



Annual Financial Report

City of Byron

Byron, Minnesota

For the year ended December 31, 2021



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City of Byron, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Byron, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2021

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Daryl Glassmaker	Mayor	12/31/24
Dan Messenburg	Council Member	12/31/22
Matt Brekke	Council Member	12/31/24
Steven Cook	Council Member	12/31/24
Justin Blom	Council Member	12/31/22

APPOINTED

<u>Name</u>	<u>Title</u>
Mary Blair-Hoeft	City Administrator
Cami Reber	Finance Director
Tom Ricke	Public Works Superintendent

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FINANCIAL SECTION

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and City Council
 City of Byron, Minnesota

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

We have audited the accompanying financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of Byron, Minnesota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City’s financial statements as listed in the table of contents.

<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, 2021, 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, 2021, 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-

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Minnesota Office of the State auditor, as described in Note 1B. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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



Other 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 74 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.

Supplementary 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 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.



Abdo
Minneapolis, Minnesota
June 8, 2022



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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, 2021.

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 \$36,229,735 (net position). Of this amount, \$11,901,261 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$3,111,632 from the prior year. The primary factor for this change was a \$330,451 increase in property taxes revenue and an overall decrease in expenses.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,857,771, an increase of \$1,345,563 in comparison with the prior year. This was mainly due to a \$307,242 increase in tax revenue and a \$1,442,315 decrease in capital outlay expenditures in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,135,591, or 81.7 percent of total 2021 General fund expenditures and transfers out.
- The City's total long-term debt increased \$814,938 during the current fiscal year. The increase is mainly due to the issuance of 2021A bonds during the year.
- In 2021 the City made the final loader payment along with the final 2011A GO Improvement bond payment.

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

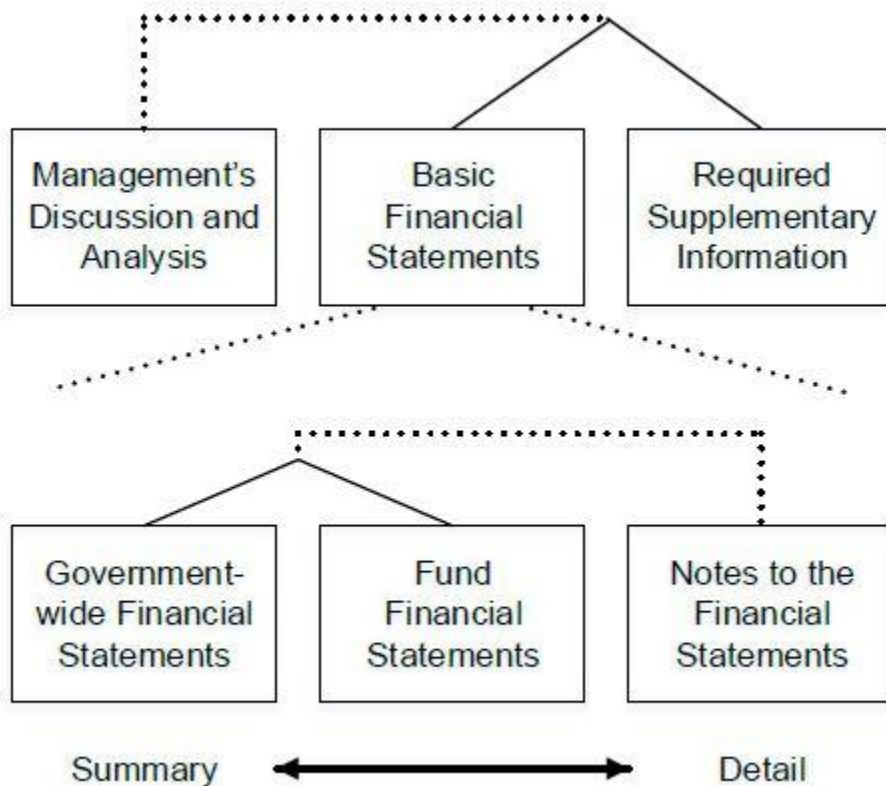


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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, seven 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, ARPA fund, Capital Reserves fund, the 2021 Street Improvement fund and the 20th Street Project 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 42 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 47 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 74 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 78 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 \$36,229,735 at the close of the most recent fiscal year.

The largest portion of the City's net position (59.1 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Assets						
Current and other assets	\$ 11,257,568	\$ 9,117,152	\$ 2,140,416	\$ 5,103,831	\$ 4,445,329	\$ 658,502
Capital assets	22,387,254	21,578,590	808,664	11,759,576	11,391,615	367,961
Total Assets	33,644,822	30,695,742	2,949,080	16,863,407	15,836,944	1,026,463
Deferred Outflows of Resources						
Deferred pension resources	249,048	63,720	\$ 185,328	148,774	37,804	\$ 110,970
Liabilities						
Noncurrent liabilities outstanding	10,788,302	10,827,114	(38,812)	2,782,278	2,184,887	597,391
Other liabilities	532,291	331,738	200,553	87,773	140,986	(53,213)
Total Liabilities	11,320,593	11,158,852	161,741	2,870,051	2,325,873	544,178
Deferred Inflows of Resources						
Deferred pension resources	304,046	19,696	284,350	181,626	11,686	169,940
Net Position						
Net investment in capital assets	12,216,731	11,265,634	951,097	9,200,851	9,499,863	(299,012)
Restricted for						
Debt service	2,584,857	2,094,345	490,512	-	-	-
Charitable or public safety expenditures	41,263	18,742	22,521	-	-	-
Park dedication	284,772	226,696	58,076	-	-	-
Unrestricted	7,141,608	5,975,497	1,166,111	4,759,653	4,037,326	722,327
Total Net Position	\$ 22,269,231	\$ 19,580,914	\$ 2,688,317	\$ 13,960,504	\$ 13,537,189	\$ 423,315

An additional portion of the City's net position (8.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$11,901,261) may be used to meet the City's ongoing obligations to citizens and creditors.

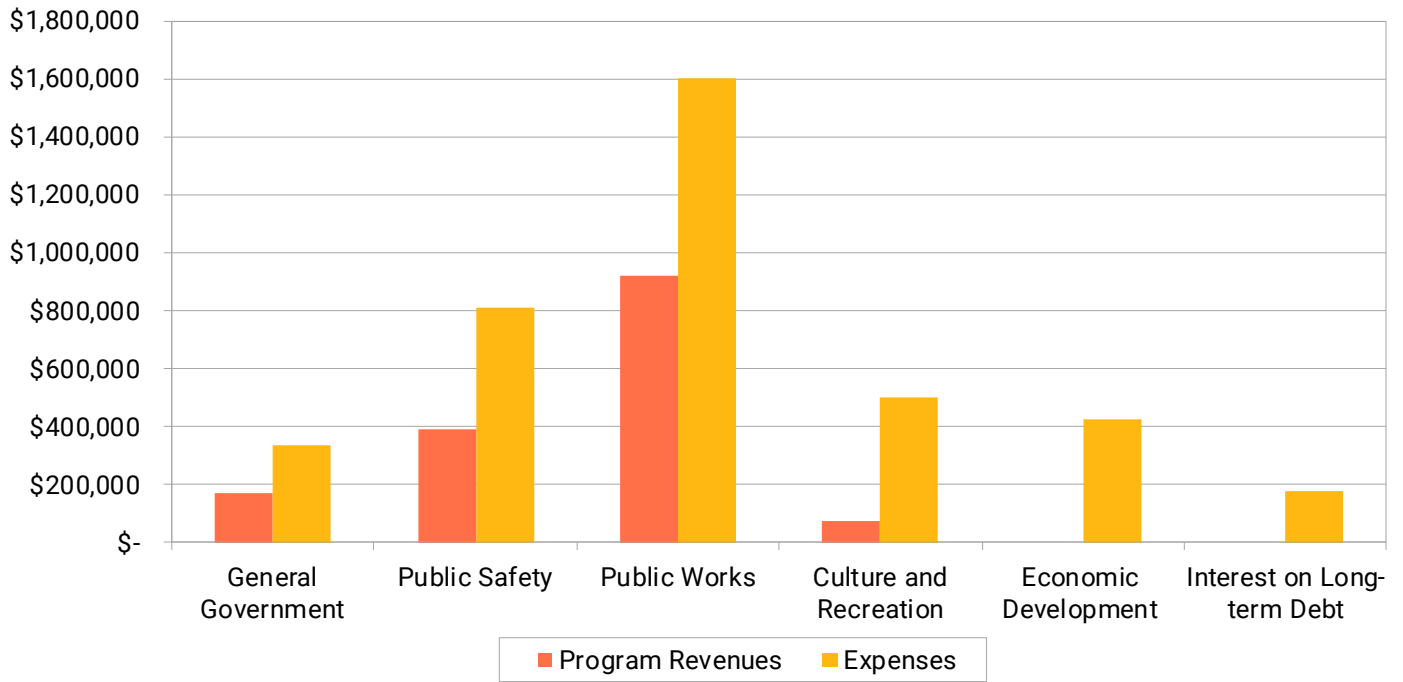
Governmental Activities. Governmental activities increased the City's net position by \$2,688,317 thereby accounting for 86.4 percent of the growth in the net position of the City. Key elements of this increase are as follows:

City of Byron's Changes in Net Position

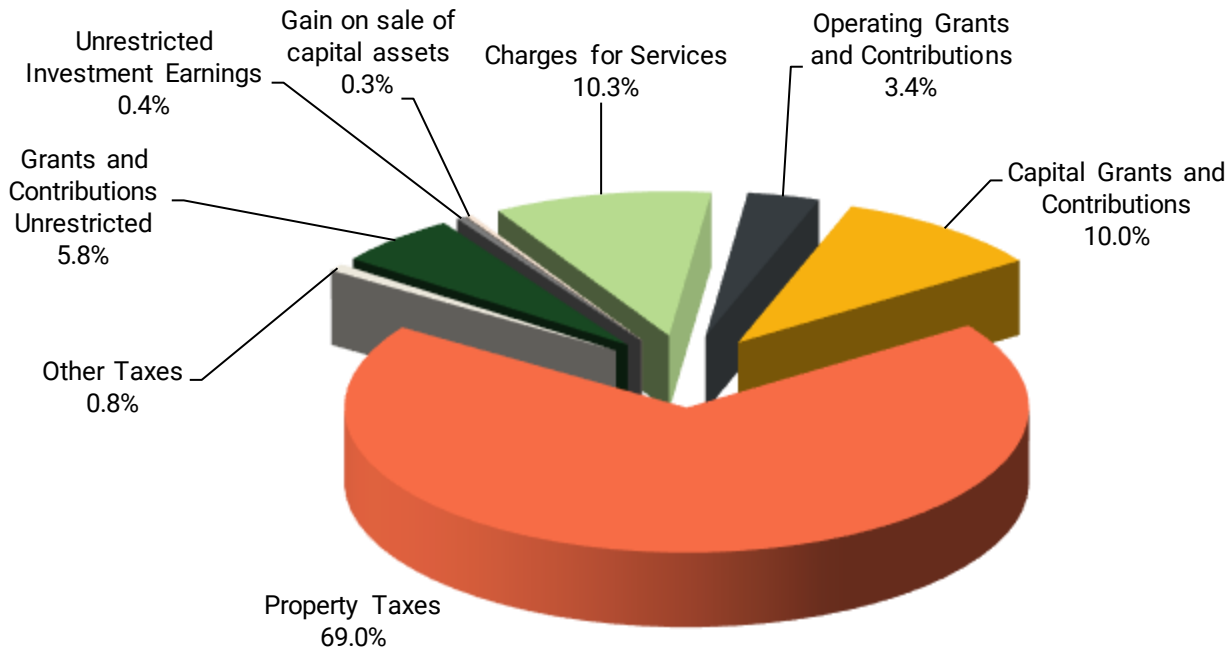
	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 673,775	\$ 585,433	\$ 88,342	\$ 2,141,858	\$ 2,141,322	\$ 536
Operating grants and contributions	222,113	702,833	(480,720)	2,562	726	1,836
Capital grants and contributions	657,012	1,442,484	(785,472)	244,859	809,990	(565,131)
General Revenues						
Taxes						
Property taxes	4,505,755	4,175,304	330,451	-	-	-
Franchise taxes	55,082	53,957	1,125	-	-	-
Grants and contributions not restricted to specific programs	380,112	366,414	13,698	-	-	-
Unrestricted investment earnings	25,631	96,186	(70,555)	21,068	47,044	(25,976)
Gain on sale of capital assets	21,528	184,592	(163,064)	-	-	-
Total Revenues	6,541,008	7,607,203	(1,066,195)	2,410,347	2,999,082	(588,735)
Expenses						
General government	334,615	724,425	(389,810)	-	-	-
Public safety	808,678	804,013	4,665	-	-	-
Public works	1,600,494	1,741,202	(140,708)	-	-	-
Culture and recreation	503,673	467,005	36,668	-	-	-
Economic development	427,205	114,525	312,680	-	-	-
Interest on long-term debt	178,026	324,051	(146,025)	-	-	-
Sewer	-	-	-	1,224,178	1,096,211	127,967
Water	-	-	-	762,854	668,092	94,762
Total Expenses	3,852,691	4,175,221	(322,530)	1,987,032	1,764,303	222,729
Increase in Net Position Before Transfers	2,688,317	3,431,982	(743,665)	423,315	1,234,779	(811,464)
Change in Net Position	2,688,317	3,431,982	(743,665)	423,315	1,234,779	(811,464)
Net Position, January 1	19,580,914	16,148,932	3,431,982	13,537,189	12,302,410	1,234,779
Net Position, December 31	\$ 22,269,231	\$ 19,580,914	\$ 2,688,317	\$ 13,960,504	\$ 13,537,189	\$ 423,315

- Taxes increased \$330,451 from the prior year mainly due to an increase in debt levy.
- Capital grants and contributions decreased from the prior year mainly due to a decrease in MSA revenue.
- General government expenses decreased from prior year mainly due to the absence of COVID related expenditures in 2021.
- Economic development expenses increased from the prior year mainly due to an increase in business subsidy expenditures due to a new agreement with Byron 47 LLC.
- 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

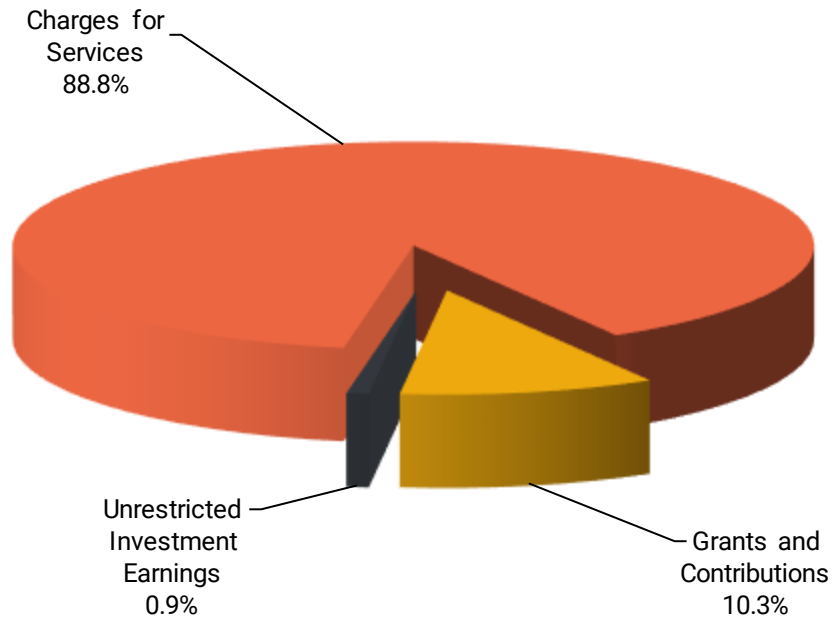


Business-type Activities. Business-type activities increased the City’s net position by \$423,315 thereby accounting for 13.6 percent of the growth in the net position of the City.

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 \$9,857,771, an increase of \$1,345,563 from 2020. Approximately 20.5 percent or \$2,023,091 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 (\$38,137) 2) restricted (\$2,856,589) committed (\$386,518) or assigned (\$4,553,436) for the purposes described in the fund balance footnote in the financial statements.

The fund balance of the City's General fund increased \$547,510 during the current fiscal year. The revenue was over budget by \$194,869, mainly due more than anticipated charges for services related to public safety.

The Debt Service fund has a total fund balance of \$2,267,014, all of which is restricted for the payment of future debt service. The fund balance increased \$262,532 in 2021 due to property tax revenue exceeding expenditures.

The Capital Reserves fund has a total ending fund balance of \$3,325,899, which is an increase of \$269,785 from the prior year. The ending fund balance is assigned for future capital purchases.

The 2021 Street Projects fund has a total ending fund balance of \$263,540. The fund had capital related expenditures of \$883,513 during the year and is expected to be completed in 2022.

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 \$4,759,653. The total increase in net position for the funds was \$423,315. The main reason for this increase was operating income in the enterprise funds of \$165,987 and capital contributions of \$244,859.

General Fund Budgetary Highlights

The budget called for expenditures to exceed revenues by \$0. Actual fund balance increased a total of \$547,510 in the General fund. Actual revenues had a positive budget variance of \$194,869 with the largest positive variance in charges for services revenues of \$123,593. Expenditures had a positive budget variance of \$485,813. The largest positive variance for expenditures was in capital outlay of \$165,586.

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, 2021, amounts to \$34,146,830 (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 58 of this report.

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

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land and Land Improvements	\$ 1,917,254	\$ 1,317,254	\$ 600,000	\$ 52,300	\$ 52,300	\$ -
Construction in Progress	1,348,660	2,495,533	(1,146,873)	1,089,066	32,901	1,056,165
Buildings	6,782,123	6,893,454	(111,331)	136,461	198,934	(62,473)
Infrastructure	11,193,329	9,542,741	1,650,588	10,250,924	10,852,110	(601,186)
Machinery and Equipment	1,145,888	1,329,608	(183,720)	230,825	255,370	(24,545)
Total	\$ 22,387,254	\$ 21,578,590	\$ 808,664	\$ 11,759,576	\$ 11,391,615	\$ 367,961

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$12,992,788. 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
General Obligation Improvement Bonds	\$ 7,499,500	\$ 7,043,900	\$ 455,600	\$ 1,452,500	\$ 768,100	\$ 684,400
General Obligation Revenue Bonds	-	-	-	1,005,000	1,005,000	-
General Obligation Tax Abatement Bond	2,205,000	2,400,000	(195,000)	-	-	-
General Obligation Equipment Certificates	345,000	410,000	(65,000)	-	-	-
Capital Lease	-	26,858				
Premium on Bonds	384,563	432,198	(47,635)	101,225	118,652	(17,427)
Total	\$ 10,434,063	\$ 10,312,956	\$ 147,965	\$ 2,558,725	\$ 1,891,752	\$ 666,973

The City's total long-term debt increased \$814,938 during the current fiscal year. The increase can mainly be attributed to bonds issued during the year.

Additional information on the City's long-term debt can be found in Note 3D starting on page 61 of this report.

Economic Factors and Next Year's Budgets and Rates (2021)

Byron, MN is less than 10 miles from Rochester, MN which is home to the world famous Mayo Medical Facilities. In 2019, Mayo Medical was rated the number one medical facility in America as well as in the world. Mayo Medical facilities in 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.

A study completed by HR&A estimates that by the end of 2022 the Rochester area economy is going to be about 2 -7% below pre-COVID levels. The City of Byron has not been negatively impacted by delinquent properties taxes or utility bills due to COVID's impact on employment.

Byron, in collaboration with Olmsted County and the Minnesota Department of Transportation, has completed the analysis of TH 14 corridor accesses. The result of the analysis has determined future locations of interchanges/overpasses for Byron. This information will allow Byron to grow South of TH 14. The completed Subordinate Sewer District study that was prepared previously will begin to be implemented with the installation of the sewer lift station south of TH14 in 2022.

In 2021, residential new home construction permit values were approximately \$31,200,399. This is nearly \$13 Million over 2020. Byron continues issuing more home permits than neighboring communities. This is expected to continue into 2022 with new subdivision plats being approved along with multi-family housing projects.

In 2021, the Byron City Council had a Capital Financial Plan completed. The purpose of the plan was to review the City's financial condition and provide a tool for monitoring future capital improvement projects and purchases. The goal is to maintain a tax rate with slight manageable increases.

In 2021, the City completed the planned street projects and is planning for several projects in 2022.

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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Byron, Minnesota

Statement of Net Position

December 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 9,613,938	\$ 4,867,613	\$ 14,481,551
Restricted cash with fiscal agent	584,300	-	584,300
Receivables			
Accrued interest	3,010	-	3,010
Taxes	105,928	-	105,928
Accounts	61,553	221,946	283,499
Special assessments	433,613	-	433,613
Due from other governments	417,089	-	417,089
Prepaid items	38,137	14,272	52,409
Capital assets			
Land and construction in progress	3,265,914	1,141,366	4,407,280
Depreciable assets (net of accumulated depreciation)	19,121,340	10,618,210	29,739,550
Total Assets	<u>33,644,822</u>	<u>16,863,407</u>	<u>50,508,229</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>249,048</u>	<u>148,774</u>	<u>397,822</u>
Liabilities			
Accounts payable	146,235	34,085	180,320
Due to other governments	-	19,225	19,225
Accrued salaries payable	32,420	14,472	46,892
Accrued interest payable	52,441	19,991	72,432
Deposits payable	10,683	-	10,683
Unearned revenue	290,512	-	290,512
Noncurrent liabilities			
Due within one year			
Long-term liabilities	1,155,440	427,513	1,582,953
Due in more than one year			
Long-term liabilities	9,301,357	2,156,734	11,458,091
Net pension liability	331,505	198,031	529,536
Total Liabilities	<u>11,320,593</u>	<u>2,870,051</u>	<u>14,190,644</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>304,046</u>	<u>181,626</u>	<u>485,672</u>
Net Position			
Net investment in capital assets	12,216,731	9,200,851	21,417,582
Restricted for			
Debt service	2,584,857	-	2,584,857
Charitable or public safety expenditures	41,263	-	41,263
Park dedication	284,772	-	284,772
Unrestricted	<u>7,141,608</u>	<u>4,759,653</u>	<u>11,901,261</u>
Total Net Position	<u>\$ 22,269,231</u>	<u>\$ 13,960,504</u>	<u>\$ 36,229,735</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, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 334,615	\$ 130,793	\$ 37,524	\$ -
Public safety	808,678	276,836	113,531	-
Public works	1,600,494	237,390	25,658	657,012
Culture and recreation	503,673	28,756	45,400	-
Economic development	427,205	-	-	-
Interest on long-term debt	178,026	-	-	-
Total Governmental Activities	<u>3,852,691</u>	<u>673,775</u>	<u>222,113</u>	<u>657,012</u>
Business-type Activities				
Sewer	1,224,178	1,354,189	1,439	118,132
Water	762,854	787,669	1,123	126,727
Total Business-type Activities	<u>1,987,032</u>	<u>2,141,858</u>	<u>2,562</u>	<u>244,859</u>
Total	<u>\$ 5,839,723</u>	<u>\$ 2,815,633</u>	<u>\$ 224,675</u>	<u>\$ 901,871</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

Miscellaneous

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
\$ (166,298)	\$ -	\$ (166,298)
(418,311)	-	(418,311)
(680,434)	-	(680,434)
(429,517)	-	(429,517)
(427,205)	-	(427,205)
(178,026)	-	(178,026)
<u>(2,299,791)</u>	<u>-</u>	<u>(2,299,791)</u>
-	249,582	249,582
-	152,665	152,665
-	<u>402,247</u>	<u>402,247</u>
<u>(2,299,791)</u>	<u>402,247</u>	<u>(1,897,544)</u>
3,107,672	-	3,107,672
1,398,083	-	1,398,083
55,082	-	55,082
380,112	-	380,112
25,631	21,068	46,699
21,528	-	21,528
<u>4,988,108</u>	<u>21,068</u>	<u>5,009,176</u>
2,688,317	423,315	3,111,632
<u>19,580,914</u>	<u>13,537,189</u>	<u>33,118,103</u>
<u>\$ 22,269,231</u>	<u>\$ 13,960,504</u>	<u>\$ 36,229,735</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Byron, Minnesota
Balance Sheet
Governmental Funds
December 31, 2021

	101 General	300's Debt Service	204 ARPA	401 Capital Reserves
Assets				
Cash and temporary investments	\$ 2,164,274	\$ 1,682,714	\$ 308,892	\$ 3,352,408
Restricted cash with fiscal agent	-	584,300	-	-
Receivables				
Accrued interest	3,010	-	-	-
Taxes	105,928	-	-	-
Accounts	24,851	-	-	-
Special assessments	43,515	370,284	-	19,814
Due from other governments	-	-	-	-
Prepaid items	38,137	-	-	-
	<u>2,379,715</u>	<u>2,637,298</u>	<u>308,892</u>	<u>3,372,222</u>
Total Assets	\$ 2,379,715	\$ 2,637,298	\$ 308,892	\$ 3,372,222
Liabilities				
Accounts payable	\$ 34,846	\$ -	\$ 33,919	\$ 26,509
Accrued salaries payable	31,388	-	-	-
Deposit payable	10,683	-	-	-
Unearned revenue	16,310	-	274,202	-
Total Liabilities	93,227	-	308,121	26,509
Deferred Inflows of Resources				
Unavailable revenues - taxes	69,245	-	-	-
Unavailable revenues - special assessments	43,515	370,284	-	19,814
Unavailable revenues - MSA State aid	-	-	-	-
Total Deferred Inflows of Resources	112,760	370,284	-	19,814
Fund Balances				
Nonspendable	38,137	-	-	-
Restricted	-	2,267,014	-	-
Committed	-	-	771	-
Assigned	-	-	-	3,325,899
Unassigned	2,135,591	-	-	-
Total Fund Balances	2,173,728	2,267,014	771	3,325,899
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,379,715	\$ 2,637,298	\$ 308,892	\$ 3,372,222

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

412 2021 Street Projects	413 20th Street Project	Other Governmental Funds	Total
\$ 265,001	\$ (63,000)	\$ 1,903,649	\$ 9,613,938
-	-	-	584,300
-	-	-	3,010
-	-	-	105,928
-	-	36,702	61,553
-	-	-	433,613
-	417,089	-	417,089
-	-	-	38,137
<u>\$ 265,001</u>	<u>\$ 354,089</u>	<u>\$ 1,940,351</u>	<u>\$ 11,257,568</u>
\$ 1,461	\$ 49,500	\$ -	\$ 146,235
-	-	1,032	32,420
-	-	-	10,683
-	-	-	290,512
<u>1,461</u>	<u>49,500</u>	<u>1,032</u>	<u>479,850</u>
-	-	-	69,245
-	-	-	433,613
-	417,089	-	417,089
<u>-</u>	<u>417,089</u>	<u>-</u>	<u>919,947</u>
-	-	-	38,137
263,540	-	326,035	2,856,589
-	-	385,747	386,518
-	-	1,227,537	4,553,436
-	(112,500)	-	2,023,091
<u>263,540</u>	<u>(112,500)</u>	<u>1,939,319</u>	<u>9,857,771</u>
<u>\$ 265,001</u>	<u>\$ 354,089</u>	<u>\$ 1,940,351</u>	<u>\$ 11,257,568</u>

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

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City of Byron, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2021

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

Total Fund Balances - Governmental	\$ 9,857,771
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	35,450,649
Less: accumulated depreciation	(13,063,395)
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	
Bonds payable	(10,049,500)
Unamortized premium on bonds	(384,563)
Net pension liability	(331,505)
Compensated absences payable	(22,734)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes receivable	69,245
Special assessments receivable	433,613
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	249,048
Deferred inflows of resources	(304,046)
Governmental funds do not report a liability for accrued interest until due and payable.	(52,441)
Total Net Position - Governmental Activities	\$ 21,852,142

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, 2021

	101 General	300's Debt Service	204 ARPA	401 Capital Reserves
Revenues				
Taxes	\$ 2,642,103	\$ 1,398,083	\$ -	\$ 500,000
Licenses and permits	153,049	-	-	-
Intergovernmental	79,009	-	33,919	389,512
Charges for services	165,042	-	-	-
Special assessments	12,438	64,147	-	57,041
Interest on investments	983	7,638	771	9,511
Miscellaneous	109,617	-	-	15,771
Total Revenues	<u>3,162,241</u>	<u>1,469,868</u>	<u>34,690</u>	<u>971,835</u>
Expenditures				
Current				
General government	405,593	-	-	-
Public safety	678,938	-	-	-
Public works	617,565	-	-	-
Culture and recreation	377,656	-	-	-
Economic development	377,674	-	-	-
Capital outlay				
General government	695	-	-	455,998
Public safety	553	-	33,919	-
Public works	-	-	-	22,499
Culture and recreation	22,885	-	-	75,603
Debt service				
Principal	-	960,400	-	26,858
Interest and other	-	256,345	-	1,092
Total Expenditures	<u>2,481,559</u>	<u>1,216,745</u>	<u>33,919</u>	<u>582,050</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>680,682</u>	<u>253,123</u>	<u>771</u>	<u>389,785</u>
Other Financing Sources (Uses)				
Transfers in	-	1,172	-	-
Bonds issued	-	8,237	-	-
Transfers out	(133,172)	-	-	(120,000)
Total Other Financing Sources (Uses)	<u>(133,172)</u>	<u>9,409</u>	<u>-</u>	<u>(120,000)</u>
Net Change in Fund Balances	547,510	262,532	771	269,785
Fund Balances, January 1	<u>1,626,218</u>	<u>2,004,482</u>	<u>-</u>	<u>3,056,114</u>
Fund Balances, December 31	<u>\$ 2,173,728</u>	<u>\$ 2,267,014</u>	<u>\$ 771</u>	<u>\$ 3,325,899</u>

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

412 2021 Street Projects	413 20th Street Project	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 4,540,186
-	-	-	153,049
-	-	6,505	508,945
-	-	299,330	464,372
-	-	-	133,626
(149)	-	6,877	25,631
-	-	41,485	166,873
<u>(149)</u>	<u>-</u>	<u>354,197</u>	<u>5,992,682</u>
-	-	-	405,593
-	-	-	678,938
-	-	40,368	657,933
-	-	13,000	390,656
-	-	49,920	427,594
-	-	-	456,693
-	-	-	34,472
865,026	112,500	389,545	1,389,570
-	-	-	98,488
-	-	-	987,258
18,487	-	-	275,924
<u>883,513</u>	<u>112,500</u>	<u>492,833</u>	<u>5,803,119</u>
<u>(883,662)</u>	<u>(112,500)</u>	<u>(138,636)</u>	<u>189,563</u>
-	-	502,000	503,172
1,147,763	-	-	1,156,000
-	-	(250,000)	(503,172)
<u>1,147,763</u>	<u>-</u>	<u>252,000</u>	<u>1,156,000</u>
264,101	(112,500)	113,364	1,345,563
(561)	-	1,825,955	8,512,208
<u>\$ 263,540</u>	<u>\$ (112,500)</u>	<u>\$ 1,939,319</u>	<u>\$ 9,857,771</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, 2021

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

Net Change in Fund Balances - Governmental Funds	\$ 1,345,563
<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	2,070,379
Depreciation expense	(1,261,715)
<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	987,258
Debt issued or incurred	(1,156,000)
Add: amortization of bond premium	47,635
<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>	
	50,263
<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	106,297
Property taxes	20,651
MSA state aid	417,089
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	20,496
Pension revenue	4,289
<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	36,112
	36,112
Change in Net Position - Governmental Activities	\$ 2,688,317

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, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,669,780	\$ 2,669,780	\$ 2,642,103	\$ (27,677)
Licenses and permits	132,000	132,000	153,049	21,049
Intergovernmental	99,143	99,143	79,009	(20,134)
Charges for services	41,449	41,449	165,042	123,593
Special assessments	-	-	12,438	12,438
Interest on investments	15,000	15,000	983	(14,017)
Miscellaneous	10,000	10,000	109,617	99,617
Total Revenues	<u>2,967,372</u>	<u>2,967,372</u>	<u>3,162,241</u>	<u>194,869</u>
Expenditures				
Current				
General government	493,442	493,442	405,593	87,849
Public safety	763,411	763,411	678,938	84,473
Public works	713,417	713,417	617,565	95,852
Culture and recreation	420,459	420,459	377,656	42,803
Economic development	386,924	386,924	377,674	9,250
Capital outlay	189,719	189,719	24,133	165,586
Total Expenditures	<u>2,967,372</u>	<u>2,967,372</u>	<u>2,481,559</u>	<u>485,813</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	680,682	680,682
Other Financing Sources (Uses) Transfers out	-	-	(133,172)	(133,172)
Net Change in Fund Balances	-	-	547,510	547,510
Fund Balances, January 1	<u>1,626,218</u>	<u>1,626,218</u>	<u>1,626,218</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,626,218</u>	<u>\$ 1,626,218</u>	<u>\$ 2,173,728</u>	<u>\$ 547,510</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, 2021

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Totals
Assets			
Current Assets			
Cash and temporary investments	\$ 3,103,076	\$ 1,764,537	\$ 4,867,613
Receivables			
Accounts receivable	112,108	109,838	221,946
Prepaid items	9,770	4,502	14,272
Total Current Assets	<u>3,224,954</u>	<u>1,878,877</u>	<u>5,103,831</u>
Noncurrent Assets			
Capital assets			
Land	26,000	26,300	52,300
Buildings	2,397,704	183,793	2,581,497
Infrastructure	14,063,004	5,688,076	19,751,080
Machinery and equipment	677,333	335,054	1,012,387
Construction in progress	392,066	697,000	1,089,066
Less accumulated depreciation	<u>(9,442,238)</u>	<u>(3,284,516)</u>	<u>(12,726,754)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>8,113,869</u>	<u>3,645,707</u>	<u>11,759,576</u>
Total Assets	<u>11,338,823</u>	<u>5,524,584</u>	<u>16,863,407</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>83,530</u>	<u>65,244</u>	<u>148,774</u>
Liabilities			
Current Liabilities			
Accounts payable	22,318	11,767	34,085
Due to other governments	-	19,225	19,225
Accrued salaries payable	8,057	6,415	14,472
Accrued interest payable	12,426	7,565	19,991
Compensated absences payable - current	10,242	5,071	15,313
Bonds payable - current	267,450	144,750	412,200
Total Current Liabilities	<u>320,493</u>	<u>194,793</u>	<u>515,286</u>
Noncurrent Liabilities			
Compensated absences payable	6,828	3,381	10,209
Net pension liability	111,186	86,845	198,031
Bonds payable	880,902	1,265,623	2,146,525
Total Noncurrent Liabilities	<u>998,916</u>	<u>1,355,849</u>	<u>2,354,765</u>
Total Liabilities	<u>1,319,409</u>	<u>1,550,642</u>	<u>2,870,051</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>101,975</u>	<u>79,651</u>	<u>181,626</u>
Net Position			
Net investment in capital assets	6,965,517	2,235,334	9,200,851
Unrestricted	<u>3,035,452</u>	<u>1,724,201</u>	<u>4,759,653</u>
Net Position	<u>\$ 10,000,969</u>	<u>\$ 3,959,535</u>	<u>\$ 13,960,504</u>

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

City of Byron, Minnesota
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Totals
Operating Revenues			
Charges for services	\$ 1,353,139	\$ 777,812	\$ 2,130,951
Operating Expenses			
Personal services	280,958	220,602	501,560
Supplies	54,799	49,293	104,092
Repairs and maintenance	47,810	120,580	168,390
Professional services	81,774	41,899	123,673
Contracted services	19,867	5,141	25,008
Insurance	22,861	-	22,861
Utilities	60,583	67,824	128,407
Depreciation	497,926	210,283	708,209
Other	150,719	32,045	182,764
Total Operating Expenses	<u>1,217,297</u>	<u>747,667</u>	<u>1,964,964</u>
Operating Income	<u>135,842</u>	<u>30,145</u>	<u>165,987</u>
Nonoperating Revenues (Expenses)			
Interest on investments	12,715	8,353	21,068
Special assessments	-	677	677
Other income	2,489	10,303	12,792
Interest and other expenses	<u>(6,881)</u>	<u>(15,187)</u>	<u>(22,068)</u>
Total Nonoperating Revenues (Expenses)	<u>8,323</u>	<u>4,146</u>	<u>12,469</u>
Income Before Contributions and Transfers	144,165	34,291	178,456
Capital Contributions	<u>118,132</u>	<u>126,727</u>	<u>244,859</u>
Change in Net Position	262,297	161,018	423,315
Net Position, January 1	<u>9,738,672</u>	<u>3,798,517</u>	<u>13,537,189</u>
Net Position, December 31	<u>\$ 10,000,969</u>	<u>\$ 3,959,535</u>	<u>\$ 13,960,504</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, 2021

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,364,047	\$ 741,300	\$ 2,105,347
Payments to suppliers	(430,797)	(294,520)	(725,317)
Payments to employees	(291,564)	(220,011)	(511,575)
Net Cash Provided by Operating Activities	<u>641,686</u>	<u>226,769</u>	<u>868,455</u>
Cash Flows from Capital and Related Financing Activities			
Permits and connection fees	118,132	126,727	244,859
Acquisition of capital assets	(428,201)	(717,005)	(1,145,206)
Principal paid on revenue bonds	(4,200)	(8,400)	(12,600)
Bond proceeds, net of issuance costs	-	697,000	697,000
Interest paid on debt	(29,463)	(24,684)	(54,147)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(343,732)</u>	<u>73,638</u>	<u>(270,094)</u>
Cash Flows from Investing Activities			
Interest received on investments	<u>12,715</u>	<u>8,353</u>	<u>21,068</u>
Net Increase in Cash and Cash Equivalents	310,669	308,760	619,429
Cash and Cash Equivalents, January 1	<u>2,792,407</u>	<u>1,455,777</u>	<u>4,248,184</u>
Cash and Cash Equivalents, December 31	<u>\$ 3,103,076</u>	<u>\$ 1,764,537</u>	<u>\$ 4,867,613</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, 2021

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Totals
Reconciliation of Operating Income to			
Net Cash Provided by Operating Activities			
Operating income	\$ 135,842	\$ 30,145	\$ 165,987
Adjustments to reconcile operating income to net cash provided by operating activities			
Other income related to operations	2,489	10,303	12,792
Depreciation	497,926	210,283	708,209
(Increase) decrease in assets and deferred outflows of resources			
Accounts receivable	4,421	(51,521)	(47,100)
Special assessments receivable	676	1,353	2,029
Prepaid items	3,322	3,353	6,675
Pension resources	(61,620)	(49,350)	(110,970)
Increase (decrease) in liabilities and deferred inflows of resources			
Accounts payable	7,756	5,238	12,994
Accrued salaries payable	50	547	597
Due to other governments	(140)	17,024	16,884
Compensated absences payable	1,141	1,384	2,525
Net pension liability	(45,379)	(26,728)	(72,107)
Pension resources	95,202	74,738	169,940
	<u>\$ 641,686</u>	<u>\$ 226,769</u>	<u>\$ 868,455</u>
Net Cash Provided by Operating Activities			
Noncash Capital and Related Financing Activities			
Amortization of bond premium	<u>\$ 12,093</u>	<u>\$ 5,334</u>	<u>\$ 17,427</u>

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

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City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

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, 2021

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 *ARPA fund* accounts for resources and costs associated with the grants received from the American Rescue Plan Act.

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

The *2021 Street Projects fund* accounts for the costs associated with the 2021 street project completed within the City.

The *20th Street Project fund* accounts for the costs associated with the 20th street project completed within the City.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 2021:

- Negotiable certificates of deposit of \$5,447,389 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.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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. At December 31, 2021, the City had zero investments (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represent 5 percent or more of the City's investments.
- *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.

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 2021. 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.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.”

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 \$31,441 in 2021. The City also recognized pension expense of \$55,071 for the fire relief plan.

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.

Unearned revenue

The City's unearned revenue consists of grant revenue from the American Rescue Plan Act that has not yet met the revenue recognition criteria.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

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 not amend the General fund budget in 2021.

B. Deficit Fund Equity

As of December 31, 2021, the following funds reported deficit fund equity:

Fund	Amount
Nonmajor	
20th Street Project	\$ 112,500

The deficit fund balance is expected to be eliminated with bond proceeds and intergovernmental revenues.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

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, 2021

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 \$8,695,245 and the bank balance was \$8,229,879. Of the bank balance, \$6,602,796 was covered by federal depository insurance and \$500,000 was covered by the National Credit Union Share Insurance Fund (NCUSIF). \$4,430,159 was covered by collateral held by the City's agent in the City's name, all which sufficiently covered the City's bank balances.

As of December 31, 2021, 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	\$ 923,217	\$ -	\$ -	\$ -
Non-pooled Investments at Fair Value						
Broker Certificates of Deposit	N/A	Less than 1 year	5,218,208	-	5,218,208	-
Broker Certificates of Deposit	N/A	1 to 5 years	229,181	-	229,181	-
Total Investments			<u>\$ 6,370,606</u>	<u>\$ -</u>	<u>\$ 5,447,389</u>	<u>\$ -</u>

(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	\$ 8,695,245
Investments	<u>6,370,606</u>
Total	<u>\$ 15,065,851</u>
Government-wide Statements	
Statement of Net Position	
Cash and temporary investments	\$ 14,481,551
Restricted cash with fiscal agent	<u>584,300</u>
Total	<u>\$ 15,065,851</u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,264,256	\$ 600,000	\$ -	\$ 1,864,256
Land improvements	52,998	-	-	52,998
Construction in progress	2,495,533	1,445,076	(2,591,949)	1,348,660
Total Capital Assets not Being Depreciated	<u>3,812,787</u>	<u>2,045,076</u>	<u>(2,591,949)</u>	<u>3,265,914</u>
Capital Assets Being Depreciated				
Buildings	8,065,837	-	-	8,065,837
Infrastructure	17,560,304	2,576,712	-	20,137,016
Machinery and equipment	4,040,516	40,540	(99,174)	3,981,882
Total Capital Assets Being Depreciated	<u>29,666,657</u>	<u>2,617,252</u>	<u>(99,174)</u>	<u>32,184,735</u>
Less Accumulated Depreciation for				
Buildings	(1,172,383)	(111,331)	-	(1,283,714)
Infrastructure	(8,017,563)	(926,124)	-	(8,943,687)
Machinery and equipment	(2,710,908)	(224,260)	99,174	(2,835,994)
Total Accumulated Depreciation	<u>(11,900,854)</u>	<u>(1,261,715)</u>	<u>99,174</u>	<u>(13,063,395)</u>
Total Capital Assets Being Depreciated, Net	<u>17,765,803</u>	<u>1,355,537</u>	<u>-</u>	<u>19,121,340</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,578,590</u>	<u>\$ 3,400,613</u>	<u>\$ (2,591,949)</u>	<u>\$ 22,387,254</u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

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
Construction in progress	32,901	1,089,066	(32,901)	1,089,066
Total Capital Assets not Being Depreciated	<u>85,201</u>	<u>1,089,066</u>	<u>(32,901)</u>	<u>1,141,366</u>
Capital Assets Being Depreciated				
Buildings	2,581,497	-	-	2,581,497
Infrastructure	19,751,080	-	-	19,751,080
Machinery and equipment	992,380	20,005	-	1,012,385
Total Capital Assets Being Depreciated	<u>23,324,957</u>	<u>20,005</u>	<u>-</u>	<u>23,344,962</u>
Less Accumulated Depreciation for				
Buildings	(2,382,563)	(62,473)	-	(2,445,036)
Infrastructure	(8,898,970)	(601,186)	-	(9,500,156)
Machinery and equipment	(737,010)	(44,550)	-	(781,560)
Total Accumulated Depreciation	<u>(12,018,543)</u>	<u>(708,209)</u>	<u>-</u>	<u>(12,726,752)</u>
Total Capital Assets Being Depreciated, Net	<u>11,306,414</u>	<u>(688,204)</u>	<u>-</u>	<u>10,618,210</u>
Business-type Activities Capital Assets, Net	<u>\$ 11,391,615</u>	<u>\$ 400,862</u>	<u>\$ (32,901)</u>	<u>\$ 11,759,576</u>

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

Governmental Activities

General government	\$ 80,780
Public safety	96,134
Public works	1,024,831
Culture and recreation	59,970
Total Depreciation Expense - Governmental Activities	<u>\$ 1,261,715</u>

Business-type Activities

Sewer	\$ 210,283
Water	497,926
Total Depreciation Expense - Business-type Activities	<u>\$ 708,209</u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Transfers

Fund	Transfers in		Total
	Debt Service Fund	Nonmajor Governmental	
Transfers Out			
General	\$ 1,172	\$ 132,000	\$ 133,172
Future Capital	-	120,000	120,000
Nonmajor governmental	-	250,000	250,000
Total	<u>\$ 1,172</u>	<u>\$ 502,000</u>	<u>\$ 503,172</u>

In 2021, transfers were made for the following purpose:

- The General fund transferred \$132,000 to nonmajor governmental fund to the Fire Equipment fund and the First Responders Equipment fund in order to help fund future purchases.
- The General fund also transferred to \$1,172 to the Debt Service fund to close out the 2011A bond fund.
- The Future Capital fund transferred \$120,000 to nonmajor governmental funds for the 12th & Main Court Street construction project.
- The EDA fund also transferred \$250,000 to nonmajor governmental funds for the 12th & Main Court Street construction project.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

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 2015A	\$ 1,560,000	2.00 - 3.50 %	06/02/15	12/01/35	\$ 963,500
G.O. Improvement Bond, Series 2016A	620,000	2.00	08/23/16	01/01/31	530,000
G.O. Improvement Bond, Series 2018A	1,522,000	2.35	05/16/18	12/15/23	639,000
G.O. Improvement Bond, Series 2020A	2,311,000	2.00 - 3.00	08/27/20	02/01/36	2,311,000
G.O. Improvement Bond, Series 2020B	1,900,000	3.00	10/06/20	01/01/29	1,900,000
G.O. Improvement Bond, Series 2021A	1,156,000	1.35	05/25/21	02/01/32	<u>1,156,000</u>
Total Governmental					<u>7,499,500</u>
Business-type					
G.O. Improvement Bond, Series 2015A	280,800	2.00 - 3.50	06/02/15	12/01/35	211,500
G.O. Improvement Bond, Series 2020A	544,000	2.00 - 3.00	08/27/20	02/01/31	544,000
G.O. Improvement Bond, Series 2021A	697,000	1.35	05/25/21	02/01/32	<u>697,000</u>
Total Business-Type					<u>1,452,500</u>
Total General Obligation Improvement Bonds					<u>\$ 8,952,000</u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

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	
2022	\$ 876,800	\$ 180,117	\$ 97,200	\$ 30,297	\$ 1,184,414
2023	1,048,200	154,855	125,800	26,357	1,203,055
2024	730,300	128,288	126,700	23,713	858,588
2025	749,100	108,951	130,900	20,995	858,051
2026	614,200	91,135	132,800	18,148	705,335
2027 - 2031	2,777,200	233,571	700,800	50,577	3,010,771
2032 - 2036	703,700	42,507	138,300	6,640	746,207
Total	<u>\$ 7,499,500</u>	<u>\$ 939,424</u>	<u>\$ 1,452,500</u>	<u>\$ 176,727</u>	<u>\$ 8,566,421</u>

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, 2020A	\$ 1,549,000	2.00 - 3.00 %	08/27/20	02/01/24	<u>\$ 1,005,000</u>

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2022	\$ 315,000	\$ 25,425	\$ 340,425
2023	340,000	15,600	355,600
2024	350,000	5,250	355,250
Total	<u>\$ 1,005,000</u>	<u>\$ 46,275</u>	<u>\$ 1,051,275</u>

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	\$ 777,812	\$ 1,353,139
Principal and Interest	33,084	33,663
Percentage of Revenues	4%	2%

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

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>\$ 345,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 65,000	\$ 6,250	\$ 71,250
2023	70,000	4,900	74,900
2024	70,000	3,500	73,500
2025	70,000	2,100	72,100
2026	70,000	700	70,700
Total	<u>\$ 345,000</u>	<u>\$ 17,450</u>	<u>\$ 362,450</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>\$ 2,205,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 200,000	\$ 42,100	\$ 242,100
2023	205,000	38,050	243,050
2024	210,000	33,900	243,900
2025	210,000	29,700	239,700
2026	220,000	25,400	245,400
2027 - 2031	1,160,000	58,700	1,218,700
Total	<u>\$ 2,205,000</u>	<u>\$ 227,850</u>	<u>\$ 2,432,850</u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

During the year ended December 31, 2021, 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	\$ 7,043,900	\$ 1,156,000	\$ (700,400)	\$ 7,499,500	\$ 876,800
G.O. tax abatement bonds	2,400,000	-	(195,000)	2,205,000	200,000
Add					
Premium on bonds	432,198	-	(47,635)	384,563	-
Total Bonds Payable	<u>9,876,098</u>	<u>1,156,000</u>	<u>(943,035)</u>	<u>10,089,063</u>	<u>1,076,800</u>
Capital Lease Payable	26,858	-	(26,858)	-	-
Equipment Certificates	410,000	-	(65,000)	345,000	65,000
Compensated Absences	<u>58,846</u>	<u>48,860</u>	<u>(84,972)</u>	<u>22,734</u>	<u>13,640</u>
Governmental Activity Long-term Liabilities	<u>\$ 10,371,802</u>	<u>\$ 1,204,860</u>	<u>\$ (1,119,865)</u>	<u>\$ 10,456,797</u>	<u>\$ 1,155,440</u>
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 1,005,000	\$ -	\$ -	\$ 1,005,000	\$ 315,000
G.O. improvement bonds	768,100	697,000	(12,600)	1,452,500	97,200
Add					
Premium on bonds	118,652	-	(17,427)	101,225	-
Total Bonds Payable	<u>1,891,752</u>	<u>697,000</u>	<u>(30,027)</u>	<u>2,558,725</u>	<u>412,200</u>
Compensated Absences	<u>22,997</u>	<u>19,580</u>	<u>(17,055)</u>	<u>25,522</u>	<u>15,313</u>
Business-type Activity Long-term Liabilities	<u>\$ 1,914,749</u>	<u>\$ 716,580</u>	<u>\$ (47,082)</u>	<u>\$ 2,584,247</u>	<u>\$ 427,513</u>

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At December 31, 2021, 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	2021 Street Projects	ARPA	20th Street Project	Other Governmental Funds
Nonspendable							
Prepaid items	\$ 38,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for							
Debt service	\$ -	\$ 2,267,014	\$ -	\$ 263,540	\$ -	\$ -	\$ -
Charitable or public safety expenditures	-	-	-	-	-	-	41,263
Park dedication	-	-	-	-	-	-	284,772
Total Restricted	\$ -	\$ 2,267,014	\$ -	\$ 263,540	\$ -	\$ -	\$ 326,035
Committed to							
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,537
Surface water maintenance	-	-	-	-	-	-	381,210
ARPA	-	-	-	-	771	-	-
Total Committed	\$ -	\$ -	\$ -	\$ -	\$ 771	\$ -	\$ 385,747
Assigned to							
Substandard roads	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 432,985
Capital projects	-	-	3,325,899	-	-	-	-
2021 12th & Byron Main Court	-	-	-	-	-	-	47,484
20th street project	-	-	-	-	-	-	109,414
Fire equipment	-	-	-	-	-	-	610,514
First responders equipment	-	-	-	-	-	-	27,140
Total Assigned	\$ -	\$ -	\$ 3,325,899	\$ -	\$ -	\$ -	\$ 1,227,537
Unassigned	\$ 2,135,591	\$ -	\$ -	\$ -	\$ -	\$ (112,500)	\$ -

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

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

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan 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.

General Employee Plan Benefits

General Employees Plan 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. Under 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. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 2020 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, 2021, 2020 and 2019 were \$68,059, \$66,590 and \$62,356, 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, 2021

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$529,536 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. 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 \$16,198. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0124 percent which was an increase of 0.0003 percent from its proportion measured as of June 30, 2020.

City's Proportionate Share of the Net Pension Liability	\$	529,536
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		16,198
Total		\$ 545,734

For the year ended December 31, 2021, the City recognized pension expense of \$30,134 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,307 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, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 2,965	\$ 16,160
Changes in Actuarial Assumptions	323,323	11,190
Net Difference Between Projected and Actual Earnings on Plan Investments	-	458,322
Changes in Proportion	36,921	-
Contributions Paid to PERA Subsequent to the Measurement Date	34,613	-
Total	\$ 397,822	\$ 485,672

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

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

The \$34,613 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (1,358)
2023	8,539
2024	(4,560)
2025	(125,084)

E. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions used in the June 30, 2021 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. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

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

The following changes in actuarial assumptions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	25.0	0.75
International Equity	16.5	5.30
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 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.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

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

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 one percentage point lower or one percentage point higher than the current discount rate:

	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 1,079,982	\$ 529,536	\$ 77,860

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.

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, 2021, the balance of the bond outstanding was \$1,435,000. The City has issued an additional conduit debt of \$10,000,000 during 2015 for housing facilities. At December 31, 2021, the balance of the bond outstanding was \$8,281,528. 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.

City of Byron, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 6: COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (“COVID-19”) and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City’s financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Byron, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2021	0.0124 %	\$ 529,536	\$ 16,198	\$ 545,734	\$ 899,434	58.9 %	87.0 %
6/30/2020	0.0121	725,450	22,419	747,869	859,252	84.4	79.0
6/30/2019	0.0113	624,752	19,332	644,084	799,205	78.2	80.2
6/30/2018	0.0111	615,782	20,262	636,044	748,264	82.3	79.5
6/30/2017	0.0112	715,001	9,011	724,012	695,362	102.8	75.9
6/30/2016	0.0108	876,906	11,514	888,420	700,787	125.1	68.9
6/30/2015	0.0096	497,522	-	497,522	554,061	89.8	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)
12/31/21	\$ 68,059	\$ 68,059	\$ -	\$ 907,455	7.50 %
12/31/20	66,590	66,590	-	887,867	7.50
12/31/19	62,356	62,356	-	831,408	7.50
12/31/18	57,711	57,711	-	769,486	7.50
12/31/17	53,020	53,020	-	706,936	7.50
12/31/16	52,385	52,385	-	698,467	7.50
12/31/15	48,646	48,646	-	648,619	7.50

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, 2021

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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.

City of Byron, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - General Employees Fund (Continued)

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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.

2016 - There were no changes in plan provisions since the previous valuation.

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.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Byron, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2021

	Special Revenue	Capital Projects	Total
Assets			
Cash and temporary investments	\$ 410,980	\$ 1,492,669	\$ 1,903,649
Accounts receivable	17,062	19,640	36,702
Due from other governments	-	-	-
	<u>428,042</u>	<u>1,512,309</u>	<u>1,940,351</u>
Total Assets	<u>\$ 428,042</u>	<u>\$ 1,512,309</u>	<u>\$ 1,940,351</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued salaries payable	1,032	-	1,032
Total Liabilities	<u>1,032</u>	<u>-</u>	<u>1,032</u>
Deferred Inflows of Resources			
Unavailable revenues - MSA State aid	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted	41,263	284,772	326,035
Committed	385,747	-	385,747
Assigned	-	1,227,537	1,227,537
Unassigned	-	-	-
Total Fund Balances	<u>427,010</u>	<u>1,512,309</u>	<u>1,939,319</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 428,042</u>	<u>\$ 1,512,309</u>	<u>\$ 1,940,351</u>

City of Byron, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2021

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues			
Intergovernmental	\$ -	\$ 6,505	\$ 6,505
Charges for services	199,901	99,429	299,330
Interest on investments	2,082	4,795	6,877
Miscellaneous	35,400	6,085	41,485
Total Revenues	<u>237,383</u>	<u>116,814</u>	<u>354,197</u>
Expenditures			
Current			
Public works	40,368	-	40,368
Culture and recreation	13,000	-	13,000
Economic development	49,920	-	49,920
Capital outlay			
Public works	-	389,545	389,545
Total Expenditures	<u>103,288</u>	<u>389,545</u>	<u>492,833</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>134,095</u>	<u>(272,731)</u>	<u>(138,636)</u>
Other Financing Sources (Uses)			
Transfers in	-	502,000	502,000
Transfers out	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Total Other Financing Sources (Uses)	<u>(250,000)</u>	<u>502,000</u>	<u>252,000</u>
Net Change in Fund Balances	(115,905)	229,269	113,364
Fund Balances, January 1	<u>542,915</u>	<u>1,283,040</u>	<u>1,825,955</u>
Fund Balances, December 31	<u>\$ 427,010</u>	<u>\$ 1,512,309</u>	<u>\$ 1,939,319</u>

City of Byron, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2021

	201 Economic Development Authority	202 Gambling Donations	203 Surface Water Management	Total
Assets				
Cash and temporary investments	\$ 4,537	\$ 41,263	\$ 365,180	\$ 410,980
Accounts receivable	-	-	17,062	17,062
Total Assets	<u>\$ 4,537</u>	<u>\$ 41,263</u>	<u>\$ 382,242</u>	<u>\$ 428,042</u>
Liabilities				
Accrued salaries payable	\$ -	\$ -	\$ 1,032	\$ 1,032
Fund Balances				
Restricted	-	41,263	-	41,263
Committed	4,537	-	381,210	385,747
Total Fund Balances	<u>4,537</u>	<u>41,263</u>	<u>381,210</u>	<u>427,010</u>
Total Liabilities and Fund Balances	<u>\$ 4,537</u>	<u>\$ 41,263</u>	<u>\$ 382,242</u>	<u>\$ 428,042</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, 2021

	201 Economic Development Authority	202 Gambling Donations	203 Surface Water Management	Total
Revenues				
Charges for services	\$ -	\$ -	\$ 199,901	\$ 199,901
Interest on investments	412	121	1,549	2,082
Miscellaneous	-	35,400	-	35,400
Total Revenues	<u>412</u>	<u>35,521</u>	<u>201,450</u>	<u>237,383</u>
Expenditures				
Current				
Public works	-	-	40,368	40,368
Culture and recreation	-	13,000	-	13,000
Economic development	49,920	-	-	49,920
Total Expenditures	<u>49,920</u>	<u>13,000</u>	<u>40,368</u>	<u>103,288</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,508)	22,521	161,082	134,095
Other Financing Uses				
Transfers out	<u>(250,000)</u>	-	-	<u>(250,000)</u>
Net Change in Fund Balances	(299,508)	22,521	161,082	(115,905)
Fund Balances, January 1	<u>304,045</u>	<u>18,742</u>	<u>220,128</u>	<u>542,915</u>
Fund Balances, December 31	<u>\$ 4,537</u>	<u>\$ 41,263</u>	<u>\$ 381,210</u>	<u>\$ 427,010</u>

City of Byron, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2021

	403	405	409	410
	Substandard Roads	Park Dedication	Fire Equipment	First Responders Equipment
Assets				
Cash and temporary investments	\$ 431,345	\$ 267,772	\$ 609,514	\$ 27,140
Accounts receivable	1,640	17,000	1,000	-
Due from other governments	-	-	-	-
Total Assets	<u>\$ 432,985</u>	<u>\$ 284,772</u>	<u>\$ 610,514</u>	<u>\$ 27,140</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred Inflows of Resources				
Unavailable revenues - MSA State aid	-	-	-	-
Fund Balances				
Restricted	-	284,772	-	-
Assigned	432,985	-	610,514	27,140
Unassigned	-	-	-	-
Total Fund Balances	<u>432,985</u>	<u>284,772</u>	<u>610,514</u>	<u>27,140</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 432,985</u>	<u>\$ 284,772</u>	<u>\$ 610,514</u>	<u>\$ 27,140</u>

411	408	
<u>2021 12th & Byron Main Crt</u>	<u>2020 Street Improvements</u>	<u>Total</u>
\$ 47,484	\$ 109,414	\$ 1,492,669
-	-	19,640
-	-	-
<u>\$ 47,484</u>	<u>\$ 109,414</u>	<u>\$ 1,512,309</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-
-	-	284,772
47,484	109,414	1,227,537
-	-	-
<u>47,484</u>	<u>109,414</u>	<u>1,512,309</u>
<u>\$ 47,484</u>	<u>\$ 109,414</u>	<u>\$ 1,512,309</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, 2021

	403	405	409	410
	Substandard Roads	Park Dedication	Fire Equipment	First Responders Equipment
Revenues				
Intergovernmental	\$ -	\$ -	\$ 6,505	\$ -
Charges for services	35,989	57,230	6,210	-
Interest on investments	1,432	846	1,511	83
Miscellaneous	-	-	6,085	-
Total Revenues	<u>37,421</u>	<u>58,076</u>	<u>20,311</u>	<u>83</u>
Expenditures				
Capital outlay				
Public works	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	37,421	58,076	20,311	83
Other Financing Sources				
Transfers in	-	-	120,000	12,000
Net Change in Fund Balances	37,421	58,076	140,311	12,083
Fund Balances, January 1	<u>395,564</u>	<u>226,696</u>	<u>470,203</u>	<u>15,057</u>
Fund Balances, December 31	<u>\$ 432,985</u>	<u>\$ 284,772</u>	<u>\$ 610,514</u>	<u>\$ 27,140</u>

411	408	
<u>2021 12th & Byron Main Crt</u>	<u>2020 Street Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 6,505
-	-	99,429
238	685	4,795
-	-	6,085
<u>238</u>	<u>685</u>	<u>116,814</u>
<u>322,754</u>	<u>66,791</u>	<u>389,545</u>
(322,516)	(66,106)	(272,731)
<u>370,000</u>	<u>-</u>	<u>502,000</u>
47,484	(66,106)	229,269
-	175,520	1,283,040
<u>47,484</u>	<u>109,414</u>	<u>1,512,309</u>

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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, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property	\$ 2,618,980	\$ 2,618,980	\$ 2,587,021	\$ (31,959)	\$ 2,638,692
Cable franchise	50,800	50,800	55,082	4,282	53,957
Total taxes	<u>2,669,780</u>	<u>2,669,780</u>	<u>2,642,103</u>	<u>(27,677)</u>	<u>2,692,649</u>
Licenses and permits					
Business	20,000	20,000	33,701	13,701	33,235
Nonbusiness	112,000	112,000	119,348	7,348	148,655
Total licenses and permits	<u>132,000</u>	<u>132,000</u>	<u>153,049</u>	<u>21,049</u>	<u>181,890</u>
Intergovernmental					
Federal	-	-	-	-	434,713
State					
Fire aid	51,743	51,743	55,071	3,328	51,743
Other state grants	47,400	47,400	23,338	(24,062)	78,639
Local	-	-	600	600	3,000
Total intergovernmental	<u>99,143</u>	<u>99,143</u>	<u>79,009</u>	<u>(20,134)</u>	<u>568,095</u>
Charges for services					
General government	5,000	5,000	7,450	2,450	8,275
Public safety	16,449	16,449	128,836	112,387	114,193
Culture and recreation	20,000	20,000	28,756	8,756	24,259
Total charges for services	<u>41,449</u>	<u>41,449</u>	<u>165,042</u>	<u>123,593</u>	<u>146,727</u>
Special assessments	-	-	12,438	12,438	10,502
Interest on investments	15,000	15,000	983	(14,017)	26,494
Miscellaneous					
Refunds and reimbursements	-	-	89,763	89,763	20,540
Other	10,000	10,000	19,854	9,854	18,343
Total miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>109,617</u>	<u>99,617</u>	<u>38,883</u>
Total Revenues	<u>2,967,372</u>	<u>2,967,372</u>	<u>3,162,241</u>	<u>194,869</u>	<u>3,665,240</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, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$ 83,063	\$ 83,063	\$ 66,669	\$ 16,394	\$ 68,031
Supplies	2,000	2,000	1,724	276	357
Other services and charges	28,900	28,900	31,115	(2,215)	16,352
Total mayor and council	<u>113,963</u>	<u>113,963</u>	<u>99,508</u>	<u>14,455</u>	<u>84,740</u>
City hall					
Other services and charges	<u>44,000</u>	<u>44,000</u>	<u>35,634</u>	<u>8,366</u>	<u>31,910</u>
Personal services	60,184	60,184	57,006	3,178	54,841
Supplies	8,496	8,496	6,657	1,839	1,100
Other services and charges	<u>42,550</u>	<u>42,550</u>	<u>28,045</u>	<u>14,505</u>	<u>250,519</u>
Total finance	<u>111,230</u>	<u>111,230</u>	<u>91,708</u>	<u>19,522</u>	<u>306,460</u>
Auditing and accounting					
Other services and charges	<u>111,000</u>	<u>111,000</u>	<u>76,359</u>	<u>34,641</u>	<u>71,731</u>
Legal					
Other services and charges	<u>5,000</u>	<u>5,000</u>	<u>4,667</u>	<u>333</u>	<u>712</u>
Planning and zoning					
Personal services	90,249	90,249	82,468	7,781	99,946
Supplies	-	-	1,525	(1,525)	488
Other services and charges	<u>18,000</u>	<u>18,000</u>	<u>13,724</u>	<u>4,276</u>	<u>13,595</u>
Total planning and zoning	<u>108,249</u>	<u>108,249</u>	<u>97,717</u>	<u>10,532</u>	<u>114,029</u>
Total general government	<u>493,442</u>	<u>493,442</u>	<u>405,593</u>	<u>87,849</u>	<u>609,582</u>
Public safety					
Police					
Other services and charges	<u>355,457</u>	<u>355,457</u>	<u>353,631</u>	<u>1,826</u>	<u>348,154</u>
Fire					
Personal services	52,800	52,800	53,173	(373)	48,088
Supplies	31,000	31,000	34,439	(3,439)	28,820
Other services and charges	69,500	69,500	46,121	23,379	64,101
Fire relief pension payment	<u>66,743</u>	<u>66,743</u>	<u>70,071</u>	<u>(3,328)</u>	<u>66,743</u>
Total fire	<u>220,043</u>	<u>220,043</u>	<u>203,804</u>	<u>16,239</u>	<u>207,752</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, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
First responders					
Personal services	\$ 26,780	\$ 26,780	\$ 27,184	\$ (404)	\$ 25,465
Supplies	7,189	7,189	5,603	1,586	7,012
Other services and charges	14,771	14,771	5,917	8,854	6,695
Total first responders	<u>48,740</u>	<u>48,740</u>	<u>38,704</u>	<u>10,036</u>	<u>39,172</u>
Animal control					
Personal services	4,206	4,206	3,834	372	3,390
Supplies	100	100	-	100	-
Total animal control	<u>4,306</u>	<u>4,306</u>	<u>3,834</u>	<u>472</u>	<u>3,390</u>
Building inspections					
Personal services	25,865	25,865	19,578	6,287	16,361
Supplies	-	-	247	(247)	-
Other services and charges	109,000	109,000	59,140	49,860	93,026
Total building inspections	<u>134,865</u>	<u>134,865</u>	<u>78,965</u>	<u>55,900</u>	<u>109,387</u>
Total public safety	<u>763,411</u>	<u>763,411</u>	<u>678,938</u>	<u>84,473</u>	<u>707,855</u>
Public works					
Engineering					
Other services and charges	<u>30,000</u>	<u>30,000</u>	<u>19,010</u>	<u>10,990</u>	<u>43,490</u>
Streets and alleys					
Personal services	195,915	195,915	155,797	40,118	152,390
Supplies	27,500	27,500	28,428	(928)	22,644
Other services and charges	203,000	203,000	189,661	13,339	118,893
Total streets and alleys	<u>426,415</u>	<u>426,415</u>	<u>373,886</u>	<u>52,529</u>	<u>293,927</u>
Snow and ice removal					
Personal services	79,052	79,052	81,978	(2,926)	68,553
Supplies	22,500	22,500	16,192	6,308	12,832
Other services and charges	20,450	20,450	16,091	4,359	7,696
Total snow and ice removal	<u>122,002</u>	<u>122,002</u>	<u>114,261</u>	<u>7,741</u>	<u>89,081</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, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Street lighting					
Other services and charges	\$ 135,000	\$ 135,000	\$ 110,408	\$ 24,592	\$ 100,271
Total public works	713,417	713,417	617,565	95,852	526,769
Culture and recreation					
Municipal parks					
Personal services	207,474	207,474	202,596	4,878	148,142
Supplies	36,000	36,000	34,382	1,618	29,173
Other services and charges	70,300	70,300	54,484	15,816	46,260
Total municipal parks	313,774	313,774	291,462	22,312	223,575
Swimming pool					
Personal services	54,154	54,154	45,006	9,148	34,353
Supplies	11,300	11,300	7,656	3,644	7,572
Other services and charges	35,000	35,000	27,601	7,399	89,223
Total swimming pool	100,454	100,454	80,263	20,191	131,148
Cable					
Personal services	6,231	6,231	5,931	300	1,794
Total culture and recreation	420,459	420,459	377,656	42,803	356,517
Economic development					
Personal services	117,575	117,575	116,713	862	85,312
Supplies	1,200	1,200	24,029	(22,829)	650
Other services and charges	268,149	268,149	236,932	31,217	31,082
Total economic development	386,924	386,924	377,674	9,250	117,044
Total current	2,777,653	2,777,653	2,457,426	320,227	2,317,767

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, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 38,141	\$ 38,141	\$ 695	\$ 37,446	\$ -
Public safety	122,578	122,578	553	122,025	1,991
Public works	2,500	2,500	-	2,500	146,500
Culture and recreation	26,500	26,500	22,885	3,615	20,473
Total capital outlay	<u>189,719</u>	<u>189,719</u>	<u>24,133</u>	<u>165,586</u>	<u>168,964</u>
Total Expenditures	<u>2,967,372</u>	<u>2,967,372</u>	<u>2,481,559</u>	<u>485,813</u>	<u>2,486,731</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>680,682</u>	<u>680,682</u>	<u>1,178,509</u>
Other Financing Sources (Uses)					
Land sale	-	-	-	-	182,271
Transfers out	<u>-</u>	<u>-</u>	<u>(133,172)</u>	<u>(133,172)</u>	<u>(1,016,566)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(133,172)</u>	<u>(133,172)</u>	<u>(834,295)</u>
Net Change in Fund Balances	-	-	547,510	547,510	344,214
Fund Balances, January 1	<u>1,626,218</u>	<u>1,626,218</u>	<u>1,626,218</u>	<u>-</u>	<u>1,282,004</u>
Fund Balances, December 31	<u><u>\$ 1,626,218</u></u>	<u><u>\$ 1,626,218</u></u>	<u><u>\$ 2,173,728</u></u>	<u><u>\$ 547,510</u></u>	<u><u>\$ 1,626,218</u></u>

City of Byron, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2021

	306 2016A Improvement Bonds	319 2018 Public Works Building Debt	320 2020A Improvement Bonds	302 2011A Improvement Bonds
Assets				
Cash and temporary investments	\$ (55,619)	\$ 17,113	\$ 257,442	\$ -
Cash with fiscal agent	345,800	-	-	-
Special assessments receivable	-	-	88,059	-
Total Assets	<u>\$ 290,181</u>	<u>\$ 17,113</u>	<u>\$ 345,501</u>	<u>\$ -</u>
Deferred Inflows of Resources				
Unavailable revenues - special assessments	\$ -	\$ -	\$ 88,059	\$ -
Fund Balances				
Restricted for debt service	<u>290,181</u>	<u>17,113</u>	<u>257,442</u>	<u>-</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 290,181</u>	<u>\$ 17,113</u>	<u>\$ 345,501</u>	<u>\$ -</u>

304 2020B Improvement Bonds	305 2015A Improvement Bonds	312 2021A Improvement Bonds	Total
\$ 579,390	\$ 841,794	42,594	\$ 1,682,714
238,500	-	-	584,300
82,018	-	200,207	370,284
<u>\$ 899,908</u>	<u>\$ 841,794</u>	<u>\$ 242,801</u>	<u>\$ 2,637,298</u>
\$ 82,018	\$ -	\$ 200,207	\$ 370,284
<u>817,890</u>	<u>841,794</u>	<u>42,594</u>	<u>2,267,014</u>
<u>\$ 899,908</u>	<u>\$ 841,794</u>	<u>\$ 242,801</u>	<u>\$ 2,637,298</u>

City of Byron, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2021

	306 2016A Improvement Bonds	319 2018 Public Works Building Debt	320 2020A Improvement Bonds	302 2011A Street Bonds
Revenues				
Property taxes	\$ 392,020	\$ 346,767	\$ 253,095	\$ -
Special assessments	-	-	7,480	6,683
Interest on investments	442	601	239	233
Total Revenues	<u>392,462</u>	<u>347,368</u>	<u>260,814</u>	<u>6,916</u>
Expenditures				
Debt service				
Principal	305,000	308,000	-	65,000
Interest and other	64,650	22,255	55,804	1,690
Total Expenditures	<u>369,650</u>	<u>330,255</u>	<u>55,804</u>	<u>66,690</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,812</u>	<u>17,113</u>	<u>205,010</u>	<u>(59,774)</u>
Other Financing Sources				
Transfers in	-	-	-	1,172
Bonds issued	-	-	-	-
Net Change in Fund Balances	22,812	17,113	205,010	(58,602)
Fund Balances, January 1	<u>267,369</u>	<u>-</u>	<u>52,432</u>	<u>58,602</u>
Fund Balances, December 31	<u>\$ 290,181</u>	<u>\$ 17,113</u>	<u>\$ 257,442</u>	<u>\$ -</u>

304 2020B Refunding Bond	305 2015A Improvement Bonds	312 2021A Improvement Bonds	Total
\$ 294,481	\$ 111,720	\$ -	\$ 1,398,083
13,164	-	36,820	64,147
3,092	2,944	87	7,638
<u>310,737</u>	<u>114,664</u>	<u>36,907</u>	<u>1,469,868</u>
225,000	57,400	-	960,400
79,548	29,848	2,550	256,345
<u>304,548</u>	<u>87,248</u>	<u>2,550</u>	<u>1,216,745</u>
<u>6,189</u>	<u>27,416</u>	<u>34,357</u>	<u>253,123</u>
-	-	-	1,172
-	-	8,237	8,237
6,189	27,416	42,594	262,532
<u>811,701</u>	<u>814,378</u>	<u>-</u>	<u>2,004,482</u>
<u>\$ 817,890</u>	<u>\$ 841,794</u>	<u>\$ 42,594</u>	<u>\$ 2,267,014</u>

City of Byron, Minnesota
Supplemental Information
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2021 and 2020

	Total		Percent Increase (Decrease)
	2021	2020	
Revenues			
Taxes	\$ 4,540,186	\$ 4,232,944	7.3 %
Licenses and permits	153,049	181,890	(15.9)
Intergovernmental	508,945	1,940,285	(73.8)
Charges for services	464,372	385,200	20.6
Special assessments	133,626	413,536	(67.7)
Interest on investments	25,631	96,186	(73.4)
Miscellaneous	166,873	152,897	9.1
	<u>\$ 5,992,682</u>	<u>\$ 7,402,938</u>	(19.1) %
Total Revenues	<u>\$ 5,992,682</u>	<u>\$ 7,402,938</u>	(19.1) %
Per Capita	\$ 949	\$ 1,245	(23.8) %
Expenditures			
Current			
General government	\$ 405,593	\$ 609,582	(33.5) %
Public safety	678,938	707,855	(4.1)
Public works	657,933	1,084,199	(39.3)
Culture and recreation	390,656	369,517	5.7
Economic development	427,594	117,044	265.3
Capital outlay			
General government	456,693	117,696	288.0
Public safety	34,472	4,801	618.0
Public works	1,389,570	2,977,300	(53.3)
Culture and recreation	98,488	321,741	(69.4)
Debt service			
Principal	987,258	949,242	4.0
Interest and other charges	275,924	346,878	(20.5)
	<u>\$ 5,803,119</u>	<u>\$ 7,605,855</u>	(23.7) %
Total Expenditures	<u>\$ 5,803,119</u>	<u>\$ 7,605,855</u>	(23.7) %
Per Capita	\$ 919	\$ 1,279	(28.1) %
Total Long-term Indebtedness	\$ 10,049,500	\$ 9,853,900	2.0 %
Per Capita	1,592	1,658	(3.9)
General Fund Balance - December 31	\$ 2,173,728	\$ 1,626,218	33.7 %
Per Capita	344	274	25.9

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 Cami Reber, Finance Director at (507) 775-3417.

OTHER REQUIRED REPORT

CITY OF BYRON
BYRON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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**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, 2021, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 8, 2022.

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. 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
Minneapolis, Minnesota
June 8, 2022