

**CITY OF BAYARD, NEBRASKA**

**FINANCIAL REPORT**

*(Audited)*

**SEPTEMBER 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
City of Bayard, Nebraska

### **Report on the Financial Statements**

We have audited the accompanying 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, 2019, 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.

### ***Management's Responsibility 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.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the reporting entity and unmodified audit opinions on the governmental activities, business-type activities, and each major fund of the primary government.

***Basis for 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.

***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, 2019, 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 December 13, 2019.

***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, 2019, 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, 2019, 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.

### ***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.

### ***Other Matters***

#### ***Other Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 30 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 this other 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 opinion on the basic financial statements is not affected by this missing information.

The City's Schedules of Revenues, Expenses, and Changes in Net Position – Water, Sewer, Electric, and Trash Utilities on pages 32 through 35 and the Schedule of County Treasurer Activity on page 36 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have issued our report dated December 13, 2019 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, contract and grant agreements, and other matters. The purpose of that report is 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.**

*KSO CPA's P.C.*

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Kearney, Nebraska

December 13, 2019

**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES -**  
**CASH BASIS AND STATEMENT OF NET POSITION -**  
**BUSINESS-TYPE ACTIVITIES**  
**September 30, 2019**

	Governmental Activities	Business-type Activities	Eliminations	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 409,460	\$ 43,894	\$ -	\$ 453,354
Cash with county treasurer	7,656	-	-	7,656
Accounts receivable	-	207,718	-	207,718
Inventories	-	36,110	-	36,110
Due from other funds	1,279,765	2,157,437	(3,437,202)	-
Capital assets:				
Land and improvements	-	191,705	-	191,705
Plant in service	-	8,999,924	-	8,999,924
Buildings	-	316,439	-	316,439
Equipment	-	688,499	-	688,499
Less accumulated depreciation	-	(4,211,113)	-	(4,211,113)
Restricted assets:				
Cash and cash equivalents	14,193	480,885	-	495,078
Total assets	<u>\$ 1,711,074</u>	<u>\$ 8,911,498</u>	<u>\$ (3,437,202)</u>	<u>\$ 7,185,370</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 11,318	\$ -	\$ 11,318
Payroll liabilities	2,931	2,136	-	5,067
Accrued compensated absences	-	4,013	-	4,013
Accrued wages payable	-	14,773	-	14,773
Due to other funds	1,845,831	1,591,371	(3,437,202)	-
Meter deposits	-	70,636	-	70,636
Interest payable	-	59,403	-	59,403
Long-term debt:				
Due within one year	-	251,287	-	251,287
MEAN liability current portion	-	-	-	-
Due in more than one year	-	3,918,019	-	3,918,019
Total liabilities	<u>\$ 1,848,762</u>	<u>\$ 5,922,956</u>	<u>\$ (3,437,202)</u>	<u>\$ 4,334,516</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ -	\$ 1,816,148	\$ -	\$ 1,816,148
Restricted for:				
Keno prize reserve	14,193	-	-	14,193
Debt service	-	216,398	-	216,398
Capital projects	-	193,851	-	193,851
Meter deposits	-	70,636	-	70,636
Unrestricted	(151,881)	691,509	-	539,628
Total net position	<u>\$ (137,688)</u>	<u>\$ 2,988,542</u>	<u>\$ -</u>	<u>\$ 2,850,854</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, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 263,364	\$ -	\$ 25,457	\$ -	\$ (237,907)	\$ -	\$ (237,907)
Public health and safety	498,670	28,719	-	-	(469,951)	-	(469,951)
Public works	200,130	-	-	-	(200,130)	-	(200,130)
Culture and recreation	412,011	152,901	-	-	(259,110)	-	(259,110)
Total governmental activities	<u>\$ 1,374,175</u>	<u>\$ 181,620</u>	<u>\$ 25,457</u>	<u>\$ -</u>	<u>\$ (1,167,098)</u>	<u>\$ -</u>	<u>\$ (1,167,098)</u>
<b>Business-type activities:</b>							
Utilities	\$ 1,219,248	\$ 1,678,685	\$ -	\$ -	\$ -	\$ 459,437	\$ 459,437
Golf	324,046	140,786	-	-	-	(183,260)	(183,260)
Total business-type activities	<u>\$ 1,543,294</u>	<u>\$ 1,819,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,177</u>	<u>\$ 276,177</u>
Total government	<u>\$ 2,917,469</u>	<u>\$ 2,001,091</u>	<u>\$ 25,457</u>	<u>\$ -</u>	<u>\$ (1,167,098)</u>	<u>\$ 276,177</u>	<u>\$ (890,921)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					\$ 196,336	\$ -	\$ 196,336
Sales and other taxes					110,755	-	110,755
Fees, taxes, permits and licenses					36,048	-	36,048
State shared receipts					298,508	-	298,508
Sale of property					5,924	-	5,924
Investment earnings					1,284	1,855	3,139
Miscellaneous					6,174	37,080	43,254
Gain (loss) on asset disposal					-	(9,693)	(9,693)
Transfers (net)					(22,836)	22,836	-
Total general revenues and transfers					<u>\$ 632,193</u>	<u>\$ 52,078</u>	<u>\$ 684,271</u>
Change in net position					\$ (534,905)	\$ 328,255	\$ (206,650)
Net position - beginning					397,217	2,660,287	3,057,504
Net position - ending					<u>\$ (137,688)</u>	<u>\$ 2,988,542</u>	<u>\$ 2,850,854</u>

See notes to financial statements.



**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE**  
**GOVERNMENTAL FUNDS - CASH BASIS**  
**September 30, 2019**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Keno Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 327,328	\$ 14,132	\$ 68,000	\$ -	\$ 409,460
Cash with county treasurer	7,656	-	-	-	7,656
Due from other funds	1,031,936	194,084	-	53,745	1,279,765
Restricted assets:					
Cash and cash equivalents	-	-	14,193	-	14,193
Total assets	<u>\$ 1,366,920</u>	<u>\$ 208,216</u>	<u>\$ 82,193</u>	<u>\$ 53,745</u>	<u>\$ 1,711,074</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Payroll liabilities	\$ 2,295	\$ 636	\$ -	\$ -	\$ 2,931
Due to other funds	<u>1,734,695</u>	<u>1,539</u>	<u>-</u>	<u>109,597</u>	<u>1,845,831</u>
Total liabilities	<u>\$ 1,736,990</u>	<u>\$ 2,175</u>	<u>\$ -</u>	<u>\$ 109,597</u>	<u>\$ 1,848,762</u>
Fund balances:					
Restricted	\$ -	\$ -	\$ 82,193	\$ -	\$ 82,193
Assigned	-	206,041	-	-	206,041
Unassigned	<u>(370,070)</u>	<u>-</u>	<u>-</u>	<u>(55,852)</u>	<u>(425,922)</u>
Total fund balances	<u>\$ (370,070)</u>	<u>\$ 206,041</u>	<u>\$ 82,193</u>	<u>\$ (55,852)</u>	<u>\$ (137,688)</u>
Total liabilities and fund balances	<u>\$ 1,366,920</u>	<u>\$ 208,216</u>	<u>\$ 82,193</u>	<u>\$ 53,745</u>	<u>\$ 1,711,074</u>

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, 2019**

	General Fund	Street Fund	Keno Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 177,446	\$ 18,882	\$ -	\$ 8	\$ 196,336
Sales and other taxes	89,838	20,917	-	-	110,755
Fees, taxes, permits and licenses	24,773	11,275	-	-	36,048
State shared receipts	147,422	151,086	-	-	298,508
Charges for services	28,719	-	-	-	28,719
Operating receipts	-	-	152,901	-	152,901
Grant proceeds	25,457	-	-	-	25,457
Investment income	1,264	20	-	-	1,284
Sale of property	5,924	-	-	-	5,924
Miscellaneous	3,522	2,652	-	-	6,174
Total revenues	<u>\$ 504,365</u>	<u>\$ 204,832</u>	<u>\$ 152,901</u>	<u>\$ 8</u>	<u>\$ 862,106</u>
<b>EXPENDITURES</b>					
General government					
Personnel services	\$ 74,936	\$ -	\$ -	\$ -	\$ 74,936
Operating	166,967	-	-	-	166,967
Supplies & materials	16,878	-	-	-	16,878
TIF remittances	4,583	-	-	-	4,583
Public health and safety					
Personnel services	297,177	-	-	-	297,177
Operating	85,515	-	-	-	85,515
Supplies & materials	74,048	-	-	-	74,048
Capital outlay	41,930	-	-	-	41,930
Public works					
Personnel services	-	107,849	-	-	107,849
Operating	-	8,285	-	-	8,285
Supplies & materials	-	80,057	-	-	80,057
Capital outlay	-	3,939	-	-	3,939
Cultural and recreation					
Personnel services	121,400	-	-	-	121,400
Operating	91,267	-	147,713	-	238,980
Supplies & materials	48,631	-	-	-	48,631
Capital outlay	3,000	-	-	-	3,000
Total expenditures	<u>\$ 1,026,332</u>	<u>\$ 200,130</u>	<u>\$ 147,713</u>	<u>\$ -</u>	<u>\$ 1,374,175</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (521,967)</u>	<u>\$ 4,702</u>	<u>\$ 5,188</u>	<u>\$ 8</u>	<u>\$ (512,069)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	\$ (22,836)	\$ -	\$ -	\$ -	\$ (22,836)
Total other financing sources (uses)	<u>\$ (22,836)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,836)</u>
Change in fund balances	\$ (544,803)	\$ 4,702	\$ 5,188	\$ 8	\$ (534,905)
Fund balances - beginning	174,733	201,339	77,005	(55,860)	397,217
Fund balances - ending	<u>\$ (370,070)</u>	<u>\$ 206,041</u>	<u>\$ 82,193</u>	<u>\$ (55,852)</u>	<u>\$ (137,688)</u>

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2019**

	Business-type Activities		
	Utilities	Golf	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 39,831	\$ 4,063	\$ 43,894
Accounts receivable	207,718	-	207,718
Due from other funds	2,157,437	-	2,157,437
Inventories	31,069	5,041	36,110
Capital assets:			
Land and improvements	89,842	101,863	191,705
Plant in service	8,765,644	234,280	8,999,924
Buildings	158,520	157,919	316,439
Equipment	294,909	393,590	688,499
Less accumulated depreciation	(3,801,203)	(409,910)	(4,211,113)
Restricted assets:			
Cash and cash equivalents	480,885	-	480,885
Total assets	<u>\$ 8,424,652</u>	<u>\$ 486,846</u>	<u>\$ 8,911,498</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 8,625	\$ 2,693	\$ 11,318
Payroll liabilities	1,461	675	2,136
Accrued compensated absences	2,816	1,197	4,013
Accrued wages payable	7,561	7,212	14,773
Due to other funds	-	1,591,371	1,591,371
Meter deposits	70,636	-	70,636
Interest payable	59,140	263	59,403
Long-term debt:			
Due within one year	202,262	49,025	251,287
Due in more than one year	3,894,173	23,846	3,918,019
Total liabilities	<u>\$ 4,246,674</u>	<u>\$ 1,676,282</u>	<u>\$ 5,922,956</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 1,411,277	\$ 404,871	\$ 1,816,148
Restricted for:			
Debt service	216,398	-	216,398
Capital projects	193,851	-	193,851
Meter deposits	70,636	-	70,636
Unrestricted	2,285,816	(1,594,307)	691,509
Total net position	<u>\$ 4,177,978</u>	<u>\$ (1,189,436)</u>	<u>\$ 2,988,542</u>

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, 2019**

	Business-type Activities		
	Utilities	Golf	Total
Operating revenues:			
Charges for services:			
Sales	\$ 1,678,685	\$ 140,786	\$ 1,819,471
Other	34,708	2,372	37,080
Total operating revenues	<u>\$ 1,713,393</u>	<u>\$ 143,158</u>	<u>\$ 1,856,551</u>
Operating expenses:			
Personal services	\$ 240,779	\$ 173,901	\$ 414,680
Supplies	87,720	35,746	123,466
Power and services purchased	464,009	-	464,009
Cost of sales	-	37,387	37,387
Other operating	69,580	46,091	115,671
Depreciation	265,517	27,520	293,037
Total operating expenses	<u>\$ 1,127,605</u>	<u>\$ 320,645</u>	<u>\$ 1,448,250</u>
Operating income (loss)	<u>\$ 585,788</u>	<u>\$ (177,487)</u>	<u>\$ 408,301</u>
Non-operating revenues (expenses):			
Investment earnings	\$ 1,852	\$ 3	\$ 1,855
Interest expense	(91,643)	(3,401)	(95,044)
Gain (loss) on disposal	-	(9,693)	(9,693)
Total non-operating revenues (expenses)	<u>\$ (89,791)</u>	<u>\$ (13,091)</u>	<u>\$ (102,882)</u>
Income (loss) before operating transfers	<u>\$ 495,997</u>	<u>\$ (190,578)</u>	<u>\$ 305,419</u>
Operating transfers:			
Operating transfers in	\$ 30,840	\$ 73	\$ 30,913
Operating transfers out	-	(8,077)	(8,077)
Total operating transfers	<u>\$ 30,840</u>	<u>\$ (8,004)</u>	<u>\$ 22,836</u>
Change in net position	\$ 526,837	\$ (198,582)	\$ 328,255
Total net position - beginning	3,651,141	(990,854)	2,660,287
Total net position - ending	<u>\$ 4,177,978</u>	<u>\$ (1,189,436)</u>	<u>\$ 2,988,542</u>

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2019**

	Utilities	Golf	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,710,155	\$ 143,158	\$ 1,853,313
Payments to suppliers	(670,523)	(116,486)	(787,009)
Payments to employees	(238,683)	(174,350)	(413,033)
Net cash provided (used) by operating activities	<u>\$ 800,949</u>	<u>\$ (147,678)</u>	<u>\$ 653,271</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Operating transfers in	\$ 22,763	\$ 73	\$ 22,836
Advances on interfund loans	(530,543)	172,841	(357,702)
Net cash provided (used) by non-capital and related financing activities	<u>\$ (507,780)</u>	<u>\$ 172,914</u>	<u>\$ (334,866)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets, net of disposals	\$ (30,000)	\$ -	\$ (30,000)
Bond and capital lease payments	(194,130)	(23,652)	(217,782)
Payments on MEAN liability	(804)	-	(804)
Interest payments	(93,722)	(3,842)	(97,564)
Net cash provided (used) by capital and related financing activities	<u>\$ (318,656)</u>	<u>\$ (27,494)</u>	<u>\$ (346,150)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	\$ 1,852	\$ 3	\$ 1,855
Net cash provided by investing activities	<u>\$ 1,852</u>	<u>\$ 3</u>	<u>\$ 1,855</u>
Net increase (decrease) in cash and cash equivalents	\$ (23,635)	\$ (2,255)	\$ (25,890)
Beginning cash and cash equivalents	544,351	6,318	550,669
Ending cash and cash equivalents	<u>\$ 520,716</u>	<u>\$ 4,063</u>	<u>\$ 524,779</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 585,788	\$ (177,487)	\$ 408,301
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	265,517	27,520	293,037
Change in assets and liabilities:			
Receivables	(3,673)	-	(3,673)
Inventories	(5,888)	2,234	(3,654)
Accounts payable and other liabilities	(40,795)	55	(40,740)
Net cash provided (used) by operating activities	<u>\$ 800,949</u>	<u>\$ (147,678)</u>	<u>\$ 653,271</u>

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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, 2019, 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, 2019**

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.

The *Debt service fund* includes all activities related to the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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, 2019**

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 funds:

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

The *Golf fund* is used to account for all activities related to the operation of the Chimney Rock Golf Course.

**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, 2019**

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, 2019**

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, 2019**

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, 2019**

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.

Note 2. **County Treasurer Fund**

At September 30, 2019, 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.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

For the fiscal year ended September 30, 2019, 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 20, 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 \$34,682,362 in August of 2018.

The City, through the budget process, requested a total of \$172,710 in property taxes. Based on the valuation previously mentioned, the tax levy for the City of Bayard was established at \$0.497976 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, 2019**

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

At year-end, the City's carrying amount of bank deposits was \$946,338 and the bank balance was \$978,510. 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, 2019, consisted of the following:

	Level 1	Level 2	Level 3
Cash - demand deposits	\$ 250,000	\$ 193,611	\$ -
Cash - time and savings	-	515,133	-
Certificates of deposit	-	19,766	-
	<u>\$ 250,000</u>	<u>\$ 728,510</u>	<u>\$ -</u>

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, 2019**

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. **Interfund Loans and Transfers**

The composition of interfund balances as of September 30, 2019 is as follows:

		Due from				
		General	Street	Debt Service	Golf	Total
Due to	General	\$ -	\$ -	\$ -	\$ 1,031,936	\$ 1,031,936
	Street	58,375	-	107,173	28,536	194,084
	Debt Service	8	-	-	53,737	53,745
	Utilities	1,676,312	1,539	2,424	477,162	2,157,437
		<u>\$ 1,734,695</u>	<u>\$ 1,539</u>	<u>\$ 109,597</u>	<u>\$ 1,591,371</u>	<u>\$ 3,437,202</u>

In addition to interfund loan activity, the general fund transferred \$22,763 to the utility funds to combine certificates of deposits. The general fund also transferred \$73 to the golf fund to reimburse for an expense. Last, the golf fund transferred \$8,077 to the utility funds to move an asset to the appropriate fund.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets:				
Land	\$ 191,705	\$ -	\$ -	\$ 191,705
Plant in service	8,999,924	-	-	8,999,924
Buildings and improvements	316,439	-	-	316,439
Machinery and equipment	<u>816,399</u>	<u>38,077</u>	<u>(165,977)</u>	<u>688,499</u>
Total capital assets	<u>\$ 10,324,467</u>	<u>\$ 38,077</u>	<u>\$ (165,977)</u>	<u>\$ 10,196,567</u>
Less accumulated depreciation	<u>\$ (4,066,282)</u>	<u>\$ (293,037)</u>	<u>\$ 148,206</u>	<u>\$ (4,211,113)</u>
Business-type activities capital assets, net	<u>\$ 6,258,185</u>	<u>\$ (254,960)</u>	<u>\$ (17,771)</u>	<u>\$ 5,985,454</u>

Depreciation expense charged to the City's business-type functions for the year ended September 30, 2019, was as follows:

Business-type activities	
Utilities	\$ 265,517
Golf	<u>27,520</u>
	<u>\$ 293,037</u>

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.



**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

On October 21, 2014, the City issued Series 2014 General Obligation Water Bonds in the amount of \$1,990,000 for the purpose of a water project. This 2014 series issue requires annual payments beginning in October 2015 and continuing through 2042. The interest rate on this bond is 2.375%. The principal balance of this note at September 30, 2019, was \$1,778,345.

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 this bond is 1.375%. The principal balance of this note at September 30, 2019, was \$949,900.

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 January 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, 2019, was \$245,000.

**Combined Facilities Revenue**

On July 16, 2014, the City issued revenue bonds in the amount of \$550,000 for the purpose of refunding a 2009 Series Refunding Bond issue with \$530,000 remaining. This 2014 series issue requires annual principal payments beginning in January 2015 and continuing through 2029. This issue also requires semiannual interest payments in January and July of each year at rates ranging from 0.350% to 3.550%. The City stipulated that the Nursing Home make \$40,000 of the first payment and an allocable portion of the first interest payment relating to this issue. The Utility Fund portion of the principal balance of this note at September 30, 2019, was \$365,000.

On July 17, 2015, the City issued revenue bonds in the amount of \$675,000 for the purpose of refunding a 2010 Series Refunding Bond issue with \$680,000 remaining. The 2015 series issue requires annual principal payments beginning in January 2016 and continuing through 2030. This issue also requires semiannual interest payments in January and July of each year at rates ranging from 0.500% to 3.150%. The principal balance of this note at September 30, 2019 was \$530,000.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

The bond ordinance related to the 2014 series revenue bond requires the City to establish accounts in the Combined Facilities Revenue Fund as Follows:

**Operation and Maintenance Account** – To be used to pay the reasonable expenses of operations and maintenance of the Combined Facilities.

**Bond and Interest Sinking Fund Account** – To accumulate after the Operation and Maintenance Account monies to be used to pay the principal and interest of the bonds as they fall due. Monthly credits are to be made to this account for the pro rata share of the next required bond principal and interest payment.

**Bond Reserve Fund Account** – To be used to fill deficiencies which may occur in the Bond Interest and Sinking Fund Account. Monthly credits are to be made to this account after making the required deposits to the Operation and Maintenance Account and the Bond Interest and Sinking Fund Account in the amount of \$3,180 until the balance equals \$68,170.

**Renewal, Replacement, and Depreciation Account** – To be used for the purpose of renewal, replacements, and improvements to the combined facilities. Monthly credits of \$300 are to be made to this account until the balance equals \$30,000.

**Surplus Account** – To be used to deposit monies after providing for the required payments to the Operation and Maintenance Account, the Bond and Interest Sinking Fund Account, the Bond Reserve Fund Account, and the Renewal, Replacement, and Depreciation Account of all the remaining revenues of the Combined Facilities. Funds in this account are only to be used for the following:

- (1) Filling any deficiency in required monthly payments in the Operation and Maintenance Account, the Bond Interest and Sinking Fund Account, the Bond Reserve Fund Account, and the Renewal, Replacement and Depreciation Account.
- (2) Accelerating the payments of the required fund balance of the Bond and Interest Sinking Fund Account, the Bond Reserve Fund Account or the Renewal, Replacement, and Depreciation Account.
- (3) Any lawful purpose connected with the Combined Facilities including paying principal and interest on general obligation bonds of the City now existing or which may hereafter be authorized to pay the cost of acquiring or constructing improvements to the Combined Facilities or on any junior lien indebtedness incurred with respect to the Combined Facilities.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 7.

**Long-Term Debt (continued)**

- (4) Retiring the Bonds and Additional Bonds according to their option provisions.
- (5) Making in-lieu of tax payments to the General Fund of the City, provided that such in-lieu of tax payment in any one fiscal year shall not exceed ten percent (10%) of the gross revenues of the Combined Facilities for the fiscal year next preceding the fiscal year in which such payments are made.

**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%. The principal balance of this note at September 30, 2019, was \$64,388.

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 bond is 2.000%. The principal balance of this note at September 30, 2019, was \$152,387.

**Capital Leases**

On March 15, 2015, the City obtained a capital lease from Yamaha in the amount of \$83,933 to finance the cost of new golf carts. The terms of the lease require five annual payments of \$11,728, including interest at a rate of 3.8% starting May 15, 2015, and continuing through October 15, 2019 ending with an option to buy of \$34,360. The note is secured by equipment. The principal balance of this note at September 30, 2019, was \$34,360.

On January 8, 2013, the City entered into a lease with Murphy Tractor to obtain a backhoe. The terms of the lease require seven annual payments of \$11,769, respectively, including interest at a rate of 3.30% starting in January 2013 and continuing through January 2020. The note is secured by equipment. The principal balance of this note at September 30, 2019, was \$11,419. The backhoe is split in thirds between Water, Sewer, and General funds.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

On September 19, 2017, the City entered into a lease with Sandberg Implement, Inc. to obtain a bobcat. The terms of the lease require monthly payments of \$560, respectively, including interest at a rate of 4.84% starting in November 2017 and continuing through September 2020. The note is secured by equipment. The principal balance of this note at September 30, 2019, was \$7,603. The bobcat is split in quarters between Water, Electric, Golf, and Street funds.

On May 31, 2018, the City entered into a lease with C&M Golf & Grounds Equipment to obtain a mower. The terms of the lease require monthly payments of \$1,186, respectively, including interest at a rate of 4.75% starting in July 2018 and continuing through June 2022. The note is secured by equipment. The principal balance of this note at September 30, 2019, was \$36,611.

**Summary of Long-Term Debt Activity**

During the year ended September 30, 2019, the following changes occurred in long-term debt, as follows:

	Governmental Activities	Business-type Activities
Long-Term Debt, October 1, 2018	\$ 10,812	\$ 4,387,089
Payments made	(5,105)	(217,783)
Long-Term Debt, September 30, 2019	\$ 5,707	\$ 4,169,306

The schedule of maturities is as follows:

	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2020	\$ 5,707	\$ 184	\$ 251,287	\$ 94,287	\$ 351,465
2021	-	-	206,302	88,931	295,233
2022	-	-	210,461	84,202	294,663
2023	-	-	202,122	79,583	281,705
2024	-	-	209,291	74,877	284,168
2025-2029	-	-	1,120,637	292,669	1,413,306
2030-2034	-	-	740,261	166,873	907,134
2035-2039	-	-	609,812	99,321	709,133
2040-2044	-	-	576,366	33,797	610,163
2045	-	-	42,767	588	43,355
	\$ 5,707	\$ 184	\$4,169,306	\$1,015,128	\$5,190,325

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 8. **Restricted Cash**

As of September 30, 2019, the City's cash was restricted as follows:

Utility Fund – meter deposits	\$ 70,636
Utility Fund – debt service	216,398
Utility Fund – capital projects	193,851
Keno Fund – prize reserves	<u>14,193</u>
	<u>\$ 495,078</u>

Note 9. **Restricted Net Position**

At September 30, 2019, the government-wide statement of net position reports the following restricted net assets:

**Governmental Activities**

Restricted for:

Keno prize reserve	<u>\$ 14,193</u>
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**Business-Type Activities**

Restricted for:

Debt service	\$ 216,398
Capital projects	193,851
Meter deposits	<u>70,636</u>
	<u>\$ 480,885</u>

Note 10. **Compensated Absences**

All employees are allowed to accrue up to 960 hours of sick leave. Employees earn vacation time based on length of service to the City; this vacation time must be used by December 31 of each year or it is lost. The accumulated balance of vacation time for all funds as of September 30, 2019, was \$13,832 for governmental funds and \$4,013 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.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 11. **Retirement Plan (continued)**

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 \$10,976 during the year ended September 30, 2019.

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.

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.

Note 14. **Electric Fund MEAN Long-Term Liabilities**

The Municipal Energy Agency of Nebraska levied a settlement against the City in the amount of \$12,066, during the year ended September 30, 2013, stemming from improperly tagged network paths. This was repaid evenly over the next five years with the final payment of \$804 being paid during the year ended September 30, 2019.

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.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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. **Related Parties**

The City had related party transactions for the year ended September 30, 2019. One related party transaction was with the Treasurer’s son who was paid \$3,707 in gross wages for the year ended September 30, 2019. In addition, one Councilman also serves as the Fire Chief and was paid \$3,600 in relation to that service during the year ended September 30, 2019.

Note 18. **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 financing 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, 2019, is as follows:

<u>Tax Abatement Program</u>	<u>Amount Abated</u>
Tax Increment Financing	<u>During the Year</u>
	\$2,626

Note 19. **Subsequent Events**

Upon evaluation, the City notes that there were no material subsequent events between the date of the financial statements and December 13, 2019, 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, 2019**

	Budgeted Amount Original and Final	Actual Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>RECEIPTS</b>			
Property taxes	\$ 171,000	\$ 196,336	\$ 25,336
Federal receipts	3,273,000	25,457	(3,247,543)
Motor vehicle tax	15,000	20,917	5,917
Motor vehicle fees	10,300	11,275	975
Equalization	168,376	147,422	(20,954)
Highway allocation	149,982	148,086	(1,896)
Other state receipts	917,700	16,280	(901,420)
Sales tax	90,000	76,558	(13,442)
Other local revenues	2,118,100	2,247,784	129,684
Transfers in	407,000	30,913	(376,087)
Total receipts	<u>\$ 7,320,458</u>	<u>\$ 2,921,028</u>	<u>\$ (4,399,430)</u>
<b>DISBURSEMENTS</b>			
General government	\$ 500,925	\$ 286,200	\$ 214,725
Public health and safety	1,279,725	498,670	781,055
Public works	336,695	200,130	136,565
Culture and recreation	1,031,475	412,011	619,464
Community development	33,500	-	33,500
Miscellaneous	4,000	-	4,000
Utilities	6,915,300	1,758,405	5,156,895
Golf	-	318,330	(318,330)
Total disbursements	<u>\$ 10,101,620</u>	<u>\$ 3,473,746</u>	<u>\$ 6,627,874</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (2,781,162)</u>	<u>\$ (552,718)</u>	<u>\$ 2,228,444</u>

Sources/inflows of resources:

Actual amounts (budgetary basis)	\$ 2,921,028
Net adjustments (accrual basis)	<u>(210,209)</u>
Total receipts as reported on the statement of activities on page 6	<u>\$ 2,710,819</u>

Uses/outflows of resources:

Actual amounts (budgetary basis)	\$ 3,473,746
Net adjustments (accrual basis)	<u>(556,277)</u>
Total disbursements as reported on the statement of activities on page 6	<u>\$ 2,917,469</u>

See notes to other information.

**CITY OF BAYARD, NEBRASKA  
NOTES TO OTHER INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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 exceeded budgeted appropriations by \$318,330 in the Golf fund. 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, 2019**

Operating revenues:	
Charges for services:	
Sales	\$ 242,272
Other	<u>10,502</u>
Total operating revenues	<u>\$ 252,774</u>
Operating expenses:	
Personnel services	\$ 109,381
Supplies	43,996
Other operating	26,062
Depreciation	<u>155,821</u>
Total operating expenses	<u>\$ 335,260</u>
Operating income (loss)	<u>\$ (82,486)</u>
Non-operating revenues (expenses):	
Investment earnings	\$ 1,021
Interest expense	<u>(60,176)</u>
Total non-operating revenues (expenses)	<u>\$ (59,155)</u>
Income (loss) before operating transfers	<u>\$ (141,641)</u>
Change in net position	<u>\$ (141,641)</u>

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - SEWER UTILITIES**  
**For the Year Ended September 30, 2019**

Operating revenues:	
Charges for services:	
Sales	\$ 75,727
Total operating revenues	<u>\$ 75,727</u>
Operating expenses:	
Personnel services	\$ 22,277
Supplies	10,466
Other operating	1,410
Depreciation	24,663
Total operating expenses	<u>\$ 58,816</u>
Operating income	<u>\$ 16,911</u>
Non-operating revenues (expenses):	
Investment earnings	\$ 505
Interest expense	<u>(7,344)</u>
Total non-operating revenues (expenses)	<u>\$ (6,839)</u>
Income before operating transfers	<u>\$ 10,072</u>
Change in net position	<u><u>\$ 10,072</u></u>

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - ELECTRIC UTILITIES**  
**For the Year Ended September 30, 2019**

Operating revenues:	
Charges for services:	
Sales	\$ 1,213,628
Other	<u>23,592</u>
Total operating revenues	<u>\$ 1,237,220</u>
Operating expenses:	
Personnel services	\$ 108,819
Supplies	33,056
Power purchased	337,893
Other operating	39,859
Depreciation	<u>85,033</u>
Total operating expenses	<u>\$ 604,660</u>
Operating income	<u>\$ 632,560</u>
Non-operating revenues (expenses):	
Investment earnings	\$ 326
Interest expense	<u>(24,123)</u>
Total non-operating revenues (expenses)	<u>\$ (23,797)</u>
Income before operating transfers	<u>\$ 608,763</u>
Operating transfers:	
Operating transfers in	<u>\$ 30,840</u>
Total operating transfers	<u>\$ 30,840</u>
Change in net position	<u><u>\$ 639,603</u></u>

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - TRASH UTILITIES**  
**For the Year Ended September 30, 2019**

Operating revenues:	
Charges for services:	
Sales	\$ 147,058
Other revenues	<u>614</u>
Total operating revenues	<u>\$ 147,672</u>
Operating expenses:	
Personal services	\$ 302
Purchased services	126,116
Supplies	202
Other operating	<u>2,249</u>
Total operating expenses	<u>\$ 128,869</u>
Operating income	<u>\$ 18,803</u>
Income before operating transfers	<u>\$ 18,803</u>
Change in net position	<u><u>\$ 18,803</u></u>

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF COUNTY TREASURER ACTIVITY**  
**September 30, 2019**

	General Levy	Bond Levy	TIF Dollar General	TIF Claver Trust	TIF Claver Storage	TIF Claver Storage 2	TIF Claver Shop	Total
<b>CASH BALANCE, October 1, 2018</b>	\$ 8,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,640
<b>REVENUES COLLECTED</b>								
Property taxes	\$ 148,784	\$ 4	\$ -	\$ 1,644	\$ 1,828	\$ 1,422	\$ 1,839	\$ 155,521
Motor vehicle tax	18,882	-	-	-	-	-	-	18,882
Motor vehicle prorated	280	-	-	-	-	-	-	280
Homestead	14,770	-	-	-	-	-	-	14,770
Carline	427	-	-	-	-	-	-	427
Property tax credit	5,446	-	141	54	61	58	76	5,836
Personal property tax credit	898	-	-	-	-	-	-	898
Personal property tax credit - public service	307	-	-	-	-	-	-	307
Personal property tax credit - railroad	133	-	-	-	-	-	-	133
Commissions	(1,688)	-	-	(16)	(18)	(7)	-	(1,729)
Interest	1,007	4	-	-	-	-	-	1,011
Total revenues collected	<u>\$ 189,246</u>	<u>\$ 8</u>	<u>\$ 141</u>	<u>\$ 1,682</u>	<u>\$ 1,871</u>	<u>\$ 1,473</u>	<u>\$ 1,915</u>	<u>\$ 196,336</u>
<b>EXPENSES PAID</b>								
Disbursements to City	\$ 190,230	\$ 8	\$ 141	\$ 1,682	\$ 1,871	\$ 1,473	\$ 1,915	\$ 197,320
Total expenses paid	<u>\$ 190,230</u>	<u>\$ 8</u>	<u>\$ 141</u>	<u>\$ 1,682</u>	<u>\$ 1,871</u>	<u>\$ 1,473</u>	<u>\$ 1,915</u>	<u>\$ 197,320</u>
<b>CASH BALANCE, September 30, 2019</b>	<u>\$ 7,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,656</u>

**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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2019.

**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) to determine the 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2019-001 and 2019-002 that we consider to be material weaknesses.



## **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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  
December 13, 2019

**CITY OF BAYARD, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2019-001:** 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.

**Finding 2019-002:** Failure to Bill Utilities at the Appropriate Rate

Criteria: City ordinances set the rates used to bill utility customers for services delivered.

Condition: Rates used to bill utility customers for utilities were not applied in accordance with the most recent City ordinance effective June 1, 2017.

Context: The City ordinance effective June 1, 2017 increased the utility rates. A review of charges to a sample of customer accounts showed that this ordinance was not being applied to customer accounts correctly.

**CITY OF BAYARD, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**FINANCIAL STATEMENT FINDINGS (continued)**

Questioned Costs: The estimated forfeited utility revenue from October 1, 2018 through September 30, 2019 was \$25,396.

Effect or Potential Effect: The City forfeited utility billing revenue.

Cause: Staff is not adequately trained to use the financial accounting and utility billing software systems. In addition, staff is unsure of how to address inconsistencies and errors in the financial data. This lack of knowledge resulted in failure to correctly update the utility billing rate tables upon issuance of the new ordinance.

Repeat Finding: Immediately preceding year.

Recommendation: We recommend that the staff receive additional training in the City's software system and its capabilities to ensure appropriate utility billing in addition to accurate financial reporting.

View of Responsible Official and Planned Corrective Actions: The City recognizes that additional training will need to take place over time to correct concerns that currently exist with the use of the City's current software systems. The City corrected the utility billing rates prior to the end of the year and is now randomly testing several billings each month.

**FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Finding 2018-001: 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.

**Finding 2018-002: Failure to Bill Water Utilities at the Appropriate Rate**

View of Responsible Official and Planned Corrective Actions: The City recognizes that additional training will need to take place over time to correct concerns that currently exist with the use of the City's current software systems. The City contacted the accounting software provider and corrected the water utility billing rate during fieldwork.

**CITY OF BAYARD, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2018 (continued)**

**Finding 2018-003:** Failure to Track Outstanding Bond Activity

View of Responsible Official and Planned Corrective Actions: The City recognizes the failure to track outstanding bond activity. This is attributed to turn over of staff and lack of knowledge of such bond activity. The following steps have already been put in place to ensure that this issue is addressed properly: (a) complete file work-ups for each outstanding bond (paper and electronic form), including any loans; (b) the hiring of a paying agent; (c) use of a tracking flow chart of all outstanding bonds and loans based on amortization schedules and loan repayment schedules; and (d) proper utilization of the City's financial software.

**Finding 2018-004:** Inconsistent Application of Accrued Compensation Policies

View of Responsible Official and Planned Corrective Actions: Due to turnover and serious health issues over the past few years, the Mayor, with Council approval, has exercised the authority to allow carryover of accrued vacation time in order to not penalize the employee(s) for circumstances beyond their control. Additionally, in 2017, extraordinary hardship occurred as a result of the June tornado, increasing the need for employees to be on the clock for restoration and expedited timelines for special reporting. As part of updating the employee handbook, further clarification of this practice will be included. A more reliable system of accounting for accrual and usage on a more frequent basis will be implemented along with additional requirements for requesting consideration of any holdover to the new calendar year.

**Finding 2018-005:** Lack of Sufficient Employee Benefit Documentation

View of Responsible Official and Planned Corrective Actions: With the transition to new staff, training and conveyance of expectations of documentation will be emphasized. This will occur in all areas of the financial operations of the City as well as other office roles that are expected to cross-function for support.