46,676
2022	295,000	27,068
2023	180,000	19,190
2024	180,000	13,615
2025	120,000	7,795
2026-2028	85,000	4,825
	<u>\$ 1,960,000</u>	<u>\$ 119,169</u>
Governmental Activities Notes Payable - Direct Borrowing		
2021	\$ 28,676	\$ 19,078
2022	29,740	18,014
2023	30,843	16,911
2024	31,988	15,766
2025	33,175	14,580
2026-2030	185,272	53,498
2031-2035	174,534	16,482
	<u>\$ 514,228</u>	<u>\$ 154,329</u>
Business-Type Activities General Obligation Bonds and Notes		
2021	\$ 3,075,000	\$ 1,413,685
2022	2,155,000	1,295,165
2023	2,165,000	1,218,003
2024	1,980,000	1,138,563
2025	2,095,000	1,060,573
2026-2030	14,250,000	3,530,625
2031-2033	5,645,000	525,065
	<u>\$ 31,365,000</u>	<u>\$ 10,181,679</u>
Business-Type Activities Notes Payable - Direct Borrowing		
2021	\$ 128,880	\$ 156,673
2022	92,670	151,170
2023	2,015,912	42,428
2024	102,395	16,645
2025	108,189	10,851
2026-2027	169,101	9,187
	<u>\$ 2,617,147</u>	<u>\$ 386,954</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 5: Long-term Liabilities - Continued

In October 2020, the City issued \$1,100,000 General Obligation Highway Allocation Fund Pledge Bonds. The bonds bear interest at rates ranging from 1.25% to 2.25% and have a final maturity of December 15, 2030.

In December 2020, the City entered into a loan agreement with a local financial institution to renew the revolving note payable and extend its maturity through December 2022. The new loan agreement was issued in a total amount of \$1,920,000 and bears interest at 6.50%.

On March 25, 2021, the City Council approved resolutions authorizing the redemption of the City's promissory note with an outstanding balance of \$1,015,000 and also directing City staff to develop a plan for early repayment of the revolving note payable described previously. The resolutions provide for these redemptions to be completed with existing City funds.

Line of Credit

The City has an unsecured revolving line of credit at a local financial institution, expiring in December 2049, that has a maximum limit of \$500,000, with an interest rate of 3.25% and payments due on demand. No amounts were drawn on this line of credit during the year ended September 30, 2020.

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 \$867,903, with annual payments expected to require approximately 32% of revenues.

The revolving note payable is collateralized by the unrestricted revenues of the City, the equipment note payable is collateralized by the equipment financed with the borrowing, and the facilities purchase note payable is collateralized by certain other assets of the City. 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.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 6: Retirement Plans

Civilian Employee Pension Plan

Statement of Fiduciary Net Position – Cash Basis
September 30, 2020

Assets	
Cash and cash equivalents	\$ 72,901
Investments	<u>3,801,543</u>
Total assets	<u>3,874,444</u>
 Liabilities - Due to Others	
	<u>-</u>
 Net Position Restricted for Pensions	
	<u><u>\$ 3,874,444</u></u>
 Additions	
Contributions	
Employer	\$ 37,620
Employee	37,620
Net appreciation in fair value of investments	<u>260,805</u>
Total additions	<u>336,045</u>
 Deductions	
Benefit payments	<u>208,548</u>
Total deductions	<u>208,548</u>
 Net Increase in Net Position	
	127,497
 Net Position Restricted for Pensions	
Beginning of year	<u>3,746,947</u>
End of year	<u><u>\$ 3,874,444</u></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 hired before July 1, 2017, 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.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 6: Retirement Plans - Continued

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.

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 2020 were \$37,620. Amounts contributed by employees during 2020 totaled \$37,620.

Plan Membership – At September 30, 2020, membership in the Civilian Plan consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	9
Total	38

Net Pension Liability – The Civilian Plan’s net pension liability was measured as of September 30, 2020 based on an actuarial valuation as of August 1, 2020 rolled forward to September 30, 2020. The components of the net pension liability of the Civilian Plan at September 30, 2020, were as follows:

Total pension liability	\$ 4,108,705
Plan fiduciary net position (market value)	(3,874,444)
Net pension liability	\$ 234,261
Plan fiduciary net position as a percentage of the total pension liability	94.30%

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 6: Retirement Plans - Continued

Actuarial Assumptions – The total pension liability as of September 30, 2020, 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	3.0 to 4.0%
Long-term rate of return, net of investment expense, including price inflation	5.80%

Mortality rates are based on the Pub-2010 General Mortality Table with generational improvements using Scale MP-2020.

Discount Rate – The discount rate used to measure the total pension liability at September 30, 2020 was 5.80%, which was a decrease from the prior discount rate of 6.50% used to measure the total pension liability at September 30, 2019. 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, 2020, are summarized in the following table.

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

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 6: Retirement Plans - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Civilian Plan, calculated using the discount rate of 5.80%, as well as what the Civilian Plan’s net pension (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.80%) or 1 percentage point higher (6.80%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	4.80%	5.80%	6.80%
Net pension (asset) liability	\$ 655,256	\$ 234,261	\$ (128,994)

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	\$ 3,701,168	\$ 3,746,947	\$ (45,779)
Changes for the year			
Service cost	132,340	-	132,340
Interest	233,905	-	233,905
Differences between expected and actual experience	69,021	-	69,021
Assumption changes	180,819	-	180,819
Employer contributions	-	37,620	(37,620)
Employee contributions	-	37,620	(37,620)
Net investment income	-	260,805	(260,805)
Benefit payments, including member refunds	(208,548)	(208,548)	-
Net changes	407,537	127,497	280,040
Balance at End of Year	\$ 4,108,705	\$ 3,874,444	\$ 234,261

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 6: Retirement Plans - Continued

Deferred Inflows and Outflows of Resources Related to Pensions – Under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, 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, 2020, 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	\$ -	\$ (5,247)
Changes of assumptions	265,812	(11,803)
Differences between expected and actual experience	47,978	(279,052)
Total	\$ 313,790	\$ (296,102)

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,		
2021	\$	(1,345)
2022		35,414
2023		(12,076)
2024		(4,305)
	\$	17,688

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 6: Retirement Plans - Continued

Police Pension Plan

Statement of Fiduciary Net Position – Cash Basis
September 30, 2020

Assets	
Cash and cash equivalents	\$ 18,242
Investments	<u>2,356,031</u>
Total assets	<u>2,374,273</u>
Liabilities - Due to Others	<u>-</u>
Net Position Restricted for Pensions	<u><u>\$ 2,374,273</u></u>

Statement of Changes in Fiduciary Net Position – Cash Basis
Year Ended September 30, 2020

Additions	
Contributions	
Employer	\$ 116,051
Employee	75,639
Net appreciation in fair value of investments	<u>141,941</u>
Total additions	<u>333,631</u>
Deductions	
Benefit payments	<u>53,116</u>
Total deductions	<u>53,116</u>
Net Increase in Net Position	280,515
Net Position Restricted for Pensions	
Beginning of year	<u>2,093,758</u>
End of year	<u><u>\$ 2,374,273</u></u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

Note 6: Retirement Plans - Continued

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, 2020, 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 7% 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 \$116,051 and members contributed \$75,639 for 2020. No forfeitures were used to reduce City contributions during 2020. The Police Plan assets are held by a leading Nebraska financial institution, with administration services provided by an actuarial firm.

Note 7: Interfund Balances and Activity

Transfers included in the financial statements during the year ended September 30, 2020 consisted of the following:

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	\$ 760,545
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	980,000
From Lottery to Arena for cash flow purposes	<u>1,067,002</u>
	<u><u>\$ 2,807,547</u></u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2020

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, 2020 were approximately \$203,000.

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.

COVID-19

As a result of the COVID-19 outbreak in the United States, economic uncertainties have arisen that have had, and will continue to have, varying impacts on municipalities. Voluntary, and then subsequently mandatory, shelter-in-place orders necessitated temporary business closings. The extent of the financial impact and other possible impacting matters are not fully known at this time. Although some facilities were closed for certain periods, all City services remained operational during the past year. Some loss of sales tax and other revenues was recognized during the year as a result of measures enacted to prevent the spread of COVID-19. The City did not obtain any loans or defer the payment of federal employment taxes. In November 2020, the City was awarded Coronavirus Relief Fund monies, through a subaward from Douglas County, for reimbursement of necessary COVID-19 related expenditures not to exceed \$2,000,000. Additionally, in December 2020, the City was awarded and received \$750,000 from the State of Nebraska through the Event Centers and Sports Arena Stabilization Program for reimbursement of necessary COVID-19 related expenditures at the Arena.

Other Information

City of Ralston, Nebraska
Budgetary Comparison Schedule – Cash Basis
General Fund
Year Ended September 30, 2020

	<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	\$ 2,322,235	\$ 2,322,235	\$ 2,261,009	\$ (61,226)
Intergovernmental	297,837	297,837	427,374	129,537
Sales taxes	1,160,000	1,160,000	1,299,404	139,404
Charges for services	353,000	353,000	335,135	(17,865)
Permits and fees	351,800	351,800	515,482	163,682
Grants and donations	83,500	83,500	9,163	(74,337)
Investment income	7,200	7,200	1,543	(5,657)
Miscellaneous	10,500	10,500	11,605	1,105
	<u>4,586,072</u>	<u>4,586,072</u>	<u>4,860,715</u>	<u>274,643</u>
Expenditures				
General government	1,414,595	1,414,595	1,489,781	(75,186)
Public safety	1,953,424	1,953,424	1,866,823	86,601
Cultural and recreational	854,022	854,022	585,112	268,910
Capital outlay	-	-	47,754	(47,754)
	<u>4,222,041</u>	<u>4,222,041</u>	<u>3,989,470</u>	<u>232,571</u>
Excess of Revenues Over Expenditures	<u>364,031</u>	<u>364,031</u>	<u>871,245</u>	<u>507,214</u>
Other Financing Sources				
Transfers out	(364,000)	(364,000)	(760,545)	(396,545)
	<u>(364,000)</u>	<u>(364,000)</u>	<u>(760,545)</u>	<u>(396,545)</u>
Change in Fund Balance	<u>\$ 31</u>	<u>\$ 31</u>	<u>\$ 110,700</u>	<u>\$ 110,669</u>

City of Ralston, Nebraska
Budgetary Comparison Schedule – Cash Basis
Street Fund
Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 801,939	\$ 801,939	\$ 805,552	\$ 3,613
Sales taxes	528,000	528,000	416,637	(111,363)
Miscellaneous	6,300	6,300	8,578	2,278
Total revenues	<u>1,336,239</u>	<u>1,336,239</u>	<u>1,230,767</u>	<u>(105,472)</u>
Expenditures				
Public works	988,711	988,711	885,731	102,980
Capital outlay	482,000	482,000	172,098	309,902
Debt service	255,438	255,438	255,438	-
Total expenditures	<u>1,726,149</u>	<u>1,726,149</u>	<u>1,313,267</u>	<u>412,882</u>
Deficiency of Revenues Under Expenditures	<u>(389,910)</u>	<u>(389,910)</u>	<u>(82,500)</u>	<u>307,410</u>
Other Financing Sources				
Issuance of long-term debt	400,000	400,000	-	(400,000)
Total other financing sources	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>
Change in Fund Balance	<u>\$ 10,090</u>	<u>\$ 10,090</u>	<u>\$ (82,500)</u>	<u>\$ (92,590)</u>

City of Ralston, Nebraska
Budgetary Comparison Schedule – Cash Basis
Lottery Fund
Year Ended September 30, 2020

	<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	\$ 1,320,000	\$ 1,320,000	\$ 1,194,179	\$ (125,821)
Investment income	6,600	6,600	1,045	(5,555)
Miscellaneous	<u>54,000</u>	<u>54,000</u>	<u>47,551</u>	<u>(6,449)</u>
Total revenues	<u>1,380,600</u>	<u>1,380,600</u>	<u>1,242,775</u>	<u>(137,825)</u>
Expenditures				
Economic and community development	<u>1,380,500</u>	<u>1,380,500</u>	<u>525,127</u>	<u>855,373</u>
Total expenditures	<u>1,380,500</u>	<u>1,380,500</u>	<u>525,127</u>	<u>855,373</u>
Excess of Revenues Over Expenditures	100	100	717,648	717,548
Transfers Out	<u>(788,000)</u>	<u>(788,000)</u>	<u>(1,067,002)</u>	<u>(279,002)</u>
Change in Fund Balances	<u><u>\$ (787,900)</u></u>	<u><u>\$ (787,900)</u></u>	<u><u>\$ (349,354)</u></u>	<u><u>\$ 438,546</u></u>

City of Ralston, Nebraska

Supplementary Information

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

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 132,340	\$ 181,107	\$ 236,794	\$ 256,946	\$ 234,430	\$ 215,084	\$ 202,145
Interest	233,905	231,300	225,833	230,948	226,653	241,941	199,518
Effect of economic/demographic gains or losses	69,021	(109,207)	(112,128)	(182,121)	(193,117)	(93,771)	75,094
Assumption changes	180,819	(12,019)	(9,474)	337,473	-	-	-
Benefit payments	<u>(208,548)</u>	<u>(292,347)</u>	<u>(222,582)</u>	<u>(272,386)</u>	<u>(151,227)</u>	<u>(174,126)</u>	<u>(205,891)</u>
Net change in total pension liability	407,537	(1,166)	118,443	370,860	116,739	189,128	270,866
Total pension liability - beginning	<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>	<u>2,636,298</u>
Total pension liability - ending	<u>\$ 4,108,705</u>	<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	\$ 37,620	\$ 122,445	\$ 193,174	\$ 206,899	\$ 187,063	\$ 255,090	\$ 212,054
Contributions - employee	37,620	57,615	69,163	86,899	87,063	86,008	92,054
Net investment income (loss)	260,805	207,898	155,233	388,406	254,998	(17,602)	211,563
Benefit payments	<u>(208,548)</u>	<u>(292,347)</u>	<u>(222,582)</u>	<u>(272,386)</u>	<u>(151,227)</u>	<u>(174,126)</u>	<u>(205,891)</u>
Net change in plan fiduciary net position	127,497	95,611	194,988	409,818	377,897	149,370	309,780
Plan fiduciary net position - beginning	<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>	<u>2,209,483</u>
Plan fiduciary net position - ending	<u>\$ 3,874,444</u>	<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>\$ 234,261</u>	<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	94.30%	101.24%	98.62%	96.44%	94.82%	86.19%	86.66%
Covered payroll	\$ 627,000	\$ 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	37.36%	-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

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	7.09%	5.82%	4.48%	12.59%	9.36%	-0.68%	9.47%

City of Ralston, Nebraska Supplementary Information

Schedule of Employer Contributions For the Civilian Employee Pension Plan

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined employer contribution	\$ 85,063	\$ 122,445	\$ 193,174	\$ 204,628	\$ 143,079	\$ 147,383	\$ 159,536
Actual employer contribution	<u>37,620</u>	<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>\$ 47,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,271)</u>	<u>\$ (43,984)</u>	<u>\$ (107,707)</u>	<u>\$ (52,518)</u>
Covered payroll	\$ 627,000	\$ 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	6.00%	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:	8/1/2019	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:

	Entry Age Normal 20 years, level dollar, open	Entry Age Normal 20 years, level dollar, open	Entry Age Normal 20 years, level dollar, open	Entry Age Normal 20 years, level dollar, open	Entry Age Normal 20 years, level percent, open	Entry Age Normal 20 years, level percent, open	Entry Age Normal 20 years, level percent, open
Actuarial cost method:	17 years	18 years	20 years	20 years	20 years	20 years	20 years
Amortization method:	Market	Market	Market	Market	Market	Market	Market
Remaining amortization period:	2.60%	2.60%	2.60%	3.00%	3.00%	3.00%	3.00%
Asset valuation method:	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Inflation:	6.50%	6.50%	6.50%	7.50%	7.50%	7.50%	7.50%
Salary increases:							
Investment rate of return:							

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:

8/1/2020 valuation:

- The assumed rate of investment return was changed from 6.50% for all years to 6.50% through July 21, 2029, followed by 5.50% through July 31, 2039, and 4.50% thereafter to reflect the expected change in future asset allocations due to the closure of the Plan.
- The mortality assumption was changed from the RP-2014 Total Dataset Mortality Table, with generational improvement using Scale MP-2019, to the Pub-2010 General Mortality Table, with generational improvement using Scale MP-2020.
- Termination rates were changed from age-based rates to service-based rates from the Small Plan Service Table from the Society of Actuaries (SOA) 2003 Pension Plan Turnover Study.
- The salary increase assumption was changed from a flat 5.00% increase per year to a service-based table that decreases from 4.00% to 3.00% as service increases. Salary increase timing was also updated to the beginning of the plan year to better reflect actual pay increase timing.
- An assumption regarding the percent of retiring members who will elect to take a refund of their employee contribution balance was implemented at 50%.
- The UAL amortization period was reset to a closed 25-year period, beginning with the August 1, 2020 funding valuation.

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, 2020, 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 26, 2021, 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.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-001, that we consider 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Finding

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

Purpose of this Report

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

BKD, LLP

Omaha, Nebraska
March 26, 2021

City of Ralston, Nebraska
Schedule of Findings and Responses
Year Ended September 30, 2020

Reference Number	Finding
2020-001	<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, 2020

Reference Number	Finding
2020-001	<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>