

**CITY OF BAYARD, NEBRASKA**

**FINANCIAL REPORT**  
*(Audited)*

**SEPTEMBER 30, 2025**

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and City Council  
City of Bayard, Nebraska

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the financial statements of the governmental activities – cash basis, the business-type activities – accrual basis, and each major fund – cash basis of the City of Bayard, Nebraska, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Bayard's basic financial statements as listed in the table of contents.

#### *Unmodified Opinions on the Governmental Activities, Business-Type Activities and Major Funds*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major governmental fund for the primary government of the City of Bayard, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with the cash basis of accounting.

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 for the primary government of the City of Bayard, as of September 30, 2025, 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.

#### *Adverse Opinion on the Reporting Entity*

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Bayard, as of September 30, 2025, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and the cash basis of accounting described in Note 1. In accordance with accounting principles generally accepted in the United States of America and the cash basis of accounting described in Note 1, the City of Bayard has issued separate reporting entity financial statements, for which we have issued our report dated February 4, 2026.

### ***Basis for Adverse and Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Bayard and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Matters Giving Rise to Adverse Opinion on the Reporting Entity***

The financial statements referred to above include only the primary government of the City of Bayard, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City of Bayard's legal entity. The financial statements do not include financial data for the City of Bayard's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City of Bayard's primary government.

### ***Emphasis of Matter - Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements of the governmental activities and governmental 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 opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

The City of Bayard's 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 for the business-type activities and the cash basis of accounting for the governmental activities as 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Bayard's ability to continue as a going concern for one year after the date that the financial statements are issued, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Bayard's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Bayard's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Information***

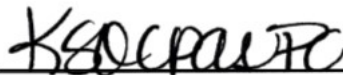
Management is responsible for the other information. The other information comprises the budgetary comparison information on pages 28 and 29, the schedules of revenue, expenses and changes in net position on pages 30-33, and the schedule of county treasurer activity on page 34, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2026 on our consideration of the City of Bayard’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bayard’s internal control over financial reporting and compliance.

**KSO CPA’s, P.C.**

  
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Kearney, Nebraska  
February 4, 2026

**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES -**  
**CASH BASIS AND STATEMENT OF NET POSITION -**  
**BUSINESS-TYPE ACTIVITIES**  
**September 30, 2025**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 974,261	\$ 577,091	\$ 1,551,352
Cash with county treasurer	8,355	-	8,355
Accounts receivable	-	256,340	256,340
Inventories	-	63,008	63,008
Capital assets:			
Land and improvements	-	43,666	43,666
Plant in service	-	9,363,353	9,363,353
Buildings	-	174,555	174,555
Equipment	-	502,493	502,493
Less accumulated depreciation	-	(5,314,911)	(5,314,911)
Restricted assets:			
Cash and cash equivalents	13,738	443,795	457,533
Total assets	<u>\$ 996,354</u>	<u>\$ 6,109,390</u>	<u>\$ 7,105,744</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred loss on bond refunding	\$ -	\$ 19,431	\$ 19,431
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 19,431</u>	<u>\$ 19,431</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 40,323	\$ 40,323
Payroll liabilities	1,359	481	1,840
Accrued compensated absences	-	12,688	12,688
Accrued wages payable	-	4,334	4,334
Meter deposits	-	79,099	79,099
Interest payable	-	24,021	24,021
Long-term debt:			
Due within one year	-	234,465	234,465
Due in more than one year	-	2,541,174	2,541,174
Total liabilities	<u>\$ 1,359</u>	<u>\$ 2,936,585</u>	<u>\$ 2,937,944</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred gain on bond refunding	\$ -	\$ 17,126	\$ 17,126
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 17,126</u>	<u>\$ 17,126</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ -	\$ 1,993,517	\$ 1,993,517
Restricted for:			
Keno prize reserve	13,738	-	13,738
Debt service	-	364,696	364,696
Meter deposits	-	79,099	79,099
Unrestricted	981,257	737,798	1,719,055
Total net position	<u>\$ 994,995</u>	<u>\$ 3,175,110</u>	<u>\$ 4,170,105</u>

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES - CASH BASIS**  
**AND STATEMENT OF ACTIVITIES - BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended September 30, 2025**

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	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 275,267	\$ -	\$ 40,880	\$ -	\$ (234,387)	\$ -	\$ (234,387)
Public health and safety	620,487	56,918	-	-	(563,569)	-	(563,569)
Public works	258,307	-	-	-	(258,307)	-	(258,307)
Culture and recreation	416,752	207,990	-	-	(208,762)	-	(208,762)
Total governmental activities	<u>\$ 1,570,813</u>	<u>\$ 264,908</u>	<u>\$ 40,880</u>	<u>\$ -</u>	<u>\$ (1,265,025)</u>	<u>\$ -</u>	<u>\$ (1,265,025)</u>
<b>Business-type activities:</b>							
Utilities	\$ 1,368,835	\$ 1,955,504	\$ -	\$ -	\$ -	\$ 586,669	\$ 586,669
Total business-type activities	<u>\$ 1,368,835</u>	<u>\$ 1,955,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,669</u>	<u>\$ 586,669</u>
Total government	<u>\$ 2,939,648</u>	<u>\$ 2,220,412</u>	<u>\$ 40,880</u>	<u>\$ -</u>	<u>\$ (1,265,025)</u>	<u>\$ 586,669</u>	<u>\$ (678,356)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					\$ 216,773	\$ -	\$ 216,773
Sales and other taxes					129,399	-	129,399
Fees, taxes, permits and licenses					36,171	-	36,171
State shared receipts					372,280	-	372,280
Investment earnings					7,210	9,417	16,627
Bond premium					-	1,043	1,043
Miscellaneous					8,055	11,096	19,151
Transfers (net)					534,688	(534,688)	-
Total general revenues and transfers					<u>\$ 1,304,576</u>	<u>\$ (513,132)</u>	<u>\$ 791,444</u>
Change in net position					\$ 39,551	\$ 73,537	\$ 113,088
Net position - beginning					955,444	3,101,573	4,057,017
Net position - ending					<u>\$ 994,995</u>	<u>\$ 3,175,110</u>	<u>\$ 4,170,105</u>

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE**  
**GOVERNMENTAL FUNDS - CASH BASIS**  
**September 30, 2025**

	General Fund	Street Fund	Keno Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 713,376	\$ 110,998	\$ 149,887	\$ 974,261
Cash with county treasurer	8,355	-	-	8,355
Restricted assets:				
Cash and cash equivalents	-	-	13,738	13,738
Total assets	\$ 721,731	\$ 110,998	\$ 163,625	\$ 996,354
 <b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Payroll liabilities	\$ 1,143	\$ 216	\$ -	\$ 1,359
Total liabilities	\$ 1,143	\$ 216	\$ -	\$ 1,359
 Fund balances:				
Restricted	\$ -	\$ -	\$ 163,625	\$ 163,625
Assigned	-	110,782	-	110,782
Unassigned	720,588	-	-	720,588
Total fund balances	\$ 720,588	\$ 110,782	\$ 163,625	\$ 994,995
Total liabilities and fund balances	\$ 721,731	\$ 110,998	\$ 163,625	\$ 996,354

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - CASH BASIS**  
**For the Year Ended September 30, 2025**

	General Fund	Street Fund	Keno Fund	Eliminations	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 197,813	\$ 18,960	\$ -	\$ -	\$ 216,773
Sales and other taxes	101,643	27,756	-	-	129,399
Fees, taxes, permits and licenses	24,525	11,646	-	-	36,171
State shared receipts	196,214	176,066	-	-	372,280
Charges for services	56,918	-	-	-	56,918
Operating receipts	-	-	207,990	-	207,990
Grant proceeds	40,880	-	-	-	40,880
Investment income	6,165	1,045	-	-	7,210
Miscellaneous	4,456	3,599	-	-	8,055
Total revenues	<u>\$ 628,614</u>	<u>\$ 239,072</u>	<u>\$ 207,990</u>	<u>\$ -</u>	<u>\$ 1,075,676</u>
<b>EXPENDITURES</b>					
General government					
Personnel services	\$ 64,778	\$ -	\$ -	\$ -	\$ 64,778
Operating	194,955	-	-	-	194,955
Supplies & materials	8,020	-	-	-	8,020
TIF remittances	7,514	-	-	-	7,514
Public health and safety					
Personnel services	391,032	-	-	-	391,032
Operating	58,912	-	-	-	58,912
Supplies & materials	87,376	-	-	-	87,376
Capital outlay	83,167	-	-	-	83,167
Public works					
Personnel services	-	92,754	-	-	92,754
Operating	-	51,245	-	-	51,245
Supplies & materials	-	101,270	-	-	101,270
Capital outlay	-	13,038	-	-	13,038
Cultural and recreation					
Personnel services	155,492	-	-	-	155,492
Operating	44,765	-	198,044	-	242,809
Supplies & materials	14,327	-	-	-	14,327
Capital outlay	4,124	-	-	-	4,124
Total expenditures	<u>\$ 1,114,462</u>	<u>\$ 258,307</u>	<u>\$ 198,044</u>	<u>\$ -</u>	<u>\$ 1,570,813</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (485,848)</u>	<u>\$ (19,235)</u>	<u>\$ 9,946</u>	<u>\$ -</u>	<u>\$ (495,137)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 534,867	\$ -	\$ -	\$ (179)	\$ 534,688
Transfers out	-	(179)	-	179	-
Total other financing sources (uses)	<u>\$ 534,867</u>	<u>\$ (179)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,688</u>
Change in fund balances	\$ 49,019	\$ (19,414)	\$ 9,946	\$ -	\$ 39,551
Fund balances - beginning	671,569	130,196	153,679	-	955,444
Fund balances - ending	<u>\$ 720,588</u>	<u>\$ 110,782</u>	<u>\$ 163,625</u>	<u>\$ -</u>	<u>\$ 994,995</u>

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
September 30, 2025**

	Total
<b>ASSETS</b>	
Cash and cash equivalents	\$ 577,091
Accounts receivable	256,340
Inventories	63,008
Capital assets:	
Land and improvements	43,666
Plant in service	9,363,353
Buildings	174,555
Equipment	502,493
Less accumulated depreciation	(5,314,911)
Restricted assets:	
Cash and cash equivalents	443,795
Total assets	\$ 6,109,390
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on bond funding	\$ 19,431
Total deferred outflows of resources	\$ 19,431
 <b>LIABILITIES</b>	
Accounts payable	\$ 40,323
Payroll liabilities	481
Accrued compensated absences	12,688
Accrued wages payable	4,334
Meter deposits	79,099
Interest payable	24,021
Long-term debt:	
Due within one year	234,465
Due in more than one year	2,541,174
Total liabilities	\$ 2,936,585
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred gain on bond funding	\$ 17,126
Total deferred inflows of resources	\$ 17,126
 <b>NET POSITION</b>	
Net investment in capital assets	\$ 1,993,517
Restricted for:	
Debt service	364,696
Meter deposits	79,099
Unrestricted	737,798
Total net position	\$ 3,175,110

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2025**

	Business-type Activities
	Utilities
Operating revenues:	
Charges for services:	
Sales	\$ 1,955,504
Other	11,096
Total operating revenues	\$ 1,966,600
Operating expenses:	
Personnel services	\$ 209,419
Supplies	165,616
Power and services purchased	583,605
Other operating	112,670
Depreciation	242,933
Total operating expenses	\$ 1,314,243
Operating income	\$ 652,357
Non-operating revenues (expenses):	
Investment earnings	\$ 9,417
Bond premium	1,043
Interest expense	(52,468)
Amortization	(2,124)
Total non-operating revenues (expenses)	\$ (44,132)
Income before operating transfers	\$ 608,225
Operating transfers:	
Operating transfers out	\$ (534,688)
Total operating transfers	\$ (534,688)
Change in net position	\$ 73,537
Total net position - beginning	3,101,573
Total net position - ending	\$ 3,175,110

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2025

	Utilities
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,959,095
Payments to suppliers	(852,883)
Payments to employees	(205,233)
Net cash provided by operating activities	\$ 900,979
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Operating transfers out	\$ (534,688)
Net cash provided (used) by non-capital and related financing activities	\$ (534,688)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	\$ (116,506)
Bond and capital lease payments	(233,694)
Interest payments	(53,517)
Net cash provided (used) by capital and related financing activities	\$ (403,717)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	\$ 9,417
Net cash provided by investing activities	\$ 9,417
Net increase (decrease) in cash and cash equivalents	\$ (28,009)
Beginning cash and cash equivalents	1,048,895
Ending cash and cash equivalents	\$ 1,020,886
<b>CASH RECONCILIATION</b>	
Cash and cash equivalents	\$ 577,091
Restricted cash and cash equivalents	443,795
Total cash and cash equivalents	\$ 1,020,886
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 652,357
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	242,933
Change in assets and liabilities:	
Receivables	(10,585)
Inventories	16,350
Accounts payable and other liabilities	(76)
Net cash provided by operating activities	\$ 900,979

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 1.

**Summary of Significant Accounting Policies**

The City of Bayard, Nebraska (the City) was incorporated in July 1888. The City operates under a Mayor and Council form of government. The City's major operations include police and fire protection, parks, library, public works, and general administrative services. In addition, the City owns and operates an electric, water, and sewer system. The City also facilitates sanitation services for its residents.

**Reporting entity**

The City, for financial purposes, includes all of the funds relevant to the operation of the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City. The financial statements of the City do not include those of separately administered organizations that are controlled by or dependent of the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Chimney Rock Villa (Nursing Home), a component unit of the City, has been excluded from the City's basic financial statements. Chimney Rock Villa has been audited by other auditors for the year ended September 30, 2025, and has issued a separate report thereon. A copy of those financial statements may be obtained from the City of Bayard, P.O. Box 160, Bayard, Nebraska 69334.

**Basis of presentation**

The City has adopted the provisions of Statements No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement 34 established standards for external financial reporting for all state and local government entities, which includes government-wide financial statements, fund financial statements and the classification of net position into net investment in capital assets, restricted and unrestricted.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 1. **Summary of Significant Accounting Policies (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or a segment are 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*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

The City has elected to present each of its funds as major funds.

The funds of the financial reporting entity are described below:

The *General fund* is the primary operating fund of the City. It accounts for all activities except those required to be accounted for in another fund.

The *Street fund* includes activities associated with the construction, repair, and maintenance of the City's streets.

The *Keno fund* includes all activities related to the Keno enterprises in the city.

Proprietary funds are used to account for operations that are financed in a manner similar to private business enterprises (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**CITY OF BAYARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 1. **Summary of Significant Accounting Policies (continued)**

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

The City reports the following major proprietary fund:

The *Utilities fund* is used to account for all activities necessary for the provision of water, sewer, electric and trash services to City residents.

**Measurement focus**

The government-wide financial statements are reported using the *current financial resources measurement focus* and the *cash basis of accounting* for the governmental funds and the *economic resources measurement focus* and the *accrual basis of accounting* for the proprietary funds.

**Basis of accounting**

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual Basis**

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting.

**Cash Basis**

Under the cash basis of accounting, revenues are recognized when received. Additionally, under the cash basis of accounting, expenses are recognized when paid. The governmental activities in the government-wide financial statements and the governmental fund financial statements are presented on the cash basis of accounting.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 1.

**Summary of Significant Accounting Policies (continued)**

**Cash and cash equivalents**

The City has defined cash and cash equivalents to include cash on hand, demand deposits, savings accounts, certificates of deposit, and cash with the fiscal agent.

**Receivables**

The City receives taxes as a method of supporting general governmental activities. Those taxes are levied and received by the county in which the City is located. Taxes are levied on a calendar year basis in arrears and are due in two equal installments by May 1 and September 1 following the year for which the taxes are levied. The City may force the sale of property for unpaid taxes levied on property in the event of nonpayment. Therefore, the City believes that all taxes will be collected. Under the cash basis of accounting, the City does not present taxes receivable in its financial statements.

The City extends credit to its residents for utilities. Residents are billed regularly for these services. In the event of nonpayment, the City discontinues service upon proper notification. The City also requires deposits to be on account, in the event of nonpayment. Therefore, the City believes that materially all utility receivables will be collected and has not recorded an allowance for uncollectible amounts.

The City occasionally funds and administers improvement projects that benefit specific owners of undeveloped land within the City's boundaries. Because of the mutual benefit to the City and landowners, project costs are shared by the City and landowners. The City funds the project costs to completion of the project and assesses each landowner an allocable cost to be repaid to the City over a specified period of time. The assessment represents a legally enforceable lien against the property in the event of nonpayment. Under the cash basis of accounting, the City does not present assessments receivable in its financial statements.

**Inventories**

Inventories consist of land held for resale for governmental activities and utility system supplies for business-type activities. Inventories are valued at cost using the first-in, first-out (FIFO) method.

There is no inventory of expendable supplies maintained in the governmental funds.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 1.

**Summary of Significant Accounting Policies (continued)**

**Restricted assets**

Certain resources are classified as restricted assets because their use is limited by applicable covenants, contracts, agreements, and statutes. Also, the cash and investments that have been collected for meter deposits from utility customers have been classified as restricted to allow for refunding of the meter deposits as necessary.

**Capital assets**

Capital assets purchased or acquired with an original cost of \$1,000 or more and an estimated life of more than one year are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Costs incurred for improvements to assets or those that significantly extend the life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Machinery and equipment	4-20 years
Buildings and improvements	20-40 years
Plant in service	15-33 years

Capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Compensated absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Upon an employee's termination, unpaid sick leave is not paid out. There will be a liability of unpaid sick leave upon retirement. Vacation pay is accrued when incurred and reported as a liability in the proprietary funds.

**Long-term debt**

Long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund type statement of net position.

**Interfund activity**

Interfund activity is classified as loans, transfers, services provided, or reimbursements.

**CITY OF BAYARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 1. **Summary of Significant Accounting Policies (continued)**

Loans represent the City's intention to temporarily advance cash from one fund to another and are reported as interfund receivables and payables. Loans are appropriately eliminated in the fund financial statements for loans between governmental funds and loans between proprietary funds. Additionally, interfund loans are eliminated in the statement of net position between governmental and business-type activities.

Transfers represent the City's intention to permanently advance cash from one fund to another and are reported as transfers in and out. Transfers are appropriately eliminated in the financial statements for transfers between governmental funds and transfers between proprietary funds. Additionally, net transfers between funds are eliminated in the statement of activities between governmental and business-type activities.

Services provided are treated as income by the fund providing the service and as expense for the fund receiving the service. Due to the City's limited quantity and value of service provided by one fund to another, the City believes the effect on the government-wide fund financial statements to be insignificant. Therefore, these transactions have not been eliminated.

Reimbursements occur when an entire cost is initially incurred by one fund for one or more funds. Payments for reimbursement reduce the cost of the fund that initially incurred the cost and record an expense in the reimbursing fund. Because of the nature and method of recording, no eliminations are required in either the government-wide or fund financial statements.

**Equity**

In the government-wide statements, equity is classified as unrestricted, restricted and net investment in capital assets.

The City has implemented the provisions of Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," of the Governmental Accounting Standards Board. In the fund financial statements, governmental fund balance is presented in five possible categories:

*Nonspendable* – resources which cannot be spent because they are either (a) not in spendable form (such as inventory); or (b) legally or contractually required to be maintained intact.

**CITY OF BAYARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 1.

**Summary of Significant Accounting Policies (continued)**

*Restricted* – resources with constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – resources which are subject to limitations the government imposes upon itself at its highest level of decision-making and that remain binding unless removed in the same manner.

*Assigned* – resources neither restricted nor committed for which a government has a stated intended use as established by the City Council or a body or official to which the City Council has delegated the authority to assign amounts for specific purposes.

*Unassigned* – resources which cannot be properly classified as one of the other four categories. The *General fund* should be the only fund that reports a positive unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

**Use of estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and the cash basis of accounting 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 and assumptions used in preparing the financial statements.

**New Accounting Pronouncements**

GASB Statement 102, *Certain Risk Disclosures*, was implemented during the year ended, September 30, 2025. The standard requires government financial statements to disclose information regarding certain risks of concentration and constraints that limit a government's ability to acquire resources or control spending, which could significantly impact its financial position.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 2. **County Treasurer Fund**

At September 30, 2025, the cash fund balance of the County Treasurer Funds has been allocated to the *General fund* of the City; therefore, a separate County Treasurer's Fund is not presented as an individual fund of the City.

Note 3. **Budget Process and Property Tax Revenues**

For the fiscal year ended September 30, 2025, the City followed these procedures in establishing the budgetary data reflected in the accompanying financial statements:

Prior to September 1, the City submitted to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget included proposed expenditures and the means of financing them.

Public hearings were conducted at a public meeting to obtain taxpayer comments.

Prior to September 30, the budget was legally adopted by the City Council.

Total actual expenditures may not legally exceed the total budget of expenditures. Appropriations for expenditures lapse at year-end and any revisions require a public hearing and City Council approval.

The property tax requirement resulting from the budget process is utilized by the County Assessor to establish the tax levy, which attaches as an enforceable lien on property within the City as of January 1. Taxes are due as of that date. One-half of the real estate taxes due January 1 become delinquent after the following May 1, with the second one-half becoming delinquent after September 1. Property taxes were levied in October of each year on the assessed value of listed property. Assessed values are an approximation of market value. The County Assessor of Morrill County, Nebraska, determined the City of Bayard valuation to be \$52,278,683 in August of 2024.

The City, through the budget process, requested a total of \$193,920 in property taxes. Based on the valuation previously mentioned, the tax levy for the City of Bayard was established at \$0.370935 per \$100 of property value.

Note 4. **Cash and Investments**

Nebraska Statute §79-1043 provides that the City may, by and with the consent of the City Council, invest the funds of the City in securities, including repurchase agreements. Appropriate securities include those that would normally be acquired by individuals of prudence, discretion and intelligence when dealing with the property of another.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 4. **Cash and Investments (continued)**

At year-end, the City’s carrying amount of bank deposits was \$1,994,647 and the bank balance was \$1,982,118. All balances were covered by federal depository insurance or collateralized with securities held by the pledging financial institution’s trust department or agent in the government’s name. All cash and cash equivalents consist of demand deposits, savings accounts and certificates of deposit.

For reporting purposes, the collateral on the City’s bank deposits is classified in these categories:

- 1) Insured or collateralized with securities held by the City or by its agent in the City’s name.
- 2) Collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.
- 3) Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City’s name.

Deposits of the City at September 30, 2025, consisted of the following:

	Level 1	Level 2	Level 3
Cash - demand deposits	\$ 250,000	\$ 613,615	\$ -
Cash - time and savings	250,000	868,503	-
	\$ 500,000	\$ 1,482,118	\$ -

The City attempts to mitigate the following types of deposit risk through compliance with the state statutes. The type of deposit risks are the following:

*Interest rate risk* – The City’s investment policy for operating funds is limited to certificates of deposit with a maturity of two years or less.

*Credit risk* – The City’s investment policies regarding credit risk are governed by state statutes as described below.

*Concentration of credit risk* – The City’s investment policy places no limits on the amounts that may be invested in any one issuer.

*Custodial credit risk – deposits* – Custodial credit risk for deposits and investments is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. The City’s policy regarding custodial credit risk is determined by state statute as described below.

**CITY OF BAYARD, NEBRASKA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 4. **Cash and Investments (continued)**

None of the City’s deposits in excess of the amount insured by the Federal Deposit Insurance Corporation shall be allowed to accumulate in any financial institution unless (a) the financial institution gives a surety bond, (b) the financial institution provides the City with securities as collateral on the excess funds or (c) the financial institution issues a joint custody receipt to the benefit of the City where a third party financial institution actually holds the security.

Nebraska Statute 77, Article 23, covers the deposit and investment of public funds. The City may only invest in the following:

- a. U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value.
- b. Certificates of deposit and other evidences of deposit at institutions, bankers’ acceptances, and commercial paper, rated in the highest tier (e.g., A-1, P-1) by a nationally recognized rating agency.
- c. Investment-grade obligations of state and local governments.
- d. Repurchase agreements whose underlying purchased securities consist of the foregoing.
- e. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities and securities as described in a, b, c, and d of this section.
- f. Local government investment pools, either state-administered or through interlocal agreement legislation, whose portfolios consist of securities as described in a, b, c, and d of this section.

Note 5. **Transfers**

Interfund transfers were as follows:

<u>Disbursing Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Street	General	\$ 179
Electric Utility	General	534,688

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 6. **Capital Assets**

As more fully described in Note 1, the City presents its governmental activities on the cash basis of accounting. Therefore, the City does not present capital assets for its governmental activities.

Capital asset activity for the City's business-type activities for the year ended September 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets:				
Land	\$ 43,666	\$ -	\$ -	\$ 43,666
Plant in service	9,363,353	-	-	9,363,353
Buildings and improvements	174,555	-	-	174,555
Machinery and equipment	385,987	116,506	-	502,493
Total capital assets	<u>\$ 9,967,561</u>	<u>\$ 116,506</u>	<u>\$ -</u>	<u>\$ 10,084,067</u>
Less accumulated depreciation	<u>\$ (5,071,978)</u>	<u>\$ (242,933)</u>	<u>\$ -</u>	<u>\$ (5,314,911)</u>
Business-type activities capital assets, net	<u><u>\$ 4,895,583</u></u>	<u><u>\$ (126,427)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,769,156</u></u>

Depreciation expense charged to the City's business-type function for the year ended September 30, 2025, was \$242,933.

Note 7. **Long-Term Debt**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation bonds are direct obligations and pledged by the full faith and credit of the government.

On December 29, 2016, the City issued Series 2016 General Obligation Water Bonds in the amount of \$1,010,000 for the purpose of refinancing a Series 2016 Water Utility Bond Anticipation Note with \$1,020,000 remaining. This 2016 series issue requires annual payments beginning in December 2017 and continuing through December 2044. The interest rate on these bonds is 1.375%. The principal balance of this note at September 30, 2025, was \$759,550.

**CITY OF BAYARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 7. **Long-Term Debt (continued)**

On April 25, 2017, the City issued Series 2017 General Obligation Sewer Bonds in the amount of \$275,000 for the purpose of refinancing a Series 2016 Sewer Utility Bond Anticipation Note with \$265,000 remaining. This 2017 series issue requires annual principal payments beginning in July 2018 and continuing through 2031. This issue also requires semiannual interest payments in January and July of each year at rates ranging from 1.250% to 3.750%. The principal balance of this note at September 30, 2025, was \$125,000.

On August 18, 2021, the City issued Series 2021 General Obligation Water Refunding Bonds in the amount of \$1,600,000 for the purpose of refinancing the Series 2014 General Obligation Water Bonds. This 2021 series issue requires annual principal payments beginning in October 2022 and continuing through 2041. This issue also requires semiannual interest payments in April and October beginning in April 2022 and continuing every six months through October 2041. Interest rates on these bonds range from 0.450% to 3.000%. The principal balance of this note at September 30, 2025, was \$1,385,000.

**Combined Facilities Revenue**

On May 4, 2020, the city issued revenue bonds in the amount of \$815,000 for the purpose of refunding a 2014 Series Refund Bond issue with \$365,000 remaining and a 2015 Series Refund Bond issue with \$530,000 remaining. The 2020 series issue requires annual principal payments beginning in July 2021 and continuing through 2030. This issue also requires an annual interest payment beginning in July 2021 and continuing through July 2030 at rates ranging from 1.350% to 1.950%. The principal balance of this note at September 30, 2025 was \$380,000.

**Other Notes Payable**

On June 9, 2009, the City entered into an agreement with the Nebraska Department of Environmental Quality to make improvements to the City's water system through acquisition and installation of water meters and related equipment. The agreement allows for project funding in an amount of \$212,220 of which the City is required to repay \$6,829 in semiannual principal and interest payments in June and December of each year beginning June 2010 and continuing through December 2029. Interest accrues at a rate of 2.000%. The principal balance of this note at September 30, 2025, was \$29,249.

On November 21, 2014, the City entered into an agreement with the Nebraska Department of Environmental Quality to make improvements to the City's water system through the water project. The agreement allows for funding in an amount of \$235,845 of which the City is required to make semi-annual payments beginning in June 2015 and continuing through 2034. The interest rate on this note is 2.000%. The principal balance of this note at September 30, 2025, was \$96,840.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 7. **Long-Term Debt (continued)**

**Capital Leases**

On October 1, 2019, the City entered into a lease to obtain a new street sweeper. The terms of the lease require annual payments of \$32,041, including interest at a rate of 3.5% starting on October 15, 2020 and continuing through October 15, 2024. The final payment on the lease is for \$85,243, which includes interest, and is due October 15, 2025. The principal balance of this note at September 30, 2025, was \$82,333.

**Summary of Long-Term Debt Activity**

During the year ended September 30, 2025, the following changes occurred in long-term debt, as follows:

	Governmental Activities	Business-type Activities
Long-Term Debt, October 1, 2024	\$ 110,469	\$ 3,009,333
Payments made	(28,136)	(233,694)
Long-Term Debt, September 30, 2025	\$ 82,333	\$ 2,775,639

The schedule of maturities is as follows:

	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2026	\$ 82,333	\$ 2,910	\$ 234,465	\$ 50,551	\$ 370,259
2027	-	-	235,247	46,800	282,047
2028	-	-	246,043	42,968	289,011
2029	-	-	246,852	38,865	285,717
2030	-	-	144,260	34,434	178,694
2031-2035	-	-	643,272	136,060	779,332
2036-2040	-	-	626,004	80,261	706,265
2041-2045	-	-	399,496	14,411	413,907
	\$ 82,333	\$ 2,910	\$ 2,775,639	\$ 444,350	\$ 3,305,232

Note 8. **Restricted Cash**

As of September 30, 2025, the City's cash was restricted as follows:

Utility Fund – meter deposits	\$ 79,099
Utility Fund – debt service	364,696
Keno Fund – prize reserves	13,738
	\$ 457,533

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 9. **Restricted Net Position**

At September 30, 2025, the government-wide statement of net position reports the following restricted net assets:

**Governmental Activities**

Restricted for:

Keno prize reserve	<u>\$ 13,738</u>
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**Business-Type Activities**

Restricted for:

Meter Deposits	\$ 79,099
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Debt service	<u>364,696</u>
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	<u>\$ 443,795</u>
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Note 10. **Compensated Absences**

All employees are allowed to accrue up to 720 hours of sick leave. Employees earn vacation time based on length of service to the City. Up to three weeks of this vacation time can be carried forward. The accumulated balance of vacation time for all funds as of September 30, 2025, was \$34,294 for governmental funds and \$12,688 for proprietary funds. Sick leave is paid out only to employees who retire from serving the City.

Note 11. **Retirement Plan**

The City maintains a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate if they have completed six months of eligible service and are considered full-time employees.

Under the plan's provisions, participants are permitted to make voluntary contributions to the plan. The City is required to match participant contributions up to 4% of compensation. While employee contributions are immediately vested, employer contributions to the plan vest 20% per year for each completed year of service until fully vested. The City made contributions of \$8,840 during the year ended September 30, 2025.

Note 12. **Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year, the City carried commercial insurance for general liability, property, worker's compensation, commercial excess liability, crime, and blanket bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 13. **Commitments and Contingencies**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City has one commitment at September 30, 2025, as shown below:

<u>Project</u>	<u>Original Contract</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Water Tower Maintenance Contract	\$ 238,198	\$ 134,496	\$ 103,702

Note 14. **Concentrations and Constraints**

The City is highly dependent upon property taxes, sales taxes, and state aid for operations. Property taxes, sales taxes, and state aid accounted for 66.8% of all revenues for the fiscal year ended September 30, 2025. This concentration exposes the City to a potential risk in future periods if multiple taxpayers were to experience financial distress, close operations, appeal valuations, or relocate outside the taxing jurisdiction. Such changes could result in a significant decrease in the City's tax base and may require adjustments to the budgetary tax asking in subsequent fiscal years.

The City monitors economic and demographic trends within the community to assess the ongoing sustainability of its property tax revenue base. At the time of reporting, no known events have occurred that would materially impact this concentration; however, this remains an area of focus for long-term financial planning.

A primary source of revenue for the City is property taxes, which are subject to statutory levy limits established by the State of Nebraska. The City cannot increase this levy or pass a bond without a public vote.

This creates a concentration of risk in the City's ability to respond to increasing budgetary needs, as future increases in property tax revenue may be restricted by state-imposed levy caps rather than local valuation growth or voter-approved overrides. In years where assessed valuation declines or budgetary needs increase, the City may face limitations in its ability to increase its tax asking without seeking voter approval through an override.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 14. **Concentrations and Constraints (continued)**

The City actively monitors legislative changes and maintains a long-term financial plan to address revenue constraints related to levy limits. As of the reporting date, no override has been proposed or approved, but the City Council continues to assess the need for such action based on future funding requirements.

Note 15. **Economic Dependency**

The City of Bayard’s Electric Department purchases all of its electricity for resale to customers from the Municipal Energy Agency of Nebraska.

Note 16. **Environmental Remediation**

The City is subject to laws and regulations relating to the protection of the environment. The City’s policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential impact of the City’s continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the City.

Note 17. **Tax Abatement**

The City is subject to tax abatements granted by the Bayard Community Redevelopment Authority (CRA), who has entered into tax increment financing (TIF) agreements with various redevelopers. This TIF program has the stated purpose of increasing business activity and employment in the community. Under the TIF program, redevelopers can apply for TIF whereby the property tax they pay on the increased valuation of property under a TIF agreement is returned to the redeveloper by the CRA to finance the project for a period of up to fifteen years. Information relevant to the abatements impacting the City for the year ended September 30, 2025, is as follows:

<u>Tax Abatement Program</u>	<u>Amount Abated</u>
Tax Increment Financing	<u>During the Year</u>
	\$1,484

Note 18. **Subsequent Events**

Upon evaluation, the City notes that there were no material subsequent events between the date of the financial statements and February 4, 2026, the date that the financial statements were issued or available to be issued.

## **OTHER INFORMATION**

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**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -**  
**BUDGET TO ACTUAL**  
**For the Year Ended September 30, 2025**

	Budgeted Amount Original and Final	Actual Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>RECEIPTS</b>			
Property taxes	\$ 192,000	\$ 216,773	\$ 24,773
Federal receipts	1,775,000	40,880	(1,734,120)
Motor vehicle tax	38,000	27,756	(10,244)
Motor vehicle fees	10,350	11,646	1,296
Equalization	187,826	196,214	8,388
Highway allocation	180,876	176,066	(4,810)
Other state receipts	1,942,500	6,786	(1,935,714)
Sales tax	90,000	94,858	4,858
Other local revenues	1,960,550	2,273,210	312,660
Transfers in	470,300	534,688	64,388
Total receipts	<u>\$ 6,847,402</u>	<u>\$ 3,578,877</u>	<u>\$ (3,268,525)</u>
<b>DISBURSEMENTS</b>			
General government	\$ 572,000	\$ 275,267	\$ 296,733
Public health and safety	1,242,600	620,487	622,113
Public works	422,400	258,307	164,093
Culture and recreation	682,850	416,752	266,098
Community development	20,000	-	20,000
Miscellaneous	4,000	-	4,000
Utilities	6,271,050	1,996,521	4,274,529
Total disbursements	<u>\$ 9,214,900</u>	<u>\$ 3,567,334</u>	<u>\$ 5,647,566</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (2,367,498)</u>	<u>\$ 11,543</u>	<u>\$ 2,379,041</u>
 <u>Sources/inflows of resources:</u>			
Actual amounts (budgetary basis)		\$ 3,578,877	
Net adjustments (accrual basis)		<u>(526,141)</u>	
Total receipts as reported on the statement of activities on page 6		<u>\$ 3,052,736</u>	
 <u>Uses/outflows of resources:</u>			
Actual amounts (budgetary basis)		\$ 3,567,334	
Net adjustments (accrual basis)		<u>(627,686)</u>	
Total disbursements as reported on the statement of activities on page 6		<u>\$ 2,939,648</u>	

See notes to other information.

**CITY OF BAYARD, NEBRASKA  
NOTES TO OTHER INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Note 1. **Budgetary Accounting**

Annual budgets are adopted on a basis consistent with the Nebraska Budget Act. The Nebraska Budget Act requires that the City adopt its budget on a *cash basis*. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a fund with the City Council's approval. Transfers of appropriations between funds require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrances (e.g., purchase orders, contracts) outstanding at year-end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

The City's expenditures were within budgeted appropriations at the City level.

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - WATER UTILITIES**  
**For the Year Ended September 30, 2025**

Operating revenues:	
Charges for services:	
Sales	\$ 353,360
Total operating revenues	<u>\$ 353,360</u>
Operating expenses:	
Personnel services	\$ 93,121
Supplies	58,464
Other operating	64,017
Depreciation	<u>169,071</u>
Total operating expenses	<u>\$ 384,673</u>
Operating income (loss)	<u>\$ (31,313)</u>
Non-operating revenues (expenses):	
Investment earnings	\$ 7,217
Bond premium	1,043
Interest expense	(38,940)
Amortization	<u>(820)</u>
Total non-operating revenues (expenses)	<u>\$ (31,500)</u>
Income (loss) before operating transfers	<u>\$ (62,813)</u>
Change in net position	<u><u>\$ (62,813)</u></u>

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - SEWER UTILITIES**  
**For the Year Ended September 30, 2025**

Operating revenues:	
Charges for services:	
Sales	\$ 112,699
Total operating revenues	<u>\$ 112,699</u>
Operating expenses:	
Personnel services	\$ 20,899
Supplies	8,289
Other operating	5,424
Depreciation	<u>11,548</u>
Total operating expenses	<u>\$ 46,160</u>
Operating income	<u>\$ 66,539</u>
Non-operating revenues (expenses):	
Investment earnings	\$ 293
Interest expense	<u>(4,635)</u>
Total non-operating revenues (expenses)	<u>\$ (4,342)</u>
Income before operating transfers	<u>\$ 62,197</u>
Change in net position	<u>\$ 62,197</u>

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - ELECTRIC UTILITIES**  
**For the Year Ended September 30, 2025**

Operating revenues:	
Charges for services:	
Sales	\$ 1,310,119
Other	<u>11,096</u>
Total operating revenues	<u>\$ 1,321,215</u>
Operating expenses:	
Personnel services	\$ 95,063
Supplies	98,316
Power purchased	432,600
Other operating	37,690
Depreciation	<u>62,314</u>
Total operating expenses	<u>\$ 725,983</u>
Operating income	<u>\$ 595,232</u>
Non-operating revenues (expenses):	
Investment earnings	\$ 1,907
Interest expense	(8,893)
Amortization	<u>(1,304)</u>
Total non-operating revenues (expenses)	<u>\$ (8,290)</u>
Income before operating transfers	<u>\$ 586,942</u>
Operating transfers:	
Operating transfers out	<u>\$ (534,688)</u>
Total operating transfers	<u>\$ (534,688)</u>
Change in net position	<u>\$ 52,254</u>

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - TRASH UTILITIES**  
**For the Year Ended September 30, 2025**

Operating revenues:	
Charges for services:	
Sales	\$ 179,326
Total operating revenues	<u>\$ 179,326</u>
Operating expenses:	
Personnel services	\$ 336
Supplies	547
Purchased services	151,005
Other operating	<u>5,539</u>
Total operating expenses	<u>\$ 157,427</u>
Operating income	<u>\$ 21,899</u>
Income before operating transfers	<u>\$ 21,899</u>
Change in net position	<u><u>\$ 21,899</u></u>

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF COUNTY TREASURER ACTIVITY**  
**September 30, 2025**

	General Levy	TIF Claver Trust	TIF Claver Storage	TIF Claver Storage 2	TIF Claver Shop	TIF RV Storage	Total
<b>CASH BALANCE, October 1, 2024</b>	\$ 6,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,080
<b>REVENUES COLLECTED</b>							
Property taxes	\$ 161,530	\$ 1,358	\$ 1,438	\$ 799	\$ 1,445	\$ 1,026	\$ 167,596
Motor vehicle tax	18,961	-	-	-	-	-	18,961
Motor vehicle prorated	335	-	-	-	-	-	335
Homestead	17,312	-	-	-	-	-	17,312
Carline	247	-	-	-	-	-	247
Property tax credit	11,117	106	113	63	113	80	11,592
School tax credit	-	224	249	134	251	175	1,033
Commissions	(1,804)	(14)	(14)	(8)	(14)	(10)	(1,864)
Interest	1,562	-	-	-	-	-	1,562
Total revenues collected	<u>\$ 209,260</u>	<u>\$ 1,674</u>	<u>\$ 1,786</u>	<u>\$ 988</u>	<u>\$ 1,795</u>	<u>\$ 1,271</u>	<u>\$ 216,774</u>
<b>EXPENSES PAID</b>							
Disbursements to City	\$ 206,985	\$ 1,674	\$ 1,786	\$ 988	\$ 1,795	\$ 1,271	\$ 214,499
Total expenses paid	<u>\$ 206,985</u>	<u>\$ 1,674</u>	<u>\$ 1,786</u>	<u>\$ 988</u>	<u>\$ 1,795</u>	<u>\$ 1,271</u>	<u>\$ 214,499</u>
<b>CASH BALANCE, September 30, 2025</b>	<u>\$ 8,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,355</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Council  
City of Bayard, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Bayard, Nebraska, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 4, 2026.

**Report on Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as items 2025-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

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

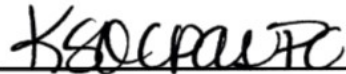
## **City of Bayard's Responses to Findings**

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

## **Purpose of This Report**

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

**KSO CPA's, P.C.**



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Kearney, Nebraska

February 4, 2026

**CITY OF BAYARD, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2025-001:** Lack of Segregation of Duties in One or More Areas

Criteria: Proper internal controls require that an entity has adequate segregation of duties within a significant account process.

Condition: The entity does not have adequate personnel to assign responsibilities in such a way that different employees handle different portions of a transaction.

Context: We reviewed the City's internal control environment and noted that the City's financial recording duties are concentrated with one individual.

Questioned Costs: None.

Effect or Potential Effect: An individual controlling a transaction from beginning to conclusion does not have oversight from other individuals to ensure that the transaction was properly executed and recorded.

Cause: The entity has a limited number of personnel.

Repeat Finding: Immediately preceding year.

Recommendation: We would recommend that the City Council take an active part in internal controls and closely monitor all accounting functions, while seeking ways to continue to strengthen compensating controls.

View of Responsible Official and Planned Corrective Actions: The City understands that due to its inability to hire an adequate amount of personnel to effectively combat segregation of duties that an emphasis needs to be taken to ensure internal controls are met. The office staff will work with the City Council to provide active policies to try to meet these means.

**FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**Finding 2024-001:** Lack of Segregation of Duties in One or More Areas

View of Responsible Official and Planned Corrective Actions: The City understands that due to its inability to hire an adequate amount of personnel to effectively combat segregation of duties that an emphasis needs to be taken to ensure internal controls are met. The office staff will work with the City Council to provide active policies to try to meet these means.