

VILLAGE OF BYRON

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2018

As management of the Village of Byron (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS:

- The Village's combined total net position is reported as \$2,305,821 for the fiscal year ended February 28, 2018, compared to \$2,269,718 for the fiscal year ended February 28, 2017.
- In the Village's governmental activities, revenues generated were \$316,636 while expenses totaled \$362,298.
- In the Village's business-type activities, revenues generated were \$250,108 while expenses totaled \$168,343.
- Total net position increased by \$36,103.

OVERVIEW OF THE FINANCIAL STATEMENTS:

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

Government-wide Financial Statements:

The government-wide statements are designed to provide readers with a broad overview of the Village's finances, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all of the Village's assets, liabilities, and deferred outflows, with the difference between the two reported as net position. The *statement of activities* presents all of the Village's revenues and expenses and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The government-wide statements of the Village of Byron are divided into three categories:

Governmental Activities – Most of the Village's basic services are included here, such as the public safety, public works, recreation departments, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.

Business-type Activities – The Village charges fees to customers to recover all or a significant portion of certain services it provides. These business-type activities include water distribution and wastewater collection.

Component Unit – The Village includes the Downtown Development Authority as a discretely presented component unit.

VILLAGE OF BYRON

STATEMENT OF ACTIVITIES

Year Ended February 28, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/Programs					
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 94,033	\$ 23,790	\$ -	\$ -	\$ (70,243)
Public safety	37,552	4,700	-	-	(32,852)
Public works	230,713	29,829	78,966	-	(121,918)
Total governmental activities	<u>362,298</u>	<u>58,319</u>	<u>78,966</u>	<u>-</u>	<u>(225,013)</u>
<i>Business-type activities:</i>					
Sewer	\$ 88,838	\$ 92,643	\$ -	\$ -	\$ 3,805
Water	79,505	155,838	-	-	76,333
Total business-type activities	<u>168,343</u>	<u>248,481</u>	<u>-</u>	<u>-</u>	<u>80,138</u>
Total primary government	<u>\$ 530,641</u>	<u>\$ 306,800</u>	<u>\$ 78,966</u>	<u>\$ -</u>	<u>\$ (144,875)</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 3,675</u>	<u>\$ -</u>	<u>\$ 3,285</u>	<u>\$ -</u>	<u>\$ (390)</u>

continued

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON

NOTES TO FINANCIAL STATEMENTS

February 28, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used by the Village of Byron, (the "Village"):

Reporting Entity:

The Village of Byron is governed by an elected seven member Council and provides services to approximately 600 residents.

The accompanying financial statements present the Village as the primary government. Component units are separate legal entities for which the Village is financially accountable. Blended component units are, in substance, part of the primary government's operations, and presented as funds of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements. The Village has determined that it has one component unit and that it should be discretely presented.

Discretely Presented Component Unit:

Downtown Development Authority – The Village established a Downtown Development Authority (DDA) on October 15, 2013, in accordance with Act 197, Public Acts of 1975. The purpose of the DDA is to carry out those purposes and exercise those powers as conferred upon it by Act 197 of the Michigan Public Acts of 1975, as amended. The Authority shall have all the powers which now or hereafter may be conferred by law on authorities organized under this act.

Accounting and Reporting Principles:

The Village follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

Report Presentation:

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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 primary government and its component unit. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.