

City of Ralston, Nebraska

Independent Auditor's Reports and Financial Statements

September 30, 2017



City of Ralston, Nebraska
September 30, 2017

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 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 36
Budgetary Comparison Schedule - Cash Basis - Street Fund..... 37
Budgetary Comparison Schedule - Cash Basis - Lottery Fund 38
Schedule of Changes in the Net Pension Liability and Related Ratios for
the Civilian Employee Pension Plan 39
Schedule of Employer Contributions for the Civilian Employee
Pension Plan 40
Schedule of Investment Returns 40

Independent Auditor's Report

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

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, 2017, 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. 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, 2017, 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 cash basis of accounting described in Note 1 for the governmental activities, each major governmental fund, internal service and fiduciary funds.

Basis of Accounting

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

Emphasis of Matter

As discussed in Note 11 to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

BKD, LLP

Omaha, Nebraska
March 15, 2018

City of Ralston, Nebraska
Statement of Net Position
September 30, 2017

	Governmental Activities (Cash Basis)	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Cash and cash equivalents	\$ 2,185,999	\$ 1,008,298	\$ 3,194,297
Certificates of deposit	666,205	-	666,205
Accounts receivable, net	-	222,923	222,923
Due from other governments	-	711,153	711,153
Inventories	-	49,013	49,013
Capital assets, net of accumulated depreciation	-	35,731,008	35,731,008
	<u>2,852,204</u>	<u>37,722,395</u>	<u>40,574,599</u>
Total assets			
Deferred outflows of resources	-	39,628	39,628
	<u>-</u>	<u>39,628</u>	<u>39,628</u>
Liabilities and Deferred Inflows of Resources			
Accounts payable	-	289,971	289,971
Accrued liabilities	-	647,320	647,320
Unearned revenue	-	304,093	304,093
Noncurrent liabilities			
Unearned revenue - real estate	-	700,000	700,000
Net pension liability	-	16,754	16,754
Accrued compensated balances			
Payable within one year	-	24,579	24,579
Payable in more than one year	-	56,691	56,691
Bonds payable			
Payable within one year	-	3,035,000	3,035,000
Payable in more than one year	-	36,627,574	36,627,574
	<u>-</u>	<u>41,701,982</u>	<u>41,701,982</u>
Total liabilities			
Deferred inflows of resources	-	55,959	55,959
	<u>-</u>	<u>55,959</u>	<u>55,959</u>
Net Position			
Net investment in capital assets	-	(3,931,566)	(3,931,566)
Restricted	2,747,868	726,283	3,474,151
Unrestricted	104,336	(790,635)	(686,299)
	<u>104,336</u>	<u>(790,635)</u>	<u>(686,299)</u>
Total net position	<u>\$ 2,852,204</u>	<u>\$ (3,995,918)</u>	<u>\$ (1,143,714)</u>

City of Ralston, Nebraska
Statement of Activities
Year Ended September 30, 2017

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	\$ 1,582,229	\$ 801,655	\$ -	\$ -	\$ (780,574)	\$ -	\$ (780,574)
Public safety	1,990,560	-	-	-	(1,990,560)	-	(1,990,560)
Public works	779,339	-	778,752	-	(587)	-	(587)
Cultural and recreational	868,770	-	-	-	(868,770)	-	(868,770)
Economic and community development	739,416	1,244,191	378,186	-	882,961	-	882,961
Debt service	435,820	-	-	-	(435,820)	-	(435,820)
Total governmental activities	<u>6,396,134</u>	<u>2,045,846</u>	<u>1,156,938</u>	<u>-</u>	<u>(3,193,350)</u>	<u>-</u>	<u>(3,193,350)</u>
Business-Type Activities							
Sewer	871,759	1,052,502	-	-	-	180,743	180,743
Arena	8,237,827	3,429,743	2,818,946	-	-	(1,989,138)	(1,989,138)
Total business-type activities	<u>9,109,586</u>	<u>4,482,245</u>	<u>2,818,946</u>	<u>-</u>	<u>-</u>	<u>(1,808,395)</u>	<u>(1,808,395)</u>
Total Primary Government	<u>\$ 15,505,720</u>	<u>\$ 6,528,091</u>	<u>\$ 3,975,884</u>	<u>\$ -</u>	<u>(3,193,350)</u>	<u>(1,808,395)</u>	<u>(5,001,745)</u>
General Revenues							
Property taxes					2,680,184	-	2,680,184
Intergovernmental					357,935	-	357,935
Sales taxes					1,705,077	-	1,705,077
Investment income					7,599	123	7,722
Transfers					(4,717,666)	4,717,666	-
Miscellaneous					95,754	60,712	156,466
Total general revenues and transfers					<u>128,883</u>	<u>4,778,501</u>	<u>4,907,384</u>
Change in Net Position					<u>(3,064,467)</u>	<u>2,970,106</u>	<u>(94,361)</u>
Net Position, Beginning of Year (as previously reported)					<u>5,916,671</u>	<u>(7,647,374)</u>	<u>(1,730,703)</u>
Adjustment for Corrections (See Note 11)					<u>-</u>	<u>681,350</u>	<u>681,350</u>
Net Position, Beginning of Year (as restated)					<u>5,916,671</u>	<u>(6,966,024)</u>	<u>(1,049,353)</u>
Net Position, End of Year					<u>\$ 2,852,204</u>	<u>\$ (3,995,918)</u>	<u>\$ (1,143,714)</u>

City of Ralston, Nebraska

Balance Sheet – Cash Basis

Governmental Funds

September 30, 2017

	General Fund	Street Fund	Lottery Fund	Debt Service Fund	Community Development Fund	Total
Assets						
Cash and cash equivalents	\$ 104,336	197,672	\$ 674,414	\$ 307,373	\$ 902,204	\$ 2,185,999
Certificates of deposit	-	-	666,205	-	-	666,205
Total assets	<u>\$ 104,336</u>	<u>\$ 197,672</u>	<u>\$ 1,340,619</u>	<u>\$ 307,373</u>	<u>\$ 902,204</u>	<u>\$ 2,852,204</u>
Liabilities and Fund Balances						
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances						
Restricted for						
Streets	-	197,672	-	-	-	197,672
Community development	-	-	1,340,619	-	902,204	2,242,823
Debt service	-	-	-	307,373	-	307,373
Unassigned	104,336	-	-	-	-	104,336
Total fund balances	<u>104,336</u>	<u>197,672</u>	<u>1,340,619</u>	<u>307,373</u>	<u>902,204</u>	<u>2,852,204</u>
Total liabilities and fund balances	<u>\$ 104,336</u>	<u>\$ 197,672</u>	<u>\$ 1,340,619</u>	<u>\$ 307,373</u>	<u>\$ 902,204</u>	<u>\$ 2,852,204</u>

City of Ralston, Nebraska
Statement of Revenues, Expenditures and Changes in Fund
Balances – Cash Basis – Governmental Funds
Year Ended September 30, 2017

	General Fund	Street Fund	Lottery Fund	Debt Service Fund	Community Development Fund	Total
Revenues						
Property taxes	\$ 2,056,651	\$ -	\$ -	\$ 623,533	\$ -	\$ 2,680,184
Intergovernmental	298,681	778,752	-	59,254	-	1,136,687
Sales taxes	1,705,077	-	-	-	-	1,705,077
Program income	-	-	-	-	378,186	378,186
Charges for services	310,168	-	-	-	-	310,168
Keno income	-	-	1,244,191	-	-	1,244,191
Permits and fees	174,190	-	-	-	-	174,190
Investment income	237	-	4,994	1,075	1,293	7,599
Miscellaneous	84,154	-	11,600	-	-	95,754
Total revenues	4,629,158	778,752	1,260,785	683,862	379,479	7,732,036
Expenditures						
Current						
General government	1,536,563	-	-	-	-	1,536,563
Public safety	1,820,528	-	-	-	-	1,820,528
Public works	-	739,083	-	-	-	739,083
Cultural and recreational	746,631	-	-	-	-	746,631
Economic and community development	14,354	-	724,914	-	148	739,416
Capital outlay	60,846	-	-	-	-	60,846
Debt service						
Principal	-	-	-	385,000	-	385,000
Interest and fiscal charges	-	-	-	50,820	-	50,820
Total expenditures	4,178,922	739,083	724,914	435,820	148	6,078,887
Excess of Revenues Over Expenditures	450,236	39,669	535,871	248,042	379,331	1,653,149
Other Financing Sources (Uses)						
Transfers in	706,075	-	-	-	-	706,075
Transfers out	(1,302,062)	(372,570)	(2,443,123)	(972,481)	(252,453)	(5,342,689)
Total other financing sources (uses)	(595,987)	(372,570)	(2,443,123)	(972,481)	(252,453)	(4,636,614)
Change in Fund Balances	(145,751)	(332,901)	(1,907,252)	(724,439)	126,878	(2,983,465)
Fund Balance, Beginning of Year	250,087	530,573	3,247,871	1,031,812	775,326	5,835,669
Fund Balance, End of Year	\$ 104,336	\$ 197,672	\$ 1,340,619	\$ 307,373	\$ 902,204	\$ 2,852,204

City of Ralston, Nebraska

Balance Sheet

Proprietary Funds

September 30, 2017

	Business-Type Activities			Governmental
	Sewer Fund	Arena Fund	Total	Internal Service Fund (Cash Basis)
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 662,448	\$ 345,850	\$ 1,008,298	\$ -
Accounts receivable, net	130,649	92,274	222,923	-
Due from other governments	-	711,153	711,153	-
Inventories	-	49,013	49,013	-
	793,097	1,198,290	1,991,387	-
Noncurrent Assets				
Capital assets, net of accumulated depreciation	91,560	35,639,448	35,731,008	-
Deferred Outflows of Resources				
Deferred for pensions	5,950	33,678	39,628	-
Total Assets and Deferred Outflows of Resources	\$ 890,607	\$ 36,871,416	\$ 37,762,023	\$ -
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Accounts payable	\$ 159,649	\$ 130,322	\$ 289,971	\$ -
Accrued compensated absences	9,129	15,450	24,579	-
Accrued liabilities	5,322	641,998	647,320	-
Unearned revenue	-	304,093	304,093	-
Current portion of long-term debt	35,000	3,000,000	3,035,000	-
	209,100	4,091,863	4,300,963	-
Noncurrent Liabilities				
Unearned revenue - real estate	-	700,000	700,000	-
Accrued compensated absences	16,535	40,156	56,691	-
Net pension liability	2,634	14,120	16,754	-
Long-term debt	40,000	36,587,574	36,627,574	-
	59,169	37,341,850	37,401,019	-
Total liabilities	268,269	41,433,713	41,701,982	-
Deferred Inflows of Resources				
Deferred for pensions	8,798	47,161	55,959	-
Net Position				
Net investment in capital assets	16,560	(3,948,126)	(3,931,566)	-
Restricted for debt service	-	726,283	726,283	-
Unrestricted	596,980	(1,387,615)	(790,635)	-
	613,540	(4,609,458)	(3,995,918)	-
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 890,607	\$ 36,871,416	\$ 37,762,023	\$ -

City of Ralston, Nebraska
Statement of Revenues, Expenses and Changes in
Net Position – Proprietary Funds
Year Ended September 30, 2017

	<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	\$ 1,052,502	\$ -	\$ 1,052,502	\$ 317,297
Food and beverage sales	-	1,686,114	1,686,114	-
Event revenue	-	609,783	609,783	-
Rent income	-	524,040	524,040	-
Advertising revenue	-	272,232	272,232	-
Suite and premium seat revenue	-	337,574	337,574	-
Employee contributions	-	-	-	743,037
Miscellaneous	3,789	56,923	60,712	-
	<u>1,056,291</u>	<u>3,486,666</u>	<u>4,542,957</u>	<u>1,060,334</u>
Total operating revenues				
Operating Expenses				
Sewer service	629,676	-	629,676	-
Arena operations	-	2,298,195	2,298,195	-
Event expenses	-	487,829	487,829	-
Food and beverage cost of sales	-	715,549	715,549	-
General and administrative	212,291	982,958	1,195,249	1,060,284
Depreciation	18,099	1,713,246	1,731,345	-
Repairs and maintenance	6,868	307,966	314,834	-
	<u>866,934</u>	<u>6,505,743</u>	<u>7,372,677</u>	<u>1,060,284</u>
Total operating expenses				
Operating Income (Loss)	<u>189,357</u>	<u>(3,019,077)</u>	<u>(2,829,720)</u>	<u>50</u>
Nonoperating Revenues (Expenses)				
Intergovernmental	-	2,818,946	2,818,946	-
Interest income	-	123	123	-
Interest expense	(4,825)	(1,732,084)	(1,736,909)	-
	<u>(4,825)</u>	<u>(1,732,084)</u>	<u>(1,736,909)</u>	<u>-</u>
Total nonoperating revenues (expenses)				
Other Financing Sources (Uses)				
Transfers in	-	4,717,666	4,717,666	-
Transfers out	-	-	-	(81,052)
	<u>-</u>	<u>4,717,666</u>	<u>4,717,666</u>	<u>(81,052)</u>
Total other financing sources (uses)				
Change in Net Position	184,532	2,785,574	2,970,106	(81,002)
Net Position, Beginning of Year (as previously reported)	<u>429,008</u>	<u>(8,076,382)</u>	<u>(7,647,374)</u>	<u>81,002</u>
Adjustment for Corrections (see Note 11)	<u>-</u>	<u>681,350</u>	<u>681,350</u>	<u>-</u>
Net Position, Beginning of Year (as restated)	<u>429,008</u>	<u>(7,395,032)</u>	<u>(6,966,024)</u>	<u>81,002</u>
Net Position, End of Year	<u>\$ 613,540</u>	<u>\$ (4,609,458)</u>	<u>\$ (3,995,918)</u>	<u>\$ -</u>

City of Ralston, Nebraska
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2017

	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	\$ 1,058,718	\$ 3,225,512	\$ 4,284,230	\$ 317,297
Employee contributions	-	-	-	743,037
Payments to suppliers	(722,348)	(2,847,528)	(3,569,876)	(1,060,284)
Payments to employees	(132,496)	(1,498,100)	(1,630,596)	-
Net cash provided by (used in) operating activities	<u>203,874</u>	<u>(1,120,116)</u>	<u>(916,242)</u>	<u>50</u>
Cash Flows from Noncapital Financing Activities				
Repayments on revolving credit agreement	-	(160,000)	(160,000)	-
Transfers (to) from other funds	-	1,927,450	1,927,450	(81,052)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>1,767,450</u>	<u>1,767,450</u>	<u>(81,052)</u>
Cash Flows from Capital and Related Financing Activities				
Principal paid on long-term debt	(35,000)	(1,790,000)	(1,825,000)	-
Proceeds from intergovernmental revenues	-	2,732,509	2,732,509	-
Interest and fiscal charges paid	(4,825)	(1,723,358)	(1,728,183)	-
Net cash used in capital and related financing activities	<u>(39,825)</u>	<u>(780,849)</u>	<u>(820,674)</u>	<u>-</u>
Cash Flows from Investing Activities				
Interest received	-	123	123	-
Net Change in Cash and Cash Equivalents	164,049	(133,392)	30,657	(81,002)
Cash and Cash Equivalents, Beginning of Year	<u>498,399</u>	<u>479,242</u>	<u>977,641</u>	<u>81,002</u>
Cash and Cash Equivalents, End of Year	<u>\$ 662,448</u>	<u>\$ 345,850</u>	<u>\$ 1,008,298</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 189,357	\$ (3,019,077)	\$ (2,829,720)	\$ 50
Depreciation	18,099	1,713,246	1,731,345	-
Changes in operating assets and liabilities				
Accounts receivable	2,427	(15,011)	(12,584)	-
Inventories	-	8,035	8,035	-
Prepaid expenses	539	-	539	-
Deferred outflows for pensions	(5,950)	(33,678)	(39,628)	-
Accrued expenses	2,998	413,076	416,074	-
Accounts payable	(15,028)	(1,845)	(16,873)	-
Unearned revenue	-	(246,143)	(246,143)	-
Net pension liability	2,634	14,120	16,754	-
Deferred inflows for pensions	8,798	47,161	55,959	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 203,874</u>	<u>\$ (1,120,116)</u>	<u>\$ (916,242)</u>	<u>\$ 50</u>

See Notes to Financial Statements

City of Ralston, Nebraska
Statement of Fiduciary Net Position – Cash Basis
September 30, 2017

	Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 193,652
Investments	4,933,570
Total assets	5,127,222
Liabilities - Due to Others	-
Net Position Restricted for Pensions	\$ 5,127,222

City of Ralston, Nebraska
Statement of Changes in Fiduciary Net Position – Cash Basis
Year Ended September 30, 2017

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 322,559
Employee	142,558
Rollovers	76,254
Net appreciation in fair value of investments	541,343
Total additions	1,082,714
Deductions	
Benefit payments	592,117
Total deductions	592,117
Net Increase in Net Position	490,597
Net Position Restricted for Pensions	
Beginning of year	4,636,625
End of year	\$ 5,127,222

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

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.

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, regardless of the timing of the related cash flows. 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, 2017

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, 2017

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. This fund was closed by the City during 2017.

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, 2017

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

Budget and Budgetary Accounting

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

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

Cash, Cash Equivalents, Investments and Investment Income

The City maintains a cash deposit pool that is available for use by all funds. The pool consists of bank deposits. The equity of proprietary funds in this pool is considered to be cash and cash equivalents for purposes of the statement of cash flows. The pension trust funds consider all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents held within the pension trust funds consist of money market funds at September 30, 2017. 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, 2017

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, 2017

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

Risk Management

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

Unearned Revenue Real Estate – Arena Fund

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

Compensated Absences

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.

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.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

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

Fund Balance – Governmental Funds - Continued

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.”

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.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 2: Arena Liquidity Plans

The Arena Fund has a net position deficit of \$4,609,458 as of September 30, 2017, and has recognized an operating activities cash flow deficit of \$1,120,116 for the year ended September 30, 2017.

Management believes that the operations of the facility will continue to 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, 2017, 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, 2017

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, 2017, 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	\$ 193,652	N/A
Mutual funds - fixed income	1,295,538	N/A
Mutual funds - bonds	82,610	N/A
Mutual funds - equities	<u>3,555,422</u>	N/A
	<u><u>\$ 5,127,222</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, 2017

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	\$ 3,194,297
Certificates of deposit	666,205
Fiduciary funds statement of net position	
Cash and cash equivalents	\$ 193,652
Investments	4,933,570

Note 4: 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

Certificates of deposit and money market mutual funds are carried at amortized cost, and thus are not included within the fair value hierarchy. The Pension Trust Funds' investments in mutual funds are measured at fair value on a recurring basis, and are classified within Level 1 of the fair value hierarchy at September 30, 2017.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 5: Capital Assets - Sewer and Arena Funds

Capital assets activity for the year ended September 30, 2017, was as follows:

Business-Type Activities	Beginning Balances (as restated)	Increases	Decreases	Ending Balances
Capital assets, not being depreciated				
Land	\$ 8,623,388	\$ -	\$ -	\$ 8,623,388
Total capital assets, not being depreciated	<u>8,623,388</u>	<u>-</u>	<u>-</u>	<u>8,623,388</u>
Capital assets, being depreciated				
Building and improvements	31,037,166	-	-	31,037,166
Furniture and fixtures	4,624,268	-	-	4,624,268
Machinery and equipment	<u>647,630</u>	<u>-</u>	<u>-</u>	<u>647,630</u>
Total capital assets, being depreciated	<u>36,309,064</u>	<u>-</u>	<u>-</u>	<u>36,309,064</u>
Less accumulated depreciation for				
Building and improvements	3,334,329	785,536	-	4,119,865
Furniture and fixtures	3,609,495	922,485	-	4,531,980
Machinery and equipment	<u>526,275</u>	<u>23,324</u>	<u>-</u>	<u>549,599</u>
Total accumulated depreciation	<u>7,470,099</u>	<u>1,731,345</u>	<u>-</u>	<u>9,201,444</u>
Total capital assets, being depreciated, net	<u>28,838,965</u>	<u>(1,731,345)</u>	<u>-</u>	<u>27,107,620</u>
Business-type activities capital assets, net	<u>\$ 37,462,353</u>	<u>\$ (1,731,345)</u>	<u>\$ -</u>	<u>\$ 35,731,008</u>

Depreciation was charged to functions/programs as follows:

Business-Type Activities	
Sewer	\$ 18,099
Arena	<u>1,713,246</u>
	<u>\$ 1,731,345</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 6: Long-term Liabilities

The following is a summary of long-term liabilities activity of the City for the year ended September 30, 2017:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Governmental Activities					
General obligation bonds payable	\$ 2,110,000	\$ -	\$ 385,000	\$ 1,725,000	\$ 390,000
Business-Type Activities					
Bonds and Notes					
Sewer revenue bond	\$ 110,000	\$ -	\$ 35,000	\$ 75,000	\$ 35,000
General obligation bonds payable	39,060,000	-	1,790,000	37,270,000	3,000,000
Notes payable	2,600,000	-	160,000	2,440,000	-
Unamortized issuance discounts	(131,152)	-	(8,726)	(122,426)	-
Net bonds and notes	<u>41,638,848</u>	<u>-</u>	<u>1,976,274</u>	<u>39,662,574</u>	<u>3,035,000</u>
Other Liabilities					
Unearned revenue - real estate	700,000	-	-	700,000	-
Compensated absences	<u>58,803</u>	<u>58,947</u>	<u>36,480</u>	<u>81,270</u>	<u>24,579</u>
	<u>758,803</u>	<u>58,947</u>	<u>36,480</u>	<u>781,270</u>	<u>24,579</u>
Business-type activities long-term liabilities	<u>\$ 42,397,651</u>	<u>\$ 58,947</u>	<u>\$ 2,012,754</u>	<u>\$ 40,443,844</u>	<u>\$ 3,059,579</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 6: 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							
\$ 640,000	3/5/2009	Refunding Bonds	1.25 - 3.55	Ser. '09 to '18	2014	Semiannually	\$ 75,000
760,000	8/10/2010	Vehicle Off-Street Parking Bonds	0.75 - 4.10	Ser. '11 to '26	2015	Semiannually	485,000
310,000	9/8/2010	Public Safety Tax Anticipation Bonds	0.90 - 2.75	Ser. '12 to '18	2015	Semiannually	45,000
235,000	8/23/2011	Highway Allocation Fund Pledge	0.65 - 2.80	Ser. '13 to '19	2016	Semiannually	70,000
255,000	8/7/2012	Highway Allocation Fund Pledge	0.45 - 1.60	Ser. '13 to '19	2017	Semiannually	80,000
530,000	4/9/2013	Highway Allocation Fund Pledge	0.40 - 2.15	Ser. '13 to '22	2018	Semiannually	300,000
530,000	9/3/2014	Highway Allocation Fund Pledge	0.45 - 2.70	Ser. '15 to '24	2019	Semiannually	420,000
300,000	8/21/2015	Highway Allocation Fund Pledge	0.90 - 2.30	Ser. '17 to '22	2020	Semiannually	250,000
Total General Obligation Bonds							<u>\$ 1,725,000</u>
Business-Type Activities							
Revenue Bonds							
\$ 420,000	9/22/2004	Sewer Revenue Bonds	1.65 - 4.45	Ser. '05 to '19	2009	Semiannually	<u>\$ 75,000</u>
General Obligation Bonds							
\$ 7,930,000	8/30/2011	General Obligation Arena Bonds	1.15 - 4.50	Ser. '15 to '31	2016	Semiannually	\$ 6,915,000
630,000	8/30/2011	General Obligation Arena Bonds	2.10 - 4.85	Ser. '15 to '31	2016	Semiannually	550,000
10,000,000	2/1/2012	General Obligation Arena Bonds Series A	2.00 - 5.00	Ser. '15 to '31	2017	Semiannually	8,880,000
10,440,000	5/22/2012	General Obligation Arena Bonds Series B	1.40 - 5.00	Ser. '14 to '31	2017	Semiannually	8,750,000
4,245,000	9/25/2012	Lease Purchase Bonds	1.65 - 5.10	Ser. '13 to '27	2017	Semiannually	3,360,000
4,075,000	6/1/2012	Vehicle Off-Street Parking Bonds	0.55 - 3.70	Ser. '14 to '32	2017	Semiannually	3,370,000
4,295,000	5/1/2013	Vehicle Off-Street Parking Bonds	2.30 - 6.00	Ser. '17 to '33	2018	Semiannually	4,245,000
1,200,000	5/13/2016	Promissory Note	3.50	5/15/2018	N/A	Semiannually	<u>1,200,000</u>
Total General Obligation Bonds							<u>\$ 37,270,000</u>
Notes Payable							
\$ 2,600,000	Various	Note Payable - Revolving	5.00	12/1/2018	N/A	Monthly	<u>\$ 2,440,000</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 6: Long-term Liabilities - Continued

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities General Obligation Bonds		
2018	\$ 390,000	\$ 42,891
2019	285,000	34,365
2020	220,000	28,718
2021	230,000	24,100
2022	235,000	18,758
2023-2026	365,000	29,375
	<u>\$ 1,725,000</u>	<u>\$ 178,207</u>
Business-Type Activities Revenue Bonds		
2018	\$ 35,000	\$ 3,320
2019	40,000	1,780
	<u>\$ 75,000</u>	<u>\$ 5,100</u>
Business-Type Activities General Obligation Bonds		
2018	\$ 3,000,000	\$ 1,562,658
2019	1,930,000	1,476,568
2020	1,990,000	1,423,529
2021	2,060,000	1,363,358
2022	2,155,000	1,295,165
2023-2027	11,665,000	5,229,418
2028-2032	13,220,000	2,168,410
2033	1,250,000	75,000
	<u>\$ 37,270,000</u>	<u>\$ 14,594,106</u>
Business-Type Activities Note Payable		
2019	\$ 2,440,000	\$ 122,000

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 6: Long-term Liabilities - Continued

Line of Credit

The City has an unsecured revolving line of credit at a local financial institution that has a maximum limit of \$500,000, with an interest rate of 4.25% and payments due on demand. No amounts were drawn on this line of credit during the year ended September 30, 2017.

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 \$1,196,321, with annual payments expected to require approximately 32% 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 \$80,100, with annual payments expected to require approximately 4% of revenues.

Note 7: Retirement Plans

Civilian Employee Pension Plan

Statement of Fiduciary Net Position – Cash Basis
September 30, 2017

Assets	
Cash and cash equivalents	\$ 144,280
Investments	<u>3,312,068</u>
Total assets	<u>3,456,348</u>
Liabilities - Due to Others	<u>-</u>
Net Position Restricted for Pensions	<u><u>\$ 3,456,348</u></u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 7: Retirement Plans - Continued

Statement of Changes in Fiduciary Net Position – Cash Basis
Year Ended September 30, 2017

Additions	
Contributions	
Employer	\$ 206,899
Employee	86,899
Net appreciation in fair value of investments	<u>388,406</u>
Total additions	<u>682,204</u>
 Deductions	
Benefit payments	<u>272,386</u>
Total deductions	<u>272,386</u>
Net Increase in Net Position	409,818
 Net Position Restricted for Pensions	
Beginning of year	<u>3,046,530</u>
End of year	<u>\$ 3,456,348</u>

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

Benefits – City employees who retire at or after age 65 with 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. Benefits vest over ten years of service. For employees opting for early retirement, the monthly benefit is reduced by a factor which is based on the number of years before the normal retirement date. For employees retiring after the normal retirement, the monthly benefit is increased by a factor which is based on the number of years following the normal retirement date.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 7: Retirement Plans - Continued

Contributions and Funding Policy – City employees participating in the Civilian Plan are required to contribute 6% of their annual salary. The City is required to contribute the remaining amounts necessary to fund the Civilian Plan, including plan expenses, using a consistent actuarial method. City contributions for 2017 were \$206,899. Amounts contributed by employees during 2017 totaled \$86,899.

Plan Membership – At September 30, 2017, membership in the Civilian Plan consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	14
Inactive plan members entitled to but not yet receiving benefits	18
Active plan members	<u>26</u>
Total	<u><u>58</u></u>

Net Pension Liability – The Civilian Plan’s net pension liability was measured as of September 30, 2017 based on an actuarial valuation as of August 1, 2017 rolled forward to September 30, 2017. The components of the net pension liability of the Civilian Plan at September 30, 2017, were as follows:

Total pension liability	\$ 3,583,891
Plan fiduciary net position (market value)	<u>(3,456,348)</u>
Net pension liability	<u><u>\$ 127,543</u></u>
Plan fiduciary net position as a percentage of the total pension liability	96.44%

Actuarial Assumptions – The total pension liability as of September 30, 2017, was determined by an actuarial valuation using the entry age normal cost method, and included the following actuarial assumptions:

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

Mortality rates are based on the RP-2014 Total Dataset Mortality Table with generational projection using Scale MP-2017.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 7: Retirement Plans - Continued

Discount Rate – The discount rate used to measure the total pension liability at September 30, 2017 was 6.50%, which was a decrease from the discount rate of 7.50% used to measure the total pension liability at September 30, 2016. 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, 2017, are summarized in the following table.

<u>Asset Class</u>	<u>Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	7.00%	0.77%
Core Fixed Income	28.00%	1.93%
Non-US Fixed Income	9.00%	1.01%
Large Cap US Equities	40.00%	5.26%
Small Cap US Equities	5.00%	5.82%
Developed Foreign Equities	11.00%	5.08%
	<u>100.00%</u>	

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 6.50%, as well as what the Civilian Plan’s net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate.

	<u>1% Decrease 5.50%</u>	<u>Current Discount Rate 6.50%</u>	<u>1% Increase 7.50%</u>
Net pension liability	\$ 530,217	\$ 127,543	\$ (218,523)

City of Ralston, Nebraska

Notes to Financial Statements

September 30, 2017

Note 7: Retirement Plans - Continued

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balance at Beginning of Year	\$ 3,213,031	\$ 3,046,530	\$ 166,501
Changes for the year			
Service cost	256,946	-	256,946
Interest	230,948	-	230,948
Differences between expected and actual experience	(182,121)	-	(182,121)
Assumption changes	337,473		337,473
Employer contributions	-	206,899	(206,899)
Employee contributions	-	86,899	(86,899)
Net investment income	-	388,406	(388,406)
Benefit payments, including member refunds	(272,386)	(272,386)	-
	<u> </u>	<u> </u>	<u> </u>
Net changes	370,860	409,818	(38,958)
	<u> </u>	<u> </u>	<u> </u>
Balance at End of Year	<u>\$ 3,583,891</u>	<u>\$ 3,456,348</u>	<u>\$ 127,543</u>

Deferred Inflows and Outflows of Resources Related to Pensions – Under GASB 68, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Investment gains and losses are recognized over a closed five-year period. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. As of September 30, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual earnings	\$ -	\$ (72,420)
Changes of assumptions	288,135	-
Differences between expected and actual experience	-	(353,595)
	<u> </u>	<u> </u>
Total	<u>\$ 288,135</u>	<u>\$ (426,015)</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 7: Retirement Plans - Continued

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

Year Ended September 30,	
2018	\$ (14,865)
2019	(14,865)
2020	(57,405)
2021	(47,337)
2022	(10,580)
Thereafter	<u>7,172</u>
	<u>\$ (137,880)</u>

Police Pension Plan

Statement of Fiduciary Net Position – Cash Basis
September 30, 2017

Assets	
Cash and cash equivalents	\$ 49,372
Investments	<u>1,621,502</u>
Total assets	<u>1,670,874</u>
Liabilities - Due to Others	
	<u>-</u>
Net Position Restricted for Pensions	<u><u>\$ 1,670,874</u></u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 7: Retirement Plans - Continued

Police Pension Plan - Continued

Statement of Changes in Fiduciary Net Position – Cash Basis
Year Ended September 30, 2017

Additions	
Contributions	
Employer	\$ 85,659
Employee	55,659
Rollovers	76,254
Net appreciation in fair value of investments	<u>152,938</u>
Total additions	<u>370,510</u>
 Deductions	
Benefit payments	<u>289,731</u>
Total deductions	<u>289,731</u>
Net Increase in Net Position	80,779
 Net Position Restricted for Pensions	
Beginning of year	<u>1,590,095</u>
End of year	<u>\$ 1,670,874</u>

The City’s single employer Police Pension Plan (Police Plan) covers all uniformed employees of the Ralston Police Department. The Police Plan was converted effective January 1, 1984, from a defined benefit plan to a defined contribution plan. As of September 30, 2017, there were 13 active participants in the Police Plan. The Police Plan has no participants employed prior to January 1, 1984.

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

Contributions to the Police Plan by the City were \$85,659 and members contributed \$55,659 for 2017. No forfeitures were used to reduce City contributions during 2017. The Police Plan assets are held by a leading Nebraska financial institution, with administration services provided by an actuarial firm.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 8: Interfund Balances and Activity

Transfers included in the financial statements during the year ended September 30, 2017 consisted of:

Transfer From	Transfer To		
	General	Arena	Total
General	\$ -	\$ 1,302,062	\$ 1,302,062
Street	372,570	-	372,570
Lottery	-	2,443,123	2,443,123
Debt Service	-	972,481	972,481
Community Development	252,453	-	252,453
Internal Service	81,052	-	81,052
Total	<u>\$ 706,075</u>	<u>\$ 4,717,666</u>	<u>\$ 5,423,741</u>

Additional detail on these transfers is provided below:

From Street to General for non-restricted City monies to be used for normal operations at the City's discretion	\$ 372,570
From Community Development to General for remaining monies from closed tax increment financing districts	252,453
From Internal Service to General representing the closing of the Internal Service Fund during 2017	81,052
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	768,587
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	184,000
From Lottery to Arena for cash flow purposes	974,863
From the following funds to the Arena Fund representing the liquidation of due to/from balances recorded in prior years by the City:	
General	533,475
Debt Service	788,481
Lottery	1,468,260
	<u>\$ 5,423,741</u>

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 9: 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, 2017 were approximately \$226,000.

Note 10: 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.

City of Ralston, Nebraska
Notes to Financial Statements
September 30, 2017

Note 11: Restatement of Prior Year Balances

During 2017, the City restated the 2016 ending net position for the business-type activities, to correct certain balances for the Arena Fund. The corrections included increasing net position by \$595,883 for unearned revenue that was erroneously recorded as of September 30, 2016, and increasing net position by \$85,467 for infrastructure work completed at the arena site by an outside entity during initial arena construction. The restatements would have decreased the change in net position for the business-type activities and the Arena Fund by \$119,388 for the fiscal year ended September 30, 2016.

Note 12: Subsequent Events

In October 2017, the City issued \$405,000 of Street Improvement Bond Anticipation Notes, Series 2017. The proceeds from the issuance are to be used by the City to fund costs of street improvement projects.

Subsequent events have been evaluated through March 15, 2018, which is the date the financial statements were available to be issued.

Required Supplementary Information

City of Ralston, Nebraska
Budgetary Comparison Schedule – Cash Basis
General Fund
Year Ended September 30, 2017

	<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	\$ 2,003,517	\$ 2,003,517	\$ 2,056,651	\$ 53,134
Intergovernmental	85,680	85,680	298,681	213,001
Sales taxes	1,500,000	1,500,000	1,705,077	205,077
Charges for services	310,000	310,000	310,168	168
Permits and fees	238,000	238,000	174,190	(63,810)
Investment income	250	250	237	(13)
Miscellaneous	77,100	77,100	84,154	7,054
	<u>4,214,547</u>	<u>4,214,547</u>	<u>4,629,158</u>	<u>414,611</u>
Expenditures				
General government	2,113,900	2,113,900	1,536,563	577,337
Public safety	1,975,913	1,975,913	1,820,528	155,385
Cultural and recreational	844,400	844,400	746,631	97,769
Economic development	53,000	53,000	14,354	38,646
Capital outlay	90,500	90,500	60,846	29,654
Miscellaneous	65,000	65,000	-	65,000
	<u>5,142,713</u>	<u>5,142,713</u>	<u>4,178,922</u>	<u>963,791</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(928,166)</u>	<u>(928,166)</u>	<u>450,236</u>	<u>1,378,402</u>
Other Financing Sources (Uses)				
Transfers in	90,500	90,500	706,075	615,575
Transfers out	-	-	(1,302,062)	(1,302,062)
	<u>90,500</u>	<u>90,500</u>	<u>(595,987)</u>	<u>(686,487)</u>
Change in Fund Balance	<u>\$ (837,666)</u>	<u>\$ (837,666)</u>	<u>\$ (145,751)</u>	<u>\$ 691,915</u>

City of Ralston, Nebraska
Budgetary Comparison Schedule – Cash Basis
Street Fund
Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 693,094	\$ 693,094	\$ 778,752	\$ 85,658
Miscellaneous	6,300	6,300	-	(6,300)
Total revenues	<u>699,394</u>	<u>699,394</u>	<u>778,752</u>	<u>79,358</u>
Expenditures				
Public works	841,500	841,500	739,083	102,417
Capital outlay	1,475,000	1,475,000	-	1,475,000
Total expenditures	<u>2,316,500</u>	<u>2,316,500</u>	<u>739,083</u>	<u>1,577,417</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,617,106)</u>	<u>(1,617,106)</u>	<u>39,669</u>	<u>1,656,775</u>
Other Financing Sources (Uses)				
Bond proceeds	200,000	200,000	-	(200,000)
Transfers in	275,000	275,000	-	(275,000)
Transfers out	-	-	(372,570)	(372,570)
Total other financing sources	<u>475,000</u>	<u>475,000</u>	<u>(372,570)</u>	<u>(847,570)</u>
Change in Fund Balance	<u>\$ (1,142,106)</u>	<u>\$ (1,142,106)</u>	<u>\$ (332,901)</u>	<u>\$ 809,205</u>

City of Ralston, Nebraska
Budgetary Comparison Schedule – Cash Basis
Lottery Fund
Year Ended September 30, 2017

	<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	\$ 1,400,000	\$ 1,400,000	\$ 1,244,191	\$ (155,809)
Investment income	500	500	4,994	4,494
Miscellaneous	500	500	11,600	11,100
Total revenues	<u>1,401,000</u>	<u>1,401,000</u>	<u>1,260,785</u>	<u>(140,215)</u>
Expenditures				
General government				
Economic and community development	584,500	584,500	724,914	(140,414)
Capital outlay	45,000	45,000	-	45,000
Total expenditures	<u>629,500</u>	<u>629,500</u>	<u>724,914</u>	<u>(95,414)</u>
Excess of Revenues Over Expenditures	771,500	771,500	535,871	(235,629)
Transfers Out	<u>(430,500)</u>	<u>(430,500)</u>	<u>(2,443,123)</u>	<u>(2,012,623)</u>
Change in Fund Balances	<u>\$ 341,000</u>	<u>\$ 341,000</u>	<u>\$ (1,907,252)</u>	<u>\$ (2,248,252)</u>

City of Ralston, Nebraska

Required Supplementary Information

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

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 256,946	\$ 234,430	\$ 215,084	\$ 202,145
Interest	230,948	226,653	241,941	199,518
Effect of economic/demographic gains or losses	(182,121)	(193,117)	(93,771)	75,094
Assumption changes	337,473	-	-	-
Benefit payments	<u>(272,386)</u>	<u>(151,227)</u>	<u>(174,126)</u>	<u>(205,891)</u>
Net change in total pension liability	370,860	116,739	189,128	270,866
Total pension liability - beginning	<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><u>\$ 3,583,891</u></u>	<u><u>\$ 3,213,031</u></u>	<u><u>\$ 3,096,292</u></u>	<u><u>\$ 2,907,164</u></u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 206,899	\$ 187,063	\$ 255,091	\$ 212,054
Contributions - employee	86,899	87,063	86,008	92,054
Net investment income (loss)	388,406	254,998	(17,603)	211,563
Benefit payments	<u>(272,386)</u>	<u>(151,227)</u>	<u>(174,126)</u>	<u>(205,891)</u>
Net change in plan fiduciary net position	409,818	377,897	149,370	309,780
Plan fiduciary net position - beginning	<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><u>\$ 3,456,348</u></u>	<u><u>\$ 3,046,530</u></u>	<u><u>\$ 2,668,633</u></u>	<u><u>\$ 2,519,263</u></u>
Net Pension Liability	<u><u>\$ 127,543</u></u>	<u><u>\$ 166,501</u></u>	<u><u>\$ 427,659</u></u>	<u><u>\$ 387,901</u></u>
Plan fiduciary net position as a percentage of the total pension liability	96.44%	94.82%	86.19%	86.66%
Covered payroll	\$ 1,448,317	\$ 1,451,050	\$ 1,459,989	\$ 1,420,467
Net pension liability as a percentage of covered payroll	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.

City of Ralston, Nebraska

Required Supplementary Information

Schedule of Employer Contributions For the Civilian Employee Pension Plan

	2017	2016	2015	2014
Actuarially determined employer contribution	\$ 204,628	\$ 143,079	\$ 147,383	\$ 159,536
Actual employer contribution	<u>206,899</u>	<u>187,063</u>	<u>255,090</u>	<u>276,985</u>
Annual contribution excess	<u><u>\$(2,271)</u></u>	<u><u>\$(43,984)</u></u>	<u><u>\$(107,707)</u></u>	<u><u>\$(117,449)</u></u>
Covered payroll	\$ 1,448,317	\$ 1,451,050	\$ 1,459,989	\$ 1,420,467
Actual contributions as a percentage of covered payroll	14.29%	12.89%	17.47%	19.50%

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

Methods and assumptions used to determine contribution rates:

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

Schedule of Investment Returns

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