

City of Ralston, Nebraska

Independent Auditor's Reports and Financial Statements

September 30, 2014



City of Ralston, Nebraska
September 30, 2014

Contents

Independent Auditor’s Report..... 1

Financial Statements

Government-Wide Financial Statements

Statement of Net Position..... 3
Statement of Activities 4

Fund Financial Statements

Balance Sheet - Cash Basis - Governmental Funds 5
Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis -
Governmental Funds 6
Balance Sheet - Proprietary Funds 7
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds 8
Statement of Cash Flows - Proprietary Funds..... 9
Statement of Fiduciary Net Position - Cash Basis..... 10
Statement of Changes in Fiduciary Net Position - Cash Basis..... 11

***Notes to Financial Statements* 12**

Required Supplementary Information

Budgetary Comparison Schedule - Cash Basis - General Fund 34
Budgetary Comparison Schedule - Cash Basis - Street Fund..... 35
Budgetary Comparison Schedule - Cash Basis - Lottery Fund 36
Schedule of Changes in the Net Pension Liability and Related Ratios for
the Civilian Employee Pension Plan 37
Schedule of Employer Contributions for the Civilian Employee
Pension Plan 38
Schedule of Investment Returns 38
Schedule of Funding Progress for the Civilian Employee Pension Plan..... 39
Schedule of Employer Contributions for the Civilian Employee Pension Plan 39

Independent Auditor's Report

Honorable Mayor and City Council
City of Ralston, Nebraska
Ralston, Nebraska

We have audited the accompanying basic 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, 2014, and the related notes to the basic 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 presentation 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. 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 – cash basis of the governmental activities, each major governmental fund, internal service

and fiduciary funds of the City of Ralston, Nebraska, as of September 30, 2014, and the respective changes in financial position – cash basis and cash flows – cash basis, where applicable, thereof for the year then ended in accordance with the basis of accounting described in the Emphasis of Matter paragraph included below.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major proprietary fund of the City of Ralston, Nebraska, as of September 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 1, the City prepares its financial statements for its governmental activities, general fund, other governmental funds, internal service fund and fiduciary funds, on the basis of cash receipts and disbursements, which is a comprehensive 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.

Also, as discussed in Note 1, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Also, as discussed in Notes 1 and 6, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

BKD, LLP

Omaha, Nebraska
March 30, 2015

City of Ralston, Nebraska
Statement of Net Position
September 30, 2014

	Governmental Activities (Cash Basis)	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,880,150	\$ 1,550,015	\$ 3,430,165
Certificates of deposit	802,784	-	802,784
Internal balances	2,790,216	(2,790,216)	-
Accounts receivable, net	-	142,519	142,519
Due from other governments	-	475,162	475,162
Inventories	-	54,939	54,939
Prepaid expenses	-	539	539
Capital assets, net of accumulated depreciation	-	40,669,062	40,669,062
	<u>5,473,150</u>	<u>40,102,020</u>	<u>45,575,170</u>
Total assets			
Liabilities			
Accounts payable	-	169,017	169,017
Accrued liabilities	-	241,386	241,386
Unearned revenue	-	477,908	477,908
Noncurrent liabilities			
Real estate deposit	-	700,000	700,000
Accrued compensated balances			
Payable within one year	-	16,139	16,139
Payable in more than one year	-	17,785	17,785
Bonds payable			
Payable within one year	-	3,840,000	3,840,000
Payable in more than one year	-	40,711,396	40,711,396
	<u>-</u>	<u>46,173,631</u>	<u>46,173,631</u>
Total liabilities			
Net Position (Deficit)			
Net investment in capital assets	-	(3,882,334)	(3,882,334)
Restricted	5,523,600	1,059,556	6,583,156
Unrestricted	(50,450)	(3,248,833)	(3,299,283)
	<u>5,473,150</u>	<u>(6,071,611)</u>	<u>(598,461)</u>
Total net position (deficit)			

City of Ralston, Nebraska
Statement of Activities
Year Ended September 30, 2014

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	\$ 1,182,677	\$ 723,300	\$ 3,000	\$ -	\$ (456,377)	\$ -	\$ (456,377)
Public safety	2,026,751	-	-	-	(2,026,751)	-	(2,026,751)
Public works	1,299,820	-	718,398	-	(581,422)	-	(581,422)
Cultural and recreational	839,065	-	-	-	(839,065)	-	(839,065)
Economic and community development	423,947	1,109,535	-	21,600	707,188	-	707,188
Debt service	427,777	-	-	-	(427,777)	-	(427,777)
Total governmental activities	<u>6,200,037</u>	<u>1,832,835</u>	<u>721,398</u>	<u>21,600</u>	<u>(3,624,204)</u>	<u>-</u>	<u>(3,624,204)</u>
Business-Type Activities							
Sewer	820,370	727,052	-	-	-	(93,318)	(93,318)
Arena	7,474,122	3,224,878	2,004,972	-	-	(2,244,272)	(2,244,272)
Total business-type activities	<u>8,294,492</u>	<u>3,951,930</u>	<u>2,004,972</u>	<u>-</u>	<u>-</u>	<u>(2,337,590)</u>	<u>(2,337,590)</u>
Total Primary Government	<u>\$ 14,494,529</u>	<u>\$ 5,784,765</u>	<u>\$ 2,726,370</u>	<u>\$ 21,600</u>	<u>(3,624,204)</u>	<u>(2,337,590)</u>	<u>(5,961,794)</u>
General Revenues							
Property taxes					2,465,868	-	2,465,868
Intergovernmental					256,792	-	256,792
Sales taxes					985,021	-	985,021
Investment income					3,145	622	3,767
Bond proceeds					522,050	-	522,050
Transfers					(50,000)	50,000	-
Miscellaneous					258,678	103,267	361,945
Total general revenues and transfers					<u>4,441,554</u>	<u>153,889</u>	<u>4,595,443</u>
Change in Net Position					817,350	(2,183,701)	(1,366,351)
Net Position (Deficit), Beginning of Year, Before Restatement					4,655,800	(3,205,788)	1,450,012
Adjustment for Implementation of GASB 65					-	(682,122)	(682,122)
Net Position (Deficit), Beginning of Year, After Restatement					<u>4,655,800</u>	<u>(3,887,910)</u>	<u>767,890</u>
Net Position (Deficit), End of Year					<u>\$ 5,473,150</u>	<u>\$ (6,071,611)</u>	<u>\$ (598,461)</u>

City of Ralston, Nebraska
Balance Sheet – Cash Basis
Governmental Funds
September 30, 2014

	<u>General</u>	<u>Street</u>	<u>Lottery</u>	<u>Debt Service</u>	<u>Community Development</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 47,388	\$ 213,311	\$ 877,375	\$ 178,202	\$ 483,618	\$ 1,799,894
Certificates of deposit	-	-	802,784	-	-	802,784
Due from other funds	-	711,569	1,468,260	788,481	-	2,968,310
	<u>-</u>	<u>711,569</u>	<u>1,468,260</u>	<u>788,481</u>	<u>-</u>	<u>2,968,310</u>
Total assets	<u>\$ 47,388</u>	<u>\$ 924,880</u>	<u>\$ 3,148,419</u>	<u>\$ 966,683</u>	<u>\$ 483,618</u>	<u>\$ 5,570,988</u>
Liabilities and Fund Balances						
Due to Other Funds						
	<u>\$ 178,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,094</u>
Fund Balances						
Restricted for						
Streets	-	924,880	-	-	-	924,880
Community development	-	-	3,148,419	-	483,618	3,632,037
Debt service	-	-	-	966,683	-	966,683
Unassigned	<u>(130,706)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(130,706)</u>
Total fund balances	<u>(130,706)</u>	<u>924,880</u>	<u>3,148,419</u>	<u>966,683</u>	<u>483,618</u>	<u>5,392,894</u>
Total liabilities and fund balances	<u>\$ 47,388</u>	<u>\$ 924,880</u>	<u>\$ 3,148,419</u>	<u>\$ 966,683</u>	<u>\$ 483,618</u>	<u>\$ 5,570,988</u>

Amounts reported for governmental activities in the statement of net position are different because

Total fund balance - governmental funds	\$ 5,392,894
Internal service funds are used by management to charge the costs of certain services to individual funds	<u>80,256</u>
Net position of governmental activities	<u>\$ 5,473,150</u>

City of Ralston, Nebraska
Statement of Revenues, Expenditures and Changes in Fund
Balances – Cash Basis – Governmental Funds
Year Ended September 30, 2014

	General	Street	Lottery	Debt Service	Community Development	Total
Revenues						
Property taxes	\$ 1,824,722	\$ 161,199	\$ -	\$ 479,947	\$ -	\$ 2,465,868
Intergovernmental	209,780	718,398	-	47,012	-	975,190
Sales taxes	985,021	-	-	-	-	985,021
Grant income	3,000	-	-	-	21,600	24,600
Charges for services	291,174	-	-	-	-	291,174
Keno income	-	-	1,109,535	-	-	1,109,535
Permits and fees	172,126	-	-	-	-	172,126
Investment income	784	-	533	885	943	3,145
Miscellaneous	43,899	-	49,311	-	165,468	258,678
Total revenues	3,530,506	879,597	1,159,379	527,844	188,011	6,285,337
Expenditures						
Current						
General government	1,053,357	-	97,352	-	-	1,150,709
Public safety	1,884,826	-	-	-	-	1,884,826
Public works	-	735,104	-	-	-	735,104
Cultural and recreational	775,304	-	-	-	-	775,304
Economic and community development	-	-	417,992	-	5,955	423,947
Capital outlay	9,392	531,919	1,217	-	-	542,528
Debt service						
Principal	-	-	-	370,000	-	370,000
Interest and fiscal charges	-	-	-	57,777	-	57,777
Total expenditures	3,722,879	1,267,023	516,561	427,777	5,955	5,940,195
Excess (Deficiency) of Revenues Over Expenditures	(192,373)	(387,426)	642,818	100,067	182,056	345,142
Other Financing Sources (Uses)						
Operating transfers in (out)	-	-	(50,000)	-	-	(50,000)
Bond proceeds	-	522,050	-	-	-	522,050
Total other financing sources (uses)	-	522,050	(50,000)	-	-	472,050
Change in Fund Balances	(192,373)	134,624	592,818	100,067	182,056	817,192
Fund Balance, Beginning of Year	61,667	790,256	2,555,601	866,616	301,562	4,575,702
Fund Balance, End of Year	\$ (130,706)	\$ 924,880	\$ 3,148,419	\$ 966,683	\$ 483,618	\$ 5,392,894

Amounts reported for governmental activities in the statement of activities are different because

Net change in fund balances - total governmental funds	\$ 817,192
Change in net assets of internal service funds	158
Changes in net assets of governmental activities	<u>\$ 817,350</u>

City of Ralston, Nebraska

Balance Sheet

Proprietary Funds

September 30, 2014

	Business-Type Activities			Governmental Activities
	Sewer Fund	Arena Fund	Total	Internal Service Fund (Cash Basis)
Assets				
Current Assets				
Cash and cash equivalents	\$ 447,725	\$ 1,102,290	\$ 1,550,015	\$ 80,256
Accounts receivable, net	91,231	51,288	142,519	-
Due from other governments	-	475,162	475,162	-
Inventories	-	54,939	54,939	-
Prepaid expenses	539	-	539	-
	539,495	1,683,679	2,223,174	80,256
Noncurrent Assets				
Capital assets, net of accumulated depreciation	157,963	40,511,099	40,669,062	-
	157,963	40,511,099	40,669,062	-
Total Assets	\$ 697,458	\$ 42,194,778	\$ 42,892,236	\$ 80,256
Liabilities and Net Position				
Current Liabilities				
Accounts payable	\$ 161,848	\$ 7,169	\$ 169,017	\$ -
Due to other funds	-	2,790,216	2,790,216	-
Accrued compensated absences	3,139	13,000	16,139	-
Accrued liabilities	3,988	237,398	241,386	-
Unearned revenue	-	477,908	477,908	-
Current portion of long-term debt	30,000	3,810,000	3,840,000	-
	198,975	7,335,691	7,534,666	-
Noncurrent Liabilities				
Real estate deposit	-	700,000	700,000	-
Accrued compensated absences	16,251	1,534	17,785	-
Long-term debt	145,000	40,566,396	40,711,396	-
	161,251	41,267,930	41,429,181	-
Total liabilities	360,226	48,603,621	48,963,847	-
Net Position (Deficit)				
Net investment in capital assets	(17,037)	(3,865,297)	(3,882,334)	-
Restricted for debt service	-	1,059,556	1,059,556	-
Unrestricted	354,269	(3,603,102)	(3,248,833)	80,256
	337,232	(6,408,843)	(6,071,611)	80,256
Total Liabilities and Net Position (Deficit)	\$ 697,458	\$ 42,194,778	\$ 42,892,236	\$ 80,256

City of Ralston, Nebraska
Statement of Revenues, Expenses and Changes in Fund
Net Position – Proprietary Funds
Year Ended September 30, 2014

	<u>Business-Type Activities</u>			<u>Governmental</u>
	<u>Sewer</u>	<u>Arena</u>	<u>Total</u>	<u>Internal</u>
	<u>Fund</u>	<u>Fund</u>		<u>Service Fund</u>
				<u>(Cash Basis)</u>
Operating Revenues				
Charges for services	\$ 727,052	\$ -	\$ 727,052	\$ 260,000
Food and beverage sales	-	1,570,073	1,570,073	-
Event revenue	-	363,738	363,738	-
Ticket revenue	-	363,549	363,549	-
Rent income	-	248,352	248,352	-
Advertising revenue	-	250,500	250,500	-
Suite and premium seat revenue	-	191,058	191,058	-
Skating revenue	-	237,608	237,608	-
Employee contributions	-	-	-	680,979
Miscellaneous	-	103,267	103,267	-
	<u>727,052</u>	<u>3,328,145</u>	<u>4,055,197</u>	<u>940,979</u>
Operating Expenses				
Sewer service	512,729	-	512,729	-
Arena operations	-	1,002,656	1,002,656	-
Direct cost of events	-	817,705	817,705	-
Food and beverage cost of sales	-	752,195	752,195	-
General and administrative	207,400	1,304,059	1,511,459	940,821
Depreciation and amortization	24,492	1,794,028	1,818,520	-
Repairs and maintenance	66,976	46,237	113,213	-
	<u>811,597</u>	<u>5,716,880</u>	<u>6,528,477</u>	<u>940,821</u>
Operating Income (Loss)	(84,545)	(2,388,735)	(2,473,280)	158
Nonoperating Income (Expense)				
Intergovernmental	-	2,004,972	2,004,972	-
Interest income	-	622	622	-
Interest expense	(8,773)	(1,757,242)	(1,766,015)	-
	<u>(8,773)</u>	<u>248,352</u>	<u>239,579</u>	<u>-</u>
Transfers from Other Funds	-	50,000	50,000	-
Change in Net Position	(93,318)	(2,090,383)	(2,183,701)	158
Net Position (Deficit), Beginning of Year, Before Restatement	433,910	(3,639,698)	(3,205,788)	80,098
Adjustment for Implementation of GASB 65	(3,360)	(678,762)	(682,122)	-
Net Position (Deficit), Beginning of Year, After Restatement	<u>430,550</u>	<u>(4,318,460)</u>	<u>(3,887,910)</u>	<u>80,098</u>
Net Position (Deficit), End of Year	<u>\$ 337,232</u>	<u>\$ (6,408,843)</u>	<u>\$ (6,071,611)</u>	<u>\$ 80,256</u>

City of Ralston, Nebraska
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2014

	Business-Type Activities			Governmental Activities
	Sewer Fund	Arena Fund	Total	Internal Service Fund (Cash Basis)
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 730,826	\$ 3,424,107	\$ 4,154,933	\$ 260,000
Employee contributions	-	-	-	680,979
Payments to suppliers	(610,631)	(2,817,439)	(3,428,070)	(940,821)
Payments to employees	(147,636)	(1,258,681)	(1,406,317)	-
Net cash provided by (used in) operating activities	(27,441)	(652,013)	(679,454)	158
Cash Flows from Noncapital Financing Activities				
Net change in interfund borrowing	224,051	1,053,898	1,277,949	-
Transfers from other funds	-	50,000	50,000	-
Net cash provided by noncapital financing activities	224,051	1,103,898	1,327,949	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from issuance of bonds	-	1,725,000	1,725,000	-
Principal paid on long-term debt	(30,000)	(1,565,000)	(1,595,000)	-
Proceeds from intergovernmental revenues	-	1,769,051	1,769,051	-
Capital expenditures	(1,800)	(114,637)	(116,437)	-
Proceeds from sale of capital assets	-	265,543	265,543	-
Interest and fiscal charges paid	(8,773)	(1,777,594)	(1,786,367)	-
Net cash provided by (used in) capital and related financing activities	(40,573)	302,363	261,790	-
Cash Flows from Investing Activities				
Interest received	-	622	622	-
Net cash provided by investing activities	-	622	622	-
Increase in Cash and Cash Equivalents	156,037	754,870	910,907	158
Cash and Cash Equivalents, Beginning of Year	291,688	347,420	639,108	80,098
Cash and Cash Equivalents, End of Year	\$ 447,725	\$ 1,102,290	\$ 1,550,015	\$ 80,256
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ (84,545)	\$ (2,388,735)	\$ (2,473,280)	\$ 158
Depreciation	24,492	1,794,028	1,818,520	-
Changes in				
Accounts receivable	3,774	(15,975)	(12,201)	-
Inventories	-	(6,712)	(6,712)	-
Prepaid expenses	2	2,173	2,175	-
Accrued expenses	2,302	(19,538)	(17,236)	-
Accounts payable	26,534	(129,191)	(102,657)	-
Unearned revenue	-	111,937	111,937	-
Net Cash Provided by (Used in) Operating Activities	\$ (27,441)	\$ (652,013)	\$ (679,454)	\$ 158

City of Ralston, Nebraska
Statement of Fiduciary Net Position – Cash Basis
September 30, 2014

	Pension Trust Funds	Agency Fund
Assets		
Cash and cash equivalents	\$ 236,940	\$ 5,986
Investments	3,704,196	-
Total assets	3,941,136	\$ 5,986
Liabilities - Due to Others	-	\$ 5,986
Net Position Restricted for Pensions	\$ 3,941,136	

City of Ralston, Nebraska
Statement of Changes in Fiduciary Net Position – Cash Basis
Year Ended September 30, 2014

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 274,779
Employee	154,779
Total contributions	429,558
Net appreciation in fair value of investments	328,455
Total additions	758,013
Deductions	
Benefit payments	454,793
Total deductions	454,793
Net Increase in Net Position	303,220
Net Position Restricted for Pensions	
Beginning of year	3,637,916
End of year	\$ 3,941,136

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

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 was established for the purpose of acquiring and/or leasing buildings, equipment, and facilities to the City of Ralston. The Municipal Facilities Corporation did not enter into a lease transaction until October 23, 2007. The City has determined the Municipal Facilities 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.

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, internal service funds and fiduciary funds are presented using the cash basis of accounting. This basis recognizes assets, net position/fund equity, 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. Unbilled service revenues are accrued in the period of consumption.

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 and of the government's internal service 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.

City of Ralston, Nebraska

Notes to Financial Statements

September 30, 2014

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

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, liabilities, fund equity, 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:

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.

City of Ralston, Nebraska

Notes to Financial Statements

September 30, 2014

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

Government-Wide and Fund Financial Statements - Continued

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 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 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 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.

Other Fund Types

Internal Service Fund – The City's Internal Service Fund accounts for payroll services provided to various other governmental funds on a cost reimbursement basis.

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.

Agency Fund – The agency fund accounts for funds held for community activities.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

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. 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, 2014

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

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed.

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.

City of Ralston, Nebraska

Notes to Financial Statements

September 30, 2014

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows of resources reported on the statement of net position or balance sheets.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The City does not have any deferred inflows of resources reported on the statement of net position or balance sheets.

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.

Real Estate Deposit – 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 land 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 a deposit.

Compensated Absences

In the Sewer and Arena Funds, 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, 2014

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.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

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

Net Position - Continued

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

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 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.

Implementation of New Accounting Principles

In 2014, the City implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This standard established accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources and deferred inflows of resources and recognizes as expenses and revenues certain items that were previously reported as assets and liabilities. In addition, this statement changes the method of accounting for debt issuance costs. Prior to implementation of GASB Statement No. 65, the City reported debt issuance costs in the business-type activities, the Arena Fund, and the Sewer Fund as deferred charges, which were capitalized and amortized over the life of the related debt. Under GASB Statement No. 65, debt issuance costs are to be expensed in the period incurred. Implementation of GASB Statement No. 65 resulted in the reduction of previously reported net position by \$682,122 in the business-type activities (\$3,360 and \$678,762 in the Sewer Fund and Arena Fund, respectively, in the proprietary funds) for the retrospective removal of these debt issuance costs.

Also in 2014, the City of Ralston Civilian Employee Pension Plan and Police Pension Plan adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which has as its objective improving the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. Adoption of GASB 67 had no effect on net position restricted for pensions or on net increase (decrease) in net position. It did however, change the requirements for information disclosed in the footnotes to the financial statements and information required to be presented as required supplementary information. See Note 6.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

Note 2: Arena Liquidity Plans

The Arena Fund has recognized a net decrease in net position of \$2,090,383 and an operating activities cash flow deficit of \$652,013 for the year ended September 30, 2014.

Management believes that the operations of the facility will improve and generate smaller deficits to be covered by other City funds. Management also believes that the City will continue to meet its debt service obligations and that the other general revenues of the City will be sufficient to meet the operational needs of all City funds, including the Arena. Management is currently in negotiations to increase the sporting events at the arena, as well as additional concerts, events, and floor shows. Management will continue to evaluate the need for additional or increased fees, including, but not limited to, parking fees, online ticket sales fees, and facilities fees. Management also intends to renegotiate certain contracts for rental space and advertising rights. Management has a reasonable expectation that the City has adequate resources to continue to operate the facility for the foreseeable future.

Note 3: 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, 2014, 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, 2014

Note 3: Deposits and Investments - Continued

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, 2014, 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	\$ 236,940	N/A
Mutual funds - fixed income	939,323	N/A
Mutual funds - bonds	43,316	N/A
Mutual funds - equities	<u>2,721,557</u>	
	<u>\$ 3,941,136</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, 2014

Note 3: Deposits and Investments - Continued

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net position as follows:

Government-wide statement of net position		
Cash		\$ 3,430,165
Certificates of deposit		802,784
Fiduciary funds statement of net position		
Cash and cash equivalents		\$ 236,940
Investments		3,704,196

Note 4: Capital Assets – Sewer and Arena Funds

Capital assets activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities				
Capital assets, not being depreciated				
Land	\$ 8,888,931	\$ -	\$ (265,543)	\$ 8,623,388
Total capital assets, not being depreciated	<u>8,888,931</u>	<u>-</u>	<u>(265,543)</u>	<u>8,623,388</u>
Capital assets, being depreciated				
Building and improvements	30,783,180	29,253	-	30,812,433
Furniture and fixtures	4,474,733	85,384	-	4,560,117
Machinery and equipment	<u>637,830</u>	<u>1,800</u>	<u>-</u>	<u>639,630</u>
Total capital assets, being depreciated	<u>35,895,743</u>	<u>116,437</u>	<u>-</u>	<u>36,012,180</u>
Less accumulated depreciation for				
Building and improvements	853,142	880,148	-	1,733,290
Furniture and fixtures	854,270	910,255	-	1,764,525
Machinery and equipment	<u>440,574</u>	<u>28,117</u>	<u>-</u>	<u>468,691</u>
Total accumulated depreciation	<u>2,147,986</u>	<u>1,818,520</u>	<u>-</u>	<u>3,966,506</u>
Total capital assets, being depreciated, net	<u>33,747,757</u>	<u>(1,702,083)</u>	<u>-</u>	<u>32,045,674</u>
Business-type activities capital assets, net	<u>\$ 42,636,688</u>	<u>\$ (1,702,083)</u>	<u>\$ (265,543)</u>	<u>\$ 40,669,062</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

Note 4: Capital Assets – Sewer and Arena Fund - Continued

Depreciation was charged to functions/programs as follows:

Business-Type Activities	
Sewer	\$ 24,492
Arena	<u>1,794,028</u>
	<u><u>\$ 1,818,520</u></u>

Note 5: Long-term Liabilities

The following is a summary of long-term liabilities activity of the City for the year ended September 30, 2014:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental Activities					
General obligation bonds payable	<u>\$ 2,400,000</u>	<u>\$ 530,000</u>	<u>\$ 370,000</u>	<u>\$ 2,560,000</u>	<u>\$ 395,000</u>
Business-Type Activities					
Bonds and Notes					
Sewer revenue bond	\$ 205,000	\$ -	\$ 30,000	\$ 175,000	\$ 30,000
General obligation bonds payable	41,615,000	1,200,000	525,000	42,290,000	1,575,000
Notes payable	2,750,000	525,000	1,040,000	2,235,000	2,235,000
Deferred issuance discounts	<u>(157,330)</u>	<u>-</u>	<u>(8,726)</u>	<u>(148,604)</u>	<u>-</u>
Net bonds and notes	44,412,670	1,725,000	1,586,274	44,551,396	3,840,000
Other Liabilities					
Real estate deposit	700,000	-	-	700,000	-
Compensated absences	<u>34,026</u>	<u>26,287</u>	<u>26,389</u>	<u>33,924</u>	<u>16,139</u>
	734,026	26,287	26,389	733,924	16,139
Business-type activities long-term liabilities	<u><u>\$ 45,146,696</u></u>	<u><u>\$ 1,751,287</u></u>	<u><u>\$ 1,612,663</u></u>	<u><u>\$ 45,285,320</u></u>	<u><u>\$ 3,856,139</u></u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

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							
\$ 710,000	5/10/2005	Refunding Bonds	2.40 - 4.15	Ser. '05 to '14	2010	Semiannually	\$ 85,000
640,000	3/5/2009	Refunding Bonds	1.25 - 3.55	Ser. '09 to '18	2014	Semiannually	280,000
150,000	7/20/2010	Highway Allocation Fund Pledge	0.80 - 2.65	Ser. '11 to '16	2015	Semiannually	50,000
760,000	8/10/2010	Vehicle Off-Street Parking Bonds	0.75 - 4.10	Ser. '11 to '26	2015	Semiannually	620,000
310,000	9/8/2010	Public Safety Tax Anticipation Bonds	0.90 - 2.75	Ser. '12 to '18	2015	Semiannually	180,000
235,000	8/23/2011	Highway Allocation Fund Pledge	0.65 - 2.80	Ser. '13 to '19	2016	Semiannually	175,000
255,000	8/7/2012	Highway Allocation Fund Pledge	0.45 - 1.60	Ser. '13 to '19	2017	Semiannually	200,000
530,000	4/9/2013	Highway Allocation Fund Pledge	0.40 - 2.15	Ser. '17 to '22	2018	Semiannually	440,000
530,000	9/3/2014	Highway Allocation Fund Pledge	0.45 - 2.70	Ser. '15 to '24	2019	Semiannually	530,000
Total General Obligation Bonds							<u>\$ 2,560,000</u>
Business-Type Activities							
Revenue Bonds							
\$ 420,000	9/22/2004	Sewer Revenue Bonds	1.65 - 4.45	Ser. '05 to '19	2009	Semiannually	\$ 175,000
Total Revenue Bonds							<u>\$ 175,000</u>
General Obligation Bonds							
\$ 7,930,000	8/30/2011	General Obligation Arena Bonds	1.15 - 4.50	Ser. '15 to '31	2016	Semiannually	\$ 7,930,000
630,000	8/30/2011	General Obligation Arena Bonds	2.10 - 4.85	Ser. '15 to '31	2016	Semiannually	630,000
10,000,000	2/1/2012	General Obligation Arena Bonds Series A	2.00 - 5.00	Ser. '15 to '31	2017	Semiannually	10,000,000
10,440,000	5/22/2012	General Obligation Arena Bonds Series B	1.40 - 5.00	Ser. '14 to '31	2017	Semiannually	10,240,000
4,245,000	9/25/2012	Lease Purchase Bonds	1.65 - 5.10	Ser. '13 to '27	2017	Semiannually	4,095,000
4,075,000	6/1/2012	Vehicle Off-Street Parking Bonds	0.55 - 3.70	Ser. '14 to '32	2017	Semiannually	3,900,000
4,295,000	5/1/2013	Vehicle Off-Street Parking Bonds	2.30 - 6.00	Ser. '17 to '33	2018	Semiannually	4,295,000
1,200,000	5/20/2014	Promissory Note	2.10	5/15/2016	N/A	Semiannually	1,200,000
Total General Obligation Bonds							<u>\$42,290,000</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

Note 5: Long-term Liabilities - Continued

Note Payable

\$ 2,750,000	Various	Note payable	4.00	12/1/2018	N/A	Monthly	<u>\$ 2,235,000</u>
Total Note Payable							<u><u>\$ 2,235,000</u></u>

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

Year Ending September 30,	Principal	Interest
Governmental Activities General Obligation Bonds		
2015	\$ 395,000	\$ 60,810
2016	355,000	52,013
2017	335,000	45,448
2018	340,000	38,641
2019	235,000	30,715
2020-2024	775,000	86,995
2024-2029	<u>125,000</u>	<u>7,730</u>
	<u>\$ 2,560,000</u>	<u>\$ 322,352</u>
Business-Type Activities Revenue Bonds		
2015	\$ 30,000	7,558
2016	35,000	6,313
2017	35,000	4,825
2018	35,000	3,320
2019	<u>40,000</u>	<u>1,780</u>
	<u>\$ 175,000</u>	<u>\$ 23,796</u>
Business-Type Activities General Obligation Bonds		
2015	1,575,000	1,638,748
2016	2,855,000	1,614,648
2017	1,790,000	1,558,676
2018	1,800,000	1,520,658
2019	1,930,000	1,476,568
2020-2024	10,350,000	6,438,616
2025-2029	13,505,000	4,156,648
2030-2034	<u>8,485,000</u>	<u>959,615</u>
	<u>\$ 42,290,000</u>	<u>\$ 19,364,177</u>
Business-Type Activities Note Payable		
2015	\$ 2,235,000	\$ 89,400

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

Note 5: Long-term Liabilities - Continued

Pledged Revenue

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 2024. The total principal and interest remaining to be paid on the bonds is \$1,519,903, with annual payments expected to require approximately 22% of revenues.

The Sewer Fund Revenue Bonds are secured by a pledge of future revenues derived from the operation of the city-owned sanitary sewer system through final maturity of the bonds in 2019. The total principal and interest remaining to be paid on the bonds is \$198,796, with annual payments expected to require approximately 5% of revenues.

Note 6: Retirement Plans

Civilian Employee Pension Plan

Statement of Fiduciary Net Position – Cash Basis
September 30, 2014

Assets	
Cash and cash equivalents	\$ 159,801
Investments	<u>2,359,462</u>
Total assets	<u>2,519,263</u>
 Liabilities - Due to Others	
	<u>-</u>
 Net Position Restricted for Pensions	 <u><u>\$ 2,519,263</u></u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

Note 6: Retirement Plans - Continued

**Statement of Changes in Fiduciary
Net Position – Cash Basis
Year Ended September 30, 2014**

Additions	
Contributions	
Employer	\$ 212,054
Employee	92,054
	304,108
Total contributions	304,108
Total contributions	304,108
Net appreciation in fair value of investments	211,563
	211,563
Total additions	515,671
	515,671
Deductions	
Benefit payments	205,891
	205,891
Total deductions	205,891
	205,891
Net Increase in Net Position	309,780
Net Position Restricted for Pensions	
Beginning of year	2,209,483
End of year	\$ 2,519,263
	2,519,263

Plan Description

The civilian employee pension plan is a single-employer defined benefit pension plan administered by the City. The City Council serves as the Plan's board. All full-time City employees that have reached the age of 21 are eligible to participate in the plan. Benefits vest over ten years of service. City employees who retire at or after age 65 with 15 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.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

Note 6: Retirement Plans - Continued

As of September 30, 2014, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	31
Total	52

The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by State statutes and City ordinance. The plan does not issue a separate report that includes financial statements and required supplementary information.

Funding Policy

City employees fully participating in the plan are required to contribute 6% of their annual salary to the plan. The City is required to contribute the remaining amounts necessary to fund the plan, including plan expenses, using a consistent actuarial method.

Annual Pension Cost and Net Pension Asset (Obligation)

The City's annual pension cost and net pension asset (obligation) for the year ended August 1, 2014, the date of the latest actuarial valuation, are:

Annual required contribution	\$ 159,536
Interest on net pension obligation	8,322
Adjustment to annual required contribution	(10,884)
Annual pension cost	156,974
Contributions made	276,985
Decrease in pension obligation	120,011
Net pension obligation, beginning	(110,954)
Net pension asset, ending	\$ 9,057

Three-Year Trend Information

<u>Year Ended July 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Annual Pension Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset (Obligation)</u>
2014	\$ 156,974	\$ 276,985	176%	\$ 9,057
2013	164,544	151,514	92%	(110,954)
2012	101,325	49,813	49%	(97,924)

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

Note 6: Retirement Plans - Continued

Actuarial Methods and Assumptions

The annual required contribution for the current year was calculated using the entry age normal cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 5% annually, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets is based solely on market value on an annual basis. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis over a period of 20 years.

Funded Status and Funding Progress

As of August 1, 2014, the most recent actuarial valuation date, the plan was 88% funded. The actuarial accrued liability for benefits was \$2,863,135, and the actuarial value of assets was \$2,519,789, resulting in an unfunded actuarial liability (UAAL) of \$343,346. The projected covered payroll for the upcoming year (annual payroll of active employees covered by the plan) is \$1,420,467, and the ratio of UAAL to the covered payroll is 24.17%.

The schedule of funding progress presented as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Net Pension Liability

The components of the net pension liability of the City at September 30, 2014, were as follows:

Total pension liability	\$ 2,907,164
Plan fiduciary net position (market value)	<u>(2,519,263)</u>
Net pension liability	<u><u>\$ 387,901</u></u>
Plan fiduciary net position as a percentage of the total pension liability	86.66%

The total pension liability was determined by an actuarial valuation using the entry age normal cost method and calculated based on the discount rate and actuarial assumptions below.

Valuation date	August 1, 2014
Measurement date	September 30, 2014

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

Note 6: Retirement Plans - Continued

Assumptions

The actuarial assumptions that determined the total pension liability as of September 30, 2014 are as follows:

- Inflation rate – 3.00%
- Salary increases including inflation – 5.00%
- Mortality table – RP-2014 Combined Mortality with generational projection using Scale MP-2014

Discount Rate

Discount rate – 7.50%

Long-term expected rate of return, net of investment expense – 7.50%

Municipal bond rate – N/A

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Projected benefit payments are expected to continue for 92 years. Based on these assumptions, the plan fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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 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 plan’s asset allocation as of September 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.34%	0.44%
Core Fixed Income	27.27%	1.70%
Non-US Fixed Income	9.63%	0.63%
Large Cap US Equities	40.72%	4.00%
Small Cap US Equities	5.29%	7.24%
Developed Foreign Equities	10.75%	3.80%

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

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 City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total pension liability	\$ 3,255,979	\$ 2,907,164	\$ 2,610,684
Fiduciary net position	2,519,263	2,519,263	2,519,263
Net pension liability	736,716	387,901	91,421

Rate of Return

For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.47%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Police Pension Plan

Statement of Fiduciary Net Position – Cash Basis
September 30, 2014

Assets	
Cash and cash equivalents	\$ 77,139
Investments	1,344,734
Total assets	1,421,873
 Liabilities - Due to Others	
	-
 Net Position Restricted for Pensions	 \$ 1,421,873

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2014

Note 6: Retirement Plans - Continued

**Statement of Changes in Fiduciary
Net Position – Cash Basis
Year Ended September 30, 2014**

Additions	
Contributions	
Employer	\$ 62,725
Employee	<u>62,725</u>
Total contributions	<u>125,450</u>
Net appreciation in fair value of investments	<u>116,892</u>
Total additions	<u>242,342</u>
Deductions	
Benefit payments	<u>248,902</u>
Total deductions	<u>248,902</u>
Net Decrease in Net Position	(6,560)
Net Position Restricted for Pensions	
Beginning of year	<u>1,428,433</u>
End of year	<u><u>\$ 1,421,873</u></u>

The City's single employer police pension plan covers all uniformed employees of the Ralston Police Department. The plan was converted effective January 1, 1984, from a defined benefit plan to a defined contribution plan. As of September 30, 2014, there were 14 active participants in the plan.

Benefits provision are contained in the plan document and were established and can be amended by action of the City's governing body. The plan requires that both the employee and the City contribute an amount equal to 6% of the employee's base salary per pay period. Additional contributions may be made by the City as required to fund the benefits payable under the plan. However, the benefit for participants employed prior to January 1, 1984 and any uniformed officer disabled or killed in the line of duty shall not be less than 50% of the participant's regular pay, as defined. The Plan has no participants employed prior to January 1, 1984.

Contributions to the police retirement plan by the City were \$62,725 and plan members contributed \$62,725 for 2014. The 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, 2014

Note 7: Interfund Balances and Activity

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Balances due to/from other funds at September 30, 2014 consist of the following:

Due To	Due From		Total
	General	Arena	
General	\$ -	\$ 533,475	\$ 533,475
Debt Service	-	788,481	788,481
Lottery	-	1,468,260	1,468,260
Street	711,569	-	711,569
Total	<u>\$ 711,569</u>	<u>\$ 2,790,216</u>	<u>\$ 3,501,785</u>

Balances due from the Arena Fund are not expected to be repaid within one year of September 30, 2014.

Transfers included in the Statement of Activities during the year ended September 30, 2014 consisted of a \$50,000 transfer from the Lottery Fund to the Arena Fund for cash flow purposes.

Note 8: 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.

Arena Fund Facility Costs

The City completed construction of its sports and event center during the year ended September 30, 2013 and operations commenced. As operations continue, the City expects to incur additional costs to remediate operational issues discovered subsequent to the facility's opening.

Required Supplementary Information

City of Ralston, Nebraska
Budgetary Comparison Schedule – Cash Basis
General Fund
Year Ended September 30, 2014

	<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	\$ 1,534,094	\$ 1,534,094	\$ 1,824,722	\$ 290,628
Intergovernmental	-	-	209,780	209,780
Sales taxes	800,000	800,000	985,021	185,021
Grant income	-	-	3,000	3,000
Charges for services	290,000	290,000	291,174	1,174
Permits and fees	186,000	186,000	172,126	(13,874)
Investment income	2,000	2,000	784	(1,216)
Miscellaneous	44,900	44,900	43,899	(1,001)
	<u>2,856,994</u>	<u>2,856,994</u>	<u>3,530,506</u>	<u>673,512</u>
Expenditures				
General government	1,176,900	1,176,900	1,053,357	123,543
Public safety	1,873,642	1,873,642	1,884,826	(11,184)
Cultural and recreational	847,900	847,900	775,304	72,596
Capital outlay	344,000	344,000	9,392	334,608
Miscellaneous	52,500	52,500	-	52,500
	<u>4,294,942</u>	<u>4,294,942</u>	<u>3,722,879</u>	<u>572,063</u>
Deficiency of Revenues Over Expenditures	<u>(1,437,948)</u>	<u>(1,437,948)</u>	<u>(192,373)</u>	<u>1,245,575</u>
Change in Fund Balances	<u>\$ (1,437,948)</u>	<u>\$ (1,437,948)</u>	<u>\$ (192,373)</u>	<u>\$ 1,245,575</u>

City of Ralston, Nebraska
Budgetary Comparison Schedule – Cash Basis
Street Fund
Year Ended September 30, 2014

	<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	\$ 125,006	\$ 125,006	\$ 161,199	\$ 36,193
Intergovernmental	745,068	745,068	718,398	(26,670)
Total revenues	<u>870,074</u>	<u>870,074</u>	<u>879,597</u>	<u>9,523</u>
Expenditures				
Public works	811,000	811,000	735,104	75,896
Capital outlay	530,000	530,000	531,919	(1,919)
Total expenditures	<u>1,341,000</u>	<u>1,341,000</u>	<u>1,267,023</u>	<u>73,977</u>
Deficiency of Revenues Over Expenditures	(470,926)	(470,926)	(387,426)	83,500
Bond Proceeds	<u>530,000</u>	<u>530,000</u>	<u>522,050</u>	<u>(7,950)</u>
Change in Fund Balances	<u>\$ 59,074</u>	<u>\$ 59,074</u>	<u>\$ 134,624</u>	<u>\$ 75,550</u>

City of Ralston, Nebraska
Budgetary Comparison Schedule – Cash Basis
Lottery Fund
Year Ended September 30, 2014

	<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	\$ 1,300,000	\$ 1,300,000	\$ 1,109,535	\$ (190,465)
Investment income	2,000	2,000	533	(1,467)
Miscellaneous	500	500	49,311	48,811
	<u>1,302,500</u>	<u>1,302,500</u>	<u>1,159,379</u>	<u>(143,121)</u>
Expenditures				
General government	161,000	161,000	97,352	63,648
Economic and community development	460,000	460,000	417,992	42,008
Capital outlay	2,000	2,000	1,217	783
	<u>623,000</u>	<u>623,000</u>	<u>516,561</u>	<u>106,439</u>
Excess of Revenues Over Expenditures	679,500	679,500	642,818	(36,682)
Transfers Out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(50,000)</u>	<u>(40,000)</u>
Change in Fund Balances	<u>\$ 669,500</u>	<u>\$ 669,500</u>	<u>\$ 592,818</u>	<u>\$ (76,682)</u>

City of Ralston, Nebraska
Required Supplementary Information
September 30, 2014

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

	2014
Total Pension Liability	
Service cost	\$ 202,145
Interest	199,518
Changes in benefit terms	-
Effect of economic/demographic gains or losses	75,094
Effect of assumption changes or inputs	-
Benefit payments	(205,891)
Net change in total pension liability	270,866
Total pension liability - beginning	2,636,298
Total pension liability - ending	\$ 2,907,164
Plan Fiduciary Net Position	
Contributions - employer	\$ 212,054
Contributions - employee	92,054
Net investment income	211,563
Benefit payments	(205,891)
Net change in plan fiduciary net position	309,780
Plan fiduciary net position - beginning	2,209,483
Plan fiduciary net position - ending	\$ 2,519,263
Net Pension Liability	\$ 387,901
Plan fiduciary net position as a percentage of the total pension liability	86.66%
Covered employee payroll for upcoming year	\$ 1,420,467
Net pension liability as a percentage of covered employee payroll	27.31%

Note to schedule:

Results for the other years within the last ten years are not available and will be developed prospectively from 2014.

City of Ralston, Nebraska
Required Supplementary Information
September 30, 2014

Schedule of Employer Contributions
For the Civilian Employee Pension Plan
For the Year Ended September 30, 2014

	2014
Actuarial determined employer contribution	\$ 159,536
Actual employer contribution	276,985
Annual contribution deficiency (excess)	\$ (117,449)
Covered employee payroll	\$ 1,420,467
Actual contributions as a percentage of covered employee payroll	19.50%

Notes to Schedule:

Results for the other years within the last ten years are not available and will be developed prospectively from 2014.

Valuation date: 8/1/2014
 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
Amortization method:	20 years, level percent, open
Remaining amortization period:	20 years
Asset valuation method:	Market
Inflation:	3.00%
Salary increases:	5.00%
Investment rate of return:	7.50%

Schedule of Investment Returns

	2014
Annual money-weighted rate of return, net of investment expense	9.47%

City of Ralston, Nebraska
Required Supplementary Information
September 30, 2014

Schedule of Funding Progress
For the Civilian Employee Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as of Percentage of Covered Payroll ((b - a) / c)
August 1, 2014	\$ 2,519,789	\$ 2,863,135	\$ 343,346	88%	\$ 1,420,467	24%
August 1, 2013	2,122,524	2,593,368	470,844	82%	1,385,857	34%
August 1, 2012	1,753,221	2,307,676	554,455	76%	1,089,042	51%
August 1, 2011	1,755,419	2,223,874	468,455	79%	724,143	65%
August 1, 2010	1,563,647	2,189,525	625,878	71%	757,773	83%
August 1, 2009	1,425,976	2,061,961	635,985	69%	776,101	82%
August 1, 2008	1,627,016	1,914,595	287,579	85%	729,827	39%
August 1, 2007	1,758,783	1,723,823	(34,960)	102%	626,303	-6%

Schedule of Employer Contributions
For the Civilian Employee Pension Plan

Fiscal Year	Annual Required Contribution	Actual Pension Contribution	Percentage Contributed
2014	\$ 159,536	\$ 276,985	174%
2013	166,806	151,514	91%
2012	102,397	49,813	49%
2011	110,522	45,549	41%
2010	102,235	44,506	44%
2009	74,475	43,613	59%
2008	35,717	41,915	117%
2007	31,802	37,634	118%
2006	16,778	34,704	207%
2005	27,529	64,051	233%