

# Annual Financial Report

## City of Byron

Byron, Minnesota

For the year ended December 31, 2023



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Annual Financial Report  
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For the Year Ended December 31, 2023

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INTRODUCTORY SECTION

CITY OF BYRON  
BYRON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2023

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City of Byron, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2023

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Daryl Glassmaker	Mayor	12/31/24
Dan Even	Council Member	12/31/26
Matt Brekke	Council Member	12/31/24
Steven Cook	Council Member	12/31/24
Justin Blom	Council Member	12/31/26

**APPOINTED**

<u>Name</u>	<u>Title</u>
Al Roder	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, 2023

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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 each major fund of the governmental and business type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Byron, Minnesota (the City), as of and for the year ended December 31, 2023, 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
Discretely Presented Component Unit	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, each major fund and the aggregate remaining fund information of the City as of December 31, 2023, 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, 2023, 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 68 be presented to supplement the basic financial statements. Such information is the responsibility of management, 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.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



**Abdo**  
Minneapolis, Minnesota  
April 17, 2024



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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, 2023.

### **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 as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net position table on the following pages. The increase this year was due to an increase in construction in progress and an overall increase in tax revenue.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance decreased in comparison with the prior year. This decrease was mainly due to spending for the City's recent projects. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion.
- Unassigned fund balance in the General Fund as shown in the Financial Analysis of the City's Funds section increased from the prior year.
- The City's total bonded debt decreased during the current fiscal year. The decrease was a result of scheduled debt service payments as shown in the outstanding debt table.

## 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**

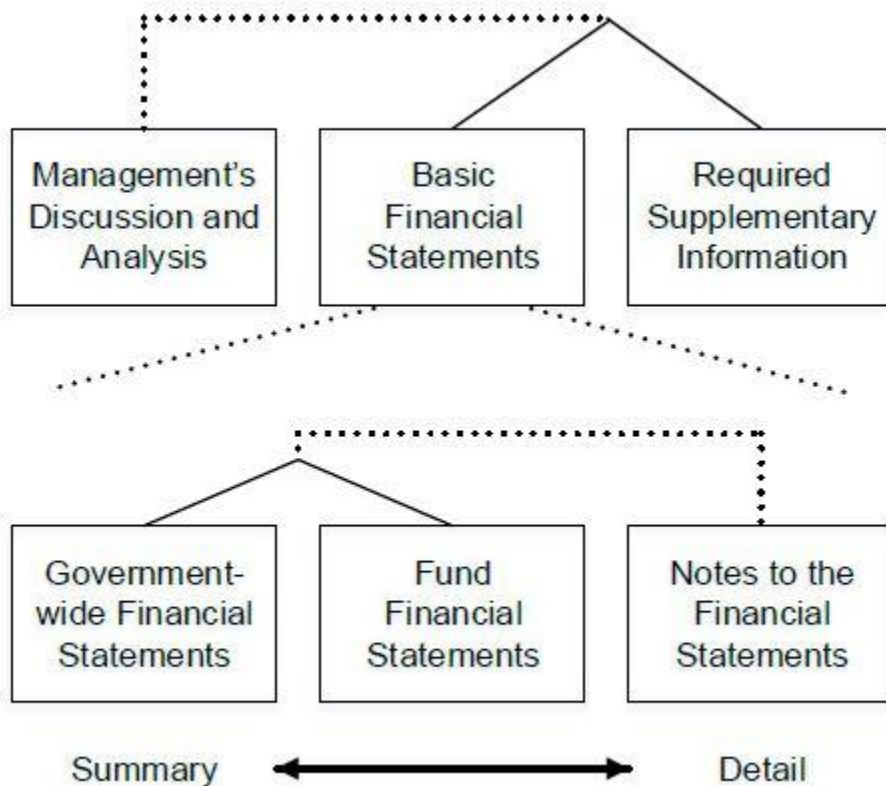


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>
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. Financial information for this *component unit* is discretely presented for 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, six 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, Capital Reserves fund and the 20<sup>th</sup> 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 39 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 43 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 68 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 financial statements and schedules start on page 72 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 in the most recent fiscal year as shown below.

The largest portion of the City’s net position 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		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 12,742,559	\$ 14,002,663	\$ (1,260,104)	\$ 2,669,490	\$ 4,657,657	\$ (1,988,167)
Capital assets	27,778,699	22,892,964	4,885,735	14,966,060	13,069,256	1,896,804
<b>Total Assets</b>	<b>40,521,258</b>	<b>36,895,627</b>	<b>3,625,631</b>	<b>17,635,550</b>	<b>17,726,913</b>	<b>(91,363)</b>
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	106,721	178,096	\$ (71,375)	69,897	119,379	\$ (49,482)
<b>Liabilities</b>						
Noncurrent liabilities outstanding	8,276,235	9,815,862	(1,539,627)	1,950,851	2,552,482	(601,631)
Other liabilities	740,629	833,112	(92,483)	170,808	324,088	(153,280)
<b>Total Liabilities</b>	<b>9,016,864</b>	<b>10,648,974</b>	<b>(1,632,110)</b>	<b>2,121,659</b>	<b>2,876,570</b>	<b>(754,911)</b>
<b>Deferred Inflows of Resources</b>						
Deferred revenue - grants	1,014,293	-	1,014,293	-	-	-
Deferred pension resources	135,602	9,881	125,721	88,811	6,622	82,189
<b>Total Deferred Inflows of Resources</b>	<b>1,149,895</b>	<b>9,881</b>	<b>1,140,014</b>	<b>88,811</b>	<b>6,622</b>	<b>82,189</b>
<b>Net Position</b>						
Net investment in capital assets	19,931,566	13,674,996	6,256,570	13,305,722	10,925,690	2,380,032
Restricted for						
Debt service	2,700,413	2,670,914	29,499	-	-	-
Public safety	286,761	-	286,761	-	-	-
Park dedication	308,381	312,893	(4,512)	-	-	-
Unrestricted	7,234,099	9,756,065	(2,521,966)	2,189,255	4,037,410	(1,848,155)
<b>Total Net Position</b>	<b>\$ 30,461,220</b>	<b>\$ 26,414,868</b>	<b>\$ 4,046,352</b>	<b>\$ 15,494,977</b>	<b>\$ 14,963,100</b>	<b>\$ 531,877</b>
<b>Net Position</b>						
Net investment in capital assets	65.5 %	51.8 %		85.9 %	73.0 %	
Restricted for	10.8	11.3		-	-	
Unrestricted	23.7	36.9		14.1	27.0	
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>		<b>100.0 %</b>	<b>100.0 %</b>	

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

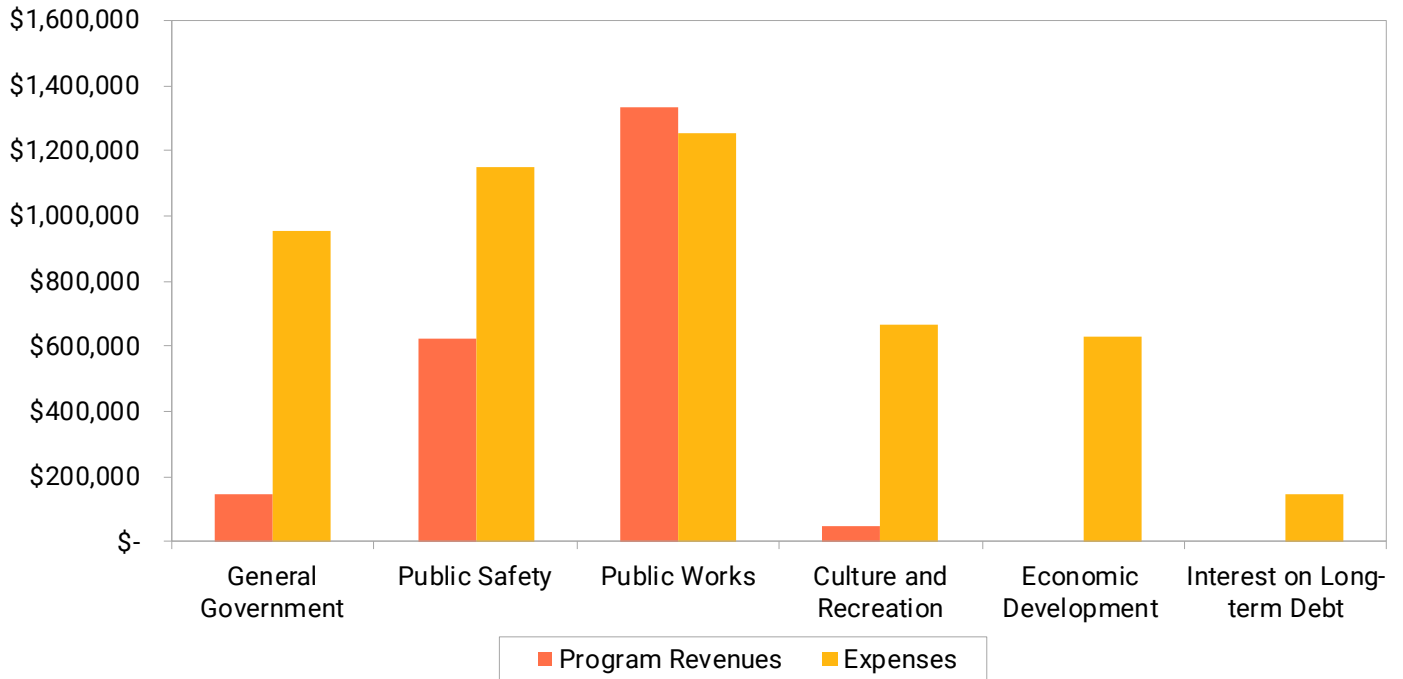
**Governmental Activities.** Governmental activities increased the City's net position, as shown below. This increase was mainly due to an increase in tax revenue and construction in progress. Key elements of this increase are as follows:

### City of Byron's Changes in Net Position

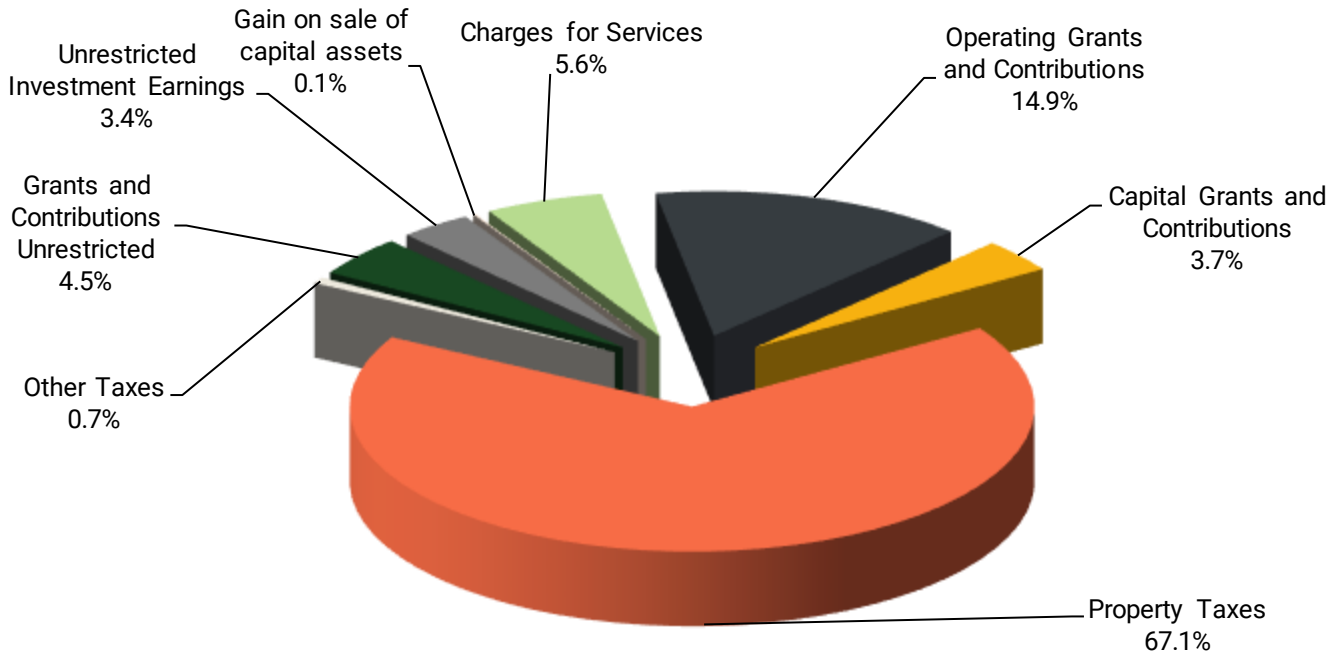
	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 499,299	\$ 837,032	\$ (337,733)	\$ 2,405,883	\$ 2,247,805	\$ 158,078
Operating grants and contributions	1,322,071	1,878,002	(555,931)	34	584,799	(584,765)
Capital grants and contributions	323,740	10,373	313,367	69,615	359,305	(289,690)
General Revenues						
Taxes						
Property taxes	5,928,556	4,731,805	1,196,751	-	-	-
Franchise taxes	60,995	50,605	10,390	-	-	-
Grants and contributions not restricted to specific programs	400,070	387,349	12,721	-	-	-
Unrestricted investment earnings	297,902	65,749	232,153	89,900	20,675	69,225
Gain on sale of capital assets	13,093	920,101	(907,008)	-	-	-
Total Revenues	8,845,726	8,881,016	(35,290)	2,565,432	3,212,584	(647,152)
Expenses						
General government	955,855	1,224,251	(268,396)	-	-	-
Public safety	1,152,062	834,854	317,208	-	-	-
Public works	1,257,064	1,599,793	(342,729)	-	-	-
Culture and recreation	664,873	685,878	(21,005)	-	-	-
Economic development	626,627	205,976	420,651	-	-	-
Interest on long-term debt	142,893	180,090	(37,197)	-	-	-
Sewer	-	-	-	1,268,356	1,453,047	(184,691)
Water	-	-	-	765,199	756,941	8,258
Total Expenses	4,799,374	4,730,842	68,532	2,033,555	2,209,988	(176,433)
Change in Net Position	4,046,352	4,150,174	(103,822)	531,877	1,002,596	(470,719)
Net Position, January 1	26,414,868	22,264,694	4,150,174	14,963,100	13,960,504	1,002,596
Net Position, December 31	\$ 30,461,220	\$ 26,414,868	\$ 4,046,352	\$ 15,494,977	\$ 14,963,100	\$ 531,877

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

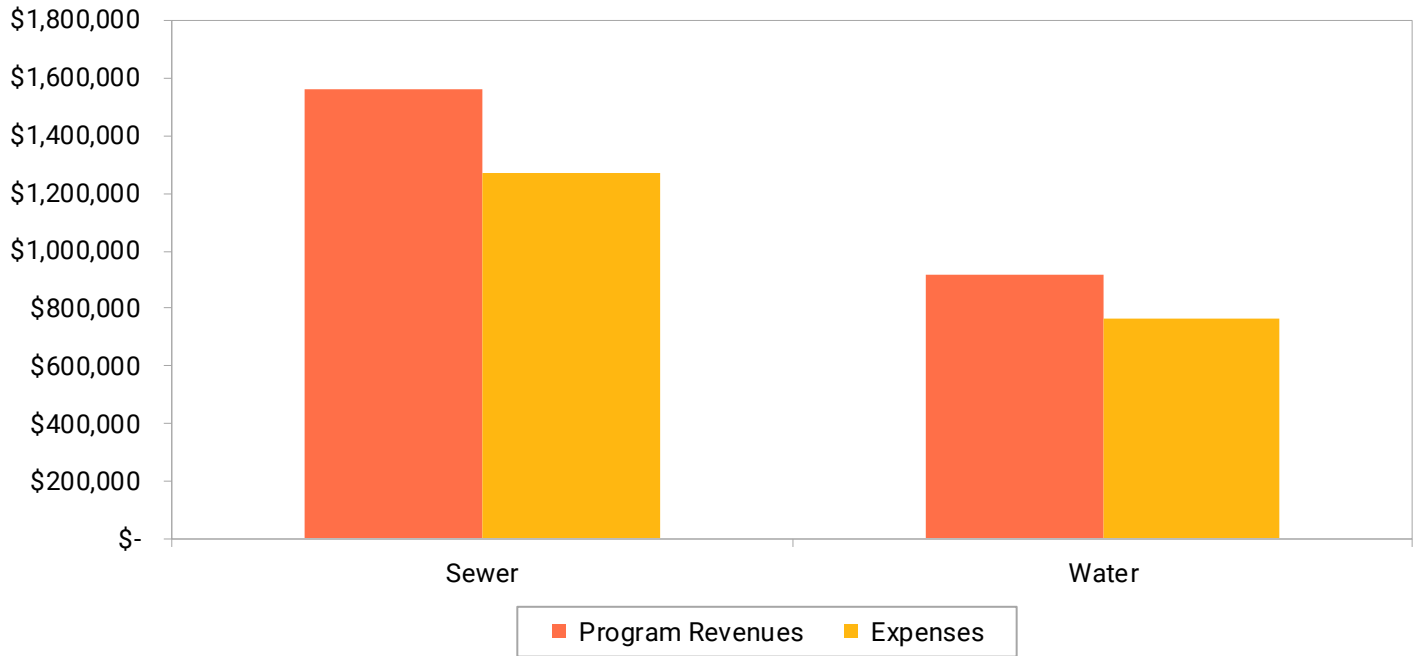


### Revenues by Source - Governmental Activities

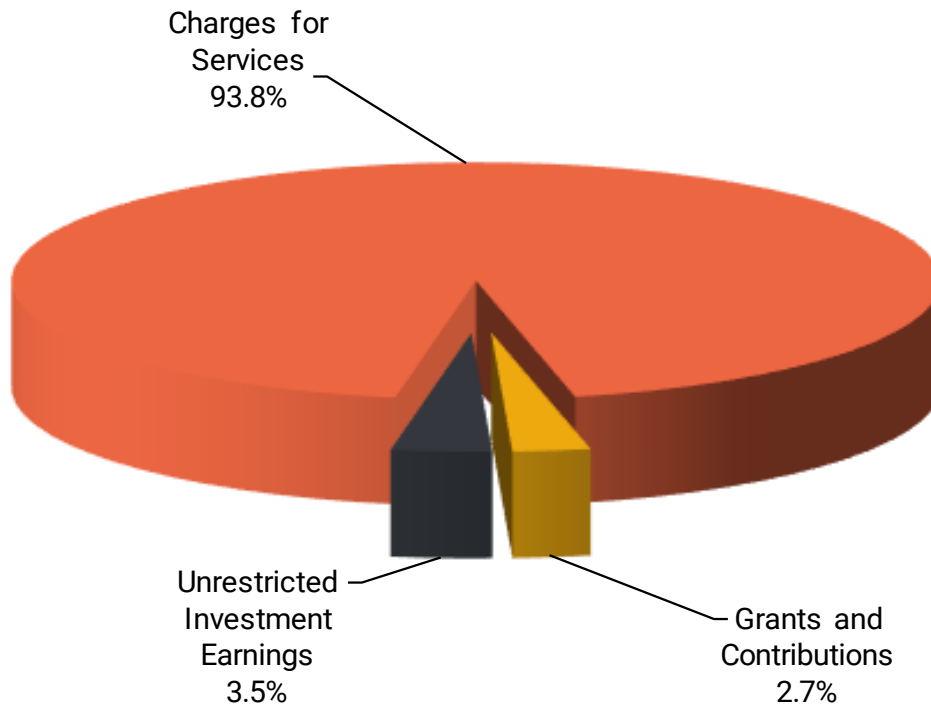


**Business-type Activities.** Business-type activities increased the City's net position, as shown in the changes in net position table.

### 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. The table below outlines the governmental fund balances for the year ending December 31, 2023.

	General	Debt Service	Capital Reserves	20th Street Project	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances								
Nonspendable	\$ 54,362	\$ -	\$ -	\$ -	\$ -	\$ 54,362	\$ 45,925	\$ 8,437
Restricted	-	2,461,001	-	-	595,142	3,056,143	2,705,214	350,929
Committed	-	-	-	-	637,347	637,347	547,294	90,053
Assigned	-	-	3,930,323	-	1,637,410	5,567,733	7,281,218	(1,713,485)
Unassigned	2,408,083	-	-	(1,392,906)	-	1,015,177	2,187,337	(1,172,160)
	<u>\$ 2,462,445</u>	<u>\$ 2,461,001</u>	<u>\$ 3,930,323</u>	<u>\$ (1,392,906)</u>	<u>\$ 2,869,899</u>	<u>\$ 10,330,762</u>	<u>\$ 12,766,988</u>	<u>\$ (2,436,226)</u>

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 50 of this report.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percentage of total fund expenditures is shown in the chart below, along with total fund balances as a percentage of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 54,362	\$ 45,925	\$ 8,437
Unassigned	2,408,083	2,289,642	118,441
Total	<u>\$ 2,462,445</u>	<u>\$ 2,335,567</u>	<u>\$ 126,878</u>
General Fund expenditures	\$ 2,769,086	\$ 2,494,609	
Unassigned as a percent of expenditures	87.0%	91.8%	
Total Fund Balance as a percent of expenditures	88.9%	93.6%	

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance was due to positive budget variances in both revenues and expenditures.

Other major governmental fund analysis is shown below:

	December 31, 2023	December 31, 2022	Increase (Decrease)
Debt Service fund	\$ 2,461,001	\$ 2,392,321	\$ 68,680
<i>The Debt Service fund increase in fund balance during the year was due to property tax revenues in excess of debt service payments.</i>			
Capital Reserves fund	3,930,323	5,190,858	(1,260,535)
<i>The Capital Reserves total fund balance decreased during the year due to multiple ongoing projects.</i>			
20th Street Project fund	(1,392,906)	659,145	(2,052,051)
<i>The 20th Street Project total fund balance decreased during the year due to construction costs that will be funded by future grant revenue coming in 2024.</i>			

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased or (decreased) as follows:

	Ending Net Position 2023	Ending Net Position 2022	Increase/ (Decrease)
Water Utility	\$ 4,409,158	\$ 4,208,424	\$ 200,734
<i>The increase is primarily attributed to an increase in charges for services during the current year.</i>			
Sewer Utility	11,085,819	10,754,676	331,143
<i>The increase is primarily attributed to an increase in charges for services during the current year.</i>			

### General Fund Budgetary Highlights

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 3,059,935	\$ 3,136,642	\$ 76,707
Expenditures	2,920,759	2,769,086	151,673
Excess of Revenues Over Expenditures	139,176	367,556	228,380
Other Financing Sources (Uses)			
Transfers out	(139,176)	(277,403)	(138,227)
Sale of capital assets	-	13,093	13,093
Total Other Financing Uses	(139,176)	(240,678)	(101,502)
Net Change in Fund Balances	-	126,878	126,878
Fund Balances, January 1	2,335,567	2,335,567	-
Fund Balances, December 31	\$ 2,335,567	\$ 2,462,445	\$ 126,878

The City's General fund final budget is shown above. Actual revenues were over the final budget and expenditures were under the final budget amounts, as shown above.

## 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, 2023, is shown below in capital asset table (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, infrastructure and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year for governmental and business-type activities is due to an increase in construction in progress current projects for the year.

Major public project capital asset events during the current fiscal year were as follows:

- Country Club Road Project
- 2023 Street Improvement Project
- 20<sup>th</sup> Street Improvement Project
- South Hwy 14 Sewer Extension Project

Additional information on the City's capital assets can be found in Note 3B starting on page 53 of this report.

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

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Land and Land Improvements	\$ 1,374,296	\$ 1,317,254	\$ 57,042	\$ 52,300	\$ 52,300	\$ -
Construction in Progress	6,831,268	1,901,268	4,930,000	3,478,139	1,967,160	1,510,979
Buildings	7,149,462	6,670,793	478,669	11,520	73,992	(62,472)
Infrastructure	11,336,844	11,886,069	(549,225)	11,254,759	10,756,239	498,520
Machinery and Equipment	1,086,829	1,117,580	(30,751)	169,342	219,565	(50,223)
Total	<u>\$ 27,778,699</u>	<u>\$ 22,892,964</u>	<u>\$ 4,885,735</u>	<u>\$ 14,966,060</u>	<u>\$ 13,069,256</u>	<u>\$ 1,896,804</u>

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding consisting of special assessment debt, revenue related debt, and general obligation debt as noted in the table below. 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		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
General Obligation Improvement Bonds	\$ 5,547,840	\$ 6,596,040	\$ (1,048,200)	\$ 1,256,160	\$ 1,381,960	\$ (125,800)
General Obligation Revenue Bonds	-	-	-	350,000	690,000	(340,000)
General Obligation Tax Abatement Bond	1,800,000	2,005,000	(205,000)	-	-	-
General Obligation Equipment Certificates	210,000	280,000	(70,000)	-	-	-
Premium on Bonds	289,293	336,928	(47,635)	54,178	71,606	(17,428)
Total	<u>\$ 7,847,133</u>	<u>\$ 9,217,968</u>	<u>\$ (1,370,835)</u>	<u>\$ 1,660,338</u>	<u>\$ 2,143,566</u>	<u>\$ (483,228)</u>

The City's total long-term debt decreased during the current fiscal year, as shown above. The decrease can mainly be attributed to scheduled bond payments.

Additional information on the City's long-term debt can be found in Note 3E starting on page 55 of this report.

### **Economic Factors and Next Year's Budgets and Rates (2024)**

The City of Byron is located roughly 10 miles from Rochester, which is home to the world-famous Mayo Medical Facilities. Rochester continues to grow its economic development initiative through the DMC (Destination Medical Center) concept with a recent \$5.0 billion investment. This initiative also continues the spurred interest in land and commercial growth for the City of Byron.

In 2023, even though the City saw a decrease in the value of its new residential building permits, the overall total value of all permits issued kept us in line with past years. We still issue more building permits than our neighboring cities.

For 2023, the City held steady on our tax rate due to the large increase in property market values and the ability to hold our spending level. We put those extra dollars into our CIP Fund to help us pay for the Capital Projects listed in our CIP. Most of the 2023 projects were paid using City cash reserves along with grants and state aid dollars.

The City refined its Capital Spending Plan and has projected out 10+ years on projects and capital equipment purchases. We anticipate maintaining the same tax rate for 2024 and have plans for a minor street project and various smaller projects and equipment spending. We finished up a water rate study very late in 2023 and plan to start the sewer and storm water rate study in 2024. Due to the continued residential and commercial growth in the City, there will be the need to upgrade our sewer collection system and water infrastructure in the future.

### **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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BYRON  
BYRON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2023

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City of Byron, Minnesota

Statement of Net Position

December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>Assets</b>				
Cash and temporary investments	\$ 10,899,123	\$ 2,478,909	\$ 13,378,032	\$ 85,529
Restricted cash with fiscal agent	606,375	-	606,375	-
Receivables				
Accrued interest	3,010	-	3,010	-
Taxes	148,233	-	148,233	-
Accounts	57,237	167,792	225,029	-
Special assessments	588,360	-	588,360	-
Due from other governments	385,859	-	385,859	-
Prepaid items	54,362	22,789	77,151	-
Capital assets				
Land and construction in progress	8,205,564	3,530,439	11,736,003	-
Depreciable assets (net of accumulated depreciation)	19,573,135	11,435,621	31,008,756	-
Total Assets	<u>40,521,258</u>	<u>17,635,550</u>	<u>58,156,808</u>	<u>85,529</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	106,721	69,897	176,618	-
<b>Liabilities</b>				
Accounts payable	632,714	122,588	755,302	-
Due to other governments	-	23,765	23,765	-
Accrued salaries payable	27,420	14,282	41,702	-
Accrued interest payable	38,256	10,173	48,429	-
Deposits payable	14,979	-	14,979	-
Unearned revenue	27,260	-	27,260	-
Noncurrent liabilities				
Due within one year				
Long-term liabilities	1,016,371	486,361	1,502,732	-
Due in more than one year				
Long-term liabilities	6,840,881	1,190,079	8,030,960	-
Net pension liability	418,983	274,411	693,394	-
Total Liabilities	<u>9,016,864</u>	<u>2,121,659</u>	<u>11,138,523</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Unearned revenue - grants	1,014,293	-	1,014,293	-
Deferred pension resources	135,602	88,811	224,413	-
Total Deferred Inflows of Resources	<u>1,149,895</u>	<u>88,811</u>	<u>1,238,706</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	19,931,566	13,305,722	33,237,288	-
Restricted for				
Debt service	2,700,413	-	2,700,413	-
Public safety	286,761	-	286,761	-
Park dedication	308,381	-	308,381	-
Unrestricted	7,234,099	2,189,255	9,423,354	85,529
Total Net Position	<u>\$ 30,461,220</u>	<u>\$ 15,494,977</u>	<u>\$ 45,956,197</u>	<u>\$ 85,529</u>

City of Byron, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 955,855	\$ 68,826	\$ 73,307	\$ -
Public safety	1,152,062	138,297	483,106	-
Public works	1,257,064	247,098	765,658	323,740
Culture and recreation	664,873	45,078	-	-
Economic development	626,627	-	-	-
Interest on long-term debt	142,893	-	-	-
Total Governmental Activities	<u>4,799,374</u>	<u>499,299</u>	<u>1,322,071</u>	<u>323,740</u>
<b>Business-type Activities</b>				
Sewer	1,268,356	1,521,605	20	38,800
Water	765,199	884,278	14	30,815
Total Business-type Activities	<u>2,033,555</u>	<u>2,405,883</u>	<u>34</u>	<u>69,615</u>
Total Primary Government	<u>\$ 6,832,929</u>	<u>\$ 2,905,182</u>	<u>\$ 1,322,105</u>	<u>\$ 393,355</u>
<b>Component Unit</b>				
Economic Development Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,234</u>	<u>\$ -</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Total General Revenues

Change in Net Position

Net Position, January 1

Net Position, December 31

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (813,722)	\$ -	\$ (813,722)	\$ -
(530,659)	-	(530,659)	-
79,432	-	79,432	-
(619,795)	-	(619,795)	-
(626,627)	-	(626,627)	-
(142,893)	-	(142,893)	-
<u>(2,654,264)</u>	<u>-</u>	<u>(2,654,264)</u>	<u>-</u>
-	292,069	292,069	-
-	149,908	149,908	-
<u>-</u>	<u>441,977</u>	<u>441,977</u>	<u>-</u>
<u>(2,654,264)</u>	<u>441,977</u>	<u>(2,212,287)</u>	<u>-</u>
			<u>19,234</u>
4,471,105	-	4,471,105	-
1,457,451	-	1,457,451	-
60,995	-	60,995	-
400,070	-	400,070	-
297,902	89,900	387,802	2,077
13,093	-	13,093	-
<u>6,700,616</u>	<u>89,900</u>	<u>6,790,516</u>	<u>2,077</u>
4,046,352	531,877	4,578,229	21,311
<u>26,414,868</u>	<u>14,963,100</u>	<u>41,377,968</u>	<u>64,218</u>
<u>\$ 30,461,220</u>	<u>\$ 15,494,977</u>	<u>\$ 45,956,197</u>	<u>\$ 85,529</u>

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FUND FINANCIAL STATEMENTS

CITY OF BYRON  
BYRON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2023

City of Byron, Minnesota

Balance Sheet

Governmental Funds

December 31, 2023

	<b>101</b>	<b>300's</b>	<b>401</b>	<b>413</b>	Other	
	General	Debt Service	Capital Reserves	20th Street Project	Governmental Funds	Total
<b>Assets</b>						
Cash and temporary investments	\$ 2,416,850	\$ 1,853,925	\$ 4,288,871	\$ (477,376)	\$ 2,816,853	\$ 10,899,123
Restricted cash with fiscal agent	-	606,375	-	-	-	606,375
<b>Receivables</b>						
Accrued interest	3,010	-	-	-	-	3,010
Taxes	148,233	-	-	-	-	148,233
Accounts	34,596	701	-	-	21,940	57,237
Special assessments	24,215	277,668	286,477	-	-	588,360
Due from other governments	-	-	-	342,576	43,283	385,859
Prepaid items	54,362	-	-	-	-	54,362
<b>Total Assets</b>	<b><u>\$ 2,681,266</u></b>	<b><u>\$ 2,738,669</u></b>	<b><u>\$ 4,575,348</u></b>	<b><u>\$ (134,800)</u></b>	<b><u>\$ 2,882,076</u></b>	<b><u>\$ 12,742,559</u></b>
<b>Liabilities</b>						
Accounts payable	\$ 19,400	\$ -	\$ 358,548	\$ 243,813	\$ 10,953	\$ 632,714
Accrued salaries payable	26,196	-	-	-	1,224	27,420
Deposit payable	14,979	-	-	-	-	14,979
Unearned revenue	27,260	-	-	-	-	27,260
<b>Total Liabilities</b>	<b><u>87,835</u></b>	<b><u>-</u></b>	<b><u>358,548</u></b>	<b><u>243,813</u></b>	<b><u>12,177</u></b>	<b><u>702,373</u></b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenues - taxes	106,771	-	-	-	-	106,771
Unavailable revenues - special assessments	24,215	277,668	286,477	-	-	588,360
Unearned revenues - MSA State aid	-	-	-	1,014,293	-	1,014,293
<b>Total Deferred Inflows of Resources</b>	<b><u>130,986</u></b>	<b><u>277,668</u></b>	<b><u>286,477</u></b>	<b><u>1,014,293</u></b>	<b><u>-</u></b>	<b><u>1,709,424</u></b>
<b>Fund Balances</b>						
Nonspendable	54,362	-	-	-	-	54,362
<b>Restricted for</b>						
Park dedication	-	-	-	-	308,381	308,381
Public safety	-	-	-	-	286,761	286,761
Debt service	-	2,461,001	-	-	-	2,461,001
Committed	-	-	-	-	637,347	637,347
Assigned	-	-	3,930,323	-	1,637,410	5,567,733
Unassigned	2,408,083	-	-	(1,392,906)	-	1,015,177
<b>Total Fund Balances</b>	<b><u>2,462,445</u></b>	<b><u>2,461,001</u></b>	<b><u>3,930,323</u></b>	<b><u>(1,392,906)</u></b>	<b><u>2,869,899</u></b>	<b><u>10,330,762</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 2,681,266</u></b>	<b><u>\$ 2,738,669</u></b>	<b><u>\$ 4,575,348</u></b>	<b><u>\$ (134,800)</u></b>	<b><u>\$ 2,882,076</u></b>	<b><u>\$ 12,742,559</u></b>

City of Byron, Minnesota  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Position  
 Governmental Funds  
 December 31, 2023

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

Total Fund Balances - Governmental	\$ 10,330,762
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	43,459,165
Less: accumulated depreciation	(15,680,466)
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	(7,557,840)
Unamortized premium on bonds	(289,293)
Net pension liability	(418,983)
Compensated absences payable	(10,119)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes receivable	106,771
Special assessments receivable	588,360
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	106,721
Deferred inflows of resources	(135,602)
Governmental funds do not report a liability for accrued interest until due and payable.	(38,256)
Total Net Position - Governmental Activities	\$ 30,461,220

City of Byron, Minnesota  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2023

	101 General	300's Debt Service	401 Capital Reserves	413 20th Street Project	Other Governmental Funds	Total
<b>Revenues</b>						
Taxes	\$ 2,705,560	\$ 1,457,451	\$ 1,792,993	\$ -	\$ -	\$ 5,956,004
Licenses and permits	54,048	-	-	-	-	54,048
Intergovernmental	82,139	-	400,070	689,555	330,044	1,501,808
Charges for services	162,260	-	-	-	271,573	433,833
Special assessments	12,096	58,038	40,118	-	-	110,252
Interest on investments	24,351	62,314	122,016	19,367	69,854	297,902
Miscellaneous	96,188	-	112,018	-	23,493	231,699
<b>Total Revenues</b>	<u>3,136,642</u>	<u>1,577,803</u>	<u>2,467,215</u>	<u>708,922</u>	<u>694,964</u>	<u>8,585,546</u>
<b>Expenditures</b>						
<b>Current</b>						
General government	527,974	-	-	-	-	527,974
Public safety	673,086	-	-	-	-	673,086
Public works	709,721	-	-	-	81,072	790,793
Culture and recreation	445,880	-	-	-	-	445,880
Economic development	364,900	-	-	-	-	364,900
<b>Capital outlay</b>						
General government	27,624	-	330,628	-	-	358,252
Public safety	-	-	414,369	-	-	414,369
Public works	1,400	-	2,635,222	2,760,973	132,879	5,530,474
Culture and recreation	18,501	-	85,804	-	42,100	146,405
Economic development	-	-	261,727	-	-	261,727
<b>Debt service</b>						
Principal	-	1,294,400	-	-	28,800	1,323,200
Interest and other	-	191,091	-	-	6,714	197,805
<b>Total Expenditures</b>	<u>2,769,086</u>	<u>1,485,491</u>	<u>3,727,750</u>	<u>2,760,973</u>	<u>291,565</u>	<u>11,034,865</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>367,556</u>	<u>92,312</u>	<u>(1,260,535)</u>	<u>(2,052,051)</u>	<u>403,399</u>	<u>(2,449,319)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	23,632	-	-	-	277,403	301,035
Transfers out	(277,403)	(23,632)	-	-	-	(301,035)
Sale of capital assets	13,093	-	-	-	-	13,093
<b>Total Other Financing Sources (Uses)</b>	<u>(240,678)</u>	<u>(23,632)</u>	<u>-</u>	<u>-</u>	<u>277,403</u>	<u>13,093</u>
<b>Net Change in Fund Balances</b>	126,878	68,680	(1,260,535)	(2,052,051)	680,802	(2,436,226)
<b>Fund Balances, January 1</b>	<u>2,335,567</u>	<u>2,392,321</u>	<u>5,190,858</u>	<u>659,145</u>	<u>2,189,097</u>	<u>12,766,988</u>
<b>Fund Balances, December 31</b>	<u>\$ 2,462,445</u>	<u>\$ 2,461,001</u>	<u>\$ 3,930,323</u>	<u>\$ (1,392,906)</u>	<u>\$ 2,869,899</u>	<u>\$ 10,330,762</u>

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, 2023

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

Net Change in Fund Balances - Governmental Funds	\$ (2,436,226)
<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	6,211,769
Depreciation expense	(1,326,034)
<p>Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities</p>	
Disposals	(14,002)
Depreciation on disposals	14,002
<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	1,323,200
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>	
	7,277
<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	213,488
Property taxes	33,547
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(32,906)
Pension revenue	52
<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	4,550
	4,550
Change in Net Position - Governmental Activities	\$ 4,046,352

City of Byron, Minnesota  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
General Fund  
For the Year Ended December 31, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,737,864	\$ 2,737,864	\$ 2,705,560	\$ (32,304)
Licenses and permits	50,000	50,000	54,048	4,048
Intergovernmental	100,400	100,400	82,139	(18,261)
Charges for services	132,671	132,671	162,260	29,589
Special assessments	7,000	7,000	12,096	5,096
Interest on investments	5,000	5,000	24,351	19,351
Miscellaneous	27,000	27,000	96,188	69,188
Total Revenues	<u>3,059,935</u>	<u>3,059,935</u>	<u>3,136,642</u>	<u>76,707</u>
Expenditures				
Current				
General government	555,832	555,832	527,974	27,858
Public safety	697,731	697,731	673,086	24,645
Public works	766,569	766,569	709,721	56,848
Culture and recreation	426,037	426,037	445,880	(19,843)
Economic development	403,252	403,252	364,900	38,352
Capital outlay	71,338	71,338	47,525	23,813
Total Expenditures	<u>2,920,759</u>	<u>2,920,759</u>	<u>2,769,086</u>	<u>151,673</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>139,176</u>	<u>139,176</u>	<u>367,556</u>	<u>228,380</u>
Other Financing Sources (Uses)				
Transfers out	(139,176)	(139,176)	(277,403)	(138,227)
Sale of capital assets	-	-	13,093	13,093
Total Other Financing Sources (Uses)	<u>(139,176)</u>	<u>(139,176)</u>	<u>(240,678)</u>	<u>(101,502)</u>
Net Change in Fund Balances	-	-	126,878	126,878
Fund Balances, January 1	<u>2,335,567</u>	<u>2,335,567</u>	<u>2,335,567</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,335,567</u>	<u>\$ 2,335,567</u>	<u>\$ 2,462,445</u>	<u>\$ 126,878</u>

City of Byron, Minnesota  
Statement of Net Position  
Proprietary Funds  
December 31, 2023

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Totals
<b>Assets</b>			
<b>Current Assets</b>			
Cash and temporary investments	\$ 975,594	\$ 1,503,315	\$ 2,478,909
Receivables			
Accounts	111,286	56,506	167,792
Prepaid items	15,005	7,784	22,789
Total Current Assets	<u>1,101,885</u>	<u>1,567,605</u>	<u>2,669,490</u>
<b>Noncurrent Assets</b>			
<b>Capital assets</b>			
Land	26,000	26,300	52,300
Buildings	2,397,704	183,793	2,581,497
Infrastructure	15,096,892	6,883,107	21,979,999
Machinery and equipment	707,745	331,520	1,039,265
Construction in progress	3,075,186	402,953	3,478,139
Less accumulated depreciation	<u>(10,453,512)</u>	<u>(3,711,628)</u>	<u>(14,165,140)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>10,850,015</u>	<u>4,116,045</u>	<u>14,966,060</u>
Total Assets	<u>11,951,900</u>	<u>5,683,650</u>	<u>17,635,550</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>40,245</u>	<u>29,652</u>	<u>69,897</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	116,388	6,200	122,588
Due to other governments	-	23,765	23,765
Accrued salaries payable	7,148	7,134	14,282
Accrued interest payable	5,535	4,638	10,173
Compensated absences payable - current	7,147	2,514	9,661
Bonds payable - current	299,100	177,600	476,700
Total Current Liabilities	<u>435,318</u>	<u>221,851</u>	<u>657,169</u>
<b>Noncurrent Liabilities</b>			
Compensated absences payable	4,765	1,676	6,441
Net pension liability	158,000	116,411	274,411
Bonds payable	257,108	926,530	1,183,638
Total Noncurrent Liabilities	<u>419,873</u>	<u>1,044,617</u>	<u>1,464,490</u>
Total Liabilities	<u>855,191</u>	<u>1,266,468</u>	<u>2,121,659</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>51,135</u>	<u>37,676</u>	<u>88,811</u>
<b>Net Position</b>			
Net investment in capital assets	10,293,807	3,011,915	13,305,722
Unrestricted	<u>792,012</u>	<u>1,397,243</u>	<u>2,189,255</u>
Net Position	<u>\$ 11,085,819</u>	<u>\$ 4,409,158</u>	<u>\$ 15,494,977</u>

City of Byron, Minnesota  
Statement of Revenues, Expenses and  
Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Totals
Operating Revenues			
Charges for services	\$ 1,504,880	\$ 876,693	\$ 2,381,573
Operating Expenses			
Personal services	326,730	251,560	578,290
Supplies	74,629	53,474	128,103
Repairs and maintenance	49,370	48,287	97,657
Professional services	133,468	33,814	167,282
Contracted services	22,762	-	22,762
Insurance	27,826	14,383	42,209
Utilities	66,634	70,159	136,793
Depreciation	518,652	219,522	738,174
Other	44,764	57,975	102,739
Total Operating Expenses	1,264,835	749,174	2,014,009
Operating Income (Loss)	240,045	127,519	367,564
Nonoperating Revenues (Expenses)			
Interest on investments	39,074	50,826	89,900
Other income	16,745	7,599	24,344
Interest and other expenses	(3,521)	(16,025)	(19,546)
Total Nonoperating Revenues (Expenses)	52,298	42,400	94,698
Income Before Contributions	292,343	169,919	462,262
Capital Contributions	38,800	30,815	69,615
Change in Net Position	331,143	200,734	531,877
Net Position, January 1	10,754,676	4,208,424	14,963,100
Net Position, December 31	\$ 11,085,819	\$ 4,409,158	\$ 15,494,977

City of Byron, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,593,034	\$ 979,128	\$ 2,572,162
Payments to suppliers	(438,924)	(267,074)	(705,998)
Payments to employees	(318,480)	(250,900)	(569,380)
Net Cash Provided by Operating Activities	<u>835,630</u>	<u>461,154</u>	<u>1,296,784</u>
Cash Flows from Capital and Related Financing Activities			
Permits and connection fees received	38,800	30,815	69,615
Acquisition of capital assets	(1,980,509)	(789,955)	(2,770,464)
Principal paid on revenue bonds	(291,000)	(174,800)	(465,800)
Interest paid on debt	(19,207)	(22,750)	(41,957)
Net Cash Used by Capital and Related Financing Activities	<u>(2,251,916)</u>	<u>(956,690)</u>	<u>(3,208,606)</u>
Cash Flows from Investing Activities			
Interest received on investments	39,074	50,826	89,900
Net Increase (Decrease) in Cash and Cash Equivalents	(1,377,212)	(444,710)	(1,821,922)
Cash and Cash Equivalents, January 1	2,352,806	1,948,025	4,300,831
Cash and Cash Equivalents, December 31	<u>\$ 975,594</u>	<u>\$ 1,503,315</u>	<u>\$ 2,478,909</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 240,045	\$ 127,519	\$ 367,564
Adjustments to reconcile operating income to net cash provided by operating activities			
Other income related to operations	16,745	7,599	24,344
Depreciation	518,652	219,522	738,174
(Increase) decrease in assets and deferred outflows of resources			
Accounts receivable	73,475	95,830	169,305
Prepaid items	(2,066)	(994)	(3,060)
Deferred pension resources	27,108	22,374	49,482
Increase (decrease) in liabilities and deferred inflows of resources			
Accounts payable	(19,471)	(12,747)	(32,218)
Accrued salaries payable	(2,663)	(1,695)	(4,358)
Due to other governments	-	23,765	23,765
Compensated absences payable	(1,030)	(845)	(1,875)
Net pension liability	(62,564)	(53,964)	(116,528)
Deferred pension resources	47,399	34,790	82,189
Net Cash Provided by Operating Activities	<u>\$ 835,630</u>	<u>\$ 461,154</u>	<u>\$ 1,296,784</u>
Noncash Capital and Related Financing Activities			
Acquisition of capital assets on account	<u>\$ 111,913</u>	<u>\$ 5,204</u>	<u>\$ 117,117</u>
Disposal of capital assets	<u>\$ (5,302)</u>	<u>\$ (3,534)</u>	<u>\$ (8,836)</u>
Amortization of bond premium	<u>\$ 12,093</u>	<u>\$ 5,335</u>	<u>\$ 17,428</u>

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City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

## 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. Included in the City's reporting entity is the following discretely presented component unit. This component unit is presented discretely because the organization does not provide benefits directly to the City. The discretely presented component unit is reported in a separate column in the government-wide financial statements.

#### *Economic Development Authority*

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. The City has the authority to approve and modify the EDA's budget and the City Council has the ability to veto, overrule, or modify the decisions of the EDA Board of Directors. The EDA is governed by seven board members, two of which are City Council members and five citizens appointed by the Mayor. It is this criterion that results in the EDA being reported as a discretely presented component unit. The EDA does not prepare separate financial statements.

### 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, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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.

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

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.

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.

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

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, 2023:

- Negotiable certificates of deposit of \$1,706,394 are valued using a matrix pricing model (Level 2 inputs)

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

**Investment Policy**

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

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list above.
- *Custodial Credit Risk.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City limits investments in any one institution, other than the U.S. Government or its agencies, to not more than \$2,000,000 or 30 percent of the total portfolio. At December 31, 2023, the City had two 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.

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

- *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 2023. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

***Special Assessments***

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

***Interfund Receivables and Payables***

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

***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.

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

***Compensated Absences***

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

***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 \$123,018 in 2023.

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### ***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 assets 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 business licenses that has not yet met the revenue recognition criteria.

### ***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.

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Fund Balance***

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

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

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

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

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

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

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

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

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

In May of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30<sup>th</sup>, 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 2023.

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 2: Stewardship, Compliance and Accountability (Continued)**

**B. Deficit Fund Balance**

As of December 31, 2023, the following fund reported deficit fund balance:

Fund	Amount
Major	
20th Street Project	\$ 1,392,906

The deficit will be funded by intergovernmental revenues.

**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.

**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.

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

At year end, the City's carrying amount of deposits was \$130,944 and the bank balance was \$1,145,062. Of the bank balance, \$500,000 was covered by federal depository insurance and \$500,000 was covered by the National Credit Union Share Insurance Fund (NCUSIF) and the remaining was covered by collateral in the City's name.

As of December 31, 2023, 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	\$ 4,035,803	\$ -	\$ -	\$ -
4M Fund			8,196,795			
Non-pooled Investments at Fair Value						
Broker Certificates of Deposit	N/A	Less than 1 year	1,458,788	-	1,458,788	-
Broker Certificates of Deposit	N/A	1 to 5 years	247,606	-	247,606	-
Total Investments			<u>\$ 13,938,992</u>	<u>\$ -</u>	<u>\$ 1,706,394</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.

The investments of the City are subject to the following risks:

- *Credit Risk.* The credit risk for investments 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 limit the City's investments to the list on page 49 of the notes.
- *Custodial Credit Risk.* The 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.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of December 31, 2023, the City had invested 5.0 percent or more of its total investment portfolio in 4M accounts (59%) and F&M money market account (27%).
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

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

Carrying Amount of Deposits	\$ 130,944
Investments	<u>13,938,992</u>
Total	<u><u>\$ 14,069,936</u></u>
<b>Government-wide Statements</b>	
Primary Government	
Statement of Net Position	
Cash and temporary investments	\$ 13,378,032
Restricted cash with fiscal agent	606,375
Component Unit - EDA	
Cash and temporary investments	<u>85,529</u>
Total	<u><u>\$ 14,069,936</u></u>

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 1,264,256	\$ -	\$ -	\$ 1,264,256
Land improvements	52,998	57,042	-	110,040
Construction in progress	1,901,268	5,520,000	(590,000)	6,831,268
Total Capital Assets not Being Depreciated	<u>3,218,522</u>	<u>5,577,042</u>	<u>(590,000)</u>	<u>8,205,564</u>
Capital Assets Being Depreciated				
Buildings	8,065,837	590,000	-	8,655,837
Infrastructure	21,818,877	480,761	-	22,299,638
Machinery and equipment	4,158,162	153,966	(14,002)	4,298,126
Total Capital Assets Being Depreciated	<u>34,042,876</u>	<u>1,224,727</u>	<u>(14,002)</u>	<u>35,253,601</u>
Less Accumulated Depreciation for				
Buildings	(1,395,044)	(111,331)	-	(1,506,375)
Infrastructure	(9,932,808)	(1,029,986)	-	(10,962,794)
Machinery and equipment	(3,040,582)	(184,717)	14,002	(3,211,297)
Total Accumulated Depreciation	<u>(14,368,434)</u>	<u>(1,326,034)</u>	<u>14,002</u>	<u>(15,680,466)</u>
Total Capital Assets Being Depreciated, Net	<u>19,674,442</u>	<u>(101,307)</u>	<u>-</u>	<u>19,573,135</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 22,892,964</u></u>	<u><u>\$ 5,475,735</u></u>	<u><u>\$ (590,000)</u></u>	<u><u>\$ 27,778,699</u></u>

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 52,300	\$ -	\$ -	\$ 52,300
Construction in progress	1,967,160	1,510,979	-	3,478,139
Total Capital Assets not Being Depreciated	<u>2,019,460</u>	<u>1,510,979</u>	<u>-</u>	<u>3,530,439</u>
Capital Assets Being Depreciated				
Buildings	2,581,497	-	-	2,581,497
Infrastructure	20,856,000	1,123,999	-	21,979,999
Machinery and equipment	1,048,099	-	(8,836)	1,039,263
Total Capital Assets Being Depreciated	<u>24,485,596</u>	<u>1,123,999</u>	<u>(8,836)</u>	<u>25,600,759</u>
Less Accumulated Depreciation for				
Buildings	(2,507,505)	(62,472)	-	(2,569,977)
Infrastructure	(10,099,761)	(625,479)	-	(10,725,240)
Machinery and equipment	(828,534)	(50,223)	8,836	(869,921)
Total Accumulated Depreciation	<u>(13,435,800)</u>	<u>(738,174)</u>	<u>8,836</u>	<u>(14,165,138)</u>
Total Capital Assets Being Depreciated, Net	<u>11,049,796</u>	<u>385,825</u>	<u>-</u>	<u>11,435,621</u>
Business-type Activities Capital Assets, Net	<u>\$ 13,069,256</u>	<u>\$ 1,896,804</u>	<u>\$ -</u>	<u>\$ 14,966,060</u>

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

<b>Governmental Activities</b>		
General government		\$ 118,360
Public safety		62,086
Public works		1,081,913
Culture and recreation		63,675
Total Depreciation Expense - Governmental Activities		<u>\$ 1,326,034</u>
<b>Business-type Activities</b>		
Sewer		\$ 219,522
Water		518,652
Total Depreciation Expense - Business-type Activities		<u>\$ 738,174</u>

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

**C. Construction Commitments**

The City has active construction projects as of December 31, 2023. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
20th Street Project	\$ 3,440,110	\$ 127,562
2023 Street Improvements	<u>1,187,912</u>	<u>98,380</u>
<b>Total</b>	<b><u>\$ 4,628,022</u></b>	<b><u>\$ 225,942</u></b>

**D. Interfund Transfers**

<u>Fund</u>	<u>Transfers in</u>		<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	
Transfers Out			
General	\$ -	\$ 277,403	\$ 277,403
Debt service	<u>23,632</u>	<u>-</u>	<u>23,632</u>
<b>Total</b>	<b><u>\$ 23,632</u></b>	<b><u>\$ 277,403</u></b>	<b><u>\$ 301,035</u></b>

In 2023, transfers were made for the following purpose:

- The General fund transferred \$13,268 to the nonmajor governmental Fire Equipment fund and First Responder fund for their portion of unused 2022 general operating budget funds to be used for capital improvements to the Fire Department and First Responder Department.
- The General fund transferred \$15,298 to the nonmajor governmental Park Dedication fund for their portion of unused park department general operating budget funds to be used for capital improvements to city parks.
- The Debt Service fund transferred \$23,632 to the General fund to close out the 2018 bond fund.
- The General fund transferred to \$139,176 to the nonmajor governmental Fire Equipment fund and First Responder fund for their 2023 budget transfer as part of a yearly transfer for future capital equipment needs.
- The General fund transferred \$109,661 to close out the 12<sup>th</sup> & Byron Main Ct Project fund and the 2021 street project fund.

**E. 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.

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

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
<b>Governmental</b>					
G.O. Improvement Bond, Series 2015A	\$ 1,560,000	2.00 - 3.50 %	06/02/15	12/01/35	\$ 848,700
G.O. Improvement Bond, Series 2016A	620,000	2.00	08/23/16	01/01/31	430,000
G.O. Improvement Bond, Series 2020A	2,311,000	2.00 - 3.00	08/27/20	02/01/36	1,783,800
G.O. Improvement Bond, Series 2020B	1,900,000	3.00	10/06/20	01/01/29	1,465,000
G.O. Improvement Bond, Series 2021A	1,156,000	1.35	05/25/21	02/01/32	1,020,340
Total Governmental					<u>5,547,840</u>
<b>Business-type</b>					
G.O. Improvement Bond, Series 2015A	280,800	2.00 - 3.50	06/02/15	12/01/35	186,300
G.O. Improvement Bond, Series 2020A	544,000	2.00 - 3.00	08/27/20	02/01/31	451,200
G.O. Improvement Bond, Series 2021A	697,000	1.35	05/25/21	02/01/32	618,660
Total Business-Type					<u>1,256,160</u>
Total General Obligation Improvement Bonds					<u>\$ 6,804,000</u>

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	
2024	\$ 730,300	\$ 128,288	\$ 126,700	\$ 23,713	\$ 1,009,001
2025	749,100	108,951	130,900	20,995	858,051
2026	614,200	91,135	132,800	18,148	705,335
2027	636,200	75,014	133,800	15,264	711,214
2028	649,000	59,209	138,000	12,606	708,209
2029 - 2033	1,866,700	128,294	531,300	27,458	1,994,994
2034 - 2036	302,340	13,560	62,660	1,890	315,900
Total	<u>\$ 5,547,840</u>	<u>\$ 604,451</u>	<u>\$ 1,256,160</u>	<u>\$ 120,074</u>	<u>\$ 6,302,704</u>

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

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>\$ 350,000</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
2024	\$ 350,000	\$ 5,250	\$ 355,250
Total	<u>\$ 350,000</u>	<u>\$ 5,250</u>	<u>\$ 355,250</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	\$ 876,693	\$ 1,504,880
Principal and Interest	197,550	310,207
Percentage of Revenues	23 %	21 %

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>\$ 210,000</u>

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 70,000	\$ 3,500	\$ 73,500
2025	70,000	2,100	72,100
2026	70,000	700	70,700
<b>Total</b>	<b>\$ 210,000</b>	<b>\$ 6,300</b>	<b>\$ 216,300</b>

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:

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Tax Abatement Bond Series 2016A	\$ 2,490,000	2.00 %	08/23/16	01/01/31	<u>\$ 1,800,000</u>

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 210,000	\$ 33,900	\$ 243,900
2025	210,000	29,700	239,700
2026	220,000	25,400	245,400
2027	225,000	20,950	245,950
2028	230,000	16,400	246,400
2029 - 2031	705,000	21,350	726,350
<b>Total</b>	<b>\$ 1,800,000</b>	<b>\$ 147,700</b>	<b>\$ 1,947,700</b>

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

Changes in Long-term Liabilities

During the year ended December 31, 2023, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds Payable					
G.O. improvement bonds	\$ 6,596,040	\$ -	\$ (1,048,200)	\$ 5,547,840	\$ 730,300
G.O. tax abatement bonds	2,005,000	-	(205,000)	1,800,000	210,000
Add					
Premium on bonds	336,928	-	(47,635)	289,293	-
Total Bonds Payable	<u>8,937,968</u>	<u>-</u>	<u>(1,300,835)</u>	<u>7,637,133</u>	<u>940,300</u>
Equipment Certificates	280,000	-	(70,000)	210,000	70,000
Compensated Absences Payable	<u>14,669</u>	<u>65,819</u>	<u>(70,369)</u>	<u>10,119</u>	<u>6,071</u>
Governmental Activity Long-term Liabilities	<u>\$ 9,232,637</u>	<u>\$ 65,819</u>	<u>\$ (1,441,204)</u>	<u>\$ 7,857,252</u>	<u>\$ 1,016,371</u>
<b>Business-type Activities</b>					
Bonds Payable					
G.O. revenue bonds	\$ 690,000	\$ -	\$ (340,000)	\$ 350,000	\$ 350,000
G.O. improvement bonds	1,381,960	-	(125,800)	1,256,160	126,700
Add					
Premium on bonds	71,606	-	(17,428)	54,178	-
Total Bonds Payable	<u>2,143,566</u>	<u>-</u>	<u>(483,228)</u>	<u>1,660,338</u>	<u>476,700</u>
Compensated Absences Payable	<u>17,977</u>	<u>22,979</u>	<u>(24,854)</u>	<u>16,102</u>	<u>9,661</u>
Business-type Activity Long-term Liabilities	<u>\$ 2,161,543</u>	<u>\$ 22,979</u>	<u>\$ (508,082)</u>	<u>\$ 1,676,440</u>	<u>\$ 486,361</u>

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

**F. Components of Fund Balance**

At December 31, 2023, 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	20th Street Project	Other Governmental Funds	Total
Nonspendable						
Prepaid items	\$ 54,362	\$ -	\$ -	\$ -	\$ -	\$ 54,362
Restricted for						
Debt service	\$ -	\$ 2,461,001	\$ -	\$ -	\$ -	\$ 2,461,001
Public safety	-	-	-	-	286,761	286,761
Park dedication	-	-	-	-	308,381	308,381
Total Restricted	\$ -	\$ 2,461,001	\$ -	\$ -	\$ 595,142	\$ 3,056,143
Committed to						
Surface water maintenance	\$ -	\$ -	\$ -	\$ -	\$ 637,347	\$ 637,347
Assigned to						
Substandard roads	\$ -	\$ -	\$ -	\$ -	\$ 555,753	\$ 555,753
Capital projects	-	-	3,930,323	-	-	3,930,323
20th street project	-	-	-	-	47,925	47,925
Fire equipment	-	-	-	-	970,955	970,955
First responders equipment	-	-	-	-	62,777	62,777
Total Assigned	\$ -	\$ -	\$ 3,930,323	\$ -	\$ 1,637,410	\$ 5,567,733
Unassigned	\$ 2,408,083	\$ -	\$ -	\$ (1,392,906)	\$ -	\$ 1,015,177

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

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

**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 2023 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, 2023, 2022 and 2021 were \$74,936, \$71,359 and \$68,059, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$693,394 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 \$19,202. The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0124 percent at the end of the measurement period and 0.0123 percent for the beginning of the period.

City Proportionate Share of the Net Pension Liability	\$ 693,394
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>19,202</u>
Total	<u><u>\$ 712,596</u></u>

For the year ended December 31, 2023, the City recognized pension expense of \$122,932 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$86 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.

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

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

At December 31, 2023, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 22,728	\$ 4,778
Changes in Actuarial Assumptions	112,214	190,053
Net Difference Between Projected and Actual Investment Earnings	-	28,514
Changes in Proportion	3,960	1,068
Contributions Paid to PERA Subsequent to the Measurement Date	<u>37,716</u>	<u>-</u>
 Total	 <u>\$ 176,618</u>	 <u>\$ 224,413</u>

The \$37,716 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 16,758
2025	(102,699)
2026	15,473
2027	(15,043)

**E. Long-term Expected Return on Investment**

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:

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
	100.0 %	

**F. Actuarial Assumptions**

The total pension liability in the June 30, 2023, 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 7.0 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 7.0 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. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

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 27 years of service.

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 for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

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

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2023 was 7.0 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 Fund was 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.

**H. 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 (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 1,226,670	\$ 693,394	\$ 254,755

**I. Pension Plan Fiduciary Net Position**

Detailed information about each 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](http://www.mnpera.org).

City of Byron, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**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, 2023, the balance of the bond outstanding was \$1,185,000. The City has issued an additional conduit debt of \$10,000,000 during 2015 for housing facilities. At December 31, 2023, the balance of the bond outstanding was \$7,630,204. 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.

**D. Tax Abatement Agreements**

As of December 31, 2023, the City has two agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

The City entered into a tax abatement agreement on 4/1/2022 with a developer in which the developer incurs costs for construction of a facility. In return, the City will reimburse the developer no less than \$250,000 for construction costs as the city collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$165,000 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and has a maximum duration of 2/1/2029.

The City entered into a tax abatement agreement on 12/1/2020 with a developer in which the developer incurs costs for a 47-unit multifamily housing facility. In return, the City will reimburse the developer for some costs as the city collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$304,000 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and has a maximum duration of 2/1/2033.

**Note 6: Subsequent Events**

At the February 13<sup>th</sup>, 2024 council meeting the council approved a purchase agreement to buy 1.27 acres of land in Downtown Byron. The land was appraised at \$860,000 and the city will be purchasing the land for \$760,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BYRON  
BYRON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2023

City of Byron, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2023

**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
6/30/2023	0.0124 %	\$ 693,394	\$ 19,202	\$ 712,596	\$ 989,896	70.0 %	83.1 %
6/30/2022	0.0123	974,164	28,423	1,002,587	919,328	106.0	76.7
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)
12/31/23	\$ 74,936	\$ 74,936	\$ -	\$ 999,148	7.50 %
12/31/22	71,359	71,359	-	951,458	7.50
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, 2023

**Notes to the Required Supplementary Information - General Employees Fund**

Changes in Actuarial Assumptions

2023 - The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from MP-2020 to Scale MP-2021.

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, 2023

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

Changes in Plan Provisions

2023 – An additional one-time direct state aid contribution of \$170.1 million will be contributed to the plan on October 1, 2023. The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024 was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

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, 2023

City of Byron, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2023

	Special Revenue		Total
	Surface Water Management	Capital Projects	
<b>Assets</b>			
Cash and temporary investments	\$ 586,076	\$ 2,230,777	\$ 2,816,853
Accounts receivable	20,165	1,775	21,940
Due from other governments	43,283	-	43,283
 Total Assets	 \$ 649,524	 \$ 2,232,552	 \$ 2,882,076
<b>Liabilities</b>			
Accounts payable	\$ 10,953	\$ -	\$ 10,953
Accrued salaries payable	1,224	-	1,224
Total Liabilities	12,177	-	12,177
<b>Fund Balances</b>			
Restricted for			
Park dedication	-	308,381	308,381
Public safety	-	286,761	286,761
Committed	637,347	-	637,347
Assigned	-	1,637,410	1,637,410
Total Fund Balances	637,347	2,232,552	2,869,899
 Total Liabilities and Fund Balances	 \$ 649,524	 \$ 2,232,552	 \$ 2,882,076

City of Byron, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 For the Year Ended December 31, 2023

	Special Revenue		
	Surface		
	Water	Capital	
	Management	Projects	Total
Revenues			
Intergovernmental	\$ 43,283	\$ 286,761	\$ 330,044
Charges for services	245,868	25,705	271,573
Interest on investments	17,132	52,722	69,854
Miscellaneous	-	23,493	23,493
Total Revenues	<u>306,283</u>	<u>388,681</u>	<u>694,964</u>
Expenditures			
Current			
Public works	81,072	-	81,072
Capital outlay			
Public works	99,644	33,235	132,879
Culture and recreation	-	42,100	42,100
Debt service			
Principal	28,800	-	28,800
Interest and other	6,714	-	6,714
Total Expenditures	<u>216,230</u>	<u>75,335</u>	<u>291,565</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	90,053	313,346	403,399
Other Financing Sources (Uses)			
Transfers in	-	277,403	277,403
Net Change in Fund Balances	90,053	590,749	680,802
Fund Balances, January 1	<u>547,294</u>	<u>1,641,803</u>	<u>2,189,097</u>
Fund Balances, December 31	<u>\$ 637,347</u>	<u>\$ 2,232,552</u>	<u>\$ 2,869,899</u>

City of Byron, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 December 31, 2023

	<b>403</b>	<b>405</b>	<b>409</b>	<b>410</b>
	Substandard Roads	Park Dedication	Fire Equipment	First Responders Equipment
<b>Assets</b>				
Cash and temporary investments	\$ 555,753	\$ 307,431	\$ 1,200,130	\$ 119,538
Accounts receivable	-	950	825	-
<b>Total Assets</b>	<u>\$ 555,753</u>	<u>\$ 308,381</u>	<u>\$ 1,200,955</u>	<u>\$ 119,538</u>
<b>Fund Balances</b>				
Restricted for				
Park dedication	-	308,381	-	-
Public safety	-	-	230,000	56,761
Assigned	555,753	-	970,955	62,777
<b>Total Fund Balances</b>	<u>555,753</u>	<u>308,381</u>	<u>1,200,955</u>	<u>119,538</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 555,753</u>	<u>\$ 308,381</u>	<u>\$ 1,200,955</u>	<u>\$ 119,538</u>

<b>411</b>	<b>408</b>	<b>412</b>	
<u>2021 12th &amp; Byron Main Crt</u>	<u>2020 Street Improvements</u>	<u>2021 Street Project</u>	<u>Total</u>
\$ -	\$ 47,925	\$ -	\$ 2,230,777
-	-	-	1,775
<u>\$ -</u>	<u>\$ 47,925</u>	<u>\$ -</u>	<u>\$ 2,232,552</u>
-	-	-	308,381
-	-	-	286,761
-	47,925	-	1,637,410
<u>-</u>	<u>47,925</u>	<u>-</u>	<u>2,232,552</u>
<u>\$ -</u>	<u>\$ 47,925</u>	<u>\$ -</u>	<u>\$ 2,232,552</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, 2023

	<b>403</b>	<b>405</b>	<b>409</b>	<b>410</b>
	Substandard Roads	Park Dedication	Fire Equipment	First Responders Equipment
Revenues				
Intergovernmental	\$ -	\$ -	\$ 230,000	\$ 56,761
Charges for services	1,230	10,950	13,525	-
Interest on investments	15,483	9,240	24,835	1,669
Miscellaneous	-	2,100	20,093	1,300
Total Revenues	<u>16,713</u>	<u>22,290</u>	<u>288,453</u>	<u>59,730</u>
Expenditures				
Capital outlay				
Public works	-	-	-	-
Culture and recreation	-	42,100	-	-
Total Expenditures	<u>-</u>	<u>42,100</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,713	(19,810)	288,453	59,730
Other Financing Sources				
Transfers in	-	15,298	141,347	11,097
Net Change in Fund Balances	16,713	(4,512)	429,800	70,827
Fund Balances, January 1	<u>539,040</u>	<u>312,893</u>	<u>771,155</u>	<u>48,711</u>
Fund Balances, December 31	<u>\$ 555,753</u>	<u>\$ 308,381</u>	<u>\$ 1,200,955</u>	<u>\$ 119,538</u>

<b>411</b>	<b>408</b>	<b>412</b>	
2021 12th & Byron Main Crt	2020 Street Improvement	2021 Street Project	Total
\$ -	\$ -	\$ -	\$ 286,761
-	-	-	25,705
72	1,337	86	52,722
-	-	-	23,493
<u>72</u>	<u>1,337</u>	<u>86</u>	<u>388,681</u>
33,235	-	-	33,235
-	-	-	42,100
<u>33,235</u>	<u>-</u>	<u>-</u>	<u>75,335</u>
(33,163)	1,337	86	313,346
7,442	-	102,219	277,403
(25,721)	1,337	102,305	590,749
<u>25,721</u>	<u>46,588</u>	<u>(102,305)</u>	<u>1,641,803</u>
<u>\$ -</u>	<u>\$ 47,925</u>	<u>\$ -</u>	<u>\$ 2,232,552</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, 2023  
 (With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property	\$ 2,685,864	\$ 2,685,864	\$ 2,644,565	\$ (41,299)	\$ 2,331,513
Cable franchise	52,000	52,000	60,995	8,995	50,605
Total taxes	<u>2,737,864</u>	<u>2,737,864</u>	<u>2,705,560</u>	<u>(32,304)</u>	<u>2,382,118</u>
Licenses and permits					
Business	33,000	33,000	23,805	(9,195)	42,115
Nonbusiness	17,000	17,000	30,243	13,243	35,118
Total licenses and permits	<u>50,000</u>	<u>50,000</u>	<u>54,048</u>	<u>4,048</u>	<u>77,233</u>
Intergovernmental					
State					
Fire aid	53,000	53,000	71,444	18,444	62,976
Other state grants	47,400	47,400	10,695	(36,705)	12,120
Total intergovernmental	<u>100,400</u>	<u>100,400</u>	<u>82,139</u>	<u>(18,261)</u>	<u>75,096</u>
Charges for services					
General government	5,000	5,000	3,360	(1,640)	153,870
Public safety	100,671	100,671	113,822	13,151	123,160
Culture and recreation	27,000	27,000	45,078	18,078	40,643
Total charges for services	<u>132,671</u>	<u>132,671</u>	<u>162,260</u>	<u>29,589</u>	<u>317,673</u>
Special assessments	7,000	7,000	12,096	5,096	10,188
Interest on investments	5,000	5,000	24,351	19,351	13,567
Miscellaneous					
Refunds and reimbursements	17,000	17,000	84,770	67,770	30,544
Other	10,000	10,000	11,418	1,418	11,334
Total miscellaneous	<u>27,000</u>	<u>27,000</u>	<u>96,188</u>	<u>69,188</u>	<u>41,878</u>
Total Revenues	<u>3,059,935</u>	<u>3,059,935</u>	<u>3,136,642</u>	<u>76,707</u>	<u>2,917,753</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, 2023  
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$ 75,208	\$ 75,208	\$ 67,842	\$ 7,366	\$ 65,511
Supplies	4,000	4,000	2,656	1,344	1,054
Other services and charges	74,000	74,000	100,401	(26,401)	26,568
Total mayor and council	<u>153,208</u>	<u>153,208</u>	<u>170,899</u>	<u>(17,691)</u>	<u>93,133</u>
City hall					
Other services and charges	<u>58,000</u>	<u>58,000</u>	<u>48,394</u>	<u>9,606</u>	<u>41,819</u>
Finance					
Personal services	57,141	57,141	60,667	(3,526)	61,038
Supplies	20,496	20,496	16,441	4,055	18,578
Other services and charges	42,000	42,000	46,925	(4,925)	39,193
Total finance	<u>119,637</u>	<u>119,637</u>	<u>124,033</u>	<u>(4,396)</u>	<u>118,809</u>
Auditing and accounting					
Other services and charges	<u>39,000</u>	<u>39,000</u>	<u>44,227</u>	<u>(5,227)</u>	<u>34,891</u>
Legal					
Other services and charges	<u>15,000</u>	<u>15,000</u>	<u>8,009</u>	<u>6,991</u>	<u>13,180</u>
Planning and zoning					
Personal services	96,237	96,237	87,794	8,443	82,297
Supplies	1,500	1,500	1,352	148	2,563
Other services and charges	73,250	73,250	43,266	29,984	24,492
Total planning and zoning	<u>170,987</u>	<u>170,987</u>	<u>132,412</u>	<u>38,575</u>	<u>109,352</u>
Total general government	<u>555,832</u>	<u>555,832</u>	<u>527,974</u>	<u>27,858</u>	<u>411,184</u>
Public safety					
Police					
Other services and charges	<u>365,563</u>	<u>365,563</u>	<u>365,563</u>	<u>-</u>	<u>355,457</u>
Fire					
Personal services	60,224	60,224	57,723	2,501	58,887
Supplies	43,000	43,000	26,256	16,744	28,027
Other services and charges	62,029	62,029	55,711	6,318	49,633
Fire relief pension payment	68,000	68,000	86,444	(18,444)	77,976
Total fire	<u>233,253</u>	<u>233,253</u>	<u>226,134</u>	<u>7,119</u>	<u>214,523</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, 2023  
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
First responders					
Personal services	\$ 41,624	\$ 41,624	\$ 35,680	\$ 5,944	\$ 34,882
Supplies	12,145	12,145	9,646	2,499	8,044
Other services and charges	10,685	10,685	10,820	(135)	7,120
Total first responders	<u>64,454</u>	<u>64,454</u>	<u>56,146</u>	<u>8,308</u>	<u>50,046</u>
Building inspections					
Personal services	34,461	34,461	25,243	9,218	24,611
Other services and charges	-	-	-	-	389
Total building inspections	<u>34,461</u>	<u>34,461</u>	<u>25,243</u>	<u>9,218</u>	<u>25,000</u>
Total public safety	<u>697,731</u>	<u>697,731</u>	<u>673,086</u>	<u>24,645</u>	<u>645,026</u>
Public works					
Engineering					
Other services and charges	<u>40,000</u>	<u>40,000</u>	<u>30,204</u>	<u>9,796</u>	<u>23,292</u>
Streets and alleys					
Personal services	246,912	246,912	189,504	57,408	196,052
Supplies	32,500	32,500	30,804	1,696	30,779
Other services and charges	205,850	205,850	244,600	(38,750)	287,662
Total streets and alleys	<u>485,262</u>	<u>485,262</u>	<u>464,908</u>	<u>20,354</u>	<u>514,493</u>
Snow and ice removal					
Personal services	59,107	59,107	64,984	(5,877)	73,416
Supplies	23,500	23,500	21,825	1,675	28,805
Other services and charges	23,700	23,700	13,252	10,448	13,635
Total snow and ice removal	<u>106,307</u>	<u>106,307</u>	<u>100,061</u>	<u>6,246</u>	<u>115,856</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, 2023  
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			2022	
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Street lighting					
Other services and charges	\$ 135,000	\$ 135,000	\$ 114,548	\$ 20,452	\$ 121,512
Total public works	<u>766,569</u>	<u>766,569</u>	<u>709,721</u>	<u>56,848</u>	<u>775,153</u>
Culture and recreation					
Municipal parks					
Personal services	210,901	210,901	254,971	(44,070)	237,915
Supplies	39,250	39,250	29,346	9,904	36,848
Other services and charges	72,850	72,850	66,872	5,978	62,981
Total municipal parks	<u>323,001</u>	<u>323,001</u>	<u>351,189</u>	<u>(28,188)</u>	<u>337,744</u>
Swimming pool					
Personal services	52,136	52,136	57,881	(5,745)	50,536
Supplies	15,500	15,500	10,694	4,806	7,593
Other services and charges	35,400	35,400	26,116	9,284	40,159
Total swimming pool	<u>103,036</u>	<u>103,036</u>	<u>94,691</u>	<u>8,345</u>	<u>98,288</u>
Total culture and recreation	<u>426,037</u>	<u>426,037</u>	<u>445,880</u>	<u>(19,843)</u>	<u>436,032</u>
Economic development					
Personal services	128,252	128,252	123,149	5,103	89,335
Supplies	30,500	30,500	22,607	7,893	24,225
Other services and charges	244,500	244,500	219,144	25,356	66,918
Total economic development	<u>403,252</u>	<u>403,252</u>	<u>364,900</u>	<u>38,352</u>	<u>180,478</u>
Total current	<u>2,849,421</u>	<u>2,849,421</u>	<u>2,721,561</u>	<u>127,860</u>	<u>2,447,873</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, 2023  
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 41,260	\$ 41,260	\$ 27,624	\$ 13,636	\$ 22,538
Public safety	2,578	2,578	-	2,578	796
Public works	-	-	1,400	(1,400)	1,182
Culture and recreation	27,500	27,500	18,501	8,999	22,220
Total capital outlay	<u>71,338</u>	<u>71,338</u>	<u>47,525</u>	<u>23,813</u>	<u>46,736</u>
Total Expenditures	<u>2,920,759</u>	<u>2,920,759</u>	<u>2,769,086</u>	<u>151,673</u>	<u>2,494,609</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>139,176</u>	<u>139,176</u>	<u>367,556</u>	<u>228,380</u>	<u>423,144</u>
Other Financing Sources (Uses)					
Transfers out	(139,176)	(139,176)	(277,403)	(138,227)	(261,305)
Sale of capital assets	-	-	13,093	13,093	-
Total Other Financing Sources (Uses)	<u>(139,176)</u>	<u>(139,176)</u>	<u>(240,678)</u>	<u>(101,502)</u>	<u>(261,305)</u>
Net Change in Fund Balances	-	-	126,878	126,878	161,839
Fund Balances, January 1	<u>2,335,567</u>	<u>2,335,567</u>	<u>2,335,567</u>	<u>-</u>	<u>2,173,728</u>
Fund Balances, December 31	<u>\$ 2,335,567</u>	<u>\$ 2,335,567</u>	<u>\$ 2,462,445</u>	<u>\$ 126,878</u>	<u>\$ 2,335,567</u>

City of Byron, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2023

	<b>306</b> 2016A Improvement Bonds	<b>319</b> 2018 Public Works Building Debt	<b>320</b> 2020A Improvement Bonds	<b>304</b> 2020B Improvement Bonds
<b>Assets</b>				
Cash and temporary investments	\$ (37,241)	\$ -	\$ 237,391	\$ 638,673
Cash with fiscal agent	354,400	-	-	251,975
Receivables				
Accounts	-	-	409	292
Special assessments receivable	-	-	56,657	55,876
<b>Total Assets</b>	<b><u>\$ 317,159</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 294,457</u></b>	<b><u>\$ 946,816</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues - special assessments	\$ -	\$ -	\$ 56,657	\$ 55,876
<b>Fund Balances</b>				
Restricted for debt service	<u>317,159</u>	<u>-</u>	<u>237,800</u>	<u>890,940</u>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 317,159</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 294,457</u></b>	<b><u>\$ 946,816</u></b>

<b>305</b> 2015A Improvement Bonds	<b>312</b> 2021A Improvement Bonds	Total
\$ 870,206	144,896	\$ 1,853,925
-	-	606,375
-	-	701
-	165,135	277,668
<u>\$ 870,206</u>	<u>\$ 310,031</u>	<u>\$ 2,738,669</u>
\$ -	\$ 165,135	\$ 277,668
<u>870,206</u>	<u>144,896</u>	<u>2,461,001</u>
<u>\$ 870,206</u>	<u>\$ 310,031</u>	<u>\$ 2,738,669</u>

City of Byron, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
For the Year Ended December 31, 2023

	<b>306</b> 2016A Improvement Bonds	<b>319</b> 2018 Public Works Building Debt	<b>320</b> 2020A Improvement Bonds	<b>304</b> 2020B Refunding Bond
Revenues				
Property taxes	\$ 395,903	\$ 330,591	\$ 245,280	\$ 289,328
Special assessments	-	-	29,323	13,789
Interest on investments	4,382	5,541	3,854	21,202
Total Revenues	<u>400,285</u>	<u>336,132</u>	<u>278,457</u>	<u>324,319</u>
Expenditures				
Debt service				
Principal	325,000	323,000	255,000	225,000
Interest and other	52,050	7,591	41,875	47,325
Total Expenditures	<u>377,050</u>	<u>330,591</u>	<u>296,875</u>	<u>272,325</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,235	5,541	(18,418)	51,994
Other Financing Uses				
Transfers out	-	(23,632)	-	-
Net Change in Fund Balances	23,235	(18,091)	(18,418)	51,994
Fund Balances, January 1	<u>293,924</u>	<u>18,091</u>	<u>256,218</u>	<u>838,946</u>
Fund Balances, December 31	<u>\$ 317,159</u>	<u>\$ -</u>	<u>\$ 237,800</u>	<u>\$ 890,940</u>

<b>305</b> 2015A Improvement Bonds	<b>312</b> 2021A Improvement Bonds	Total
\$ 84,780	\$ 111,569	\$ 1,457,451
-	14,926	58,038
24,499	2,836	62,314
<u>109,279</u>	<u>129,331</u>	<u>1,577,803</u>
57,400	109,000	1,294,400
<u>27,380</u>	<u>14,870</u>	<u>191,091</u>
<u>84,780</u>	<u>123,870</u>	<u>1,485,491</u>
24,499	5,461	92,312
-		(23,632)
24,499	5,461	68,680
<u>845,707</u>	<u>139,435</u>	<u>2,392,321</u>
<u>\$ 870,206</u>	<u>\$ 144,896</u>	<u>\$ 2,461,001</u>

City of Byron, Minnesota  
Economic Development Authority  
(Discretely Presented Component Unit)  
Balance Sheet  
For the Year Ended December 31, 2023

	<b>255</b>
	Economic Development Authority
	<hr/>
Assets	
Cash and temporary investments	\$ 85,529
	<hr/> <hr/>
Fund balance / net position	
Assigned for economic development	\$ 85,529
	<hr/> <hr/>

**City of Byron, Minnesota**  
 Economic Development Authority  
 (Discretely Presented Component Unit)  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance/Net Position  
 For the Year Ended December 31, 2023

	<b>201</b> Economic Development Authority <hr style="border: 0.5px solid black;"/>
Revenues	
Intergovernmental	\$ 19,234
Interest on investments	2,077
Miscellaneous	
Total Revenues	21,311
Fund Balance/Net Position, January 1	<hr style="border: 0.5px solid black;"/> 64,218
Fund Balance/Net Position, December 31	<hr style="border: 1px solid black;"/> \$ 85,529

City of Byron, Minnesota  
Supplemental Information  
Summary Financial Report  
Revenues and Expenditures For General Operations  
Governmental Funds  
For the Years Ended December 31, 2023 and 2022

	Total		Percent Increase (Decrease)
	2023	2022	
<b>Revenues</b>			
Taxes	\$ 5,956,004	\$ 4,778,431	24.6 %
Licenses and permits	54,048	77,233	(30.0)
Intergovernmental	1,501,808	2,484,509	(39.6)
Charges for services	433,833	748,465	(42.0)
Special assessments	110,252	69,114	59.5
Interest on investments	297,902	66,180	350.1
Miscellaneous	231,699	208,126	11.3
	<u>\$ 8,585,546</u>	<u>\$ 8,432,058</u>	1.8 %
Total Revenues			
Per Capita	\$ 1,247	\$ 1,287	(3.1) %
<b>Expenditures</b>			
Current			
General government	\$ 527,974	\$ 444,936	18.7 %
Public safety	673,086	645,026	4.4
Public works	790,793	819,315	(3.5)
Culture and recreation	445,880	480,303	(7.2)
Economic development	364,900	146,726	148.7
Capital outlay			
General government	358,252	755,518	(52.6)
Public safety	414,369	93,744	342.0
Public works	5,530,474	2,007,277	175.5
Culture and recreation	146,405	181,383	(19.3)
Economic development	261,727	-	100.0
Debt service			
Principal	1,323,200	1,168,460	13.2
Interest and other charges	197,805	234,633	(15.7)
	<u>\$ 11,034,865</u>	<u>\$ 6,977,321</u>	58.2 %
Total Expenditures			
Per Capita	\$ 1,603	\$ 1,065	50.6 %
Total Long-term Indebtedness	\$ 7,557,840	\$ 8,881,040	(14.9) %
Per Capita	1,098	1,355	(19.0)
General Fund Balance - December 31	\$ 2,462,445	\$ 2,335,567	5.4 %
Per Capita	358	356	0.4

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, 2023

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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, 2023, and the related notes to the financial statements which collectively comprise the City’s basic financial statements, and have issued our report thereon dated April 17, 2024.

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

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



**Abdo**  
Minneapolis, Minnesota  
April 17, 2024