

**CITY OF BAYARD, NEBRASKA**

**FINANCIAL REPORT**  
*(Audited)*

**SEPTEMBER 30, 2021**

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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, 2021, 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, 2021, 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, 2021, 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, 2021, 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 January 15, 2022.

### ***Basis for 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.

### ***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.

### ***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.

## ***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 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, 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***

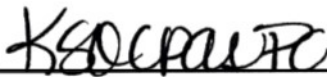
Management is responsible for the other information. The other information comprises the budgetary comparison information on pages 29 and 30, the schedules of revenue, expenses and changes in net position on pages 31-34 and the schedule of county treasurer activity on page 35, but does not include the 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 issued our report dated January 15, 2022 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 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

January 15, 2022

**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES -**  
**CASH BASIS AND STATEMENT OF NET POSITION -**  
**BUSINESS-TYPE ACTIVITIES**  
**September 30, 2021**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 690,026	\$ 227,197	\$ 917,223
Cash with county treasurer	24,876	-	24,876
Accounts receivable	-	229,889	229,889
Inventories	-	41,850	41,850
Capital assets:			
Land and improvements	-	89,842	89,842
Plant in service	-	9,314,762	9,314,762
Buildings	-	174,555	174,555
Equipment	-	333,643	333,643
Less accumulated depreciation	-	(4,335,247)	(4,335,247)
Restricted assets:			
Cash and cash equivalents	23,492	356,974	380,466
Total assets	<u>\$ 738,394</u>	<u>\$ 6,433,465</u>	<u>\$ 7,171,859</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred loss on bond refunding	\$ -	\$ 27,925	\$ 27,925
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 27,925</u>	<u>\$ 27,925</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 39,361	\$ 39,361
Payroll liabilities	3,598	1,601	5,199
Accrued compensated absences	-	1,970	1,970
Accrued wages payable	-	2,498	2,498
Meter deposits	-	72,514	72,514
Interest payable	-	17,637	17,637
Long-term debt:			
Due within one year	-	151,457	151,457
Due in more than one year	-	3,464,460	3,464,460
Total liabilities	<u>\$ 3,598</u>	<u>\$ 3,751,498</u>	<u>\$ 3,755,096</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred gain on bond refunding	\$ -	\$ 21,299	\$ 21,299
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 21,299</u>	<u>\$ 21,299</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ -	\$ 1,961,638	\$ 1,961,638
Restricted for:			
Keno prize reserve	23,492	-	23,492
Debt service	-	284,460	284,460
Meter deposits	-	72,514	72,514
Unrestricted	711,304	369,981	1,081,285
Total net position	<u>\$ 734,796</u>	<u>\$ 2,688,593</u>	<u>\$ 3,423,389</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, 2021**

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	\$ 289,250	\$ -	\$ 31,298	\$ -	\$ (257,952)	\$ -	\$ (257,952)
Public health and safety	585,055	38,053	-	-	(547,002)	-	(547,002)
Public works	234,784	-	-	-	(234,784)	-	(234,784)
Culture and recreation	521,598	310,487	-	-	(211,111)	-	(211,111)
Total governmental activities	<u>\$ 1,630,687</u>	<u>\$ 348,540</u>	<u>\$ 31,298</u>	<u>\$ -</u>	<u>\$ (1,250,849)</u>	<u>\$ -</u>	<u>\$ (1,250,849)</u>
<b>Business-type activities:</b>							
Utilities	\$ 1,193,068	\$ 1,849,287	\$ 160,157	\$ -	\$ -	\$ 816,376	\$ 816,376
Total business-type activities	<u>\$ 1,193,068</u>	<u>\$ 1,849,287</u>	<u>\$ 160,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 816,376</u>	<u>\$ 816,376</u>
Total government	<u>\$ 2,823,755</u>	<u>\$ 2,197,827</u>	<u>\$ 191,455</u>	<u>\$ -</u>	<u>\$ (1,250,849)</u>	<u>\$ 816,376</u>	<u>\$ (434,473)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					\$ 201,901	\$ -	\$ 201,901
Sales and other taxes					128,898	-	128,898
Fees, taxes, permits and licenses					41,214	-	41,214
State shared receipts					334,902	-	334,902
Federal shared receipts					95,927	-	95,927
Sale of property					25	-	25
Rent					100	-	100
Investment earnings					131	1,912	2,043
Bond premium					-	87	87
Miscellaneous					11,288	14,327	25,615
Gain (loss) on asset disposal					-	995	995
Transfers (net)					<u>2,549,343</u>	<u>(2,549,343)</u>	<u>-</u>
Total general revenues and transfers					<u>\$ 3,363,729</u>	<u>\$ (2,532,022)</u>	<u>\$ 831,707</u>
Change in net position					\$ 2,112,880	\$ (1,715,646)	\$ 397,234
Net position - beginning					<u>(1,378,084)</u>	<u>4,404,239</u>	<u>3,026,155</u>
Net position - ending					<u>\$ 734,796</u>	<u>\$ 2,688,593</u>	<u>\$ 3,423,389</u>

See notes to financial statements.



**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE**  
**GOVERNMENTAL FUNDS - CASH BASIS**  
**September 30, 2021**

	<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	\$ 513,276	\$ 80,279	\$ 96,471	\$ -	\$ 690,026
Cash with county treasurer	24,876	-	-	-	24,876
Restricted assets:					
Cash and cash equivalents	<u>-</u>	<u>-</u>	<u>23,492</u>	<u>-</u>	<u>23,492</u>
Total assets	<u>\$ 538,152</u>	<u>\$ 80,279</u>	<u>\$ 119,963</u>	<u>\$ -</u>	<u>\$ 738,394</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Payroll liabilities	<u>\$ 2,895</u>	<u>\$ 703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,598</u>
Total liabilities	<u>\$ 2,895</u>	<u>\$ 703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,598</u>
Fund balances:					
Restricted	\$ -	\$ -	\$ 119,963	\$ -	\$ 119,963
Assigned	-	79,576	-	-	79,576
Unassigned	<u>535,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535,257</u>
Total fund balances	<u>\$ 535,257</u>	<u>\$ 79,576</u>	<u>\$ 119,963</u>	<u>\$ -</u>	<u>\$ 734,796</u>
Total liabilities and fund balances	<u>\$ 538,152</u>	<u>\$ 80,279</u>	<u>\$ 119,963</u>	<u>\$ -</u>	<u>\$ 738,394</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, 2021**

	General Fund	Street Fund	Keno Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 184,400	\$ 17,501	\$ -	\$ -	\$ 201,901
Sales and other taxes	108,410	20,488	-	-	128,898
Fees, taxes, permits and licenses	29,916	11,298	-	-	41,214
State shared receipts	165,619	169,283	-	-	334,902
Federal shared receipts	95,927	-	-	-	95,927
Charges for services	38,053	-	-	-	38,053
Operating receipts	-	-	310,487	-	310,487
Rents	100	-	-	-	100
Grant proceeds	31,298	-	-	-	31,298
Investment income	125	6	-	-	131
Sale of property	25	-	-	-	25
Miscellaneous	7,889	3,399	-	-	11,288
Total revenues	<u>\$ 661,762</u>	<u>\$ 221,975</u>	<u>\$ 310,487</u>	<u>\$ -</u>	<u>\$ 1,194,224</u>
<b>EXPENDITURES</b>					
General government					
Personnel services	\$ 68,389	\$ -	\$ -	\$ -	\$ 68,389
Operating	188,282	-	-	-	188,282
Supplies & materials	6,735	-	-	-	6,735
Capital outlay	17,488	-	-	-	17,488
TIF remittances	8,356	-	-	-	8,356
Public health and safety					
Personnel services	346,552	-	-	-	346,552
Operating	57,999	-	-	-	57,999
Supplies & materials	62,332	-	-	-	62,332
Capital outlay	118,172	-	-	-	118,172
Public works					
Personnel services	-	90,589	-	-	90,589
Operating	-	37,124	-	-	37,124
Supplies & materials	-	88,187	-	-	88,187
Capital outlay	-	18,884	-	-	18,884
Cultural and recreation					
Personnel services	146,951	-	-	-	146,951
Operating	51,154	-	266,284	-	317,438
Supplies & materials	32,810	-	-	-	32,810
Capital outlay	24,399	-	-	-	24,399
Total expenditures	<u>\$ 1,129,619</u>	<u>\$ 234,784</u>	<u>\$ 266,284</u>	<u>\$ -</u>	<u>\$ 1,630,687</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (467,857)</u>	<u>\$ (12,809)</u>	<u>\$ 44,203</u>	<u>\$ -</u>	<u>\$ (436,463)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 2,539,011	\$ 74,111	\$ -	\$ 109,597	\$ 2,722,719
Transfers out	(123)	(173,245)	-	(8)	(173,376)
Total other financing sources (uses)	<u>\$ 2,538,888</u>	<u>\$ (99,134)</u>	<u>\$ -</u>	<u>\$ 109,589</u>	<u>\$ 2,549,343</u>
Change in fund balances	\$ 2,071,031	\$ (111,943)	\$ 44,203	\$ 109,589	\$ 2,112,880
Fund balances - beginning	(1,535,774)	191,519	75,760	(109,589)	(1,378,084)
Fund balances - ending	<u>\$ 535,257</u>	<u>\$ 79,576</u>	<u>\$ 119,963</u>	<u>\$ -</u>	<u>\$ 734,796</u>

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
September 30, 2021**

	Business-type Activities
	Utilities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 227,197
Accounts receivable	229,889
Inventories	41,850
Capital assets:	
Land and improvements	89,842
Plant in service	9,314,762
Buildings	174,555
Equipment	333,643
Less accumulated depreciation	(4,335,247)
Restricted assets:	
Cash and cash equivalents	356,974
Total assets	\$ 6,433,465
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on bond funding	\$ 27,925
Total deferred outflows of resources	\$ 27,925
 <b>LIABILITIES</b>	
Accounts payable	\$ 39,361
Payroll liabilities	1,601
Accrued compensated absences	1,970
Accrued wages payable	2,498
Meter deposits	72,514
Interest payable	17,637
Long-term debt:	
Due within one year	151,457
Due in more than one year	3,464,460
Total liabilities	\$ 3,751,498
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred gain on bond funding	\$ 21,299
Total deferred inflows of resources	\$ 21,299
 <b>NET POSITION</b>	
Net investment in capital assets	\$ 1,961,638
Restricted for:	
Debt service	284,460
Meter deposits	72,514
Unrestricted	369,981
Total net position	\$ 2,688,593

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, 2021**

	Business-type Activities
	Utilities
Operating revenues:	
Charges for services:	
Sales	\$ 1,849,287
Grant income	160,157
Other	14,327
Total operating revenues	\$ 2,023,771
 Operating expenses:	
Personnel services	\$ 195,427
Supplies	104,407
Power and services purchased	497,576
Other operating	48,547
Depreciation	270,740
Total operating expenses	\$ 1,116,697
Operating income	\$ 907,074
 Non-operating revenues (expenses):	
Investment earnings	\$ 1,912
Bond premium	87
Interest expense	(74,999)
Amortization	(1,372)
Gain (loss) on asset disposal	995
Total non-operating revenues (expenses)	\$ (73,377)
 Income before operating transfers	\$ 833,697
 Operating transfers:	
Operating transfers in	\$ 3,000
Operating transfers out	(2,552,343)
Total operating transfers	\$ (2,549,343)
 Change in net position	\$ (1,715,646)
Total net position - beginning	4,404,239
Total net position - ending	\$ 2,688,593

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2021**

	Utilities
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,839,435
Receipts from grants	160,157
Payments to suppliers	(805,319)
Payments to employees	(199,755)
Net cash provided by operating activities	\$ 994,518
 <b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Operating transfers in	\$ 3,000
Operating transfers out	(2,552,343)
Payments received on interfund loans	2,034,960
Net cash provided (used) by non-capital and related financing activities	\$ (514,383)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	\$ (52,676)
Proceeds from sale of capital assets	1,500
Bond and capital lease proceeds	1,600,000
Bond premiums	21,386
Bond and capital lease payments	(1,868,188)
Bond discounts	(16,800)
Interest payments	(112,290)
Net cash provided (used) by capital and related financing activities	\$ (427,068)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	\$ 1,912
Net cash provided by investing activities	\$ 1,912
 Net increase in cash and cash equivalents	 \$ 54,979
Beginning cash and cash equivalents	529,192
Ending cash and cash equivalents	\$ 584,171
 <b>CASH RECONCILIATION</b>	
Cash and cash equivalents	\$ 227,197
Restricted cash and cash equivalents	356,974
Total cash and cash equivalents	\$ 584,171
 <b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 907,074
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	270,740
Change in assets and liabilities:	
Receivables	(25,492)
Inventories	(13,516)
Accounts payable and other liabilities	(144,288)
Net cash provided by operating activities	\$ 994,518

See notes to financial statements.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021, 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, 2021**

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, 2021**

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, 2021**

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, 2021**

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, 2021**

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, 2021**

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, 2021, 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, 2021**

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

For the fiscal year ended September 30, 2021, 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 \$35,489,048 in August of 2020.

The City, through the budget process, requested a total of \$177,255 in property taxes. Based on the valuation previously mentioned, the tax levy for the City of Bayard was established at \$0.499464 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, 2021**

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

At year-end, the City's carrying amount of bank deposits was \$1,297,189 and the bank balance was \$1,359,868. 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, 2021, consisted of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash - demand deposits	\$ 250,000	\$ 347,400	\$ -
Cash - time and savings	250,000	512,468	-
Certificates of deposit	-	-	-
	<u>\$ 500,000</u>	<u>\$ 859,868</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, 2021**

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**

Interfund loans were eliminated through transfers as follows:

<u>Disbursing Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Street	General	\$ 63,195
Street	Debt Service	107,173
Electric Utility	General	2,475,808
Electric Utility	Street	74,111
Electric Utility	Debt Service	2,424
Debt Service	General	8

In addition to interfund loan activity, the general fund transferred \$123 to the electric utility fund and the street fund transferred \$2,877 to the electric utility fund to repay expenses paid from the wrong account.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets:				
Land	\$ 89,842	\$ -	\$ -	\$ 89,842
Plant in service	9,299,946	14,816	-	9,314,762
Buildings and improvements	171,285	3,787	(517)	174,555
Machinery and equipment	302,785	34,073	(3,215)	333,643
Total capital assets	<u>\$ 9,863,858</u>	<u>\$ 52,676</u>	<u>\$ (3,732)</u>	<u>\$ 9,912,802</u>
Less accumulated depreciation	<u>\$ (4,067,734)</u>	<u>\$ (270,740)</u>	<u>\$ 3,227</u>	<u>\$ (4,335,247)</u>
Business-type activities capital assets, net	<u>\$ 5,796,124</u>	<u>\$ (218,064)</u>	<u>\$ (505)</u>	<u>\$ 5,577,555</u>

Depreciation expense charged to the City's business-type function for the year ended September 30, 2021, was \$270,740.

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 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%. These bonds were refunded with the Series 2021 General Obligation Water Bonds resulting in the principal balance of this note at September 30, 2021, being \$0.



**CITY OF BAYARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

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, 2021, was \$888,176.

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, 2021, was \$205,000.

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, 2021, was \$1,600,000.

**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 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, 2021 was \$735,000.

**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, 2021, was \$53,138.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

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, 2021, was \$134,603.

**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, 2021, was \$189,242.

On December 15, 2020, the City entered into a lease to obtain a new police car. The terms of the lease require annual payments of \$9,525, including interest at a rate of 5.99% starting on December 15, 2020 and continuing through December 15, 2023. The principal balance of this note at September 30, 2021, was \$25,466.

**Summary of Long-Term Debt Activity**

During the year ended September 30, 2021, the following changes occurred in long-term debt, as follows:

	Governmental Activities	Business-type Activities
Long-Term Debt, October 1, 2020	\$ 213,109	\$ 3,884,105
Payments made	(33,392)	(1,868,188)
Debt issued	34,991	1,600,000
Long-Term Debt, September 30, 2021	<u>\$ 214,708</u>	<u>\$ 3,615,917</u>

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

The schedule of maturities is as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 33,351	\$ 8,215	\$ 151,457	\$ 52,717	\$ 245,740
2023	34,726	6,840	227,191	60,191	328,948
2024	36,162	5,404	227,936	57,172	326,674
2025	28,136	3,905	233,694	53,997	319,732
2026	82,333	2,910	234,464	50,551	370,258
2027-2031	-	-	1,018,981	194,985	1,213,966
2032-2036	-	-	614,831	125,018	739,849
2037-2041	-	-	643,699	66,542	710,241
2042-2046	-	-	263,664	7,254	270,918
	<u>\$ 214,708</u>	<u>\$ 27,274</u>	<u>\$3,615,917</u>	<u>\$ 668,427</u>	<u>\$4,526,326</u>

Note 8. **Restricted Cash**

As of September 30, 2021, the City's cash was restricted as follows:

Utility Fund – meter deposits	\$ 72,514
Utility Fund – debt service	284,460
Keno Fund – prize reserves	<u>23,492</u>
	<u>\$ 380,466</u>

Note 9. **Restricted Net Position**

At September 30, 2021, the government-wide statement of net position reports the following restricted net assets:

**Governmental Activities**

Restricted for:

Keno prize reserve \$ 23,492

**Business-Type Activities**

Restricted for:

Meter Deposits \$ 72,514

Debt service 284,460

\$ 356,974

**CITY OF BAYARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021, was \$19,458 for governmental funds and \$1,970 for proprietary funds. Sick leave is paid out only to employees who retire from serving the City.

Note 11. **COVID-19**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity, operations, suppliers, industry and workforce.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021-2022.

Note 12. **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 \$10,507 during the year ended September 30, 2021.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Note 13. **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 14. **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 construction commitment at September 30, 2021 for improvements to the Senior Center in the amount of \$22,200.

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.

**CITY OF BAYARD, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021, is as follows:

<u>Tax Abatement Program</u>	<u>Amount Abated</u>
Tax Increment Financing	<u>During the Year</u> \$2,949

Note 18. **Subsequent Events**

Upon evaluation, the City notes that there were no material subsequent events between the date of the financial statements and January 15, 2022, 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, 2021**

	Budgeted Amount Original and Final	Actual Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>RECEIPTS</b>			
Property taxes	\$ 175,500	\$ 201,901	\$ 26,401
Federal receipts	2,180,000	127,225	(2,052,775)
Motor vehicle tax	26,000	20,488	(5,512)
Motor vehicle fees	10,350	11,298	948
Equalization	159,734	165,619	5,885
Highway allocation	136,296	166,283	29,987
Other state receipts	1,534,000	16,199	(1,517,801)
Sales tax	90,000	95,212	5,212
Other local revenues	1,783,100	3,993,004	2,209,904
Transfers in	400,000	2,725,719	2,325,719
Total receipts	<u>\$ 6,494,980</u>	<u>\$ 7,522,948</u>	<u>\$ 1,027,968</u>
<b>DISBURSEMENTS</b>			
General government	\$ 489,000	\$ 462,626	\$ 26,374
Public health and safety	1,235,200	585,055	650,145
Public works	341,000	234,784	106,216
Culture and recreation	624,520	521,598	102,922
Community development	33,550	-	33,550
Miscellaneous	4,000	-	4,000
Utilities	6,094,120	3,572,411	2,521,709
Total disbursements	<u>\$ 8,821,390</u>	<u>\$ 5,376,474</u>	<u>\$ 3,444,916</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (2,326,410)</u>	<u>\$ 2,146,474</u>	<u>\$ 4,472,884</u>
<u>Sources/inflows of resources:</u>			
Actual amounts (budgetary basis)		\$ 7,522,948	
Net adjustments (accrual basis)		<u>(4,301,959)</u>	
Total receipts as reported on the statement of activities on page 6		<u>\$ 3,220,989</u>	
<u>Uses/outflows of resources:</u>			
Actual amounts (budgetary basis)		\$ 5,376,474	
Net adjustments (accrual basis)		<u>(2,552,719)</u>	
Total disbursements as reported on the statement of activities on page 6		<u>\$ 2,823,755</u>	

See notes to other information.



**CITY OF BAYARD, NEBRASKA  
NOTES TO OTHER INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021**

Operating revenues:	
Charges for services:	
Sales	\$ 339,166
Grant income	160,157
Other	<u>11,049</u>
Total operating revenues	<u>\$ 510,372</u>
Operating expenses:	
Personnel services	\$ 88,612
Supplies	52,219
Other operating	20,625
Depreciation	<u>172,471</u>
Total operating expenses	<u>\$ 333,927</u>
Operating income	<u>\$ 176,445</u>
Non-operating revenues (expenses):	
Investment earnings	\$ 62
Bond premium	87
Interest expense	(54,258)
Amortization	<u>(68)</u>
Total non-operating revenues (expenses)	<u>\$ (54,177)</u>
Income before operating transfers	<u>\$ 122,268</u>
Change in net position	<u>\$ 122,268</u>

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - SEWER UTILITIES**  
**For the Year Ended September 30, 2021**

Operating revenues:	
Charges for services:	
Sales	\$ 95,350
Total operating revenues	<u>\$ 95,350</u>
Operating expenses:	
Personnel services	\$ 17,611
Supplies	21,417
Other operating	962
Depreciation	<u>11,166</u>
Total operating expenses	<u>\$ 51,156</u>
Operating income	<u>\$ 44,194</u>
Non-operating revenues (expenses):	
Investment earnings	\$ 1,815
Interest expense	(6,131)
Gain (loss) on asset disposal	<u>995</u>
Total non-operating revenues (expenses)	<u>\$ (3,321)</u>
Income before operating transfers	<u>\$ 40,873</u>
Change in net position	<u><u>\$ 40,873</u></u>

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - ELECTRIC UTILITIES**  
**For the Year Ended September 30, 2021**

Operating revenues:	
Charges for services:	
Sales	\$ 1,254,612
Other	<u>2,587</u>
Total operating revenues	<u>\$ 1,257,199</u>
Operating expenses:	
Personnel services	\$ 88,904
Supplies	30,570
Power purchased	363,255
Other operating	26,871
Depreciation	<u>87,103</u>
Total operating expenses	<u>\$ 596,703</u>
Operating income	<u>\$ 660,496</u>
Non-operating revenues (expenses):	
Investment earnings	\$ 35
Interest expense	(14,610)
Amortization	<u>(1,304)</u>
Total non-operating revenues (expenses)	<u>\$ (15,879)</u>
Income before operating transfers	<u>\$ 644,617</u>
Operating transfers:	
Operating transfers in	\$ 3,000
Operating transfers out	<u>(2,552,343)</u>
Total operating transfers	<u>\$(2,549,343)</u>
Change in net position	<u><u>\$(1,904,726)</u></u>

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - TRASH UTILITIES**  
**For the Year Ended September 30, 2021**

Operating revenues:	
Charges for services:	
Sales	\$ 160,159
Other	<u>691</u>
Total operating revenues	<u>\$ 160,850</u>
Operating expenses:	
Personnel services	\$ 300
Supplies	201
Purchased services	134,321
Other operating	<u>89</u>
Total operating expenses	<u>\$ 134,911</u>
Operating income	<u>\$ 25,939</u>
Income before operating transfers	<u>\$ 25,939</u>
Change in net position	<u><u>\$ 25,939</u></u>

**CITY OF BAYARD, NEBRASKA**  
**SCHEDULE OF COUNTY TREASURER ACTIVITY**  
**September 30, 2021**

	General Levy	TIF Dollar General	TIF Claver Trust	TIF Claver Storage	TIF Claver Storage 2	TIF Claver Shop	TIF RV Storage	Total
<b>CASH BALANCE, October 1, 2020</b>	\$ 21,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,598
<b>REVENUES COLLECTED</b>								
Property taxes	\$ 152,635	\$ 4,253	\$ 1,646	\$ 1,830	\$ 1,423	\$ 1,841	\$ 1,304	\$ 164,932
Motor vehicle tax	17,501	-	-	-	-	-	-	17,501
Motor vehicle prorate	360	-	-	-	-	-	-	360
Homestead	15,120	-	-	-	-	-	-	15,120
Carline	441	-	-	-	-	-	-	441
Property tax credit	7,329	207	80	89	69	89	63	7,926
Personal property tax credit	375	-	-	-	-	-	-	375
Commissions	(1,692)	(43)	(16)	(18)	(14)	(18)	(13)	(1,814)
Interest	1,477	-	-	-	-	-	-	1,477
Total revenues collected	<u>\$ 193,546</u>	<u>\$ 4,417</u>	<u>\$ 1,710</u>	<u>\$ 1,901</u>	<u>\$ 1,478</u>	<u>\$ 1,912</u>	<u>\$ 1,354</u>	<u>\$ 206,318</u>
<b>EXPENSES PAID</b>								
Disbursements to City	\$ 190,268	\$ -	\$ 1,710	\$ 1,901	\$ 1,478	\$ 1,912	\$ 1,354	\$ 198,623
Redistribution of funds	-	4,417	-	-	-	-	-	4,417
Total expenses paid	<u>\$ 190,268</u>	<u>\$ 4,417</u>	<u>\$ 1,710</u>	<u>\$ 1,901</u>	<u>\$ 1,478</u>	<u>\$ 1,912</u>	<u>\$ 1,354</u>	<u>\$ 203,040</u>
<b>CASH BALANCE, September 30, 2021</b>	<u>\$ 24,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,876</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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 15, 2022.

**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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2021-001 and 2021-002 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.**



Kearney, Nebraska

January 15, 2022



**CITY OF BAYARD, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2021-001:** 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 2021-002:** 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 ordinances.

**CITY OF BAYARD, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**FINANCIAL STATEMENT FINDINGS (continued)**

Context: The City ordinances are updated periodically, and some reflect seasonal rates. A review of charges to a sample of customer accounts showed that the ordinances were not being applied to customer accounts correctly. This includes commercial customers being charged an improper electric rate when their usage was over 3000 kWh during winter months, garbage rates on large customers were unable to be recalculated using effective ordinance rates, and a customer outside of city limits being charged the additional city sales tax.

Questioned Costs: The estimated overcharged electrical revenue from October 1, 2020 through September 30, 2021 was \$1,211. Questioned costs for garbage and sales tax errors could not be reasonably estimated.

Effect or Potential Effect: The City overcharged 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 for changes in City ordinances.

Repeat Finding: Immediately preceding year.

Recommendation: We recommend that the City test a sample of invoices every month for each type of customer account to ensure appropriate utility billing. In addition, we recommend that the City 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, 2020**

**Finding 2020-001:** 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.

**CITY OF BAYARD, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2020 (continued)**

**Finding 2020-002:** 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 corrected the utility billing rates prior to the end of the year and is now randomly testing several billings each month.