

CITY OF KENYON
KENYON, MINNESOTA

ANNUAL FINANCIAL REPORT

YEAR ENDED
DECEMBER 31, 2009

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF KENYON, MINNESOTA
 TABLE OF CONTENTS
 DECEMBER 31, 2009

	<u>Page No.</u>
I. INTRODUCTORY SECTION	
Elected and Appointed Officials	7
II. FINANCIAL SECTION	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	29
Statement of Activities	30
Fund Financial Statements	
Governmental Funds	
Balance Sheet	34
Reconciliation of the Balance Sheet to the Statement of Net Assets	37
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) to the Statement of Activities	40
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	41
Proprietary Funds	
Statements of Net Assets	42
Statements of Revenues, Expenses and Changes in Fund Net Assets	50
Statements of Cash Flows	58
Notes to the Financial Statements	65
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)	87
Nonmajor Special Revenue Funds	
Combining Balance Sheet	88
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	90
Nonmajor Capital Projects Funds	
Combining Balance Sheet	92
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)	93
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	94
Debt Service Funds	
Combining Balance Sheet	98
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	99
Electric Fund	
Schedule of Operating Revenues	100
Schedule of Operating Expenses	101
Water Fund	
Schedule of Operating Revenues	103
Schedule of Operating Expenses	104
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	105

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF KENYON, MINNESOTA
TABLE OF CONTENTS - CONTINUED
DECEMBER 31, 2009

	<u>Page No.</u>
III. OTHER REPORTS	
Report on Minnesota Legal Compliance	109
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	110
Schedule of Findings and Responses	112

THIS PAGE IS LEFT BLANK
INTENTIONALLY

INTRODUCTORY SECTION

CITY OF KENYON
KENYON, MINNESOTA

YEAR ENDED
DECEMBER 31, 2009

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF KENYON, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2009

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Diane Barrett	Mayor	12/31/10
Fred Barsness	Council Member	12/31/10
Bryan Haugen	Council Member	12/31/10
Richard Nielsen	Council Member	12/31/12
Brian Paulson	Council Member	12/31/12

CITY OFFICIALS - APPOINTED

Chris Heineman	City Administrator
----------------	--------------------

PUBLIC UTILITIES COMMISSION - APPOINTED

Douglas Klatt	Chairperson	12/31/09
Richard Nielsen	Commissioner	12/31/11
Scott Swenhaugen	Commissioner	12/31/10

PUBLIC UTILITIES COMMISSION ADMINISTRATION - APPOINTED

Randy Eggert	Operations Superintendent
Susan Dodds	Bookkeeper

THIS PAGE IS LEFT BLANK
INTENTIONALLY

FINANCIAL SECTION

**CITY OF KENYON
KENYON, MINNESOTA**

**YEAR ENDED
DECEMBER 31, 2009**

THIS PAGE IS LEFT BLANK
INTENTIONALLY

5201 Eden Avenue
Suite 370
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
City of Kenyon, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kenyon, Minnesota (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2008 financial statements and, in our report dated April 8, 2009, we expressed unqualified opinions on the respective proprietary fund financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 15 through 26 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

THIS PAGE IS LEFT BLANK
INTENTIONALLY



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

April 6, 2010
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

THIS PAGE IS LEFT BLANK
INTENTIONALLY

Management's Discussion and Analysis

As management of the City of Kenyon (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, 2009.

The government-wide funds refer to enterprise funds including sewer, storm sewer, liquor, electric and water. It also includes all governmental funds which are not considered enterprise funds including general, debt service, Trondheim road extension, library, tax abatement, fire and ambulance funds.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2009 by \$12,368,889 (*net assets*). Of this amount, \$3,175,345 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$205,018. One aspect of the increase in assets was a reduction in expenses for the Electric fund of 12 percent (\$264 thousand). A portion of the decrease was a change in how the Electric fund pays for shared services. In 2009, the Electric fund paid for shared services from the City's General fund through a \$31,100 transfer.
- In the enterprise funds, a \$60 thousand increase occurred on net assets. Governmental funds accounted for \$145 thousand of the remaining increase.
- The combined fund balances for the City's governmental funds at the end of 2009 were \$767,132. This was an increase of \$141,352 from 2008.
- Approximately 74 percent or \$567,588 of the total fund balances of the governmental funds is unreserved, thus available for spending at the City's discretion.
- At the end of 2009, the unreserved portion of the fund balance for the General fund was \$573,017, or 60 percent of 2009 expenditures.
- The City's total debt decreased by approximately \$525,000 during the current fiscal year. This was mostly due to the normal payments of principal and interest on bonds outstanding.

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 statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows 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.

The following chart shows how the various parts of this annual report are arranged and related to one another:

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

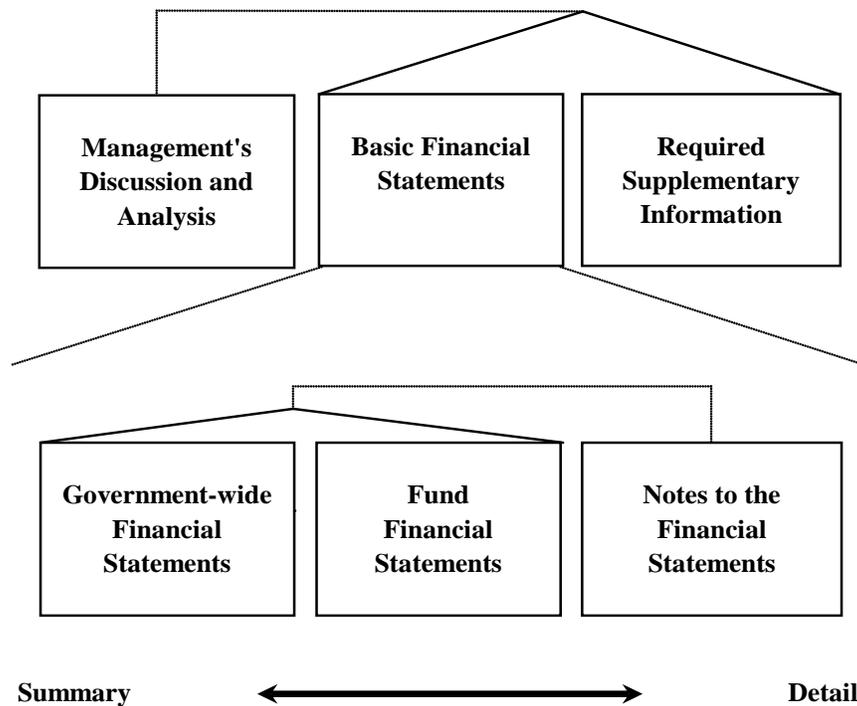


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, public works and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statements of Net Assets Statements of Revenues, Expenses and Changes in Fund Net Assets Statements of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of in flow/out flow 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 revenues (*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, streets, storm sewer, parks, sanitation, economic development, and culture and recreation. The business-type activities of the City include liquor, sewer, storm sewer, electric, and water proprietary funds.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also an Economic Development Authority (the EDA) which is backed by the full faith and credit of the City of Kenyon. Financial information for this *component unit* is blended in the financial information presented for the primary government. The water and electric utilities, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements start on page 29 of the basic financial statements.

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 government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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 fund balance sheet and the governmental fund 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 nineteen individual governmental funds, three of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues. Expenditures and changes in fund balances for the General, Debt Service, and 2006 Trondheim Road Extension funds are also presented separately. 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* 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 the basic financial statements.

Proprietary fund. Proprietary funds provide 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 which are considered to be major funds of the City. The City maintains one type of proprietary fund (enterprise funds) to account for its liquor, sewer, storm sewer, electric, and water proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The basic proprietary fund financial statements start on page 42 of the basic financial statements.

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 65 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to financial statements. Combining statements and individual fund schedules start on page 86 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$4,818,004 in governmental activities and \$7,550,885 in business-type activities (storm sewer, sanitary sewer, liquor, electric & water funds) at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (72 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are 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.

Net Assets

	Governmental Activities			Business-type Activities		
	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)
Assets						
Current and other assets	\$ 1,064,771	\$ 949,068	\$ 115,703	\$ 2,832,148	\$ 2,863,691	\$ (31,543)
Capital assets (net of accumulated depreciation)	4,866,266	4,981,370	(115,104)	5,817,640	6,077,131	(259,491)
Total assets	5,931,037	5,930,438	599	8,649,788	8,940,822	(291,034)
Liabilities						
Long-term liabilities outstanding	1,032,898	1,193,794	(160,896)	877,480	1,245,638	(368,158)
Other liabilities	80,135	64,040	16,095	221,423	203,917	17,506
Total liabilities	1,113,033	1,257,834	(144,801)	1,098,903	1,449,555	(350,652)
Net assets						
Invested in capital assets, net of related debt	3,876,507	3,834,607	41,900	4,992,509	4,901,267	91,242
Restricted	122,920	147,948	(25,028)	201,608	198,000	3,608
Unrestricted	818,577	690,049	128,528	2,356,768	2,392,000	(35,232)
Total net assets	\$ 4,818,004	\$ 4,672,604	\$ 145,400	\$ 7,550,885	\$ 7,491,267	\$ 59,618

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

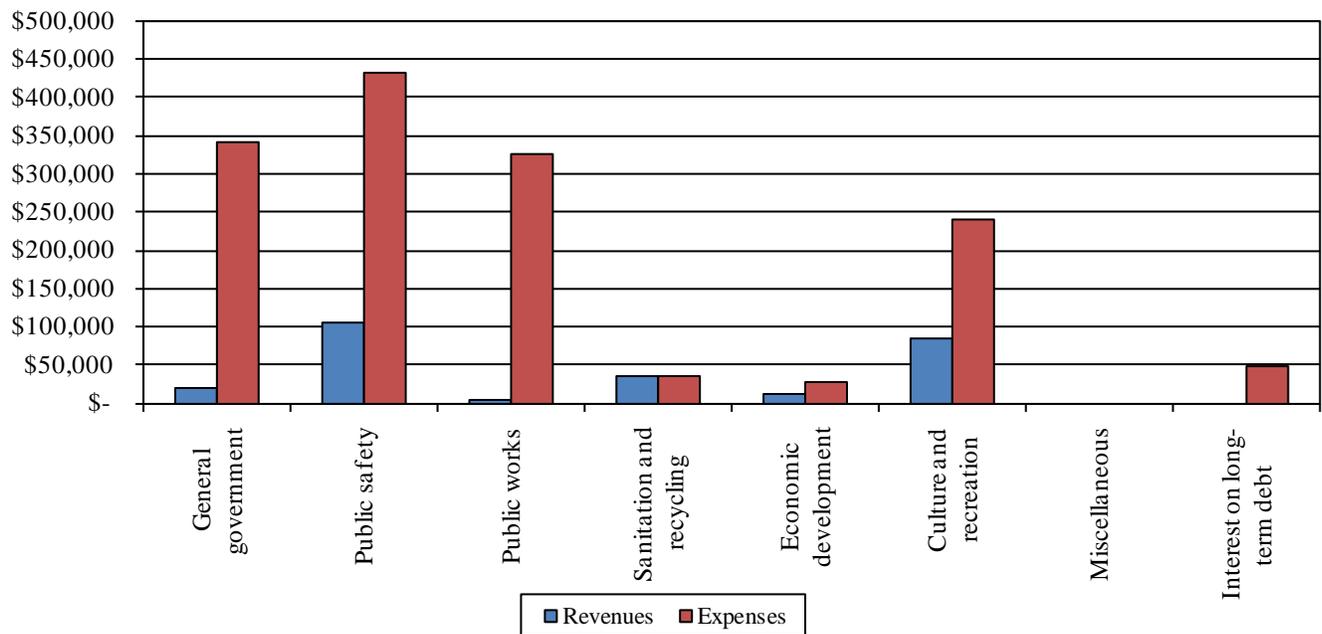
Governmental activities. Governmental activities reduced expenses by \$183,138 in 2009 resulting in an increase in the City's net assets by \$145,400. This accounts for 71 percent of the total gain in net assets. Key elements of this increase are as follows:

	Governmental Activities			Business-type Activities		
	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 165,982	\$ 165,186	\$ 796	\$ 2,819,059	\$ 3,069,734	\$ (250,675)
Operating grants and contributions	91,334	76,387	14,947	5,425	67,727	(62,302)
Capital grants and contributions	4,036	64,554	(60,518)	2,565	6,302	(3,737)
General revenues						
Property taxes	601,638	601,118	520	-	-	-
Tax increments	16,589	16,858	(269)	-	-	-
Grants and contributions not restricted to specific programs	576,154	548,509	27,645	-	-	-
Miscellaneous	15,898	15,151	747	6,827	-	6,827
Gain on sale of capital assets	6,250	16,000	(9,750)	-	-	-
Unrestricted investment earnings	9,882	1,325	8,557	41,106	34,437	6,669
Total revenues	1,487,763	1,505,088	(17,325)	2,874,982	3,178,200	(303,218)
Expenses						
General government	340,282	404,959	(64,677)	-	-	-
Public safety	431,169	415,664	15,505	-	-	-
Public works	327,002	339,570	(12,568)	-	-	-
Sanitation and recycling	34,704	34,692	12	-	-	-
Economic development	27,387	93,391	(66,004)	-	-	-
Culture and recreation	239,081	292,755	(53,674)	-	-	-
Interest on long-term debt	49,085	50,817	(1,732)	-	-	-
Liquor	-	-	-	612,710	602,474	10,236
Sewer	-	-	-	272,249	354,168	(81,919)
Storm sewer	-	-	-	21,230	71,158	(49,928)
Electric	-	-	-	1,611,127	1,875,124	(263,997)
Water	-	-	-	191,701	239,285	(47,584)
Total expenses	1,448,710	1,631,848	(183,138)	2,709,017	3,142,209	(433,192)
Increase (decrease) in net assets before transfers	39,053	(126,760)	165,813	165,965	35,991	129,974
Transfers	106,347	79,777	26,570	(106,347)	(79,777)	(26,570)
Change in net assets	145,400	(46,983)	192,383	59,618	(43,786)	103,404
Net assets, January 1	4,672,604	4,719,587	(46,983)	7,491,267	7,535,053	(43,786)
Net assets, December 31	\$ 4,818,004	\$ 4,672,604	\$ 145,400	\$ 7,550,885	\$ 7,491,267	\$ 59,618

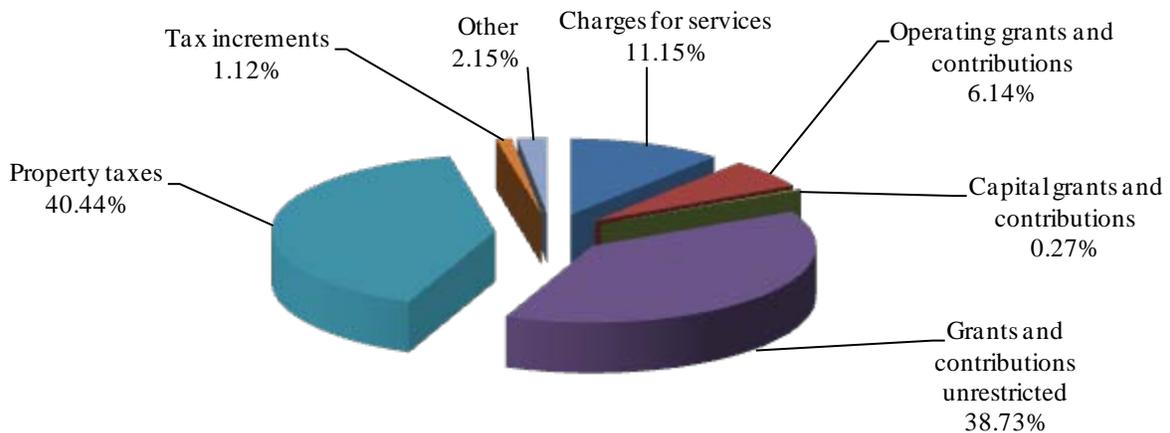
- Property taxes represent 40.4 percent of total revenues in 2009 in governmental activities.
- Governmental revenues decreased by 1.2 percent.
- A portion of the decrease in expenses reflects a difference of spending in the Capital Outlay fund of \$333,806 in 2008 and \$32,921 in 2009.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities. Revenues on this graph do not include general revenues which include taxes, grants and contributions not restricted to specific programs, and interest earnings.

Expenses and Program Revenues - Governmental Activities



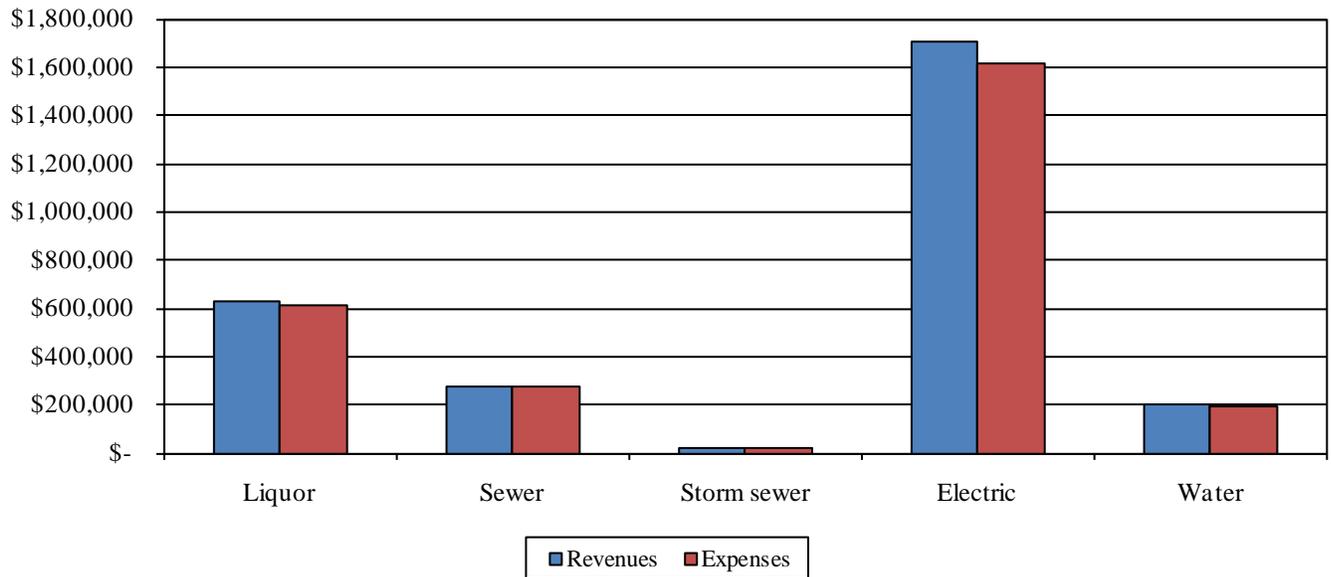
Revenues by Source - Governmental Activities



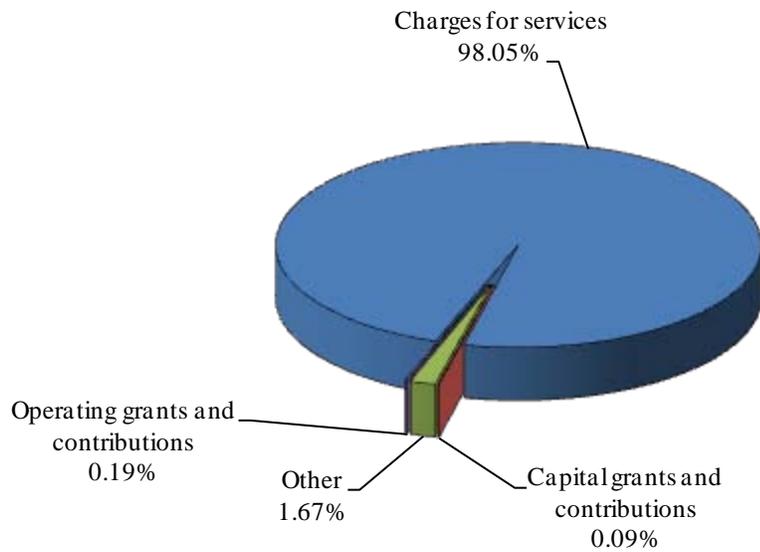
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type Activities (storm sewer, sanitary sewer, water, liquor & electric): Business-type activities increased the City's net assets by \$59,618, accounting for 29 percent of the total gain in the City's net assets.

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of 2009, the City's governmental funds reported combined ending fund balances of \$767,132 an increase of \$141,352 in comparison with the prior year. 74 percent of this total amount (\$567,588) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service and prepaid items of \$138,510 and \$12,297, respectively. \$48,737 remains of a five-year repayment plan from the liquor fund to the General fund which the City implemented in 2008.

<u>Major funds</u>	<u>Fund Balance (Deficit) December 31,</u>		<u>Increase (Decrease)</u>
	<u>2009</u>	<u>2008</u>	
General	\$ 631,087	\$ 529,367	\$ 101,720
Debt Service	\$ 138,510	\$ 149,434	\$ (10,924)
2006 Trondheim Road Extension	\$ (119,680)	\$ (119,101)	\$ (579)

The General fund is the chief operating fund of the City. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to the following year's budget. The fund balance is 47.2 percent of next year's budgeted expenditures.

The debt service fund balance decreased \$10,924 mostly related to obligation from the 2007 G.O. Refunding Bond.

The 2006 Trondheim Road Extension fund was established in 2006 for the related capital project. The total fund deficit is due to the lack of revenues intended to pay for the project. These revenues will be received in the future in the form of deferred assessments as the property is developed.

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$2,356,768. The total increase in net assets for the funds was \$59,618. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's general fund budget was amended during the year. Revenues were less than anticipated due to LGA reductions and the 2009 expenditure budget was reduced by \$58,000. General Fund expenditures decreased by \$181,892 in 2009, resulting in actual spending of approximately \$49,200 under budget.

Some of the significant variances can be briefly summarized as follows:

- Property taxes revenue was \$59,020 less than anticipated.
- Local government aid was \$37,488 less than anticipated.
- Public works expenditures were \$33,096 lower than anticipated.
- Culture and recreation expenditures were \$20,950 lower than anticipated.

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, 2009, amounts to \$10,683,906 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges.

Capital Assets (net of accumulated depreciation)

	Governmental Activities			Business-type Activities		
	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)
Land	\$ 1,216,097	\$ 1,216,097	\$ -	\$ 57,185	\$ 57,185	\$ -
Construction in progress	21,361	7,514	13,847	5,195	-	5,195
Buildings and improvements	1,142,515	1,140,228	2,287	1,681,045	1,692,454	(11,409)
Infrastructure	1,800,963	1,864,936	(63,973)	2,245,184	2,394,969	(149,785)
Machinery and equipment	685,330	752,595	(67,265)	242,903	252,797	(9,894)
Transportation equipment	-	-	-	147,934	161,294	(13,360)
Office furniture and equipment	-	-	-	9,356	11,109	(1,753)
Generators	-	-	-	1,428,838	1,507,323	(78,485)
Total	\$ 4,866,266	\$ 4,981,370	\$ (115,104)	\$ 5,817,640	\$ 6,077,131	\$ (259,491)

Additional information on the City's capital assets can be found in Note 3C start on page 75 of this report.

Long-term Debt. At the end of 2009, the City had total bonded debt outstanding of \$1,883,000. Of this amount, \$1,020,000 is the general obligation refunding bond from 2007. The remainder of the City's debt includes bonds secured solely by specified revenue sources (i.e., Revenue Bonds). G.O. revenue bonds include 1995 and 2004 refunding sewer bonds and the water fund's PFA loan.

Outstanding Debt

	Governmental Activities			Business-type Activities		
	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)
General obligation bonds	\$ 1,020,000	\$ 1,180,000	\$ (160,000)	\$ -	\$ -	\$ -
G.O. revenue bonds	-	-	-	168,000	303,000	(135,000)
Revenue bonds	-	-	-	695,000	925,000	(230,000)
Compensated absences payable	12,898	13,794	(896)	14,480	17,638	(3,158)
Total	<u>\$ 1,032,898</u>	<u>\$ 1,193,794</u>	<u>\$ (160,896)</u>	<u>\$ 877,480</u>	<u>\$ 1,245,638</u>	<u>\$ (368,158)</u>

The City's total debt decreased \$525,000 (21.8 percent) during the current fiscal year.

Additional information on the City's long-term debt can be found in Note 3E start on page 78 of this report.

Economic Factors and Next Year's Budgets and Rates

- Continued State budget issues could further threaten City Local Government Aid payments in the coming years. Further reductions in LGA and Market Value Homestead Credits have been announced and are likely to occur. The City will continue to closely monitor State legislative action and maintain an adequate General Fund balance to help minimize the impacts of future cuts.

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 Kenyon, 709 Second Street, Kenyon, Minnesota 55946.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF KENYON
KENYON, MINNESOTA

YEAR ENDED
DECEMBER 31, 2009

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF KENYON, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 717,328	\$ 1,892,674	\$ 2,610,002
Receivables			
Delinquent taxes	97,481	-	97,481
Accounts, net	78,269	397,210	475,479
Accrued interest	893	3,289	4,182
Special assessments	120,404	605	121,009
Loans	8,081	-	8,081
Internal balances	(223)	223	-
Inventories	-	230,619	230,619
Prepaid items	12,297	68,051	80,348
Deferred charges	30,241	37,869	68,110
Restricted cash	-	201,608	201,608
Capital assets			
Land and construction in progress	1,237,458	62,380	1,299,838
Depreciable assets (net of accumulated depreciation)	3,628,808	5,755,260	9,384,068
	5,931,037	8,649,788	14,580,825
LIABILITIES			
Accounts payable	46,964	186,477	233,441
Accrued salaries payable	15,425	12,429	27,854
Accrued interest payable	16,946	10,429	27,375
Customer deposits payable	800	12,033	12,833
Unearned revenue	-	55	55
Noncurrent liabilities			
Due within one year			
Compensated absences payable	12,898	14,480	27,378
Bonds payable	160,000	335,000	495,000
Due in more than one year			
Bonds payable	860,000	528,000	1,388,000
	1,113,033	1,098,903	2,211,936
NET ASSETS			
Invested in capital assets, net of related debt	3,876,507	4,992,509	8,869,016
Restricted for debt service	122,920	201,608	324,528
Unrestricted	818,577	2,356,768	3,175,345
	\$ 4,818,004	\$ 7,550,885	\$ 12,368,889

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

CITY OF KENYON, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 340,282	\$ 19,266	\$ 417	\$ -
Public safety	431,169	78,683	27,192	855
Public works	327,002	-	-	3,181
Sanitation and recycling	34,704	35,042	-	-
Culture and recreation	239,081	21,939	63,558	-
Economic development	27,387	11,052	167	-
Interest on long-term debt	49,085	-	-	-
Total governmental activities	<u>1,448,710</u>	<u>165,982</u>	<u>91,334</u>	<u>4,036</u>
Business-type activities				
Liquor	612,710	621,893	3,700	-
Sewer	272,249	269,909	839	1,472
Storm sewer	21,230	23,886	-	-
Electric	1,611,127	1,704,739	886	249
Water	191,701	198,632	-	844
Total business-type activities	<u>2,709,017</u>	<u>2,819,059</u>	<u>5,425</u>	<u>2,565</u>
Total	<u>\$ 4,157,727</u>	<u>\$ 2,985,041</u>	<u>\$ 96,759</u>	<u>\$ 6,601</u>

General revenues

- Taxes
 - Property taxes levied for general purposes
 - Property taxes levied for debt service
 - Tax increments
 - Grants and contributions not restricted to specific programs
 - Unrestricted interest earnings
 - Miscellaneous
 - Gain on sale of capital assets
 - Transfers - internal activities
- Total general revenues and transfers

Change in net assets

Net assets, January 1

Net assets, December 31

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (320,599)	\$ -	\$ (320,599)
(324,439)	-	(324,439)
(323,821)	-	(323,821)
338	-	338
(153,584)	-	(153,584)
(16,168)	-	(16,168)
(49,085)	-	(49,085)
<u>(1,187,358)</u>	<u>-</u>	<u>(1,187,358)</u>
-	12,883	12,883
-	(29)	(29)
-	2,656	2,656
-	94,747	94,747
<u>-</u>	<u>7,775</u>	<u>7,775</u>
<u>-</u>	<u>118,032</u>	<u>118,032</u>
<u>(1,187,358)</u>	<u>118,032</u>	<u>(1,069,326)</u>
442,367	-	442,367
159,271	-	159,271
16,589	-	16,589
576,154	-	576,154
9,882	41,106	50,988
15,898	6,827	22,725
6,250	-	6,250
<u>106,347</u>	<u>(106,347)</u>	<u>-</u>
<u>1,332,758</u>	<u>(58,414)</u>	<u>1,274,344</u>
145,400	59,618	205,018
<u>4,672,604</u>	<u>7,491,267</u>	<u>12,163,871</u>
<u>\$ 4,818,004</u>	<u>\$ 7,550,885</u>	<u>\$ 12,368,889</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

**FUND
FINANCIAL STATEMENTS**

CITY OF KENYON
KENYON, MINNESOTA

YEAR ENDED
DECEMBER 31, 2009

CITY OF KENYON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General	Debt Service
ASSETS		
Cash and temporary investments	\$ 435,068	\$ 138,405
Receivables		
Delinquent taxes	97,481	-
Accounts	77,831	-
Accrued interest	394	105
Special assessments	3,171	1,356
Loans	-	-
Due from other funds	70,881	-
Advances to other funds	48,737	-
Prepaid items	9,333	-
	<u>\$ 742,896</u>	<u>\$ 139,866</u>
TOTAL ASSETS		
LIABILITIES AND FUND BALANCES (DEFICITS)		
LIABILITIES		
Accounts payable	\$ 20,310	\$ -
Accrued salaries payable	12,604	-
Deposits	-	-
Advances from other funds	-	-
Deferred revenue	78,895	1,356
	<u>111,809</u>	<u>1,356</u>
TOTAL LIABILITIES		
FUND BALANCES (DEFICITS)		
Reserved for		
Prepaid items	9,333	-
Advances to other funds	48,737	-
Debt service	-	138,510
Unreserved, designated for capital improvements	-	-
Unreserved, undesignated reported in		
General fund	573,017	-
Special revenue funds	-	-
Capital projects funds	-	-
	<u>631,087</u>	<u>138,510</u>
TOTAL FUND BALANCES (DEFICITS)		
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)		
	<u>\$ 742,896</u>	<u>\$ 139,866</u>

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

2006 Trondheim Road Extension	Other Governmental Funds	Total Governmental Funds
\$ 161	\$ 143,694	\$ 717,328
-	-	97,481
-	438	78,269
-	394	893
115,877	-	120,404
-	8,081	8,081
-	-	70,881
-	-	48,737
-	2,964	12,297
<u>\$ 116,038</u>	<u>\$ 155,571</u>	<u>\$ 1,154,371</u>
\$ -	\$ 26,654	\$ 46,964
-	2,821	15,425
-	800	800
119,841	-	119,841
115,877	8,081	204,209
<u>235,718</u>	<u>38,356</u>	<u>387,239</u>
-	2,964	12,297
-	-	48,737
-	-	138,510
-	255,532	255,532
-	-	573,017
-	145,693	145,693
(119,680)	(286,974)	(406,654)
<u>(119,680)</u>	<u>117,215</u>	<u>767,132</u>
<u>\$ 116,038</u>	<u>\$ 155,571</u>	<u>\$ 1,154,371</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF KENYON, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2009

Total fund balances - governmental	\$ 767,132
Amounts reported for the governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	6,557,471
Less: accumulated depreciation	(1,691,205)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(1,020,000)
Less: deferred charges net of accumulated amortization	30,241
Compensated absences payable	(12,898)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	
Special assessments receivable	120,404
Delinquent taxes receivable	68,613
Other	15,192
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(16,946)</u>
Total net assets - governmental activities	<u><u>\$ 4,818,004</u></u>

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

CITY OF KENYON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Debt Service
REVENUES		
Taxes	\$ 301,418	\$ 159,271
Licenses and permits	4,251	-
Intergovernmental	594,879	-
Charges for services	65,750	-
Fines and forfeitures	7,548	-
Special assessments	-	31,402
Investment earnings	5,059	335
Miscellaneous	16,666	2,163
	<u>995,571</u>	<u>193,171</u>
 TOTAL REVENUES		
EXPENDITURES		
Current		
General government	314,942	-
Public safety	299,083	-
Public works	225,054	-
Sanitation and recycling	34,704	-
Culture and recreation	64,210	-
Economic development	-	-
Capital outlay		
General government	1,961	-
Public safety	-	-
Culture and recreation	10,284	-
Economic development	-	-
Debt service		
Principal	-	160,000
Interest and other	-	44,095
	<u>950,238</u>	<u>204,095</u>
 TOTAL EXPENDITURES		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>45,333</u>	<u>(10,924)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	106,347	-
Sale of capital assets	6,250	-
Transfers out	(56,210)	-
	<u>56,387</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)		
NET CHANGE IN FUND BALANCES	101,720	(10,924)
FUND BALANCES (DEFICITS), JANUARY 1	<u>529,367</u>	<u>149,434</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 631,087</u>	<u>\$ 138,510</u>

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

2006 Trondheim Road Extension	Other Governmental Funds	Total Governmental Funds
\$ 324	\$ 157,125	\$ 618,138
-	-	4,251
-	52,340	647,219
-	66,096	131,846
-	1,396	8,944
3,591	-	34,993
-	4,488	9,882
-	48,659	67,488
<u>3,915</u>	<u>330,104</u>	<u>1,522,761</u>
-	-	314,942
-	76,303	375,386
-	-	225,054
-	-	34,704
-	133,426	197,636
-	27,387	27,387
-	5,992	7,953
-	17,844	17,844
-	36,038	46,322
-	38,189	38,189
-	-	160,000
4,494	-	48,589
<u>4,494</u>	<u>335,179</u>	<u>1,494,006</u>
<u>(579)</u>	<u>(5,075)</u>	<u>28,755</u>
-	128,139	234,486
-	-	6,250
-	(71,929)	(128,139)
-	56,210	112,597
(579)	51,135	141,352
<u>(119,101)</u>	<u>66,080</u>	<u>625,780</u>
<u>\$ (119,680)</u>	<u>\$ 117,215</u>	<u>\$ 767,132</u>

CITY OF KENYON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Total net change in fund balances (deficits) - governmental funds \$ 141,352

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

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.

Capital outlay	78,780
Depreciation expense	(193,884)

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 assets. 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. The amounts below are the effect of these differences in the treatment of long-term debt and related items.

Amortization of deferred charges	(2,996)
Principal repayments	160,000

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.

2,500

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.

Special assessments	(31,812)
Property taxes	89
Loans	(9,525)

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.

Compensated absences	896
----------------------	-----

Change in net assets - governmental activities \$ 145,400

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

CITY OF KENYON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 360,438	\$ 360,438	\$ 301,418	\$ (59,020)
Licenses and permits	5,400	5,400	4,251	(1,149)
Intergovernmental	625,162	625,162	594,879	(30,283)
Charges for services	62,250	62,250	65,750	3,500
Fines and forfeitures	6,500	6,500	7,548	1,048
Investment earnings	5,528	5,528	5,059	(469)
Miscellaneous	3,750	3,750	16,666	12,916
TOTAL REVENUES	1,069,028	1,069,028	995,571	(73,457)
EXPENDITURES				
Current				
General government	337,655	318,655	314,942	3,713
Public safety	288,450	288,450	299,083	(10,633)
Public works	296,150	258,150	225,054	33,096
Sanitation and recycling	35,000	35,000	34,704	296
Culture and recreation	76,910	85,160	64,210	20,950
Capital outlay	27,000	14,000	12,245	1,755
TOTAL EXPENDITURES	1,061,165	999,415	950,238	49,177
EXCESS OF REVENUES OVER EXPENDITURES	7,863	69,613	45,333	(24,280)
OTHER FINANCING SOURCES (USES)				
Transfers in	118,000	118,000	106,347	(11,653)
Sale of capital assets	-	-	6,250	6,250
Transfers out	(61,210)	(56,210)	(56,210)	-
TOTAL OTHER FINANCING SOURCES (USES)	56,790	61,790	56,387	(5,403)
NET CHANGE IN FUND BALANCES	64,653	131,403	101,720	(29,683)
FUND BALANCES, JANUARY 1	529,367	529,367	529,367	-
FUND BALANCES, DECEMBER 31	\$ 594,020	\$ 660,770	\$ 631,087	\$ (29,683)

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

CITY OF KENYON, MINNESOTA
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds			
	Liquor		Sewer	
	2009	2008	2009	2008
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 12,784	\$ 5,793	\$ 461,079	\$ 475,945
Receivables				
Accounts, net	4,103	1,146	13,361	13,345
Accrued interest	6	-	396	461
Due from other funds	-	-	26,251	23,915
Current portion of advances to other funds	-	-	-	-
Inventories	36,927	38,647	-	-
Prepaid items	4,013	3,621	1,145	1,267
TOTAL CURRENT ASSETS	57,833	49,207	502,232	514,933
NONCURRENT ASSETS				
Deferred charges	-	-	3,031	5,686
Special assessments	-	-	605	432
Advances to other funds	-	-	-	-
Restricted cash	-	-	-	-
Capital assets				
Land	42,813	42,813	-	-
Buildings and structures	35,381	35,381	4,635,627	4,635,627
Infrastructure	142,236	136,386	292,221	292,221
Machinery and equipment	34,627	30,023	254,596	238,355
Transportation equipment	-	-	-	-
Office furniture and equipment	12,128	12,128	-	-
Generators	-	-	-	-
Construction in progress	-	-	5,195	-
Less accumulated depreciation	(129,568)	(115,382)	(3,397,326)	(3,270,702)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	137,617	141,349	1,790,313	1,895,501
TOTAL NONCURRENT ASSETS	137,617	141,349	1,793,949	1,901,619
TOTAL ASSETS	195,450	190,556	2,296,181	2,416,552

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

Business-type Activities - Enterprise Funds - Continued

Storm Sewer		Electric		Water	
2009	2008	2009	2008	2009	2008
\$ 400,713	\$ 378,089	\$ 760,996	\$ 807,452	\$ 257,102	\$ 294,674
-	-	352,851	310,951	26,895	22,676
489	454	2,318	3,019	80	296
2,498	2,456	-	-	-	-
-	-	5,625	5,625	-	-
-	-	171,437	178,677	22,255	24,389
-	-	61,622	68,529	1,271	1,195
<u>403,700</u>	<u>380,999</u>	<u>1,354,849</u>	<u>1,374,253</u>	<u>307,603</u>	<u>343,230</u>
-	-	34,838	46,450	-	-
-	-	-	-	-	-
-	-	119,841	125,466	-	-
-	-	201,608	198,000	-	-
-	-	14,372	14,372	-	-
-	-	234,110	234,110	226,713	226,713
478,285	478,285	2,055,258	2,049,644	1,394,411	1,320,397
36,551	36,551	118,637	118,637	75,978	75,978
-	-	294,119	294,119	8,213	8,213
-	-	64,989	64,989	-	-
-	-	2,395,536	2,395,536	-	-
-	-	-	-	-	-
<u>(122,795)</u>	<u>(104,415)</u>	<u>(2,571,798)</u>	<u>(2,407,045)</u>	<u>(812,869)</u>	<u>(765,803)</u>
<u>392,041</u>	<u>410,421</u>	<u>2,605,223</u>	<u>2,764,362</u>	<u>892,446</u>	<u>865,498</u>
<u>392,041</u>	<u>410,421</u>	<u>2,961,510</u>	<u>3,134,278</u>	<u>892,446</u>	<u>865,498</u>
<u>795,741</u>	<u>791,420</u>	<u>4,316,359</u>	<u>4,508,531</u>	<u>1,200,049</u>	<u>1,208,728</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF KENYON, MINNESOTA
STATEMENTS OF NET ASSETS - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds - Continued	
	Totals	
	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 1,892,674	\$ 1,961,953
Receivables		
Accounts, net	397,210	348,118
Accrued interest	3,289	4,230
Due from other funds	28,749	26,371
Current portion of advances to other funds	5,625	5,625
Inventories	230,619	241,713
Prepaid items	68,051	74,612
	2,626,217	2,662,622
TOTAL CURRENT ASSETS		
NONCURRENT ASSETS		
Deferred charges	37,869	52,136
Special assessments	605	432
Advances to other funds	119,841	125,466
Restricted cash	201,608	198,000
Capital assets		
Land	57,185	57,185
Buildings and structures	5,131,831	5,131,831
Infrastructure	4,362,411	4,276,933
Machinery and equipment	520,389	499,544
Transportation equipment	302,332	302,332
Office furniture and equipment	77,117	77,117
Generators	2,395,536	2,395,536
Construction in progress	5,195	-
Less accumulated depreciation	(7,034,356)	(6,663,347)
	5,817,640	6,077,131
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)		
	6,177,563	6,453,165
TOTAL NONCURRENT ASSETS		
	8,803,780	9,115,787
TOTAL ASSETS		

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

CITY OF KENYON, MINNESOTA
STATEMENTS OF NET ASSETS - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds - Continued			
	Liquor		Sewer	
	2009	2008	2009	2008
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 32,512	\$ 23,326	\$ 6,456	\$ 2,010
Accrued salaries payable	2,919	3,603	1,411	3,301
Accrued interest payable	-	-	325	710
Customer deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds - current portion	15,842	15,070	-	-
Unearned revenue	55	90	-	-
Compensated absences payable	2,067	3,152	860	3,307
Bonds payable - current portion	-	-	90,000	125,000
TOTAL CURRENT LIABILITIES	<u>53,395</u>	<u>45,241</u>	<u>99,052</u>	<u>134,328</u>
NONCURRENT LIABILITIES				
Advances from other funds, less current portion above	32,895	49,118	-	-
Bonds payable, less current portion above	-	-	-	90,000
TOTAL NONCURRENT LIABILITIES	<u>32,895</u>	<u>49,118</u>	<u>-</u>	<u>90,000</u>
TOTAL LIABILITIES	<u>86,290</u>	<u>94,359</u>	<u>99,052</u>	<u>224,328</u>
NET ASSETS				
Invested in capital assets, net of related debt	137,617	141,349	1,703,344	1,686,187
Restricted for debt service	-	-	-	-
Unrestricted	(28,457)	(45,152)	493,785	506,037
TOTAL NET ASSETS	<u>\$ 109,160</u>	<u>\$ 96,197</u>	<u>\$ 2,197,129</u>	<u>\$ 2,192,224</u>

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

Business-type Activities - Enterprise Funds - Continued

Storm Sewer		Electric		Water	
2009	2008	2009	2008	2009	2008
\$ -	\$ 3,975	\$ 144,857	\$ 142,237	\$ 2,652	\$ 1,455
-	-	5,718	5,453	2,381	1,362
-	-	9,156	6,960	948	1,010
-	-	9,563	6,160	2,470	2,265
-	-	99,630	99,527	-	-
-	-	-	-	5,625	5,625
-	-	-	-	-	-
-	-	8,157	8,943	3,396	2,236
-	-	235,000	230,000	10,000	10,000
-	3,975	512,081	499,280	27,472	23,953
-	-	-	-	-	5,625
-	-	460,000	695,000	68,000	78,000
-	-	460,000	695,000	68,000	83,625
-	3,975	972,081	1,194,280	95,472	107,578
392,041	410,421	1,945,061	1,885,812	814,446	777,498
-	-	201,608	198,000	-	-
403,700	377,024	1,197,609	1,230,439	290,131	323,652
<u>\$ 795,741</u>	<u>\$ 787,445</u>	<u>\$ 3,344,278</u>	<u>\$ 3,314,251</u>	<u>\$ 1,104,577</u>	<u>\$ 1,101,150</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF KENYON, MINNESOTA
STATEMENTS OF NET ASSETS - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds - Continued	
	Totals	
	2009	2008
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 186,477	\$ 173,003
Accrued salaries payable	12,429	13,719
Accrued interest payable	10,429	8,680
Customer deposits payable	12,033	8,425
Due to other funds	99,630	99,527
Advances from other funds - current portion	21,467	20,695
Unearned revenue	55	90
Compensated absences payable	14,480	17,638
Bonds payable - current portion	335,000	365,000
	692,000	706,777
TOTAL CURRENT LIABILITIES		
NONCURRENT LIABILITIES		
Advances from other funds, less current portion above	32,895	54,743
Bonds payable, less current portion above	528,000	863,000
	560,895	917,743
TOTAL NONCURRENT LIABILITIES		
TOTAL LIABILITIES	1,252,895	1,624,520
NET ASSETS		
Invested in capital assets, net of related debt	4,992,509	4,901,267
Restricted for debt service	201,608	198,000
Unrestricted	2,356,768	2,392,000
	\$ 7,550,885	\$ 7,491,267
TOTAL NET ASSETS		

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

CITY OF KENYON, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds			
	Liquor		Sewer	
	2009	2008	2009	2008
OPERATING REVENUES				
Sales	\$ 607,617	\$ 616,930	\$ -	\$ -
Cost of sales	(406,779)	(373,709)	-	-
GROSS PROFIT	200,838	243,221	-	-
Charges for service	-	-	269,909	285,211
TOTAL OPERATING REVENUES	200,838	243,221	269,909	285,211
OPERATING EXPENSES				
Power costs	-	-	-	-
Conservation improvement program	-	-	-	-
Base load projects	-	-	-	-
Personal services	140,550	152,251	25,856	103,558
Supplies	2,956	3,486	5,632	9,344
Professional services	-	302	26,730	13,500
Communications	-	-	-	-
Insurance	9,526	12,752	4,447	4,383
Utilities	13,902	14,151	47,223	50,740
Repairs and maintenance	7,393	16,675	21,750	26,592
Advertising and other	-	508	-	1,578
Depreciation	14,186	13,214	126,624	125,039
Dues and subscriptions	1,143	1,101	1,482	1,800
Other services	3,694	-	195	573
Safety	-	-	-	-
Generator expense	-	-	-	-
Other operating expense	11,153	12,515	1,091	1,470
TOTAL OPERATING EXPENSES	204,503	226,955	261,030	338,577
OPERATING INCOME (LOSS)	(3,665)	16,266	8,879	(53,366)
NONOPERATING REVENUES (EXPENSES)				
Miscellaneous revenue	17,976	13,190	839	-
Connection fees	-	-	844	2,532
Intergovernmental	-	-	-	-
Special assessments	-	-	628	488
Interest earnings	80	(6,804)	4,934	7,608
Amortization of deferred charges	-	-	(2,655)	(2,655)
Miscellaneous expense	-	-	-	-
Interest expense	(1,428)	(1,810)	(8,564)	(12,936)
TOTAL NONOPERATING REVENUES (EXPENSES)	16,628	4,576	(3,974)	(4,963)

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

Business-type Activities - Enterprise Funds - Continued

Storm Sewer		Electric		Water	
2009	2008	2009	2008	2009	2008
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
23,886	23,593	1,704,739	1,927,064	198,632	202,304
23,886	23,593	1,704,739	1,927,064	198,632	202,304
-	-	888,250	1,061,555	-	-
-	-	29,200	40,046	-	-
-	-	47,934	50,481	-	-
-	-	223,983	258,925	94,681	101,760
-	-	6,221	20,884	5,274	3,571
-	18,013	38,348	37,123	4,964	13,982
-	-	1,707	1,951	-	-
-	-	55,251	57,210	3,028	2,945
-	-	21,748	25,477	2,234	3,541
2,850	38,016	17,296	12,650	9,438	34,230
-	1,598	-	-	-	-
18,380	13,531	164,753	173,704	47,066	50,985
-	-	15,686	15,591	585	301
-	-	902	1,338	34	-
-	-	10,526	10,764	293	286
-	-	42,560	31,533	-	-
-	-	8,576	14,120	20,691	23,691
21,230	71,158	1,572,941	1,813,352	188,288	235,292
2,656	(47,565)	131,798	113,712	10,344	(32,988)
-	15,730	6,827	51,123	-	1,442
-	-	249	750	844	2,532
-	-	886	790	-	84
-	-	-	-	-	-
5,640	9,736	26,900	22,766	3,552	1,131
-	-	(11,612)	(7,527)	-	-
-	-	(595)	(2,776)	(62)	(89)
-	-	(25,979)	(51,469)	(3,351)	(3,904)
5,640	25,466	(3,324)	13,657	983	1,196

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF KENYON, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds - Continued	
	Totals	
	2009	2008
OPERATING REVENUES		
Sales	\$ 607,617	\$ 616,930
Cost of sales	(406,779)	(373,709)
GROSS PROFIT	200,838	243,221
Charges for service	2,197,166	2,438,172
TOTAL OPERATING REVENUES	2,398,004	2,681,393
OPERATING EXPENSES		
Power costs	888,250	1,061,555
Conservation improvement program	29,200	40,046
Base load projects	47,934	50,481
Personal services	485,070	616,494
Supplies	20,083	37,285
Professional services	70,042	82,920
Communications	1,707	1,951
Insurance	72,252	77,290
Utilities	85,107	93,909
Repairs and maintenance	58,727	128,163
Advertising and other	-	3,684
Depreciation	371,009	376,473
Dues and subscriptions	18,896	18,793
Other services	4,825	1,911
Safety	10,819	11,050
Generator expense	42,560	31,533
Other operating expense	41,511	51,796
TOTAL OPERATING EXPENSES	2,247,992	2,685,334
OPERATING INCOME (LOSS)	150,012	(3,941)
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous revenue	25,642	81,485
Connection fees	1,937	5,814
Intergovernmental	886	874
Special assessments	628	488
Investment earnings	41,106	34,437
Amortization of deferred charges	(14,267)	(10,182)
Miscellaneous expense	(657)	(2,865)
Interest expense	(39,322)	(70,119)
TOTAL NONOPERATING REVENUES (EXPENSES)	15,953	39,932

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

CITY OF KENYON, MINNESOTA
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - CONTINUED
 PROPRIETARY FUNDS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds - Continued			
	Liquor		Sewer	
	2009	2008	2009	2008
INCOME (LOSS) BEFORE TRANSFERS	\$ 12,963	\$ 20,842	\$ 4,905	\$ (58,329)
TRANSFERS OUT	-	(10,000)	-	-
CHANGE IN NET ASSETS	12,963	10,842	4,905	(58,329)
NET ASSETS, JANUARY 1	96,197	85,355	2,192,224	2,250,553
NET ASSETS, DECEMBER 31	<u>\$ 109,160</u>	<u>\$ 96,197</u>	<u>\$ 2,197,129</u>	<u>\$ 2,192,224</u>

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

Business-type Activities - Enterprise Funds - Continued

Storm Sewer		Electric		Water	
2009	2008	2009	2008	2009	2008
\$ 8,296	\$ (22,099)	\$ 128,474	\$ 127,369	\$ 11,327	\$ (31,792)
-	-	(98,447)	(69,777)	(7,900)	-
8,296	(22,099)	30,027	57,592	3,427	(31,792)
787,445	809,544	3,314,251	3,256,659	1,101,150	1,132,942
<u>\$ 795,741</u>	<u>\$ 787,445</u>	<u>\$ 3,344,278</u>	<u>\$ 3,314,251</u>	<u>\$ 1,104,577</u>	<u>\$ 1,101,150</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF KENYON, MINNESOTA
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - CONTINUED
 PROPRIETARY FUNDS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds - Continued	
	Totals	
	2009	2008
INCOME (LOSS) BEFORE TRANSFERS	\$ 165,965	\$ 35,991
TRANSFERS OUT	(106,347)	(79,777)
CHANGE IN NET ASSETS	59,618	(43,786)
NET ASSETS, JANUARY 1	7,491,267	7,535,053
NET ASSETS, DECEMBER 31	\$ 7,550,885	\$ 7,491,267

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

CITY OF KENYON, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds			
	Liquor		Sewer	
	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 604,625	\$ 621,760	\$ 255,373	\$ 250,482
Receipts from interfund services provided	-	-	12,184	22,768
Other operating cash receipts	17,976	13,190	839	-
Payments to suppliers	(435,042)	(431,493)	(65,869)	(68,448)
Payments to employees	(141,234)	(150,080)	(30,193)	(99,078)
Payments for interfund services used	(12,075)	(19,679)	(38,113)	(45,398)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>34,250</u>	<u>33,698</u>	<u>134,221</u>	<u>60,326</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payment received on interfund loan	-	-	-	-
Payment made on interfund loan	(15,451)	(15,070)	-	-
Transfers out	-	(10,000)	-	-
Transfer to City's general fund in lieu of taxes	-	-	-	-
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(15,451)</u>	<u>(25,070)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(10,454)	-	(21,436)	(45,060)
Connection fees received	-	-	844	2,532
Special assessment received	-	-	455	1,740
Bond proceeds, net of issuance costs	-	-	-	-
Principal paid on bonds and loan	-	-	(125,000)	(120,000)
Interest paid on bonds and loan	(1,428)	(1,810)	(8,949)	(13,299)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(11,882)</u>	<u>(1,810)</u>	<u>(154,086)</u>	<u>(174,087)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	74	(6,804)	4,999	9,738
Miscellaneous receipts from investments	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>74</u>	<u>(6,804)</u>	<u>4,999</u>	<u>9,738</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,991	14	(14,866)	(104,023)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>5,793</u>	<u>5,779</u>	<u>475,945</u>	<u>579,968</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 12,784</u>	<u>\$ 5,793</u>	<u>\$ 461,079</u>	<u>\$ 475,945</u>

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

Business-type Activities - Enterprise Funds - Continued

Storm Sewer		Electric		Water	
2009	2008	2009	2008	2009	2008
\$ 23,844	\$ 23,450	\$ 1,589,800	\$ 1,862,706	\$ 185,711	\$ 194,925
-	-	76,442	97,475	8,907	10,684
-	15,730	886	790	-	84
(6,825)	(53,652)	(1,158,673)	(1,441,160)	(42,188)	(66,595)
-	-	(224,504)	(255,835)	(93,662)	(103,280)
-	-	-	-	-	-
<u>17,019</u>	<u>(14,472)</u>	<u>283,951</u>	<u>263,976</u>	<u>58,768</u>	<u>35,818</u>
-	-	5,625	34,848	-	-
-	-	-	-	(5,625)	(5,625)
-	-	(31,100)	-	(7,900)	-
-	-	(69,777)	(71,174)	-	-
-	-	(95,252)	(36,326)	(13,525)	(5,625)
-	(101,880)	(5,614)	(24,020)	(74,014)	(14,845)
-	-	249	750	844	2,532
-	-	-	-	-	-
-	-	-	904,204	-	-
-	-	(230,000)	(1,220,000)	(10,000)	(10,000)
-	-	(23,783)	(68,723)	(3,413)	(4,019)
-	(101,880)	(259,148)	(407,789)	(86,583)	(26,332)
5,605	11,920	27,601	25,638	3,768	2,428
-	-	-	51,123	-	-
<u>5,605</u>	<u>11,920</u>	<u>27,601</u>	<u>76,761</u>	<u>3,768</u>	<u>2,428</u>
22,624	(104,432)	(42,848)	(103,378)	(37,572)	6,289
<u>378,089</u>	<u>482,521</u>	<u>1,005,452</u>	<u>1,108,830</u>	<u>294,674</u>	<u>288,385</u>
<u>\$ 400,713</u>	<u>\$ 378,089</u>	<u>\$ 962,604</u>	<u>\$ 1,005,452</u>	<u>\$ 257,102</u>	<u>\$ 294,674</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF KENYON, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Business-type Activities Enterprise Funds - Continued	
	Totals	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,659,353	\$ 2,953,323
Receipts from interfund services provided	97,533	130,927
Other operating cash receipts	19,701	29,794
Payments to suppliers	(1,708,597)	(2,061,348)
Payments to employees	(489,593)	(608,273)
Payments for interfund services used	(50,188)	(65,077)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	528,209	379,346
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payment received on interfund loan	5,625	34,848
Payment made on interfund loan	(21,076)	(20,695)
Transfers out	(39,000)	(10,000)
Transfer to City's general fund in lieu of taxes	(69,777)	(71,174)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(124,228)	(67,021)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(111,518)	(185,805)
Connection fees received	1,937	5,814
Special assessment received	455	1,740
Bond proceeds	-	904,204
Principal paid on bonds and loan	(365,000)	(1,350,000)
Interest paid on bonds and loan	(37,573)	(87,851)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(511,699)	(711,898)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	42,047	42,920
Miscellaneous receipts from investments	-	51,123
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	42,047	94,043
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(65,671)	(305,530)
CASH AND CASH EQUIVALENTS, JANUARY 1	2,159,953	2,465,483
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 2,094,282	\$ 2,159,953

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

CITY OF KENYON, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds - Continued			
	Liquor		Sewer	
	2009	2008	2009	2008
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS				
Cash and temporary investments	\$ 12,784	\$ 5,793	\$ 461,079	\$ 475,945
Restricted cash	-	-	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 12,784</u>	<u>\$ 5,793</u>	<u>\$ 461,079</u>	<u>\$ 475,945</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (3,665)	\$ 16,266	\$ 8,879	\$ (53,366)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Miscellaneous revenues (expenses)	17,976	13,190	839	-
Depreciation	14,186	13,214	126,624	125,039
(Increase) decrease in assets:				
Accounts receivable	(2,957)	4,740	(16)	(13,345)
Inventories	1,720	(1,064)	-	-
Due from other funds	-	-	(2,336)	1,384
Prepaid items	(392)	(3,621)	122	(1,267)
Increase (decrease) in liabilities				
Accounts payable	9,186	(3,829)	4,446	414
Accrued salaries payable	(684)	(981)	(1,890)	1,173
Due to other governments	-	(6,365)	-	(379)
Customer deposits payable	-	-	-	-
Due to other City funds excluding amount due in lieu of taxes	-	(1,094)	-	(2,634)
Unearned revenue	(35)	90	-	-
Compensated absences payable	(1,085)	3,152	(2,447)	3,307
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 34,250</u>	<u>\$ 33,698</u>	<u>\$ 134,221</u>	<u>\$ 60,326</u>
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Amortization of deferred charges	\$ -	\$ -	\$ 2,655	\$ 2,655

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

Business-type Activities - Enterprise Funds - Continued

Storm Sewer		Electric		Water	
2009	2008	2009	2008	2009	2008
\$ 400,713	\$ 378,089	\$ 760,996	\$ 807,452	\$ 257,102	\$ 294,674
-	-	201,608	198,000	-	-
<u>\$ 400,713</u>	<u>\$ 378,089</u>	<u>\$ 962,604</u>	<u>\$ 1,005,452</u>	<u>\$ 257,102</u>	<u>\$ 294,674</u>
\$ 2,656	\$ (47,565)	\$ 131,798	\$ 113,712	\$ 10,344	\$ (32,988)
-	15,730	7,118	(1,986)	(62)	1,437
18,380	13,531	164,753	173,704	47,066	50,985
-	-	(41,900)	20,721	(4,219)	1,538
-	-	7,240	(3,953)	2,134	14,043
(42)	(143)	-	13,631	-	1,819
-	-	6,907	(37,151)	(76)	54
(3,975)	3,975	2,620	(15,176)	1,197	502
-	-	265	(5,853)	1,019	(3,756)
-	-	-	-	-	-
-	-	3,403	(1,235)	205	(52)
-	-	2,533	(1,381)	-	-
-	-	-	-	-	-
-	-	(786)	8,943	1,160	2,236
<u>\$ 17,019</u>	<u>\$ (14,472)</u>	<u>\$ 283,951</u>	<u>\$ 263,976</u>	<u>\$ 58,768</u>	<u>\$ 35,818</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,612</u>	<u>\$ 7,527</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF KENYON, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds - Continued	
	Totals	
	2009	2008
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Cash and temporary investments	\$ 1,892,674	\$ 1,961,953
Restricted cash	201,608	198,000
TOTAL CASH AND CASH EQUIVALENTS	\$ 2,094,282	\$ 2,159,953
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 150,012	\$ (3,941)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Miscellaneous revenues (expenses)	25,871	28,371
Depreciation	371,009	376,473
(Increase) decrease in assets:		
Accounts receivable	(49,092)	13,654
Inventories	11,094	9,026
Due from other funds	(2,378)	16,691
Prepaid items	6,561	(41,985)
Increase (decrease) in liabilities		
Accounts payable	13,474	(14,114)
Accrued salaries payable	(1,290)	(9,417)
Due to other governments	-	(6,744)
Customer deposits payable	3,608	(1,287)
Due to other City funds excluding amount due in lieu of taxes	2,533	(5,109)
Unearned revenue	(35)	90
Compensated absences payable	(3,158)	17,638
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 528,209	\$ 379,346
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Amortization of deferred charges	\$ 14,267	\$ 10,182

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

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Kenyon, Minnesota (the City), operates under the "Optional Plan A" form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a Council composed of an elected Mayor and four elected Council members. The Council exercises legislative authority and determines all matters of policy. The 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. The Kenyon Public Utilities Commission (the Commission) is considered to be part of the City.

The Commission was established and statutory authority is provided in accordance with chapter 412.321 of the Minnesota statutes. The Commission has three Council approved members who serve overlapping three year terms. Minnesota statutes provide the Council all the discretionary authority necessary to operate the utilities except as its powers have been delegated to the Commission. The Utility funds are blended and included with the proprietary funds of this report.

Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The blended component units have a December 31 year end.

Blended Component Units

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 Council. A new EDA board was appointed in 2009 consisting of two council members and three representatives from local business. The EDA activities are blended and reported in a separate special revenue fund. Separate financial statements are issued for this component unit and also are combined within this report.

The Council has designated the South Eastern Multi-County Housing & Redevelopment Authority (SEMMCHRA) as the City's Housing and Redevelopment Authority (HRA) in 1995. The activity flowing through the City is accounted for as a special revenue fund.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual 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.

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 for which the tax is levied. Revenue from grants, entitlements and donations 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.

Deferred 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 deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

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.

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

The *2006 Trondheim Road Extension fund* accounts for activities of its related capital project.

The City reports the following major proprietary funds:

The *Liquor fund* accounts for the activities of the liquor store.

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

The *Storm Sewer fund* accounts for the activities of the storm sewer utility system.

The *Electric fund* accounts for the activities of the City's production and distribution of electricity.

The *Water fund* accounts for the activities of the water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and electric functions 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.

Amounts reported as *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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 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.

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

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities and Net Assets or Equity

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.

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 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 rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. 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.
7. 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.
8. 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.

Investments for the City are reported at fair value. City has no formal investment policy.

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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property Taxes

The Council annually adopts a tax levy in December and certifies it to the County for collection in 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 Auditor and tax settlements are made to the City during January, June and November each year.

Taxes payable on homestead property, as defined by Minnesota statutes, were partially reduced by a market value credit aid. The credit is paid to the City by the State of Minnesota (the State) in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred revenue liability for delinquent 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 2009. The enterprise fund accounts receivable are reported net of a \$5,000 allowance for uncollectible accounts in 2009 and 2008.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables 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 special assessments receivable are offset by a deferred revenue liability in the governmental fund financial statements.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method and which approximates average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

Restricted Assets

A resolution of the Kenyon Municipal Utilities dated July 17, 1995, providing for the issuance of the Electric Revenue Bonds, required the establishment of the following separate restricted funds:

Reserve Account - This account is used only when money in the debt service account or other moneys available therefore are insufficient to pay principal and interest on the revenue bonds, provided, however, that the moneys in the reserve account may be used to prepay the revenue bonds, when such repayment will retire all of the revenue bonds then outstanding.

Debt Service Account - This account is used for the payment of principal and interest of the Electric Revenue Bonds. In accordance with the resolution, monthly deposits are made to the account for one-twelfth of the total principal and interest payments required during the following 12 months.

CITY OF KENYON, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 three years. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. 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). As the City constructs or acquires additional 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.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Useful Lives in Years
Land improvements	5 - 30
Buildings and structures	7 - 40
Infrastructure	25 - 50
Equipment and machinery	5 - 40
Transportation equipment	3 - 50
Roads and highways	20 - 50

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary funds. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. 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 governmental compensated absences payable.

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method for governmental activities. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net assets - Consist of net assets 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 assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and special revenue funds. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In August 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 15th, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early 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 Administrator. The legal level of budgetary control is the department level. There were budget amendments made during 2009.

B. Deficit Fund Equity

The following funds had deficits at December 31, 2009:

<u>Fund</u>	<u>Amount</u>
2006 Trodheim Road Extension	\$ 119,680
Nonmajor governmental Municipal Building	385,903

The City plans to fund these deficits with future revenues from taxes and transfers from other funds.

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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 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 market value of collateral pledged must equal 110 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 rate "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.

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 City.

At December 31, 2009, the carrying amount of deposits was \$2,805,610 and the bank balance was \$2,815,401. Of the bank balance, \$1,662,338 was covered by federal depository insurance and the remaining \$1,153,063 was covered by collateral held by the bank's agent in the City's name.

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 3: DETAILED NOTES ON ALL FUNDS

A reconciliation of cash and investments as shown on the Statement of Net Assets for the City follows:

Carrying amount of deposits	\$ 2,805,610
Cash on hand	<u>6,000</u>
Total	<u><u>\$ 2,811,610</u></u>
Cash and investments	
Unrestricted	\$ 2,610,002
Restricted	<u>201,608</u>
Total cash and investments	<u><u>\$ 2,811,610</u></u>

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

- *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 limit the City's investments.
- *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. City does not have an investment policy but typically limits its exposure by purchasing insured or registered investments.
- *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. City places no limit on the amount that may be invested in any one issuer.
- *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 has no formal investment policy addressing interest rate risk.

B. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable
General	
Taxes	\$ 68,613
Special assessments not yet due	3,171
Other	7,111
Debt Service	
Special assessments not yet due	1,356
2006 Trondheim road extension	
Special assessments not yet due	115,877
Nonmajor funds	
Loan	<u>8,081</u>
Total	<u><u>\$ 204,209</u></u>

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,216,097	\$ -	\$ -	\$ 1,216,097
Construction in progress	7,514	13,847	-	21,361
Total capital assets not being depreciated	<u>1,223,611</u>	<u>13,847</u>	<u>-</u>	<u>1,237,458</u>
Capital assets being depreciated				
Buildings and improvements	1,644,236	48,039	-	1,692,275
Machinery and equipment	1,374,606	16,894	(75,000)	1,316,500
Infrastructure	2,311,238	-	-	2,311,238
Total capital assets being depreciated	<u>5,330,080</u>	<u>64,933</u>	<u>(75,000)</u>	<u>5,320,013</u>
Less accumulated depreciation for				
Buildings and improvements	(504,008)	(45,752)	-	(549,760)
Machinery and equipment	(622,011)	(84,159)	75,000	(631,170)
Infrastructure	(446,302)	(63,973)	-	(510,275)
Total accumulated depreciation	<u>(1,572,321)</u>	<u>(193,884)</u>	<u>75,000</u>	<u>(1,691,205)</u>
Total capital assets being depreciated, net	<u>3,757,759</u>	<u>(128,951)</u>	<u>-</u>	<u>3,628,808</u>
Governmental activities capital assets, net	<u>\$ 4,981,370</u>	<u>\$ (115,104)</u>	<u>\$ -</u>	<u>\$ 4,866,266</u>

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 57,185	\$ -	\$ -	\$ 57,185
Construction in progress	-	5,195	-	5,195
Total capital assets not being depreciated	57,185	5,195	-	62,380
Capital assets being depreciated				
Buildings and structures	5,131,831	-	-	5,131,831
Infrastructure	4,276,933	85,478	-	4,362,411
Machinery and equipment	499,544	20,845	-	520,389
Transportation equipment	302,332	-	-	302,332
Office furniture and equipment	77,117	-	-	77,117
Generators	2,395,536	-	-	2,395,536
Total capital assets being depreciated	12,683,293	106,323	-	12,789,616
Less accumulated depreciation for				
Buildings and structures	(3,439,377)	(11,409)	-	(3,450,786)
Infrastructure	(1,881,964)	(235,263)	-	(2,117,227)
Machinery and equipment	(246,747)	(30,739)	-	(277,486)
Transportation equipment	(141,038)	(13,360)	-	(154,398)
Office furniture and equipment	(66,008)	(1,753)	-	(67,761)
Generators	(888,213)	(78,485)	-	(966,698)
Total accumulated depreciation	(6,663,347)	(371,009)	-	(7,034,356)
Total capital assets being depreciated, net	6,019,946	(264,686)	-	5,755,260
Business-type activities capital assets, net	<u>\$ 6,077,131</u>	<u>\$ (259,491)</u>	<u>\$ -</u>	<u>\$ 5,817,640</u>

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Governmental activities		
General government		\$ 16,447
Public safety		56,569
Streets and highways		100,824
Culture and recreation		<u>20,044</u>
Total depreciation expense - governmental activities		<u><u>\$ 193,884</u></u>
Business-type activities		
Liquor		\$ 14,186
Sewer		126,624
Storm sewer		18,380
Electric		164,753
Water		<u>47,066</u>
Total depreciation expense - business-type activities		<u><u>\$ 371,009</u></u>

D. Interfund Receivables, Payables and Transfers

The composition of internal balances as of December 31, 2009 is as follows:

Funds		Purpose	Amount
Receivable Fund	Payable Fund		
Due from/to other funds			
Governmental	Business-type		
General	Electric	Payment in lieu of taxation	\$ 67,347
General	Electric	Utility collections	3,534
Business-type	Business-type		
Sewer	Electric	Utility collections	26,251
Storm Sewer	Electric	Utility collections	<u>2,498</u>
Total due from/to other funds			<u>99,630</u>
Advance to/from other funds			
Governmental	Business-type		
General	Liquor	To support cashflow needs	48,737
Business-type	Governmental		
Electric	2006 Trondheim road extension	Finance project	119,841
Business-type	Business-type		
Electric	Water	Cash flow purposes	<u>5,625</u>
Total advances to/from other funds			<u>174,203</u>
Interfund activity eliminated from government-wide statements			<u>(273,610)</u>
Total internal balances government-wide statements			<u><u>\$ 223</u></u>

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The Liquor fund is scheduled to make monthly payments of \$1,407 to the General fund at an annual rate of 2.5 percent until maturity on December 31, 2012. The 2006 Trondheim road extension fund is scheduled to make annual payments to the Electric fund at an annual rate of 3.75 percent. The final payment is scheduled to be made in 2016.

Interfund Transfers

Fund	Transfer in		
	General fund	Nonmajor governmental funds	Total
Transfer out			
General	\$ -	\$ 56,210	\$ 56,210
Nonmajor governmental funds	-	71,929	71,929
Electric enterprise	98,447	-	98,447
Water enterprise	7,900	-	7,900
	<u>7,900</u>	<u>-</u>	<u>7,900</u>
 Total	 <u>\$ 106,347</u>	 <u>\$ 128,139</u>	 <u>\$ 234,486</u>

The City annually budgets transfers for specific purposes. Annual transfers include transfers designated as a percentage of annual revenues, transfers made to cover funds annual operations, transfers made as part of capital improvement plans and other transfers made for various reasons.

E. Long-term Debt

General Obligation 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 governmental and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation improvement and general obligation revenue bonds have been issued to refund general obligation improvement and general obligation revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General Obligation Special Assessment Bonds

The following bonds were issued to finance various improvements and a portion will be repaid from special assessments levied on the properties benefiting from the improvements. However, the issue is also partly financed by ad valorem tax levies. All special assessment debt is backed by full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover and delinquencies in tax of assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds, Series 2007A	\$ 1,350,000	3.75 - 4.20 %	03/15/07	02/01/20	<u>\$ 1,020,000</u>

The annual service requirements to maturity for general obligation special assessment bonds at December 31, 2009 are as follows:

Year Ending December 31,	G.O. Improvement Bonds		
	Principal	Interest	Total
2010	\$ 160,000	\$ 37,670	\$ 197,670
2011	90,000	32,960	122,960
2012	90,000	29,540	119,540
2013	95,000	25,930	120,930
2014	95,000	22,130	117,130
2015-2019	405,000	58,295	463,295
2020	85,000	1,785	86,785
Total	<u>\$ 1,020,000</u>	<u>\$ 208,310</u>	<u>\$ 1,228,310</u>

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General Obligation Revenue Bonds

The following bonds were issued for improvements to the Water and Sewer system and will be repaid from revenue from enterprise activities and are backed by the taxing power of the City:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Bonds of 1995	\$ 330,000	6.40 %	01/01/95	12/01/10	\$ 35,000
G.O. Water Revenue Bonds of 2003 (PFA Loan)	224,000	3.24	01/23/03	08/20/16	78,000
G.O. Refunding Bonds of 2004	675,000	3.00	03/03/04	12/01/10	<u>55,000</u>
Total general obligation revenue bonds					<u><u>\$ 168,000</u></u>

The annual service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Bonds		
	Principal	Interest	Total
2010	\$ 100,000	\$ 6,417	\$ 106,417
2011	11,000	2,203	13,203
2012	11,000	1,847	12,847
2013	11,000	1,490	12,490
2014	12,000	1,134	13,134
2015-2016	<u>23,000</u>	<u>1,101</u>	<u>24,101</u>
Total	<u><u>\$ 168,000</u></u>	<u><u>\$ 14,192</u></u>	<u><u>\$ 182,192</u></u>

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Revenue Bonds

The following bond will be repaid from Electric fund revenue and is not backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Revenue and Refunding Bonds of 2008	\$ 925,000	2.90 - 3.40 %	10/01/08	08/01/12	<u>\$ 695,000</u>

The annual service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2010	\$ 235,000	\$ 21,975	\$ 256,975
2011	240,000	15,160	255,160
2012	<u>220,000</u>	<u>7,480</u>	<u>227,480</u>
Total	<u>\$ 695,000</u>	<u>\$ 44,615</u>	<u>\$ 739,615</u>

Changes in Long-term Liabilities. During the year ended December 31, 2009, the following changes occurred in non-current liabilities reported on the government-wide statements:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation refunding bonds	\$ 1,180,000	\$ -	\$ (160,000)	\$ 1,020,000	\$ 160,000
Compensated absences payable	<u>13,794</u>	<u>16,077</u>	<u>(16,973)</u>	<u>12,898</u>	<u>12,898</u>
Governmental activity long-term liabilities	<u>\$ 1,193,794</u>	<u>\$ 16,077</u>	<u>\$ (176,973)</u>	<u>\$ 1,032,898</u>	<u>\$ 172,898</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 303,000	\$ -	\$ (135,000)	\$ 168,000	\$ 100,000
Revenue bonds	925,000	-	(230,000)	695,000	235,000
Compensated absences payable	<u>17,638</u>	<u>15,102</u>	<u>(18,260)</u>	<u>14,480</u>	<u>14,480</u>
Business-type activity long-term liabilities	<u>\$ 2,473,638</u>	<u>\$ 15,102</u>	<u>\$ (383,260)</u>	<u>\$ 877,480</u>	<u>\$ 349,480</u>

F. Tax Increment Districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after three years of credited service. The defined retirement 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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree - - no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Street, #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 4: DEFINED BENEFIT PENSION PLANS – STATEWIDE - CONTINUED

B. Funding Policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.0 percent, respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.4 percent of their annual covered salary in 2009. The City is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan PERF members, 6.75 percent for Coordinated Plan PERF members, and 14.1 percent for PEPFF members. Employer contribution rates for the Coordinated Plan increased to 7.0 percent, effective January 1, 2010. The City's contributions to the PERF for the years ended December 31, 2009, 2008, and 2007 were \$44,938, \$44,300, and \$41,928, respectively. The City's contributions to the PEPFF for the years ended December 31, 2009, 2008, and 2007 were \$17,933, \$19,442 and \$7,202, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 5: OTHER INFORMATION

A. 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.

B. 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. The City has no debt payable subject to this limit.

C. Commitments

The Commission entered into an agreement with Northern States Power (NSP) to purchase electrical power in 1993. The agreement was canceled effective August 1, 1995. At that time, the Commission joined Central Minnesota Municipal Power Agency (CMMPA). CMMPA has contracted with NSP to provide power to the CMMPA through the year 2011. Kenyon, as a member of CMMPA, purchases its power from the CMMPA.

CITY OF KENYON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 5: OTHER INFORMATION - CONTINUED

D. Contingencies

Local Government Aid

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) and Market Value Homestead Credit (MVHC) programs. The amount received in 2009 was \$506,393 and \$65,562 for LGA and MVHC, respectively. This accounted for 55 percent of General fund revenues. The State of Minnesota has proposed unallotments calculated as a percent of the total pay 2009 revenue base. For cities, the revenue base is equal to the certified levy plus certified local government aid (LGA) plus taconite aid. Cities with populations under 1,000 are exempt if their adjusted net tax capacity per capita is below the statewide average. The proposed unallotments for cities has been limited to \$22 per capita in pay 2009 and \$55 per capita in pay 2010. The proposed unallotment percentages for 2010 are equal to 7.644 percent of the 2009 revenue base for cities.

Note 6 KENYON FIREMEN’S RELIEF ASSOCIATION

Plan Description

All members of the Kenyon Fire Department (the Department) are covered by a defined contribution plan administered by the Kenyon Firemen’s Relief Association (the Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 424A. Each fully vested member is eligible for a lump sum payment, upon retirement, to the member’s account based on the share of plan assets credited to the members account.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Fire Department’s membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter’s Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Kenyon Firemen’s Relief Association, 709 Second Street, Kenyon, Minnesota 55946.

Contributions totaling \$16,722 were made by the State, in accordance with Minnesota statute requirements for the year ended December 31, 2009.

Note 7: ECONOMIC DEPENDENCY

The Water and Electric funds receive over ten percent of their operating revenues from the following customers:

	Sales 2009	Percent of Sales	Sales 2008	Percent of Sales
Electric fund				
Foldcraft	\$ 411,617	24 %	\$ 470,091	25 %
City of Kenyon	67,978	4	-	-
Water fund				
Foldcraft	12,682	6	18,552	9
City of Kenyon	18,791	10	17,003	8

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF KENYON
KENYON, MINNESOTA

YEAR ENDED
DECEMBER 31, 2009

CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2009

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>
ASSETS			
Cash and temporary investments (deficits)	\$ 181,779	\$ (38,085)	\$ 143,694
Receivables			
Accounts	438	-	438
Accrued interest	95	299	394
Loans	8,081	-	8,081
Prepaid items	2,964	-	2,964
	<u>2,964</u>	<u>-</u>	<u>2,964</u>
 TOTAL ASSETS	 <u>\$ 193,357</u>	 <u>\$ (37,786)</u>	 <u>\$ 155,571</u>
 LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 21,666	\$ 4,988	\$ 26,654
Accrued salaries payable	2,821	-	2,821
Deposits	800	-	800
Deferred revenue	8,081	-	8,081
	<u>8,081</u>	<u>-</u>	<u>8,081</u>
 TOTAL LIABILITIES	 <u>33,368</u>	 <u>4,988</u>	 <u>38,356</u>
 FUND BALANCES (DEFICITS)			
Reserved for prepaid items	2,964	-	2,964
Unreserved, designated for capital improvements	11,332	244,200	255,532
Unreserved, undesignated	145,693	(286,974)	(141,281)
	<u>145,693</u>	<u>(286,974)</u>	<u>(141,281)</u>
 TOTAL FUND BALANCES (DEFICITS)	 <u>159,989</u>	 <u>(42,774)</u>	 <u>117,215</u>
 TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	 <u>\$ 193,357</u>	 <u>\$ (37,786)</u>	 <u>\$ 155,571</u>

CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS)
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>
REVENUES			
Taxes			
Property taxes	\$ 140,536	\$ -	\$ 140,536
Tax increments	16,589	-	16,589
Intergovernmental	52,340	-	52,340
Charges for services	66,096	-	66,096
Fines and forfeitures	1,396	-	1,396
Investment earnings	1,590	2,898	4,488
Miscellaneous			
Loan repayments	9,548	-	9,548
Donations	-	8,885	8,885
Other revenue	30,226	-	30,226
	<u>318,321</u>	<u>11,783</u>	<u>330,104</u>
EXPENDITURES			
Current			
Public safety	76,303	-	76,303
Culture and recreation	133,426	-	133,426
Economic development	27,387	-	27,387
Capital outlay			
General government	-	5,992	5,992
Public safety	950	16,894	17,844
Culture and recreation	26,003	10,035	36,038
Economic development	38,189	-	38,189
	<u>302,258</u>	<u>32,921</u>	<u>335,179</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	<u>16,063</u>	<u>(21,138)</u>	<u>(5,075)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	54,139	74,000	128,139
Transfers out	<u>(32,000)</u>	<u>(39,929)</u>	<u>(71,929)</u>
	<u>22,139</u>	<u>34,071</u>	<u>56,210</u>
NET CHANGE IN FUND BALANCES			
	38,202	12,933	51,135
FUND BALANCES (DEFICITS), JANUARY 1			
	<u>121,787</u>	<u>(55,707)</u>	<u>66,080</u>
FUND BALANCES (DEFICITS), DECEMBER 31			
	<u>\$ 159,989</u>	<u>\$ (42,774)</u>	<u>\$ 117,215</u>

CITY OF KENYON, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2009

	201	203	204	205
	Ambulance	Fire	Library	Economic Development Authority
ASSETS				
Cash and temporary investments	\$ 6,085	\$ 12,098	\$ 47,920	\$ 81,782
Receivables				
Accounts	-	-	138	300
Accrued interest	-	10	-	70
Special assessments				
Loans	-	-	-	8,081
Prepaid items	-	2,083	218	123
	<u>6,085</u>	<u>14,191</u>	<u>48,276</u>	<u>90,356</u>
TOTAL ASSETS	\$ 6,085	\$ 14,191	\$ 48,276	\$ 90,356
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 9,063	\$ 768	\$ -
Accrued salaries payable	-	-	2,821	-
Deposits	-	-	-	800
Deferred revenue	-	-	-	8,081
	<u>-</u>	<u>9,063</u>	<u>3,589</u>	<u>8,881</u>
TOTAL LIABILITIES	-	9,063	3,589	8,881
FUND BALANCES				
Reserved for prepaid items	-	2,083	218	123
Unreserved				
Designated for				
Public safety capital	-	-	-	-
Culture and recreation capital	-	-	-	-
Unreserved, undesignated	6,085	3,045	44,469	81,352
	<u>6,085</u>	<u>5,128</u>	<u>44,687</u>	<u>81,475</u>
TOTAL FUND BALANCES	6,085	5,128	44,687	81,475
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,085	\$ 14,191	\$ 48,276	\$ 90,356

206	210	230	402	
Gunderson House	Police Forfeiture	Special Purpose Donation	2004 Tax Abatement/TIF Sun Home	Total
\$ 9,356	\$ 175	\$ 12,702	\$ 11,661	\$ 181,779
-	-	-	-	438
-	-	11	4	95
-	-	-	-	8,081
540	-	-	-	2,964
<u>\$ 9,896</u>	<u>\$ 175</u>	<u>\$ 12,713</u>	<u>\$ 11,665</u>	<u>\$ 193,357</u>
\$ -	\$ -	\$ 1,289	\$ 10,546	\$ 21,666
-	-	-	-	2,821
-	-	-	-	800
-	-	-	-	8,081
-	-	1,289	10,546	33,368
540	-	-	-	2,964
-	-	2,427	-	2,427
-	-	8,905	-	8,905
9,356	175	92	1,119	145,693
<u>9,896</u>	<u>175</u>	<u>11,424</u>	<u>1,119</u>	<u>159,989</u>
<u>\$ 9,896</u>	<u>\$ 175</u>	<u>\$ 12,713</u>	<u>\$ 11,665</u>	<u>\$ 193,357</u>

CITY OF KENYON, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2009

	201	203	204
	<u>Ambulance</u>	<u>Fire</u>	<u>Library</u>
REVENUES			
Taxes			
Property taxes	\$ 12,545	\$ 20,504	\$ 101,325
Tax increments	-	-	-
Intergovernmental	-	2,615	49,725
Charges for services	-	66,096	-
Fines and forfeitures	-	-	1,146
Investment earnings	70	161	89
Miscellaneous			
Loan repayments	-	-	-
Other revenue	-	1,088	307
TOTAL REVENUES	<u>12,615</u>	<u>90,464</u>	<u>152,592</u>
EXPENDITURES			
Current			
Public safety	12,556	59,363	-
Culture and recreation	-	-	125,069
Economic development	-	-	-
Capital outlay			
Public safety	-	950	-
Culture and recreation	-	-	20,494
Economic development	-	-	-
TOTAL EXPENDITURES	<u>12,556</u>	<u>60,313</u>	<u>145,563</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>59</u>	<u>30,151</u>	<u>7,029</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(30,000)	(2,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(30,000)</u>	<u>(2,000)</u>
NET CHANGE IN FUND BALANCES	59	151	5,029
FUND BALANCES, JANUARY 1	<u>6,026</u>	<u>4,977</u>	<u>39,658</u>
FUND BALANCES, DECEMBER 31	<u>\$ 6,085</u>	<u>\$ 5,128</u>	<u>\$ 44,687</u>

205 Economic Development Authority	206 Gunderson House	210 Police Forfeiture	230 Special Purpose Donation	402 2004 Tax Abatement/TIF Sun Home	Total
\$ -	\$ -	\$ -	\$ -	\$ 6,162	\$ 140,536
-	-	-	-	16,589	16,589
-	-	-	-	-	52,340
-	-	-	-	-	66,096
-	-	250	-	-	1,396
1,118	-	-	112	40	1,590
9,548	-	-	-	-	9,548
17,567	587	-	10,677	-	30,226
<u>28,233</u>	<u>587</u>	<u>250</u>	<u>10,789</u>	<u>22,791</u>	<u>318,321</u>
-	-	75	4,309	-	76,303
-	7,857	-	500	-	133,426
5,466	-	-	-	21,921	27,387
-	-	-	-	-	950
-	-	-	5,509	-	26,003
38,189	-	-	-	-	38,189
<u>43,655</u>	<u>7,857</u>	<u>75</u>	<u>10,318</u>	<u>21,921</u>	<u>302,258</u>
<u>(15,422)</u>	<u>(7,270)</u>	<u>175</u>	<u>471</u>	<u>870</u>	<u>16,063</u>
44,139	10,000	-	-	-	54,139
-	-	-	-	-	(32,000)
<u>44,139</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,139</u>
28,717	2,730	175	471	870	38,202
52,758	7,166	-	10,953	249	121,787
<u>\$ 81,475</u>	<u>\$ 9,896</u>	<u>\$ 175</u>	<u>\$ 11,424</u>	<u>\$ 1,119</u>	<u>\$ 159,989</u>

CITY OF KENYON, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2009

	411	202	
	Municipal Building	Capital Outlay	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments (deficits)	\$ (385,903)	\$ 347,818	\$ (38,085)
Receivables			
Accrued interest receivable	-	299	299
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ (385,903)</u>	<u>\$ 348,117</u>	<u>\$ (37,786)</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts and contracts payable	\$ -	\$ 4,988	\$ 4,988
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES (DEFICITS)			
Unreserved			
Designated			
Public safety capital	-	139,886	139,886
Streets and highways capital	-	87,240	87,240
Culture and recreation capital	-	17,074	17,074
Unreserved, undesignated	(385,903)	98,929	(286,974)
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES (DEFICITS)	<u>(385,903)</u>	<u>343,129</u>	<u>(42,774)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ (385,903)</u>	<u>\$ 348,117</u>	<u>\$ (37,786)</u>

CITY OF KENYON, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS)
DECEMBER 31, 2009

	411	202	
	Municipal Building	Capital Outlay	Total
REVENUES			
Interest on investments	\$ -	\$ 2,898	\$ 2,898
Donations	-	8,885	8,885
TOTAL REVENUES	-	11,783	11,783
EXPENDITURES			
Capital outlay			
General government	-	5,992	5,992
Public safety	-	16,894	16,894
Culture and recreation	-	10,035	10,035
TOTAL EXPENDITURES	-	32,921	32,921
DEFICIENCY OF REVENUES UNDER EXPENDITURES	-	(21,138)	(21,138)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,000	71,000	74,000
Transfers out	-	(39,929)	(39,929)
TOTAL OTHER FINANCING SOURCES (USES)	3,000	31,071	34,071
NET CHANGE IN FUND BALANCES	3,000	9,933	12,933
FUND BALANCES (DEFICITS), JANUARY 1	(388,903)	333,196	(55,707)
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ (385,903)</u>	<u>\$ 343,129</u>	<u>\$ (42,774)</u>

CITY OF KENYON, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009
(With comparative actual amounts for year ended December 31, 2008)

	2009			Variance with Final Budget Positive (Negative)	2008
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 360,438	\$ 360,438	\$ 301,418	\$ (59,020)	\$ 322,355
Licenses and permits	5,400	5,400	4,251	(1,149)	6,172
Intergovernmental revenue					
Federal					
Other	-	-	417	417	-
State					
Local government aid	543,881	543,881	506,393	(37,488)	480,381
Property tax credits	65,562	65,562	65,562	-	66,382
Fire aid	14,000	14,000	16,722	2,722	19,160
Police aid	-	-	1,586	1,586	-
Other state aid	1,719	1,719	4,199	2,480	1,942
Total	625,162	625,162	594,879	(30,283)	567,865
Charges for services					
General government	5,800	5,800	9,915	4,115	9,551
Recycling	35,000	35,000	35,042	42	35,111
Culture and recreation	21,450	21,450	20,793	(657)	21,346
Total	62,250	62,250	65,750	3,500	66,008
Fines and forfeitures	6,500	6,500	7,548	1,048	7,765
Investment earnings	5,528	5,528	5,059	(469)	(4,356)
Miscellaneous revenue					
Refunds and reimbursements	-	-	7,776	7,776	2,127
Rents	750	750	735	(15)	735
Other	3,000	3,000	8,155	5,155	14,900
Total	3,750	3,750	16,666	12,916	17,762
TOTAL REVENUES	1,069,028	1,069,028	995,571	(73,457)	983,571

CITY OF KENYON, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2009
(With comparative actual amounts for year ended December 31, 2008)

	2009			Variance with Final Budget Positive (Negative)	2008
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 15,030	\$ 15,030	\$ 14,563	\$ 467	\$ 15,536
Other services and charges	1,050	1,050	1,034	16	647
Total	<u>16,080</u>	<u>16,080</u>	<u>15,597</u>	483	<u>16,183</u>
City administration					
Personal services	153,300	153,300	154,989	(1,689)	89,272
Supplies	5,250	2,750	5,394	(2,644)	4,284
Other services and charges	52,700	36,700	42,168	(5,468)	75,215
Total	<u>211,250</u>	<u>192,750</u>	<u>202,551</u>	(9,801)	<u>168,771</u>
Elections					
Other services and charges	350	350	175	175	2,577
Government buildings					
Personal services	5,725	5,725	4,816	909	5,855
Supplies	-	-	1,647	(1,647)	2,162
Other services and charges	34,250	30,750	24,327	6,423	30,370
Total	<u>39,975</u>	<u>36,475</u>	<u>30,790</u>	5,685	<u>38,387</u>
Auditing and accounting					
Other services and charges	25,000	28,000	27,200	800	29,770
Legal					
Other services and charges	25,000	25,000	33,712	(8,712)	39,712
Engineering					
Other services and charges	20,000	20,000	4,917	15,083	79,136
Total general government	<u>337,655</u>	<u>318,655</u>	<u>314,942</u>	3,713	<u>374,536</u>
Public safety					
Police					
Personal services	226,550	226,550	238,404	(11,854)	231,130
Supplies	20,850	17,850	14,646	3,204	22,258
Other services and charges	27,050	30,050	29,311	739	31,576
Total	<u>274,450</u>	<u>274,450</u>	<u>282,361</u>	(7,911)	<u>284,964</u>

CITY OF KENYON, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2009
(With comparative actual amounts for year ended December 31, 2008)

	2009			Variance with Final Budget Positive (Negative)	2008
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current expenditures - Continued					
Public safety - continued					
Fire					
2% State aid	\$ 14,000	\$ 14,000	\$ 16,722	\$ (2,722)	\$ 19,160
Total public safety	288,450	288,450	299,083	(10,633)	304,124
Public works					
Streets					
Personal services	155,000	155,000	134,347	20,653	145,102
Supplies	76,250	47,750	35,444	12,306	89,479
Other services and charges	19,900	20,400	18,439	1,961	14,210
Total	251,150	223,150	188,230	34,920	248,791
Street lighting					
Other services and charges	45,000	35,000	36,824	(1,824)	41,572
Trestle project					
Other services and charges	-	-	-	-	310
Total public works	296,150	258,150	225,054	33,096	290,673
Sanitation and recycling					
Other services and charges	35,000	35,000	34,704	296	34,692
Culture and recreation					
Park and recreation					
Personal services	7,110	9,610	10,218	(608)	7,596
Supplies	1,700	1,700	2,832	(1,132)	3,375
Other services and charges	5,650	5,650	4,947	703	4,520
Total	14,460	16,960	17,997	(1,037)	15,491

CITY OF KENYON, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2009
(With comparative actual amounts for year ended December 31, 2008)

	2009			Variance with Final Budget Positive (Negative)	2008
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current expenditures - Continued					
Culture and recreation - continued					
Swimming pool					
Personal services	\$ 35,000	\$ 41,000	\$ 24,635	\$ 16,365	\$ 34,286
Supplies	10,100	9,350	6,563	2,787	10,810
Other services and charges	17,350	17,850	15,015	2,835	22,227
Total	<u>62,450</u>	<u>68,200</u>	<u>46,213</u>	<u>21,987</u>	<u>67,323</u>
Total culture and recreation	<u>76,910</u>	<u>85,160</u>	<u>64,210</u>	<u>20,950</u>	<u>82,814</u>
Total current expenditures	<u>1,034,165</u>	<u>985,415</u>	<u>937,993</u>	<u>47,422</u>	<u>1,086,839</u>
Capital outlay					
General government	10,000	7,000	1,961	5,039	-
Public safety	-	-	-	-	1,856
Public works	5,000	-	-	-	23,822
Culture and recreation	12,000	7,000	10,284	(3,284)	13,423
Total capital outlay	<u>27,000</u>	<u>14,000</u>	<u>12,245</u>	<u>1,755</u>	<u>39,101</u>
TOTAL EXPENDITURES	<u>1,061,165</u>	<u>999,415</u>	<u>950,238</u>	<u>49,177</u>	<u>1,125,940</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,863</u>	<u>69,613</u>	<u>45,333</u>	<u>(24,280)</u>	<u>(142,369)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	118,000	118,000	106,347	(11,653)	79,777
Sale of capital assets	-	-	6,250	6,250	-
Transfers out	(61,210)	(56,210)	(56,210)	-	(62,400)
TOTAL OTHER FINANCING SOURCES (USES)	<u>56,790</u>	<u>61,790</u>	<u>56,387</u>	<u>(5,403)</u>	<u>17,377</u>
NET CHANGE IN FUND BALANCES	64,653	131,403	101,720	(29,683)	(124,992)
FUND BALANCES, JANUARY 1	<u>529,367</u>	<u>529,367</u>	<u>529,367</u>	<u>-</u>	<u>654,359</u>
FUND BALANCES, DECEMBER 31	<u>\$ 594,020</u>	<u>\$ 660,770</u>	<u>\$ 631,087</u>	<u>\$ (29,683)</u>	<u>\$ 529,367</u>

CITY OF KENYON, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2009

	307	312	
	2007	2000 EDA	
	G.O.	Public Project	
	Refunding	Revenue	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments	\$ 138,405	\$ -	\$ 138,405
Receivables			
Accrued interest	105	-	105
Special assessments			
Delinquent	<u>1,356</u>	<u>-</u>	<u>1,356</u>
TOTAL ASSETS	<u><u>\$ 139,866</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 139,866</u></u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Deferred revenue	\$ 1,356	\$ -	\$ 1,356
FUND BALANCES			
Reserved for debt service	<u>138,510</u>	<u>-</u>	<u>138,510</u>
TOTAL LIABILITIES AND			
FUND BALANCES	<u><u>\$ 139,866</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 139,866</u></u>

CITY OF KENYON, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2009

	307	312	
	2007	2000 EDA	
	G.O.	Public Project	
	Refunding	Revenue	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 159,271	\$ -	\$ 159,271
Intergovernmental revenue			
Special assessments	31,402	-	31,402
Investment earnings	334	1	335
Miscellaneous revenue	2,163	-	2,163
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>193,170</u>	<u>1</u>	<u>193,171</u>
EXPENDITURES			
Debt service			
Principal	160,000	-	160,000
Interest and other	44,095	-	44,095
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>204,095</u>	<u>-</u>	<u>204,095</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,925)</u>	<u>1</u>	<u>(10,924)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	12,607	-	12,607
Transfers out	-	(12,607)	(12,607)
	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,607</u>	<u>(12,607)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,682	(12,606)	(10,924)
FUND BALANCES, JANUARY 1	<u>136,828</u>	<u>12,606</u>	<u>149,434</u>
FUND BALANCES, DECEMBER 31	<u>\$ 138,510</u>	<u>\$ -</u>	<u>\$ 138,510</u>

KENYON MUNICIPAL UTILITIES
 KENYON, MINNESOTA
 ELECTRIC FUND
 SCHEDULES OF OPERATING REVENUES
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
OPERATING REVENUES		
Residential sales	\$ 698,194	\$ 778,716
Commercial and industrial	935,338	1,068,613
Public streets and highway	33,961	39,288
Other	37,246	40,447
 TOTAL OPERATING REVENUES	 \$ 1,704,739	 \$ 1,927,064

KENYON MUNICIPAL UTILITIES
KENYON, MINNESOTA
ELECTRIC FUND
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
POWER COSTS		
Base load developmental cost	\$ 7,635	\$ 14,906
Purchased power	738,191	934,732
Transmission costs	127,725	97,671
Membership dues	<u>14,699</u>	<u>14,246</u>
TOTAL POWER COSTS	<u>888,250</u>	<u>1,061,555</u>
 POWER PRODUCTION		
Personal services	308	2,050
Utilities	18,757	21,944
Fuel oil	-	11,428
Depreciation	78,484	78,484
Generator expense	42,560	31,533
Other	<u>47,934</u>	<u>50,481</u>
TOTAL POWER PRODUCTION	<u>188,043</u>	<u>195,920</u>
 PLANT OPERATION		
Personal services	15,687	14,846
Supplies	1,249	2,312
Utilities	1,023	1,244
Repairs and maintenance	-	-
Depreciation	<u>4,729</u>	<u>5,826</u>
TOTAL PLANT OPERATION	<u>22,688</u>	<u>24,228</u>
 DISTRIBUTION		
Personal services	139,088	150,292
Safety	-	-
Utilities	1,968	2,289
Repairs and maintenance	17,296	12,650
Depreciation	<u>80,595</u>	<u>88,369</u>
TOTAL DISTRIBUTION	<u>238,947</u>	<u>253,600</u>
 CUSTOMER ACCOUNTS		
Personal services	<u>65,173</u>	<u>87,295</u>
 CONSERVATION IMPROVEMENT PROGRAM	<u>29,200</u>	<u>40,046</u>

KENYON MUNICIPAL UTILITIES
KENYON, MINNESOTA
SUPPLEMENTAL INFORMATION
SCHEDULES OF OPERATING EXPENSES - CONTINUED
ELECTRIC FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
GENERAL AND ADMINISTRATIVE		
Personal services	\$ 3,727	\$ 4,442
Supplies	4,972	7,144
Other services	902	1,338
Telephone	1,707	1,951
Conventions, meetings and education	-	-
Insurance	55,251	57,210
Professional services	38,348	37,123
Other charges	-	5,456
Depreciation	945	1,025
Dues and subscriptions	15,686	15,591
Other operating expense	8,576	8,664
Safety	10,526	10,764
 TOTAL GENERAL AND ADMINISTRATIVE	 140,640	 150,708
 TOTAL OPERATING EXPENSES	 \$ 1,572,941	 \$ 1,813,352
 CONTRIBUTION TO CITY IN LIEU OF PROPERTY TAXES	 \$ 67,347	 \$ 69,777

KENYON MUNICIPAL UTILITIES
KENYON, MINNESOTA
WATER FUND
SCHEDULES OF OPERATING REVENUES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Water sales	\$ 195,121	\$ 200,720
Other	<u>3,511</u>	<u>3,026</u>
 TOTAL OPERATING REVENUES	 <u>\$ 198,632</u>	 <u>\$ 203,746</u>

KENYON MUNICIPAL UTILITIES
KENYON, MINNESOTA
WATER FUND
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
PLANT OPERATION		
Personal services	\$ 24,857	\$ 26,357
Utilities	1,830	3,054
Chemicals	4,850	3,119
Repairs and maintenance	2,470	1,958
Depreciation	<u>7,707</u>	<u>7,773</u>
TOTAL PLANT OPERATION	<u>41,714</u>	<u>42,261</u>
DISTRIBUTION		
Personal services	44,172	41,533
Utilities	12,674	15,044
Repairs and maintenance	6,461	32,272
Depreciation	39,359	43,212
Other	<u>5,266</u>	<u>5,177</u>
TOTAL DISTRIBUTION	<u>107,932</u>	<u>137,238</u>
CUSTOMER ACCOUNTS		
Personal services	<u>25,003</u>	<u>33,012</u>
GENERAL AND ADMINISTRATIVE		
Personal services	649	858
Utilities	404	487
Other services	34	-
Insurance	3,028	2,945
Professional services	4,964	13,982
Supplies	424	452
Repairs and maintenance	507	-
Dues and subscriptions	585	301
Safety	293	286
Other operating expense	<u>2,751</u>	<u>3,470</u>
TOTAL GENERAL AND ADMINISTRATIVE	<u>13,639</u>	<u>22,781</u>
TOTAL OPERATING EXPENSES	<u>\$ 188,288</u>	<u>\$ 235,292</u>

CITY OF KENYON, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Total		Percent Increase (Decrease)
	2009	2008	
REVENUES			
Taxes	\$ 618,138	\$ 587,830	5.16 %
Licenses and permits	4,251	6,172	(31.12)
Intergovernmental	647,219	676,126	(4.28)
Charges for services	131,846	135,338	(2.58)
Fines and forfeits	8,944	9,054	(1.21)
Special assessments	34,993	40,954	(14.56)
Investment earnings	9,882	1,325	645.81
Miscellaneous	67,488	39,807	69.54
	<u>\$ 1,522,761</u>	<u>\$ 1,496,606</u>	1.75 %
TOTAL REVENUES	<u>\$ 1,522,761</u>	<u>\$ 1,496,606</u>	1.75 %
Per Capita	\$ 873	\$ 878	(0.59)
EXPENDITURES			
Current			
General government	\$ 314,942	\$ 374,536	(15.91) %
Public safety	375,386	426,940	(12.08)
Public works	225,054	290,673	(22.57)
Sanitation and recycling	34,704	34,692	0.03
Culture and recreation	197,636	216,345	(8.65)
Economic development	27,387	72,800	(62.38)
Capital outlay			
General government	7,953	27,407	(70.98)
Public safety	17,844	170,934	(89.56)
Public works	-	144,912	(100.00)
Culture and recreation	46,322	59,360	(21.96)
Economic development	38,189	-	100.00
Debt service			
Principal	160,000	170,000	(5.88)
Interest and other	48,589	50,477	(3.74)
	<u>\$ 1,494,006</u>	<u>\$ 2,039,076</u>	(26.73) %
TOTAL EXPENDITURES	<u>\$ 1,494,006</u>	<u>\$ 2,039,076</u>	(26.73) %
Per Capita	\$ 857	\$ 1,197	(28.41)
Total Long-term Indebtedness	\$ 1,020,000	\$ 1,180,000	(13.56) %
Per Capita	\$ 585	\$ 692	(15.54)
General Fund Balance - December 31	\$ 631,087	\$ 529,367	19.22 %
Per Capita	\$ 362	\$ 311	16.48

The purpose of this report is to provide a summary of financial information concerning the City of Kenyon to interested citizens. The complete financial statements may be examined at City Hall, 709 Second Street. Questions about this report should be directed to Sue Dodds, City Bookkeeper at (507) 789-6415.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

OTHER REPORTS

CITY OF KENYON
KENYON, MINNESOTA

YEAR ENDED
DECEMBER 31, 2009

THIS PAGE IS LEFT BLANK
INTENTIONALLY



5201 Eden Avenue
Suite 370
Edina, MN 55436

REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and Council
City of Kenyon, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kenyon, Minnesota (the City), as of and for the year ended December 31, 2009 which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 6, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute, section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions, except as noted in finding 2009-1 outlined in the Schedule of Findings and Responses.

This report is intended solely for the information and use of the Council, management, and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

April 6, 2010
Minneapolis, Minnesota

5201 Eden Avenue
Suite 370
Edina, MN 55436

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Council
City of Kenyon, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kenyon, Minnesota (the City), as of and for the year ended December 31, 2009, which collectively comprise City's basic financial statements and have issued our report thereon dated April 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as findings 2009-2, 2009-3 and 2009-4, that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, listed as findings 2009-1 on the Schedule of Findings and Responses.

We noted certain matters that we reported to management of the City in a separate letter dated April 6, 2010.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Council, management, others within the City and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

April 6, 2010
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

CITY OF KENYON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2009

Finding Description

2009-1 Advertisement for Bids

Condition: Minnesota statute 412.311 requires that bids be published for at least ten days in advance of the last day for the submission of bids. During 2009 the Kenyon Municipal Utilities Commission (the Commission) had a bid that was published for a period of less than ten days.

Criteria: Bids must be published for at least ten days in advance of the last day for the submission of bids in the official newspaper.

Cause: The Commission did not publish its request for bids in the official newspaper for at least ten days in advance of the last day for the submission of bids. The Commission only published the request for eight days prior to the date of submission.

Effect: The Commission did not comply with the requirements of Minnesota statute 412.311.

Recommendation: We recommend those in charge of requesting bids review requirements prior to requesting the bids.

Management Response: The Commission board and staff have been notified of the non-compliance and will review these requirements in the future.

CITY OF KENYON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
DECEMBER 31, 2009

Finding Description

2009-2 Limited Segregation of Duties Related to Cash Disbursements (finding since 2007)

Condition: During our audit we reviewed procedures over transaction cycles related to cash disbursements, utility billing, and payroll and found the City to have limited segregation of duties related to the disbursements cycle.

Criteria: There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

Cause: The bookkeeper of the City maintains and controls the check stock, prepares checks, records disbursements, initiates wire transfers, and prepares the bank reconciliation.

Effect: The existence of this limited segregation of duties increases the risk of misstatement or fraud.

Recommendation: While we recognize the number of staff is not large enough to eliminate these deficiencies entirely, we believe the risk has been reduced with better monitoring through the administrator reviewing cancelled checks and unopened bank statements.

The City should also be reminded of their duties over finance at least annually. Some typical monitoring duties would include the following tasks:

- Claims approval is an important control and should be at the front of the meeting to ensure that the council reviews the claims closely.
- A thorough review of budget versus actual reporting and narrative at least quarterly.
- Monitor progress over the development of documented policies and procedures.
- The check sequence should be reported in each set of approved minutes. The council should review the order the checks approved to ensure that they move in sequence and any gaps in number are explained.
- Consider personnel policies that require someone else to fill finance duties for a period of time. A mandatory vacation period of one week for all finance staff and distribution of their duties for that week is often recommended.

Management Response: The Council reviews all checks on a monthly basis and approves these by check sequence. A summary statement compares the actual expense and revenues to the budgeted expense and revenues. This process is incorporated in the approval of the consent agenda.

CITY OF KENYON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
DECEMBER 31, 2009

Finding Description

2009-3 Preparation of Financial Statements (finding since 2007)

Condition: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.

Cause: From a practical standpoint, we both prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation: Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from Banyon to the amounts reported in the financial statements.

Management Response: For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

CITY OF KENYON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
DECEMBER 31, 2009

<u>Finding</u>	<u>Description</u>
2009-4	Liquor Store Inventory Reconciliation (finding since 2007)
<i>Condition:</i>	The liquor store's point of sale inventory system is not used regularly to reconcile inventory or analyze profits. Also, there is no formal review of variance reports after physical cycle counts are done.
<i>Criteria:</i>	The point of sale system is designed to track purchases, sales, and inventory balances at the point of sale or purchase. Having a point of sale system adds additional control over products being purchased and sold at the store.
<i>Cause:</i>	Unknown.
<i>Effect:</i>	Without regularly documented reconciliations of the point of sale system to the actual inventory, management is not able to track variance trends.
<i>Recommendation:</i>	We recommend cycle counts be done on a semi-monthly basis. Cycle counts consist of counting all of one type of product and matching it to the inventory point of sale system. Inventory adjustment reports should be printed and retained for each cycle count. Management can then use these reports to notice trends such as whether they are making adjustments to the same product each time a count is performed. If this is the case, it may raise concerns of theft. This will be an important step in 2010 especially with the decrease in gross profit percentage.
<i>Management Response:</i>	The City changed the management structure in 2009 and has implemented an inventory cycle count on a semi-monthly basis.