

Annual Financial Report

City of Byron

Byron, Minnesota

For the Year Ended

December 31, 2019

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Byron, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2019

	<u>Page No.</u>
Introductory Section	
Elected and Appointed Officials	7
Financial Section	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements	
Governmental Funds	
Balance Sheet	34
Reconciliation of the Balance Sheet to the Statement of Net Position	35
Statement of Revenues, Expenditures and Changes in Fund Balances	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	37
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	38
Proprietary Funds	
Statement of Net Position	39
Statement of Revenues, Expenses and Changes in Net Position	41
Statement of Cash Flows	42
Notes to the Financial Statements	45
Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	70
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	70
Notes to the Required Supplementary Information - General Employees Retirement Fund	71
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	75
Nonmajor Special Revenue Funds	
Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	77
Nonmajor Capital Projects Funds	
Combining Balance Sheet	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	80
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	83
Debt Service Funds	
Combining Balance Sheet	88
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	90
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	92
Other Required Report	
Independent Auditor's Report on Minnesota Legal Compliance	95

THIS PAGE IS LEFT
BLANK INTENTIONALLY

INTRODUCTORY SECTION

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Byron, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2019

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Daryl Glassmaker	Mayor	12/31/20
Dan Messenburg	Council Member	12/31/22
Matt Brekke	Council Member	12/31/20
Steven Cook	Council Member	12/31/20
Scott Johnson	Council Member	12/31/19

APPOINTED

<u>Name</u>	<u>Title</u>
Mary Blair-Hoeft	City Administrator

THIS PAGE IS LEFT
BLANK INTENTIONALLY

FINANCIAL SECTION

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

THIS PAGE IS LEFT
BLANK INTENTIONALLY



INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and City Council
 City of Byron, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the City of Byron, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 City’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 City’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Unmodified
General Fund	Unmodified
Other Major Funds	Unmodified
Enterprise Fund Water	Unmodified
Enterprise Fund Sewer	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions

The City has not adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the Public Employee Retirement Association related to the Volunteer Fire Relief Association in the governmental activities and, accordingly, has not shown activity related to this standard. Accounting principles generally accepted in the United States of America require that pension liabilities and balances be shown, which would report deferred outflows of resources, deferred inflows of resources and liabilities or assets, while changing the net position in the applicable statements.

Qualified Opinions

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinions”, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major proprietary fund of the City as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Standards

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, for the year ended December 31, 2019. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

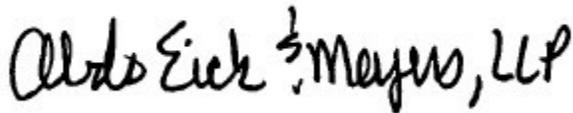
Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis starting on page 15 and the Schedule of Employer’s Share of the Net Pension Liability and the Schedule of Employer’s Contributions and the related disclosures starting on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 15, 2020

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Management's Discussion and Analysis

As management of the City of Byron, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$28,451,342 (net position). Of this amount, \$7,570,862 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$1,624,687 from the prior year. This was mainly due to an increase in taxes and other revenues exceeding current year expenses in the governmental funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,725,441, an increase of \$1,294,484 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,246,632, or 56.2 percent of total 2019 General fund expenditures and transfers out.
- The City's total long-term debt decreased \$1,263,214 during the current fiscal year. The decrease is mainly due to regularly scheduled principal payments on bonds and equipment certificates.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explain and support the information in the financial statements. Figure 1 show how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

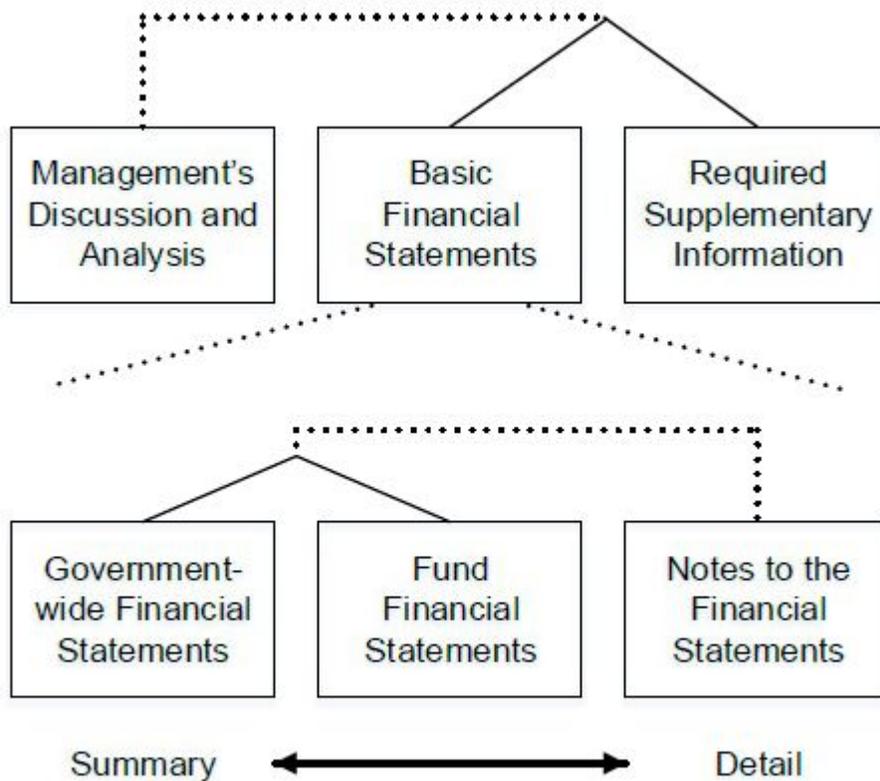


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, miscellaneous and interest on long-term debt. The business-type activities of the City include sewer and water.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (the EDA) for which the City is financially accountable. The EDA, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government. The government-wide financial statements start on page 29 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and the fiduciary fund.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental funds, 6 of which are Debt Service funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund and Capital Reserves are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 34 of this report.

Proprietary Fund. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds. The basic proprietary fund financial statements starts on page 39 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 45 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 70 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 74 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$28,451,342 at the close of the most recent fiscal year.

The largest portion of the City's net position (66.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Byron's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Assets						
Current and other assets	\$ 7,695,023	\$ 6,177,029	\$ 1,517,994	\$ 3,271,991	\$ 3,319,893	\$ (47,902)
Capital assets	19,124,371	19,823,543	(699,172)	11,153,112	11,294,301	(141,189)
Total Assets	<u>26,819,394</u>	<u>26,000,572</u>	<u>818,822</u>	<u>14,425,103</u>	<u>14,614,194</u>	<u>(189,091)</u>
Deferred Outflows of Resources						
Deferred pension resources	42,342	116,014	\$ (73,672)	23,773	17,424	\$ 6,349
Liabilities						
Noncurrent liabilities outstanding	9,932,421	10,711,806	(779,385)	2,049,684	2,555,931	(506,247)
Other liabilities	705,441	408,587	296,854	54,706	88,392	(33,686)
Total Liabilities	<u>10,637,862</u>	<u>11,120,393</u>	<u>(482,531)</u>	<u>2,104,390</u>	<u>2,644,323</u>	<u>(539,933)</u>
Deferred Inflows of Resources						
Deferred pension resources	74,942	109,582	(34,640)	42,076	47,251	(5,175)
Net Position						
Net investment in capital assets	9,635,055	9,668,125	(33,070)	9,349,219	8,978,548	370,671
Restricted for						
Debt service	1,690,638	1,547,500	143,138	-	-	-
Charitable or public safety expenditures	14,898	15,257	(359)	-	-	-
Park dedication	190,670	159,673	30,997	-	-	-
Unrestricted	4,617,671	3,496,056	1,121,615	2,953,191	2,961,496	(8,305)
Total Net Position	<u>\$ 16,148,932</u>	<u>\$ 14,886,611</u>	<u>\$ 1,262,321</u>	<u>\$ 12,302,410</u>	<u>\$ 11,940,044</u>	<u>\$ 362,366</u>

An additional portion of the City's net position (6.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$7,570,862) may be used to meet the City's ongoing obligations to citizens and creditors.

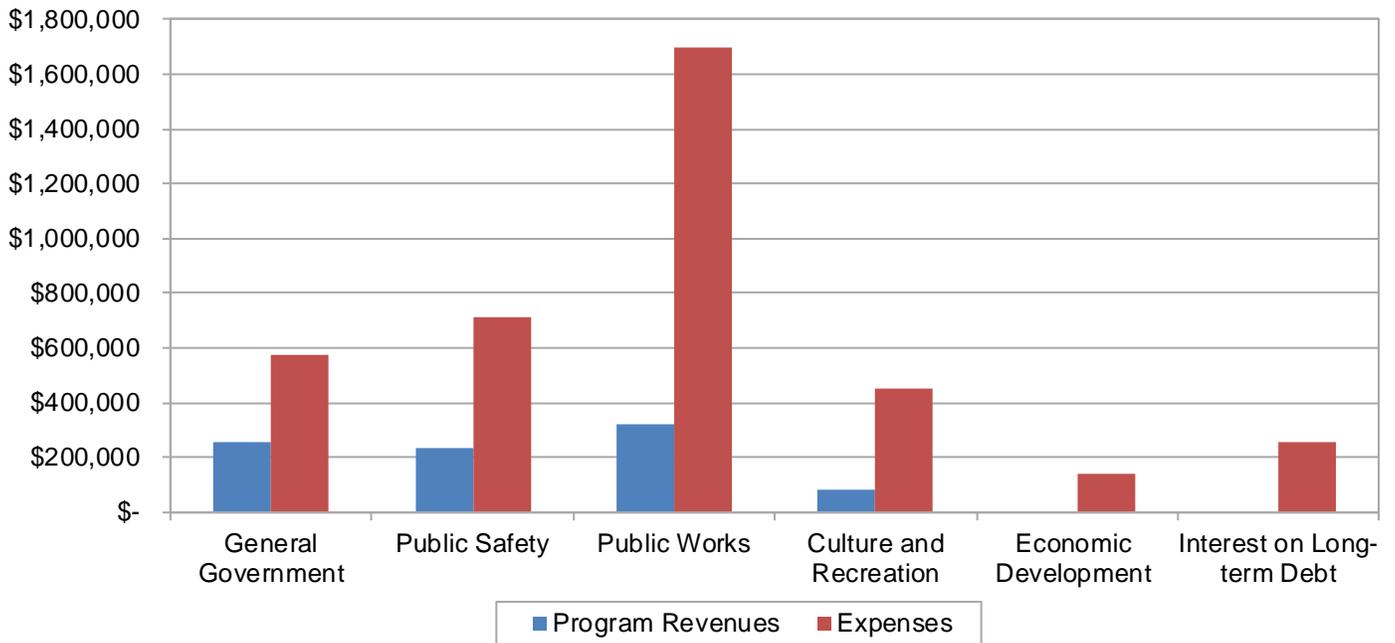
Governmental Activities. Governmental activities increased the City's net position by \$1,262,321 thereby accounting for 77.70 percent of the growth in the net position of the City. Key elements of this increase are as follows:

City of Byron's Changes in Net Position

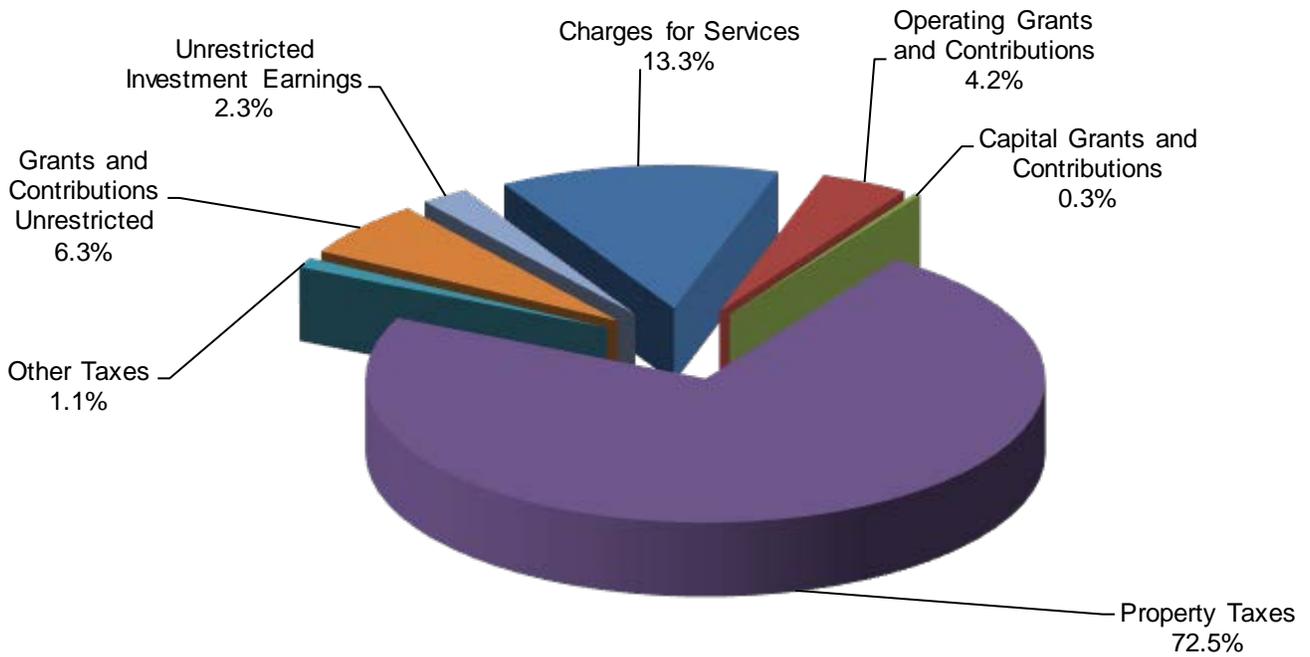
	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 663,317	\$ 704,438	\$ (41,121)	\$ 1,868,737	\$ 1,783,687	\$ 85,050
Operating grants and contributions	208,742	144,258	64,484	520	1,658	(1,138)
Capital grants and contributions	17,379	181,054	(163,675)	135,813	210,475	(74,662)
General Revenues						
Taxes						
Property taxes	3,623,969	3,457,172	166,797	-	-	-
Franchise taxes	56,769	42,248	14,521	-	-	-
Grants and contributions not restricted to						
specific programs	313,957	312,013	1,944	-	-	-
Unrestricted investment earnings	117,406	67,798	49,608	82,451	49,884	32,567
Gain on sale of capital assets	10,779	-	10,779	-	-	-
Total Revenues	5,012,318	4,908,981	103,337	2,087,521	2,045,704	41,817
Expenses						
General government	572,087	354,754	217,333	-	-	-
Public safety	712,328	742,334	(30,006)	-	-	-
Public works	1,700,832	1,021,161	679,671	-	-	-
Culture and recreation	452,501	995,095	(542,594)	-	-	-
Economic development	139,391	269,339	(129,948)	-	-	-
Interest on long-term debt	255,000	261,445	(6,445)	-	-	-
Sewer	-	-	-	957,774	958,765	(991)
Water	-	-	-	685,239	747,052	(61,813)
Total Expenses	3,832,139	3,644,128	188,011	1,643,013	1,705,817	(62,804)
Increase in Net Position Before Transfers	1,180,179	1,264,853	(84,674)	444,508	339,887	104,621
Transfers	82,142	-	82,142	(82,142)	-	(82,142)
Change in Net Position	1,262,321	1,264,853	(2,532)	362,366	339,887	22,479
Net Position, January 1	14,886,611	13,621,758	1,264,853	11,940,044	11,600,157	339,887
Net Position, December 31	<u>\$ 16,148,932</u>	<u>\$ 14,886,611</u>	<u>\$ 1,262,321</u>	<u>\$ 12,302,410</u>	<u>\$ 11,940,044</u>	<u>\$ 362,366</u>

- Taxes increased \$166,797 from the prior year mainly due to an increase in capital levy.
- Culture and recreation expenses decreased \$542,594 from the prior year due to the completion of the Byron Community Recreation Complex in the prior year and no major project in this year.
- Public works expenses increased \$679,671 from prior year mainly due to capital equipment purchases.
- The following graph depicts various governmental activities and shows the program revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

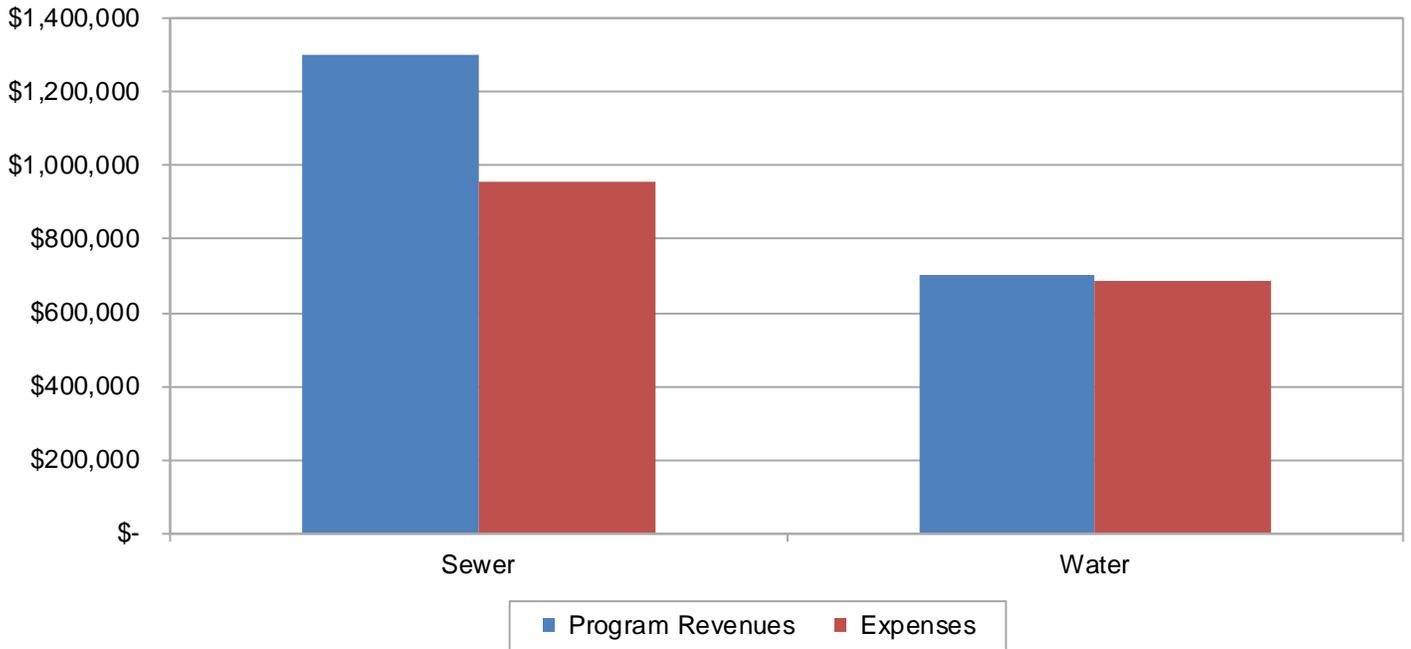


Revenues by Source - Governmental Activities

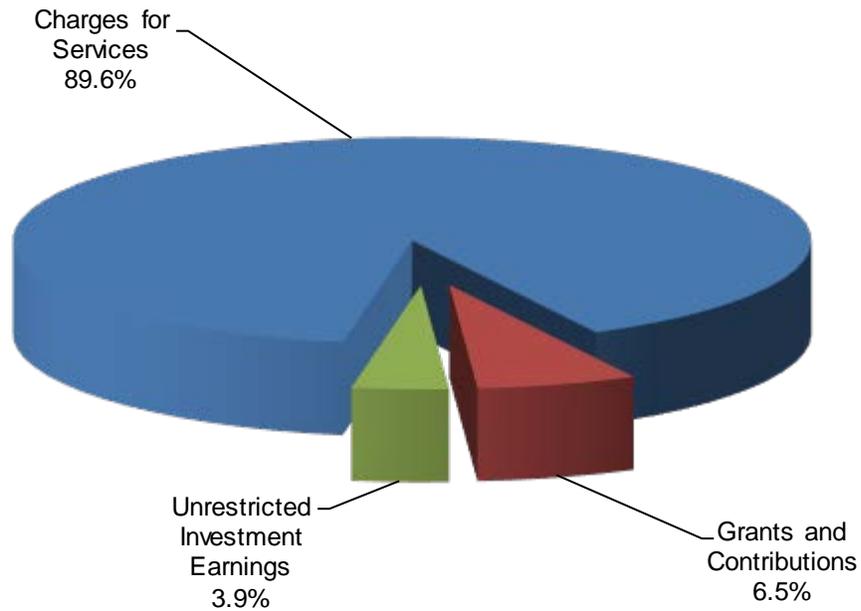


Business-type Activities. Business-type activities increased the City's net position by \$362,366 thereby accounting for 22.3 percent of the growth in the net position of the City.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,725,441, an increase of \$1,294,484 from 2018. Approximately 18.2 percent or \$1,222,340 of the total fund balance constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of governmental fund balance is not available for new spending because it is either 1) nonspendable (\$35,372) 2) restricted (\$1,871,415) committed (\$890,798) or assigned (\$2,705,516) for the purposes described in the fund balance footnote in the financial statements.

The fund balance of the City's General fund increased \$232,147 during the current fiscal year. The revenue was over budget by \$93,072, mainly due to miscellaneous revenues for lot sales and insurance claims.

The Debt Service fund has a total fund balance of \$1,665,847, all of which is restricted for the payment of future debt service. The fund balance increased \$145,584 in 2019 due to a transfer in from the Capital Reserves fund of \$330,532 to pay the bonds.

The Capital Reserves fund has a total ending fund balance of \$1,959,954, which is an increase of \$703,795 from the prior year. The fund was created in 2016 to track future capital purchases and have amounts available for budgeting in future years. The ending fund balance is assigned for future capital purchases.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,953,191. The total increase in net position for the funds was \$362,366. The main reason for this increase was operating income in the enterprise funds of \$279,145 and capital contributions of \$135,813.

General Fund Budgetary Highlights

The City's General fund budget was amended during the year. The amendment did not change total expenditures or revenues. The budget called for revenues and expenditures to be equal or a balanced budget. Actual fund balance increased a total of \$232,147 in the General fund. Actual revenues had a positive budget variance of \$93,072 with the largest positive variance in miscellaneous revenues of \$46,472. Expenditures had a positive budget variance of \$256,339. The largest positive variance for expenditures was in capital outlay of \$122,410.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$30,277,483 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, infrastructure and machinery and equipment.

Additional information on the City's capital assets can be found in Note 3B starting on page 55 of this report.

City of Byron's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land and Land Improvements	\$ 1,317,254	\$ 1,317,254	\$ -	\$ 52,300	\$ 52,300	\$ -
Construction in Progress	82,910	-	82,910	-	-	-
Buildings	7,004,785	7,116,116	(111,331)	261,407	323,878	(62,471)
Infrastructure	9,791,900	10,710,985	(919,085)	10,723,821	10,777,284	(53,463)
Machinery and Equipment	927,522	679,188	248,334	115,584	140,839	(25,255)
Total	\$ 19,124,371	\$ 19,823,543	\$ (699,172)	\$ 11,153,112	\$ 11,294,301	\$ (141,189)

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$11,293,209. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Byron's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
General Obligation Improvement Bonds	\$ 6,446,300	\$ 7,188,600	\$ (742,300)	\$ 236,700	\$ 248,400	\$ (11,700)
General Obligation Revenue Bonds	-	-	-	1,555,000	2,050,000	(495,000)
General Obligation Tax Abatement Bond	2,435,000	2,435,000	-	-	-	-
General Obligation Equipment Certificates	475,000	475,000	-	-	-	-
Capital Lease	52,700	77,548	-	-	-	-
Premium on Bonds	80,316	89,370	(9,054)	12,193	17,353	(5,160)
Total	\$ 9,489,316	\$ 10,265,518	\$ (751,354)	\$ 1,803,893	\$ 2,315,753	\$ (511,860)

The City's total long-term debt decreased \$1,263,214 during the current fiscal year. The decrease can mainly be attributed to regularly scheduled principal payments.

Additional information on the City's long-term debt can be found in Note 3D starting on page 57 of this report.

Economic Factors and Next Year's Budgets and Rates

Byron MN is less than 10 miles from Rochester MN which is home to the Mayo Medical Facilities. In 2019, Mayo Medical which was rated the number one medical facility in America as well as in the work. Mayo Medical facilities, Rochester, employs over 36,000 people. The State of Minnesota and Mayo Clinic spearheaded the concept of Destination Medical Community (DMC) which is a robust 20-year \$5.6 billion economic development initiative that began in 2013. In March of 2019, DMC announced \$13.5 million in state public infrastructure funding since 2013. This has generated more than \$690 million in private investment. This initiative has spurred interest in land and commercial growth for Rochester and Byron.

The City has completed a TH 14 South Subordinate Sewer District study to prepare for expanding our infrastructure south. This study was done because of the number of inquiries the city had on land development.

Byron is under contract in collaboration with Olmsted County and the Minnesota Department of Transportation to analyze TH 14 corridor accesses. The result of the analysis which will determine future location of interchanges/overpasses is to be complete in the fall of 2020. This information will be beneficial for Byron.

In 2019, residential new home construction permit values were approximately \$11,400,000 with an additional \$3 million in commercial permits. Byron continues issuing more home permits than neighboring communities of like size surrounding Rochester.

The Byron City Council has updated and approved the five-year financial analysis to assist in project and planning for growth. The goal is to maintain a tax rate with slight manageable increases.

Byron School District 531 continues to forecast for student growth and classroom space, so we can both be in an excellent position to grow.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Byron, 680 Main Court Northeast, Byron, Minnesota 55920.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Byron, Minnesota
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 6,934,752	\$ 3,084,647	\$ 10,019,399
Restricted cash with fiscal agent	260,890	-	260,890
Receivables			
Accrued interest	19,056	-	19,056
Taxes	75,395	-	75,395
Accounts	29,327	170,658	199,985
Special assessments	311,834	-	311,834
Due from other governments	28,397	-	28,397
Prepaid items	35,372	16,686	52,058
Capital assets			
Land and construction in progress	1,400,164	52,300	1,452,464
Depreciable assets (net of accumulated depreciation)	17,724,207	11,100,812	28,825,019
Total Assets	<u>26,819,394</u>	<u>14,425,103</u>	<u>41,244,497</u>
Deferred Outflows of Resources			
Deferred pension resources	42,342	23,773	66,115
Liabilities			
Accounts payable	159,736	31,698	191,434
Due to other governments	3,796	917	4,713
Accrued salaries payable	16,186	10,411	26,597
Accrued interest payable	91,000	11,680	102,680
Deposits payable	7,701	-	7,701
Note payable	427,022	-	427,022
Noncurrent liabilities			
Due within one year	975,039	530,290	1,505,329
Due in more than one year	8,557,272	1,294,752	9,852,024
Net pension liability	400,110	224,642	624,752
Total Liabilities	<u>10,637,862</u>	<u>2,104,390</u>	<u>12,742,252</u>
Deferred Inflows of Resources			
Deferred pension resources	74,942	42,076	117,018
Net Position			
Net investment in capital assets	9,635,055	9,349,219	18,984,274
Restricted for			
Debt service	1,690,638	-	1,690,638
Charitable or public safety expenditures	14,898	-	14,898
Park dedication	190,670	-	190,670
Unrestricted	4,617,671	2,953,191	7,570,862
Total Net Position	<u>\$ 16,148,932</u>	<u>\$ 12,302,410</u>	<u>\$ 28,451,342</u>

The notes to the financial statements are an integral part of this statement.

City of Byron, Minnesota
Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 572,087	\$ 222,661	\$ 29,624	\$ -
Public safety	712,328	138,788	96,335	-
Public works	1,700,832	234,507	68,311	17,379
Culture and recreation	452,501	67,361	14,472	-
Economic development	139,391	-	-	-
Interest on long-term debt	255,000	-	-	-
Total Governmental Activities	<u>3,832,139</u>	<u>663,317</u>	<u>208,742</u>	<u>17,379</u>
Business-type Activities				
Sewer	957,774	1,236,226	252	65,572
Water	685,239	632,511	268	70,241
Total Business-type Activities	<u>1,643,013</u>	<u>1,868,737</u>	<u>520</u>	<u>135,813</u>
Total	<u>\$ 5,475,152</u>	<u>\$ 2,532,054</u>	<u>\$ 209,262</u>	<u>\$ 153,192</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers

Total General Revenues

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (319,802)	\$ -	\$ (319,802)
(477,205)	-	(477,205)
(1,380,635)	-	(1,380,635)
(370,668)	-	(370,668)
(139,391)	-	(139,391)
(255,000)	-	(255,000)
<u>(2,942,701)</u>	<u>-</u>	<u>(2,942,701)</u>
-	344,276	344,276
-	17,781	17,781
<u>-</u>	<u>362,057</u>	<u>362,057</u>
<u>(2,942,701)</u>	<u>362,057</u>	<u>(2,580,644)</u>
2,843,166	-	2,843,166
780,803	-	780,803
56,769	-	56,769
313,957	-	313,957
117,406	82,451	199,857
10,779	-	10,779
82,142	(82,142)	-
<u>4,205,022</u>	<u>309</u>	<u>4,205,331</u>
1,262,321	362,366	1,624,687
<u>14,886,611</u>	<u>11,940,044</u>	<u>26,826,655</u>
<u>\$ 16,148,932</u>	<u>\$ 12,302,410</u>	<u>\$ 28,451,342</u>

The notes to the financial statements are an integral part of this statement.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Byron, Minnesota
Balance Sheet
Governmental Funds
December 31, 2019

	101 General	500's Debt Service	450 Capital Reserves	Other Governmental Funds	Total
Assets					
Cash and temporary investments	\$ 1,690,550	\$ 1,407,327	\$ 1,933,707	\$ 1,903,168	\$ 6,934,752
Cash with fiscal agent	-	260,890	-	-	260,890
Receivables					
Accrued interest	19,056	-	-	-	19,056
Taxes	75,395	-	-	-	75,395
Accounts	12,640	-	-	16,687	29,327
Special assessments	63,523	115,971	132,340	-	311,834
Due from other governments	-	-	28,397	-	28,397
Prepaid items	35,372	-	-	-	35,372
Total Assets	<u>\$ 1,896,536</u>	<u>\$ 1,784,188</u>	<u>\$ 2,094,444</u>	<u>\$ 1,919,855</u>	<u>\$ 7,695,023</u>
Liabilities					
Accounts payable	\$ 45,300	\$ 2,550	\$ 10,940	\$ 100,946	\$ 159,736
Due to other governments	3,796	-	-	-	3,796
Accrued salaries payable	14,913	-	-	1,273	16,186
Deposit payable	7,701	-	-	-	7,701
Note payable	427,022	-	-	-	427,022
Total Liabilities	<u>498,732</u>	<u>2,550</u>	<u>10,940</u>	<u>102,219</u>	<u>614,441</u>
Deferred Inflows of Resources					
Unavailable revenues - taxes	52,277	-	-	-	52,277
Unavailable revenues - special assessments	63,523	115,791	123,550	-	302,864
Total Deferred Inflows of Resources	<u>115,800</u>	<u>115,791</u>	<u>123,550</u>	<u>-</u>	<u>355,141</u>
Fund Balances					
Nonspendable	35,372	-	-	-	35,372
Restricted	-	1,665,847	-	205,568	1,871,415
Committed	-	-	-	890,798	890,798
Assigned	-	-	1,959,954	745,562	2,705,516
Unassigned	1,246,632	-	-	(24,292)	1,222,340
Total Fund Balances	<u>1,282,004</u>	<u>1,665,847</u>	<u>1,959,954</u>	<u>1,817,636</u>	<u>6,725,441</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,896,536</u>	<u>\$ 1,784,188</u>	<u>\$ 2,094,444</u>	<u>\$ 1,919,855</u>	<u>\$ 7,695,023</u>

The notes to the financial statements are an integral part of this statement.

City of Byron, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2019

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

Total Fund Balances - Governmental	\$ 6,725,441
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	29,823,872
Less: accumulated depreciation	(10,699,501)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Capital leases payable	(52,700)
Bonds payable	(9,356,300)
Pension payable	(400,110)
Unamortized premium on bonds	(80,316)
Compensated absences payable	(42,995)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes receivable	52,277
Special assessments receivable	302,864
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	42,342
Deferred inflows of resources	(74,942)
Governmental funds do not report a liability for accrued interest until due and payable.	(91,000)
Total Net Position - Governmental Activities	\$ 16,148,932

The notes to the financial statements are an integral part of this statement.

City of Byron, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	101	500's	450	Other	
	General	Debt Service	Capital Reserves	Governmental Funds	Total
Revenues					
Taxes	\$ 1,893,468	\$ 780,803	\$ 1,000,388	\$ -	\$ 3,674,659
Licenses and permits	191,074	-	-	-	191,074
Intergovernmental	119,482	-	312,239	9,020	440,741
Charges for services	158,111	-	9,983	276,374	444,468
Special assessments	16,027	23,215	73,984	-	113,226
Interest on investments	13,935	30,709	37,365	35,397	117,406
Miscellaneous	56,472	-	37,862	14,472	108,806
Total Revenues	<u>2,448,569</u>	<u>834,727</u>	<u>1,471,821</u>	<u>335,263</u>	<u>5,090,380</u>
Expenditures					
Current					
General government	368,339	-	-	-	368,339
Public safety	700,049	-	-	-	700,049
Public works	573,150	-	-	65,401	638,551
Culture and recreation	297,931	-	-	15,000	312,931
Economic development	136,452	-	-	-	136,452
Capital outlay					
General government	-	-	117,030	-	117,030
Public safety	4,993	-	-	117,664	122,657
Public works	360	-	202,284	125,838	328,482
Culture and recreation	17,884	-	88,038	-	105,922
Debt service					
Principal	-	742,300	24,848	-	767,148
Interest and other	-	277,375	3,102	-	280,477
Total Expenditures	<u>2,099,158</u>	<u>1,019,675</u>	<u>435,302</u>	<u>323,903</u>	<u>3,878,038</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>349,411</u>	<u>(184,948)</u>	<u>1,036,519</u>	<u>11,360</u>	<u>1,212,342</u>
Other Financing Sources (Uses)					
Transfers in	-	330,532	-	201,598	532,130
Transfers out	<u>(117,264)</u>	<u>-</u>	<u>(332,724)</u>	<u>-</u>	<u>(449,988)</u>
Total Other Financing Sources (Uses)	<u>(117,264)</u>	<u>330,532</u>	<u>(332,724)</u>	<u>201,598</u>	<u>82,142</u>
Net Change in Fund Balances	232,147	145,584	703,795	212,958	1,294,484
Fund Balances, January 1	<u>1,049,857</u>	<u>1,520,263</u>	<u>1,256,159</u>	<u>1,604,678</u>	<u>5,430,957</u>
Fund Balances, December 31	<u>\$ 1,282,004</u>	<u>\$ 1,665,847</u>	<u>\$ 1,959,954</u>	<u>\$ 1,817,636</u>	<u>\$ 6,725,441</u>

The notes to the financial statements are an integral part of this statement.

City of Byron, Minnesota
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2019

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

Net Change in Fund Balances - Governmental Funds	\$ 1,294,484
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	506,808
Depreciation expense	(1,216,759)
<p>A gain or loss on the disposal of capital assets, including the difference between carrying value and any related sales proceeds, is included in net position. However, only the sales proceeds are included in the change in the change in fund balance.</p>	
	10,779
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal repayments	767,148
Add: amortization of bond premium	9,054
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	16,423
<p>Certain revenues are recognized as soon as earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Special assessments	(95,847)
Property taxes	6,079
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(40,286)
Pension revenue	927
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences payable	3,511
	3,511
Change in Net Position - Governmental Activities	\$ 1,262,321

The notes to the financial statements are an integral part of this statement.

City of Byron, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,889,199	\$ 1,889,199	\$ 1,893,468	\$ 4,269
Licenses and permits	183,000	183,000	191,074	8,074
Intergovernmental	110,960	110,960	119,482	8,522
Charges for services	154,638	154,638	158,111	3,473
Fines and forfeitures	7,200	7,200	-	(7,200)
Special assessments	-	-	16,027	16,027
Interest on investments	500	500	13,935	13,435
Miscellaneous	10,000	10,000	56,472	46,472
Total Revenues	<u>2,355,497</u>	<u>2,355,497</u>	<u>2,448,569</u>	<u>93,072</u>
Expenditures				
Current				
General government	372,310	408,110	368,339	39,771
Public safety	735,960	717,672	700,049	17,623
Public works	574,460	599,960	573,150	26,810
Culture and recreation	393,078	339,616	297,931	41,685
Economic development	134,142	144,492	136,452	8,040
Capital outlay	145,547	145,647	23,237	122,410
Total Expenditures	<u>2,355,497</u>	<u>2,355,497</u>	<u>2,099,158</u>	<u>256,339</u>
Excess of Revenues Over Expenditures	-	-	349,411	349,411
Other Financing Uses				
Transfers out	-	-	(117,264)	(117,264)
Net Change in Fund Balances	-	-	232,147	232,147
Fund Balances, January 1	<u>1,049,857</u>	<u>1,049,857</u>	<u>1,049,857</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,049,857</u>	<u>\$ 1,049,857</u>	<u>\$ 1,282,004</u>	<u>\$ 232,147</u>

The notes to the financial statements are an integral part of this statement.

City of Byron, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2019

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Totals
Assets			
Current Assets			
Cash and temporary investments	\$ 2,210,297	\$ 874,350	\$ 3,084,647
Accounts receivable	114,659	55,999	170,658
Prepaid items	10,906	5,780	16,686
Total Current Assets	<u>2,335,862</u>	<u>936,129</u>	<u>3,271,991</u>
Noncurrent Assets			
Capital assets			
Land	26,000	26,300	52,300
Buildings	2,397,704	183,793	2,581,497
Infrastructure	13,368,262	5,688,076	19,056,338
Machinery and equipment	570,983	249,597	820,580
Less accumulated depreciation	<u>(8,488,931)</u>	<u>(2,868,672)</u>	<u>(11,357,603)</u>
Total Capital Assets	<u>7,874,018</u>	<u>3,279,094</u>	<u>11,153,112</u>
(Net of Accumulated Depreciation)			
Total Assets	<u>10,209,880</u>	<u>4,215,223</u>	<u>14,425,103</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>11,523</u>	<u>12,250</u>	<u>23,773</u>
Liabilities			
Current Liabilities			
Accounts payable	16,469	15,229	31,698
Due to other governments	-	917	917
Accrued salaries payable	6,017	4,394	10,411
Accrued interest payable	8,857	2,823	11,680
Compensated absences payable - current	8,582	4,108	12,690
Bonds payable - current	<u>398,100</u>	<u>119,500</u>	<u>517,600</u>
Total Current Liabilities	<u>438,025</u>	<u>146,971</u>	<u>584,996</u>
Noncurrent Liabilities			
Compensated absences payable	5,721	2,738	8,459
Pension payable	108,885	115,757	224,642
Bonds payable	<u>903,208</u>	<u>383,085</u>	<u>1,286,293</u>
Total Noncurrent Liabilities	<u>1,017,814</u>	<u>501,580</u>	<u>1,519,394</u>
Total Liabilities	<u>1,455,839</u>	<u>648,551</u>	<u>2,104,390</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>20,394</u>	<u>21,682</u>	<u>42,076</u>
Net Position			
Net investment in capital assets	6,572,710	2,776,509	9,349,219
Unrestricted	<u>2,172,460</u>	<u>780,731</u>	<u>2,953,191</u>
Total Net Position	<u>\$ 8,745,170</u>	<u>\$ 3,557,240</u>	<u>\$ 12,302,410</u>

The notes to the financial statements are an integral part of this statement.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Byron, Minnesota
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Totals
Operating Revenues			
Charges for services	\$ 1,236,226	\$ 632,511	\$ 1,868,737
Operating Expenses			
Personal services	212,561	219,617	432,178
Supplies	43,914	53,678	97,592
Repairs and maintenance	29,208	77,127	106,335
Professional services	66,501	42,268	108,769
Contracted services	16,590	6,783	23,373
Insurance	21,301	10,769	32,070
Utilities	61,721	53,256	114,977
Depreciation	448,114	179,450	627,564
Other	20,422	26,312	46,734
Total Operating Expenses	<u>920,332</u>	<u>669,260</u>	<u>1,589,592</u>
Operating Income (Loss)	<u>315,894</u>	<u>(36,749)</u>	<u>279,145</u>
Nonoperating Revenues (Expenses)			
Interest on investments	51,650	30,801	82,451
Other income	252	268	520
Interest and other expenses	(35,900)	(14,146)	(50,046)
Loss on sale of capital assets	(1,542)	(1,833)	(3,375)
Total Nonoperating Revenues (Expenses)	<u>14,460</u>	<u>15,090</u>	<u>29,550</u>
Income (Loss) Before Contributions and Transfers	<u>330,354</u>	<u>(21,659)</u>	<u>308,695</u>
Capital Contributions and Transfers			
Capital Contributions	65,572	70,241	135,813
Transfers out	(82,142)	-	(82,142)
Total Contributions and Transfers	<u>(16,570)</u>	<u>70,241</u>	<u>53,671</u>
Change in Net Position	313,784	48,582	362,366
Net Position, January 1	<u>8,431,386</u>	<u>3,508,658</u>	<u>11,940,044</u>
Net Position, December 31	<u>\$ 8,745,170</u>	<u>\$ 3,557,240</u>	<u>\$ 12,302,410</u>

The notes to the financial statements are an integral part of this statement.

City of Byron, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,228,738	\$ 627,932	\$ 1,856,670
Payments to suppliers	(289,468)	(273,339)	(562,807)
Payments to employees	(222,255)	(213,186)	(435,441)
Net Cash Provided by Operating Activities	<u>717,015</u>	<u>141,407</u>	<u>858,422</u>
Cash Flows from Noncapital Financing Activities			
Transfers out	<u>(82,142)</u>	<u>-</u>	<u>(82,142)</u>
Cash Flows from Capital and Related Financing Activities			
Permits and connection fees	65,572	70,241	135,813
Acquisition of capital assets	-	(489,750)	(489,750)
Principal paid on revenue bonds	(390,000)	(116,700)	(506,700)
Interest paid on debt	(42,551)	(16,032)	(58,583)
Net Cash Used by Capital and Related Financing Activities	<u>(366,979)</u>	<u>(552,241)</u>	<u>(919,220)</u>
Cash Flows from Investing Activities			
Interest received on investments	<u>51,650</u>	<u>30,801</u>	<u>82,451</u>
Net Increase (Decrease) in Cash and Cash Equivalents	319,544	(380,033)	(60,489)
Cash and Cash Equivalents, January 1	<u>1,890,753</u>	<u>1,254,383</u>	<u>3,145,136</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 2,210,297</u></u>	<u><u>\$ 874,350</u></u>	<u><u>\$ 3,084,647</u></u>

The notes to the financial statements are an integral part of this statement.

City of Byron, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 315,894	\$ (36,749)	\$ 279,145
Adjustments to reconcile operating income to net cash provided by operating activities			
Other income related to operations	252	268	520
Depreciation	448,114	179,450	627,564
(Increase) decrease in assets and deferred outflows of resources			
Accounts receivable	(7,625)	(4,680)	(12,305)
Prepaid items	(115)	(167)	(282)
Pension resources	(5,084)	(1,265)	(6,349)
Increase (decrease) in liabilities and deferred inflows of resources			
Accounts payable	(29,811)	(3,297)	(33,108)
Accrued salaries payable	1,981	667	2,648
Due to other governments	-	151	151
Compensated absences payable	(1,704)	(1,325)	(3,029)
Pension liability	(1,739)	10,381	8,642
Pension resources	(3,148)	(2,027)	(5,175)
Net Cash Provided by Operating Activities	<u>\$ 717,015</u>	<u>\$ 141,407</u>	<u>\$ 858,422</u>
Noncash Capital and Related Financing Activities			
Disposal of capital assets	<u>\$ 1,542</u>	<u>\$ 1,833</u>	<u>\$ 3,375</u>
Amortization of bond premium	<u>\$ 4,025</u>	<u>\$ 1,135</u>	<u>\$ 5,160</u>

The notes to the financial statements are an integral part of this statement.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Byron, Minnesota (the City), operates under the “Optional Plan A” form of government as defined in the State of Minnesota (the State) statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are, in substance, part of the City’s operations and so data from these units are combined with data of the primary government. The City has the following component unit:

Blended Component Unit

The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. It is comprised of two City Council members and five at-large members appointed by City Council. Because the EDA costs are funded primarily through the primary government and the Council can significantly influence the activities, the EDA activities are blended and reported in a separate special revenue fund. Separate financial statements are not issued for this component unit.

B. 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 of the nonfiduciary activities of the City and its component units. *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. Likewise, the City is reported separately from certain legally separate *component units* for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *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, proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Reserves fund* accounts for resources and costs associated with future capital purchases.

The City reports the following major proprietary funds:

The *Sewer fund* accounts for the activities of the City's sewer collection operations.

The *Water fund* accounts for the activities of the City's water distribution operations.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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 nonoperating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers which is rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2019:

- Government agency securities of \$260,890 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$4,009,959 are valued using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Investment Policy

The City's investment policy incorporates Minnesota statutes as described above which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list above.
- *Custodial Credit Risk.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City limits investments in any one institution, other than the U.S. Government or its agencies, to not more than \$2,000,000 or 30 percent of the total portfolio. The City has no concentrations greater than their own requirements in any one issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City requires at least 5 percent of the City's investment portfolio to be available on a daily basis without loss of principal. Also, no more than 30 percent of the portfolio should have maturities exceeding 3 years.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

At December 31, 2019, the City had sixteen investments (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represents 5 percent or more of the City's investments are as follows:

<u>Investment Security</u>	<u>Percentage of Total Investments</u>
Capital One BK USA	5.33%
Capital One Natl Assn	5.33%
Flushing BK NY	5.35%
Ally BK Sandy Utah	5.40%
Barclays BK Del Retail	5.40%
Citibank Natl Assn Sioux Falls SS	5.40%
Merrick BK South Jordan Utah	5.46%
State BK India Chicago IL	5.29%
JPMorgan Chase BK NA Columbus Ohio	5.32%
Sallie Mae BK Salt Lake City UT	5.29%
Bank of China	5.31%
Citadel FCU	5.31%
Morgan Stanley Bank NA	5.28%

Property Taxes

The City Council annually adopts a tax levy in December and certifies it to the County for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, July and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivable upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by deferred inflows of resources in the fund financial statements.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Land Improvements	15 - 30
Buildings	15 - 75
Infrastructure	20 - 60
Machinery and Equipment	3 - 15
Automotive Equipment	3 - 12

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Compensated Absences

Employees are allowed to carry over each year a maximum of one year accrual of vacation. Upon termination, employees in good standing are entitled to any unused vacation and compensatory time. The accrual of these benefits is recorded as a liability in the proprietary fund types. In governmental fund types the cost of these benefits is recognized when payments are made to the employees. The General fund is typically used to liquidate compensated absences payable for governmental funds.

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP was \$111,291 in 2019.

Long-term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. The recognition of bond premiums and discounts are delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Net Position

In the government-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In May of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30th, the proposed budget is presented to the City Council for review. The City Council adopts a preliminary maximum budget. Truth-in-taxation notices are mailed out to residents by Olmsted County. The City Council holds public hearings and adopts a budget and tax levy in December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments 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. Budgeted amounts are as originally adopted, or as amended by the City Council. The City did amend the General fund budget in 2019. Total revenues and expenditures remained unchanged, with the changes consisting of moving expenditures within departments.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Deficit Fund Equity

As of December 31, 2019, the following funds reported deficit fund equity:

Fund	Amount
Nonmajor	
2020 Street Improvements	\$ 24,292

The deficit fund balance is expected to be eliminated with future transfers.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Investments

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity. Investments are carried at fair value. Investment and dividend income are recognized as revenue when earned.

At year end, the City's carrying amount of deposits was \$5,352,398 and the bank balance was \$5,486,244. Of the bank balance, \$1,250,000 was covered by federal depository insurance and \$500,000 was covered by the National Credit Union Share Insurance Fund (NCUSIF). The remaining amount was covered by collateral held by the City's agent in the City's name.

As of December 31, 2019, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name.

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Broker Money Market Funds	N/A	Less than 6 months	\$ 657,042	\$ -	\$ -	\$ -
Non-pooled Investments at Fair Value						
Government Agency Securities	AAA	Less than 6 months	260,890	260,890	-	-
Broker Certificates of Deposit	N/A	Less than 1 year	991,966	-	991,966	-
Broker Certificates of Deposit	N/A	1 to 5 years	3,017,993	-	3,017,993	-
Total Investments			\$ 4,927,891	\$ 260,890	\$ 4,009,959	\$ -

- (1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

Carrying Amount of Deposits	\$ 5,352,398
Investments	<u>4,927,891</u>
Total	<u>\$ 10,280,289</u>
Government-wide Statements	
Statement of Net Position	
Cash and temporary investments	\$ 10,019,399
Restricted cash with fiscal agent	<u>260,890</u>
Total	<u>\$ 10,280,289</u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 1,264,256	\$ -	\$ -	\$ 1,264,256
Land improvements	52,998	-	-	52,998
Construction in progress	-	82,910	-	82,910
Total Capital Assets not being Depreciated	<u>1,317,254</u>	<u>82,910</u>	<u>-</u>	<u>1,400,164</u>
Capital Assets being Depreciated				
Buildings	8,065,837	-	-	8,065,837
Infrastructure	16,877,630	29,236	-	16,906,866
Machinery and equipment	3,064,073	418,662	(31,730)	3,451,005
Total Capital Assets being Depreciated	<u>28,007,540</u>	<u>447,898</u>	<u>(31,730)</u>	<u>28,423,708</u>
Less Accumulated Depreciation for				
Buildings	(949,721)	(111,331)	-	(1,061,052)
Infrastructure	(6,166,645)	(948,321)	-	(7,114,966)
Machinery and equipment	(2,384,885)	(157,107)	18,509	(2,523,483)
Total Accumulated Depreciation	<u>(9,501,251)</u>	<u>(1,216,759)</u>	<u>18,509</u>	<u>(10,699,501)</u>
Total Capital Assets being Depreciated, Net	<u>18,506,289</u>	<u>(768,861)</u>	<u>(13,221)</u>	<u>17,724,207</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,823,543</u>	<u>\$ (685,951)</u>	<u>\$ (13,221)</u>	<u>\$ 19,124,371</u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 52,300	\$ -	\$ -	\$ 52,300
Total Capital Assets not being Depreciated	<u>52,300</u>	<u>-</u>	<u>-</u>	<u>52,300</u>
Capital Assets being Depreciated				
Buildings	2,581,497	-	-	2,581,497
Infrastructure	18,566,588	489,750	-	19,056,338
Machinery and equipment	828,680	-	(8,100)	820,580
Total Capital Assets being Depreciated	<u>21,976,765</u>	<u>489,750</u>	<u>(8,100)</u>	<u>22,458,415</u>
Less Accumulated Depreciation for				
Buildings	(2,257,619)	(62,471)	-	(2,320,090)
Infrastructure	(7,789,304)	(543,213)	-	(8,332,517)
Machinery and equipment	(687,841)	(21,880)	4,725	(704,996)
Total Accumulated Depreciation	<u>(10,734,764)</u>	<u>(627,564)</u>	<u>4,725</u>	<u>(11,357,603)</u>
Total Capital Assets being Depreciated, Net	<u>11,242,001</u>	<u>(137,814)</u>	<u>(3,375)</u>	<u>11,100,812</u>
Business-type Activities Capital Assets, Net	<u>\$ 11,294,301</u>	<u>\$ (137,814)</u>	<u>\$ (3,375)</u>	<u>\$ 11,153,112</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities		
General government		\$ 76,668
Public safety		87,125
Public works		997,610
Culture and recreation		<u>55,356</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 1,216,759</u>
Business-type Activities		
Sewer		\$ 179,450
Water		<u>448,114</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 627,564</u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Transfers

Fund	Transfers in		Total
	Debt Service Fund	Nonmajor Governmental	
Transfers Out			
General	\$ -	\$ 117,264	\$ 117,264
Capital reserves	330,532	2,192	332,724
Sewer	-	82,142	82,142
 Total	 <u>\$ 330,532</u>	 <u>\$ 201,598</u>	 <u>\$ 532,130</u>

In 2019, transfers were made for the following purpose:

- The General fund transferred \$117,264 to a nonmajor governmental fund due to an excess in budget variance in the fire department.
- The Capital Reserves fund transferred \$330,532 to a debt service fund to pay the capital portion of a bond.
- The Capital Reserves fund transferred \$2,192 to close out the Public Works Facility fund.
- The Sewer fund transferred \$82,142 to the Surface Water Management fund to reimburse prior year costs.

D. Long-term Debt

Capital Lease Requirements

The City has entered into the following lease agreement for financing the acquisition of a wheel loader. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease issued to finance the purchase of the public works wheel loader lease on December 22, 2014 at an interest rate of 4.00 percent and maturing on December 1, 2021. The asset acquired through the capital lease is as follows:

	<u>Governmental Activities</u>
Asset	
Machinery and equipment	\$ 195,244
Less: Accumulated depreciation	<u>(139,460)</u>
 Total Remaining Book Value	 <u>\$ 55,784</u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
John Deere Equipment	\$ 195,422	4.00 %	12/01/14	12/01/21	<u>\$ 52,700</u>

Annual debt service requirements to maturity for capital lease agreements are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 25,842	\$ 2,108	\$ 27,950
2021	26,858	1,093	27,951
Total	<u>\$ 52,700</u>	<u>\$ 3,201</u>	<u>\$ 55,901</u>

General Obligation Improvement Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The G.O. Improvement Bonds have been issued to finance improvements. They will be repaid with special assessment collections and ad valorem tax levies. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental					
G.O. Improvement Bond, Series 2011A	\$ 610,000	0.07 - 2.60 %	06/08/11	12/01/21	\$ 130,000
G.O. Refunding Bond, Series 2011B	2,630,000	2.00 - 3.10	09/15/11	02/01/25	875,000
G.O. Improvement Bond, Series 2013A	3,485,000	2.00 - 3.60	07/23/13	01/01/29	2,495,000
G.O. Improvement Bond, Series 2015A	1,560,000	2.00 - 3.50	06/02/15	12/01/35	1,078,300
G.O. Improvement Bond, Series 2016A	620,000	2.00	08/23/16	01/01/31	620,000
G.O. Improvement Bond, Series 2018A	1,522,000	2.35	05/16/18	12/15/23	<u>1,248,000</u>
Total Governmental					<u>6,446,300</u>
Business-type					
G.O. Improvement Bond, Series 2015A	280,800	2.00 - 3.50	06/02/15	12/01/35	<u>236,700</u>
Total General Obligation Improvement Bonds					<u>\$ 6,683,000</u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Annual debt service requirements to maturity for general obligation improvement bonds are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2020	\$ 823,400	\$ 176,932	\$ 12,600	\$ 6,805	\$ 1,019,737
2021	840,400	156,075	12,600	6,552	996,475
2022	803,400	134,284	12,600	6,281	937,684
2023	820,400	113,292	12,600	6,010	933,692
2024	506,500	91,770	13,500	5,739	598,270
2025 - 2029	2,078,000	255,056	72,000	23,525	2,333,056
2030 - 2034	492,200	56,768	82,800	11,945	548,968
2035	82,000	2,870	18,000	630	84,870
Total	\$ 6,446,300	\$ 987,047	\$ 236,700	\$ 67,487	\$ 7,452,752

General Obligation Revenue Bonds

The following bonds will be repaid solely from revenue derived from the activities of the fund. They are backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Water and Sewer Bonds, 2010A	\$ 3,540,000	2.00 - 2.90 %	10/06/10	10/01/23	\$ 1,385,000
Water and Sewer Refunding Bonds, 2011	985,000	2.00 - 3.10	09/15/11	02/01/23	170,000
Total General Obligation Revenue Bonds					\$ 1,555,000

Annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2020	\$ 505,000	\$ 39,793	\$ 544,793
2021	340,000	29,420	369,420
2022	350,000	20,240	370,240
2023	360,000	10,440	-
Total	\$ 1,555,000	\$ 99,893	\$ 1,284,453

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sewer
Operating Revenues	\$ 632,511	\$ 1,236,226
Principal and Interest	132,732	432,551
Percentage of Revenues	21%	35%

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Equipment Certificates

The City has issued equipment certificates as a part of the Series 2016A bonds for purchase and construction of a concession stand. The following are the details of the issues:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificate Series 2016A	\$ 475,000	2.00 %	08/23/16	01/01/26	<u>\$ 475,000</u>

Annual debt service requirements to maturity for the equipment certificates are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 65,000	\$ 8,850	\$ 73,850
2021	65,000	7,550	72,550
2022	65,000	6,250	71,250
2023	70,000	4,900	74,900
2024	70,000	3,500	73,500
2025 - 2026	140,000	2,800	142,800
Total	<u>\$ 475,000</u>	<u>\$ 33,850</u>	<u>\$ 508,850</u>

Tax Abatement Bonds

The City has issued tax abatement bonds as a part of the Series 2016A bonds for construction of the community center. The following are the details of the issues:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Abatement Bond Series 2016A	\$ 2,490,000	2.00 %	08/23/16	01/01/31	<u>\$ 2,435,000</u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Annual debt service requirements to maturity for the tax abatement bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 35,000	\$ 48,350	\$ 83,350
2021	195,000	46,050	241,050
2022	200,000	42,100	242,100
2023	205,000	38,050	243,050
2024	210,000	33,900	243,900
2025 - 2029	1,115,000	104,250	1,219,250
2030 - 2031	475,000	9,550	484,550
Total	\$ 2,435,000	\$ 322,250	\$ 2,757,250

Changes in Long-term Liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. improvement bonds	\$ 7,188,600	\$ -	\$ (742,300)	\$ 6,446,300	\$ 823,400
G.O. tax abatement bonds	2,435,000	-	-	2,435,000	35,000
Add					
Premium on bonds	89,370	-	(9,054)	80,316	-
Total Bonds Payable	9,712,970	-	(751,354)	8,961,616	858,400
Capital Lease Payable	77,548	-	(24,848)	52,700	25,842
Equipment Certificates	475,000	-	-	475,000	65,000
Compensated Absences	46,506	41,992	(45,503)	42,995	25,797
Governmental Activity Long-term Liabilities	\$ 10,312,024	\$ 41,992	\$ (821,705)	\$ 9,532,311	\$ 975,039
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 2,050,000	\$ -	\$ (495,000)	\$ 1,555,000	\$ 505,000
G.O. improvement bonds	248,400	-	(11,700)	236,700	12,600
Add					
Premium on bonds	17,353	-	(5,160)	12,193	-
Total Bonds Payable	2,315,753	-	(511,860)	1,803,893	517,600
Compensated Absences	24,178	16,586	(19,615)	21,149	12,690
Business-type Activity Long-term Liabilities	\$ 2,339,931	\$ 16,586	\$ (531,475)	\$ 1,825,042	\$ 530,290

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At December 31, 2019, portions of the City's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), City Council action (committed), policy and/or intent (assigned), and available for spending (unassigned). The following is a summary of the components of fund balance:

	General	Debt Service	Capital Reserves	Other Governmental Funds	Total
Nonspendable					
Prepaid items	\$ 35,372	\$ -	\$ -	\$ -	\$ 35,372
Restricted for					
Debt service	\$ -	\$ 1,665,847	\$ -	\$ -	\$ 1,665,847
Charitable or public safety expenditures	-	-	-	14,898	14,898
Park dedication	-	-	-	190,670	190,670
Total Restricted	<u>\$ -</u>	<u>\$ 1,665,847</u>	<u>\$ -</u>	<u>\$ 205,568</u>	<u>\$ 1,871,415</u>
Committed to					
Economic development	\$ -	\$ -	\$ -	\$ 300,058	\$ 300,058
Surface water maintenance	-	-	-	590,740	590,740
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 890,798</u>	<u>\$ 890,798</u>
Assigned to					
Substandard roads	\$ -	\$ -	\$ -	\$ 373,931	\$ 373,931
Capital projects	-	-	1,959,954	35,405	1,995,359
Fire equipment	-	-	-	336,226	336,226
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,959,954</u>	<u>\$ 745,562</u>	<u>\$ 2,705,516</u>
Unassigned	<u>\$ 1,246,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,292)</u>	<u>\$ 1,222,340</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (GERP)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan (GERP). GERP members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERP Benefits

GERP benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

C. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2019, 2018 and 2017 were \$62,356, \$57,711 and \$53,020, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$624,752 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$19,332. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0113 percent which was an increase of 0.0002 percent from its proportion measured as of June 30, 2018.

City's Proportionate Share of the Net Pension Liability	\$ 624,752
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>19,332</u>
Total	<u><u>\$ 644,084</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$109,843 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,448 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience	\$ 17,896	\$ 1,771
Changes in Actuarial Assumptions	920	49,815
Net Difference between Projected and Actual Earnings on Plan Investments	-	62,211
Changes in Proportion	15,432	3,221
Contributions paid to PERA Subsequent to the Measurement Date	<u>31,867</u>	<u>-</u>
Total	<u><u>\$ 66,115</u></u>	<u><u>\$ 117,018</u></u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The \$31,867 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$	(26,006)
2020		(48,879)
2021		(8,891)
2022		1,006

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation		2.50% per year
Active Member Payroll Growth		3.25% per year
Investment Rate of Return		7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	<u>2.0</u>	-
Total	<u><u>100.00 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
General Employees Fund	\$ 1,027,058	\$ 624,752	\$ 292,568

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 5: Other Information

A. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments.

B. 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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

C. Conduit Debt Obligations

The City has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of a subordinate senior housing facility deemed to be in the public interest for \$1,855,000 in 2014. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. At December 31, 2019, the balance of the bond outstanding was \$1,660,000. The City has issued an additional conduit debt of \$10,000,000 during 2015 for housing facilities. At December 31, 2019, the balance of the bond outstanding was \$8,891,908. Neither, the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Note 6: Prior Period Adjustment

Three of the City's funds had to be adjusted because of an accounting error made in 2018. The 2016 Abatement fund had incorrectly recognized \$89,781 in expenses meant for of the Public Works Facility project. In 2019 these expenses were adjusted into the correct funds. The Public Works Facility fund and the Surface Water Management fund recognized \$69,479 and \$20,302 of these costs, respectively.

Note 7: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the City is unable to determine if it will have a material impact to its operations.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Byron, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2019

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2019	0.0113 %	\$ 624,752	\$ 19,332	\$ 644,084	\$ 799,205	80.6 %	80.2 %
6/30/2018	0.0111	615,782	20,262	636,044	748,264	85.0 %	79.5
6/30/2017	0.0112	715,001	9,011	724,012	695,362	104.1	75.9
6/30/2016	0.0108	876,906	11,514	888,420	700,787	126.8	68.9
6/30/2015	0.0096	497,522	-	497,522	563,290	88.3	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/19	\$ 62,356	\$ 62,356	\$ -	\$ 831,408	7.5 %
12/31/18	57,711	57,711	-	769,486	7.5
12/31/17	53,020	53,020	-	706,936	7.5
12/31/16	52,385	52,385	-	698,467	7.5
12/31/15	48,646	48,646	-	648,619	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Byron, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Byron, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2019

	Special Revenue	Capital Projects	Total
Assets			
Cash and temporary investments	\$ 902,459	\$ 1,000,709	\$ 1,903,168
Accounts receivable	13,687	3,000	16,687
Total Assets	<u>\$ 916,146</u>	<u>\$ 1,003,709</u>	<u>\$ 1,919,855</u>
Liabilities			
Accounts payable	\$ 9,177	\$ 91,769	\$ 100,946
Accrued salaries payable	1,273	-	1,273
Total Liabilities	10,450	91,769	102,219
Fund Balances			
Restricted	14,898	190,670	205,568
Committed	890,798	-	890,798
Assigned	-	745,562	745,562
Unassigned	-	(24,292)	(24,292)
Total Fund Balances	905,696	911,940	1,817,636
Total Liabilities and Fund Balances	<u>\$ 916,146</u>	<u>\$ 1,003,709</u>	<u>\$ 1,919,855</u>

City of Byron, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2019

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues			
Intergovernmental	\$ -	\$ 9,020	\$ 9,020
Charges for services	166,143	110,231	276,374
Interest on investments	17,143	18,254	35,397
Miscellaneous	14,472	-	14,472
Total Revenues	<u>197,758</u>	<u>137,505</u>	<u>335,263</u>
Expenditures			
Current			
Public works	65,401	-	65,401
Culture and recreation	15,000	-	15,000
Capital outlay			
Public safety	-	117,664	117,664
Public works	-	125,838	125,838
Total Expenditures	<u>80,401</u>	<u>243,502</u>	<u>323,903</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	117,357	(105,997)	11,360
Other Financing Sources			
Transfers in	<u>82,142</u>	<u>119,456</u>	<u>201,598</u>
Net Change in Fund Balances	199,499	13,459	212,958
Fund Balances, January 1	726,499	878,179	1,604,678
Prior Period Adjustment (Note 6)	<u>(20,302)</u>	<u>20,302</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 905,696</u>	<u>\$ 911,940</u>	<u>\$ 1,817,636</u>

City of Byron, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2019

	201 Economic Development Authority	202 Gambling Donations	225 Surface Water Management	Total
Assets				
Cash and temporary investments	\$ 300,058	\$ 14,898	\$ 587,503	\$ 902,459
Accounts receivable	-	-	13,687	13,687
Total Assets	<u>\$ 300,058</u>	<u>\$ 14,898</u>	<u>\$ 601,190</u>	<u>\$ 916,146</u>
Liabilities				
Accounts payable	\$ -	\$ -	9,177	\$ 9,177
Accrued salaries payable	-	-	1,273	1,273
Total Liabilities	<u>-</u>	<u>-</u>	<u>10,450</u>	<u>10,450</u>
Fund Balances				
Restricted	-	14,898	-	14,898
Committed	300,058	-	590,740	890,798
Total Fund Balances	<u>300,058</u>	<u>14,898</u>	<u>590,740</u>	<u>905,696</u>
Total Liabilities and Fund Balances	<u>\$ 300,058</u>	<u>\$ 14,898</u>	<u>\$ 601,190</u>	<u>\$ 916,146</u>

City of Byron, Minnesota
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2019

	201 Economic Development Authority	202 Gambling Donations	225 Surface Water Management	Total
Revenues				
Charges for services	\$ -	\$ -	\$ 166,143	\$ 166,143
Interest on investments	6,579	169	10,395	17,143
Miscellaneous	-	14,472	-	14,472
Total Revenues	<u>6,579</u>	<u>14,641</u>	<u>176,538</u>	<u>197,758</u>
Expenditures				
Current				
Public works	-	-	65,401	65,401
Culture and recreation	-	15,000	-	15,000
Total Expenditures	<u>-</u>	<u>15,000</u>	<u>65,401</u>	<u>80,401</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,579	(359)	111,137	117,357
Other Financing Sources				
Transfers in	-	-	82,142	82,142
Net Change in Fund Balances	6,579	(359)	193,279	199,499
Fund Balances, January 1	293,479	15,257	417,763	726,499
Prior Period Adjustment	-	-	(20,302)	(20,302)
Fund Balances, December 31	<u>\$ 300,058</u>	<u>\$ 14,898</u>	<u>\$ 590,740</u>	<u>\$ 905,696</u>

City of Byron, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2019

	203	230	304	305
	<u>Substandard Roads</u>	<u>Park Dedication</u>	<u>Public Works Facility</u>	<u>2020 Street Improvements</u>
Assets				
Cash and temporary investments	\$ 373,931	\$ 190,670	\$ 67,593	\$ (116)
Accounts receivable	-	-	-	-
Total Assets	<u><u>\$ 373,931</u></u>	<u><u>\$ 190,670</u></u>	<u><u>\$ 67,593</u></u>	<u><u>\$ (116)</u></u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 67,593	\$ 24,176
Fund Balances				
Restricted	-	190,670	-	-
Assigned	373,931	-	-	-
Unassigned	-	-	-	(24,292)
Total Fund Balances	<u><u>373,931</u></u>	<u><u>190,670</u></u>	<u><u>-</u></u>	<u><u>(24,292)</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 373,931</u></u>	<u><u>\$ 190,670</u></u>	<u><u>\$ 67,593</u></u>	<u><u>\$ (116)</u></u>

313	317	320	
2016 Abatement	2019 Street Improvements	Fire Equipment	Total
\$ -	\$ 35,405	\$ 333,226	\$ 1,000,709
-	-	3,000	3,000
<u>\$ -</u>	<u>\$ 35,405</u>	<u>\$ 336,226</u>	<u>\$ 1,003,709</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,769</u>
-	-	-	190,670
-	35,405	336,226	745,562
-	-	-	(24,292)
<u>-</u>	<u>35,405</u>	<u>336,226</u>	<u>911,940</u>
<u>\$ -</u>	<u>\$ 35,405</u>	<u>\$ 336,226</u>	<u>\$ 1,003,709</u>

City of Byron, Minnesota
 Nonmajor Capital Project Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2019

	203	230	304	305
	Substandard Roads	Park Dedication	Public Works Facility	2020 Street Project
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	58,381	26,700	-	-
Interest on investments	8,386	4,297	-	-
Total Revenues	<u>66,767</u>	<u>30,997</u>	<u>-</u>	<u>-</u>
Expenditures				
Capital outlay				
Public safety	-	-	-	-
Public works	-	-	42,813	24,292
Total Expenditures	<u>-</u>	<u>-</u>	<u>42,813</u>	<u>24,292</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,767	30,997	(42,813)	(24,292)
Other Financing Sources				
Transfers in	-	-	2,192	-
Net Change in Fund Balances	66,767	30,997	(40,621)	(24,292)
Fund Balances, January 1	307,164	159,673	110,100	-
Prior Period Adjustment	-	-	(69,479)	-
Fund Balances, December 31	<u>\$ 373,931</u>	<u>\$ 190,670</u>	<u>\$ -</u>	<u>\$ (24,292)</u>

313	317	320	
2016 Abatement	2019 Street Improvements	Fire Equipment	Total
\$ -	\$ -	\$ 9,020	\$ 9,020
-	-	25,150	110,231
-	805	4,766	18,254
-	805	38,936	137,505
-	-	117,664	117,664
-	58,733	-	125,838
-	58,733	117,664	243,502
-	(57,928)	(78,728)	(105,997)
-	-	117,264	119,456
-	(57,928)	38,536	13,459
(89,781)	93,333	297,690	878,179
89,781	-	-	20,302
<u>\$ -</u>	<u>\$ 35,405</u>	<u>\$ 336,226</u>	<u>\$ 911,940</u>

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Byron, Minnesota
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property	\$ 1,854,199	\$ 1,854,199	\$ 1,836,699	\$ (17,500)	\$ 1,794,511
Cable franchise	35,000	35,000	56,769	21,769	42,248
Total taxes	<u>1,889,199</u>	<u>1,889,199</u>	<u>1,893,468</u>	<u>4,269</u>	<u>1,836,759</u>
Licenses and permits					
Business	40,000	40,000	50,230	10,230	42,099
Nonbusiness	143,000	143,000	140,844	(2,156)	156,361
Total licenses and permits	<u>183,000</u>	<u>183,000</u>	<u>191,074</u>	<u>8,074</u>	<u>198,460</u>
Intergovernmental					
State					
Fire aid	46,960	46,960	49,453	2,493	46,960
PERA aid	-	-	1,334	1,334	1,334
Other state grants	64,000	64,000	68,311	4,311	64,672
Local	-	-	384	384	-
Total intergovernmental	<u>110,960</u>	<u>110,960</u>	<u>119,482</u>	<u>8,522</u>	<u>112,966</u>
Charges for services					
General government	3,000	3,000	3,812	812	3,378
Public safety	111,138	111,138	113,638	2,500	119,047
Culture and recreation	40,500	40,500	40,661	161	43,116
Total charges for services	<u>154,638</u>	<u>154,638</u>	<u>158,111</u>	<u>3,473</u>	<u>165,541</u>
Fines and forfeitures	7,200	7,200	-	(7,200)	6,162
Special assessments	-	-	16,027	16,027	16,364
Interest on investments	500	500	13,935	13,435	19,630
Miscellaneous					
Contributions and donations	-	-	-	-	865
Refunds and reimbursements	-	-	28,697	28,697	3,785
Other	10,000	10,000	27,775	17,775	21,954
Total miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>56,472</u>	<u>46,472</u>	<u>26,604</u>
Total Revenues	<u>2,355,497</u>	<u>2,355,497</u>	<u>2,448,569</u>	<u>93,072</u>	<u>2,382,486</u>

City of Byron, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Continued)
 For the Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 73,687	\$ 66,387	\$ 63,305	\$ 3,082	\$ 60,352
Supplies	2,000	2,000	1,490	510	965
Other services and charges	29,000	38,800	37,649	1,151	22,114
Total Mayor and Council	<u>104,687</u>	<u>107,187</u>	<u>102,444</u>	<u>4,743</u>	<u>83,431</u>
City hall					
Other services and charges	<u>45,000</u>	<u>75,000</u>	<u>65,587</u>	<u>9,413</u>	<u>46,082</u>
Finance					
Personal services	48,301	50,151	48,961	1,190	42,051
Supplies	3,500	3,500	2,311	1,189	1,854
Other services and charges	28,000	26,450	22,255	4,195	20,769
Total finance	<u>79,801</u>	<u>80,101</u>	<u>73,527</u>	<u>6,574</u>	<u>64,674</u>
Auditing and accounting					
Other services and charges	<u>40,000</u>	<u>43,000</u>	<u>44,157</u>	<u>(1,157)</u>	<u>31,650</u>
Legal					
Other services and charges	<u>5,000</u>	<u>5,000</u>	<u>3,905</u>	<u>1,095</u>	<u>2,000</u>
Planning and zoning					
Personal services	83,602	76,002	64,924	11,078	77,193
Supplies	600	600	402	198	411
Other services and charges	13,620	21,220	13,393	7,827	13,933
Total planning and zoning	<u>97,822</u>	<u>97,822</u>	<u>78,719</u>	<u>19,103</u>	<u>91,537</u>
Total general government	<u>372,310</u>	<u>408,110</u>	<u>368,339</u>	<u>39,771</u>	<u>319,374</u>
Public safety					
Police					
Other services and charges	<u>379,142</u>	<u>348,154</u>	<u>348,154</u>	<u>-</u>	<u>341,187</u>
Fire					
Personal services	47,574	47,574	61,444	(13,870)	57,089
Supplies	28,000	28,000	25,318	2,682	17,090
Other services and charges	61,200	61,200	51,262	9,938	59,483
Fire relief pension payment	61,346	61,346	63,839	(2,493)	61,346
Total fire	<u>198,120</u>	<u>198,120</u>	<u>201,863</u>	<u>(3,743)</u>	<u>195,008</u>

City of Byron, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Continued)
 For the Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
First responders					
Personal services	\$ 24,231	\$ 24,231	\$ 32,549	\$ (8,318)	\$ 21,160
Supplies	5,485	5,485	4,081	1,404	5,871
Other services and charges	10,827	10,827	5,906	4,921	9,123
Total first responders	<u>40,543</u>	<u>40,543</u>	<u>42,536</u>	<u>(1,993)</u>	<u>36,154</u>
Animal control					
Personal services	3,835	3,835	3,498	337	2,995
Supplies	-	400	332	68	-
Other services and charges	-	-	-	-	1,043
Total animal control	<u>3,835</u>	<u>4,235</u>	<u>3,830</u>	<u>405</u>	<u>4,038</u>
Building inspections					
Personal services	18,320	18,620	18,036	584	18,130
Other services and charges	96,000	108,000	85,630	22,370	97,169
Total building inspections	<u>114,320</u>	<u>126,620</u>	<u>103,666</u>	<u>22,954</u>	<u>115,299</u>
Total public safety	<u>735,960</u>	<u>717,672</u>	<u>700,049</u>	<u>17,623</u>	<u>691,686</u>
Public works					
Engineering					
Other services and charges	15,000	30,000	37,116	(7,116)	19,170
Streets and alleys					
Personal services	187,388	187,388	188,262	(874)	177,624
Supplies	20,700	20,800	22,281	(1,481)	17,334
Other services and charges	137,350	142,350	117,415	24,935	68,341
Total streets and alleys	<u>345,438</u>	<u>350,538</u>	<u>327,958</u>	<u>22,580</u>	<u>263,299</u>
Snow and ice removal					
Personal services	64,022	69,422	70,019	(597)	66,035
Supplies	16,500	16,500	19,530	(3,030)	20,288
Other services and charges	18,500	18,500	11,741	6,759	13,503
Total snow and ice removal	<u>99,022</u>	<u>104,422</u>	<u>101,290</u>	<u>3,132</u>	<u>99,826</u>

City of Byron, Minnesota
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued)
For the Year Ended December 31, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Street lighting					
Other services and charges	\$ 115,000	\$ 115,000	\$ 106,786	\$ 8,214	\$ 102,197
Total public works	<u>574,460</u>	<u>599,960</u>	<u>573,150</u>	<u>26,810</u>	<u>484,492</u>
Culture and recreation					
Municipal parks					
Personal services	229,024	174,312	151,782	22,530	140,765
Supplies	27,500	27,500	24,646	2,854	17,283
Other services and charges	49,700	49,800	42,861	6,939	37,809
Total municipal parks	<u>306,224</u>	<u>251,612</u>	<u>219,289</u>	<u>32,323</u>	<u>195,857</u>
Swimming pool					
Personal services	51,204	51,954	52,719	(765)	54,243
Supplies	7,700	7,800	6,557	1,243	8,325
Other services and charges	22,050	22,250	13,562	8,688	17,789
Total swimming pool	<u>80,954</u>	<u>82,004</u>	<u>72,838</u>	<u>9,166</u>	<u>80,357</u>
Cable					
Personal services	5,900	6,000	5,804	196	5,825
Total culture and recreation	<u>393,078</u>	<u>339,616</u>	<u>297,931</u>	<u>41,685</u>	<u>282,039</u>
Economic development					
Personal services	67,242	59,742	67,006	(7,264)	46,005
Supplies	1,200	1,200	135	1,065	674
Other services and charges	65,700	83,550	69,311	14,239	33,878
Total economic development	<u>134,142</u>	<u>144,492</u>	<u>136,452</u>	<u>8,040</u>	<u>80,557</u>
Total current	<u>2,209,950</u>	<u>2,209,850</u>	<u>2,075,921</u>	<u>133,929</u>	<u>1,858,148</u>

City of Byron, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Continued)
 For the Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
Public safety	\$ 123,047	\$ 123,047	\$ 4,993	\$ 118,054	\$ 4,135
Public works	4,000	4,000	360	3,640	82,371
Culture and recreation	18,500	18,600	17,884	716	17,950
Total capital outlay	<u>145,547</u>	<u>145,647</u>	<u>23,237</u>	<u>122,410</u>	<u>104,456</u>
Total Expenditures	<u>2,355,497</u>	<u>2,355,497</u>	<u>2,099,158</u>	<u>256,339</u>	<u>1,962,604</u>
Excess of Revenues Over Expenditures	-	-	349,411	349,411	419,882
Other Financing Uses					
Transfers out	-	-	(117,264)	(117,264)	(611,580)
Net Change in Fund Balances	-	-	232,147	232,147	(191,698)
Fund Balances, January 1	<u>1,049,857</u>	<u>1,049,857</u>	<u>1,049,857</u>	<u>-</u>	<u>1,241,555</u>
Fund Balances, December 31	<u>\$ 1,049,857</u>	<u>\$ 1,049,857</u>	<u>\$ 1,282,004</u>	<u>\$ 232,147</u>	<u>\$ 1,049,857</u>

City of Byron, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2019

	503 2016A Improvement Bonds	504 2018 Public Works Building Debt	511 2011A Improvement Bonds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and temporary investments	\$ 93,386	\$ -	\$ 63,185
Cash with fiscal agent	-	-	-
Special assessments receivable	-	-	12,925
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 93,386</u>	<u>\$ -</u>	<u>\$ 76,110</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ 2,550
Deferred Inflows of Resources			
Unavailable revenues - special assessments	-	-	12,745
Fund Balances			
Restricted for debt service	<u>93,386</u>	<u>-</u>	<u>60,815</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 93,386</u>	<u>\$ -</u>	<u>\$ 76,110</u>

513 2013A Improvement Bonds	515 2011B Refunding Bond	518 2015A Improvement Bonds	Total
\$ 549,672	\$ 194,503	\$ 506,581	\$ 1,407,327
260,890	-	-	260,890
103,046	-	-	115,971
<u>\$ 913,608</u>	<u>\$ 194,503</u>	<u>\$ 506,581</u>	<u>\$ 1,784,188</u>
\$ -	\$ -	\$ -	\$ 2,550
103,046	-	-	115,791
<u>810,562</u>	<u>194,503</u>	<u>506,581</u>	<u>1,665,847</u>
<u>\$ 913,608</u>	<u>\$ 194,503</u>	<u>\$ 506,581</u>	<u>\$ 1,784,188</u>

City of Byron, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2019

	503 2016A Improvement Bonds	504 2018 Public Works Building Debt	511 2011A Street Bonds
Revenues			
Property taxes	\$ 74,130	\$ -	\$ 58,016
Special assessments	-	-	7,794
Interest on investments	-	-	1,769
Total Revenues	<u>74,130</u>	<u>-</u>	<u>67,579</u>
Expenditures			
Debt service			
Principal	-	274,000	65,000
Interest and other	70,600	56,532	7,953
Total Expenditures	<u>70,600</u>	<u>330,532</u>	<u>72,953</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,530	(330,532)	(5,374)
Other Financing Sources			
Transfers in	-	330,532	-
Net Change in Fund Balances	3,530	-	(5,374)
Fund Balances, January 1	<u>89,856</u>	<u>-</u>	<u>66,189</u>
Fund Balances, December 31	<u>\$ 93,386</u>	<u>\$ -</u>	<u>\$ 60,815</u>

513 2013A Improvement Bonds	515 2011B Refunding Bond	518 2015A Improvement Bonds	Total
\$ 362,470	\$ 176,882	\$ 109,305	\$ 780,803
15,421	-	-	23,215
12,802	4,331	11,807	30,709
<u>390,693</u>	<u>181,213</u>	<u>121,112</u>	<u>834,727</u>
215,000	135,000	53,300	742,300
83,930	26,298	32,062	277,375
<u>298,930</u>	<u>161,298</u>	<u>85,362</u>	<u>1,019,675</u>
91,763	19,915	35,750	(184,948)
-	-	-	330,532
91,763	19,915	35,750	145,584
<u>718,799</u>	<u>174,588</u>	<u>470,831</u>	<u>1,520,263</u>
<u>\$ 810,562</u>	<u>\$ 194,503</u>	<u>\$ 506,581</u>	<u>\$ 1,665,847</u>

City of Byron, Minnesota
Supplemental Information
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)
	2019	2018	
Revenues			
Taxes	\$ 3,674,659	\$ 3,511,233	4.7 %
Licenses and permits	191,074	198,460	(3.7)
Intergovernmental	440,741	431,784	2.1
Charges for services	444,468	477,862	(7.0)
Fines and forfeitures	-	6,162	(100.0)
Special assessments	113,226	209,331	(45.9)
Interest on investments	117,406	67,798	73.2
Miscellaneous	108,806	43,373	150.9
	<u>\$ 5,090,380</u>	<u>\$ 4,946,003</u>	2.9 %
Total Revenues			
Per Capita	\$ 882	\$ 876	0.7 %
Expenditures			
Current			
General government	\$ 368,339	\$ 319,374	15.3 %
Public safety	700,049	691,686	1.2
Public works	638,551	530,500	20.4
Culture and recreation	312,931	289,539	8.1
Economic development	136,452	130,557	4.5
Capital outlay			
General government	117,030	114,290	2.4
Public safety	122,657	82,271	49.1
Public works	328,482	2,207,433	(85.1)
Culture and recreation	105,922	667,166	(84.1)
Economic development	-	142,497	(100.0)
Debt service			
Principal	767,148	477,192	60.8
Interest and other charges	280,477	265,344	5.7
	<u>\$ 3,878,038</u>	<u>\$ 5,917,849</u>	(34.5) %
Total Expenditures			
Per Capita	\$ 672	\$ 1,049	(35.9) %
Total Long-term Indebtedness			
Per Capita	\$ 9,356,300	\$ 10,098,600	(7.4) %
	1,622	1,789	(9.4)
General Fund Balance - December 31			
Per Capita	\$ 1,282,004	\$ 1,049,857	22.1 %
	222	186	19.5

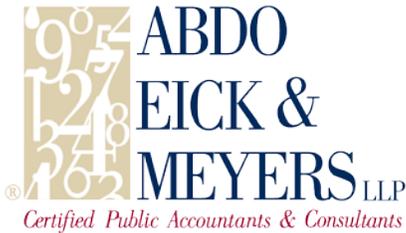
The purpose of this report is to provide a summary of financial information concerning the City of Byron to interested citizens. The complete financial statements may be examined at City Hall, 680 Main Court Northeast, Byron, Minnesota 55920. Questions about this report should be directed to Mary Blair-Hoeft, City Administrator at (507) 775-3400.

OTHER REQUIRED REPORT

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

THIS PAGE IS LEFT
BLANK INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Byron, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Byron, Minnesota (the City) as of and for the year ended December 31, 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 April 15, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Byron failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 15, 2020