

CITY OF KENYON, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2010

CITY OF KENYON, MINNESOTA

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CITY OF KENYON, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2010

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**CITY OF KENYON, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
CITY OFFICIALS**

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Diane Barrett	Mayor	12/31/2010
Fred Barsness	Council Member	12/31/2010
Bryan Haugen	Council Member	12/31/2010
Richard Nielsen	Council Member	12/31/2012
Brian Paulson	Council Member	12/31/2012

CITY OFFICIAL - APPOINTED

Chris Heineman	City Administrator
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PUBLIC UTILITIES COMMISSION - APPOINTED

Scott Swenhaugen	Chairperson	12/31/2010
Michael Engel	Commissioner	12/31/2012
Richard Nielsen	Commissioner	12/31/2011

PUBLIC UTILITIES COMMISSION ADMINISTRATION - APPOINTED

Randy Eggert	Operations Superintendent
Susan Dodds	Bookkeeper

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CITY OF KENYON, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City 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, as of and for the year ended December 31, 2010, which collectively comprise the City of Kenyon, Minnesota'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 2009 financial statements which were audited by other auditors whose report dated April 6, 2010, expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audits provide 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 of Kenyon, Minnesota as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, 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.

The Management's Discussion and Analysis on pages 3 to 12 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 inquires 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.

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

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
April 14, 2011

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CITY OF KENYON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kenyon, we offer readers of the City of Kenyon's financial statements this narrative overview and analysis of the financial activities of the City of Kenyon for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the entire audit report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Kenyon exceeded its liabilities at the close of the fiscal year by \$12,679,164 (*net assets*). Of this amount, \$3,466,718 (*unrestricted net assets*) may be used to meet the city's ongoing obligations to citizens and creditors.
- As of the close of the fiscal year, the City of Kenyon's governmental funds reported combined ending fund balances of \$780,767, of which 79 percent is available for use within the City's designations.
- At the end of the fiscal year, unreserved fund balance of the general fund was \$149,069, or 15 percent of total general fund expenditures.
- The City of Kenyon decreased its existing debt principal by \$370,000 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net assets presents all information on all of the City of Kenyon'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 of Kenyon 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).

The government-wide financial statements distinguish functions of the City of Kenyon 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 cost through user fees and charges (business-type activities). The governmental activities of the City of Kenyon include general government, public safety, public works, recycling, culture and recreation, and economic development. The business-type activities of the City of Kenyon include water, sewer, electric, liquor, and storm sewer.

The government-wide financial statements include not only the City of Kenyon itself (known as the primary government), but also a legally separate economic development authority, which is reported as a governmental activity. The Economic Development Authority, although legally separate, functions for all practical purposes as a department of the City of Kenyon, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-15 of this report.

CITY OF KENYON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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 of Kenyon, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirement. All of the funds of the City of Kenyon 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 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 of 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 the comparison between governmental funds and governmental activities.

The City of Kenyon maintains 12 individual governmental 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 and Trondheim Road Extension funds, which are considered to be major funds. Data from the other 10 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

The City of Kenyon adopts an annual appropriated budget for its general, and special revenue funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with these budgets.

The basic governmental funds financial statements can be found on pages 16-17 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 24-29 of this report.

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

The notes to the financial statements can be found on pages 30-49 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 51-54.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Government-Wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of a city's financial position. In the case of the City of Kenyon, assets exceeded liabilities by \$12,679,164 at the close of the fiscal year, with \$4,844,516 of these net assets from governmental activities and \$7,834,648 from proprietary funds.

A significant portion of the City of Kenyon's net assets \$8,906,591 is attributed to its investment in capital assets (e.g. land, buildings, streets, vehicles, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Kenyon uses these capital assets to provide services; consequently, these assets are not available for future spending. Although the City of Kenyon's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Kenyon 's Net Assets

	Government Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 1,087,483	\$ 1,064,771	\$ 3,002,332	\$ 2,832,148	\$ 4,089,815	\$ 3,896,919
Capital assets	4,689,093	4,866,266	5,676,230	5,817,640	10,365,323	10,683,906
Total assets	<u>\$ 5,776,576</u>	<u>\$ 5,931,037</u>	<u>\$ 8,678,562</u>	<u>\$ 8,649,788</u>	<u>\$14,455,138</u>	<u>\$14,580,825</u>
Long-term liabilities outstanding	\$ 832,755	\$ 1,032,898	\$ 625,977	\$ 877,480	\$ 1,458,732	\$ 1,910,378
Other liabilities	99,305	80,135	217,937	221,423	317,242	301,558
Total liabilities	<u>932,060</u>	<u>1,113,033</u>	<u>843,914</u>	<u>1,098,903</u>	<u>1,775,974</u>	<u>2,211,936</u>
Net assets:						
Invested in capital assets, net of related debt	3,856,338	3,876,507	5,050,253	4,992,509	8,906,591	8,869,016
Restricted	102,212	122,920	203,643	201,608	305,855	324,528
Unrestricted	885,966	818,577	2,580,752	2,356,768	3,466,718	3,175,345
Total Net Assets	<u>4,844,516</u>	<u>4,818,004</u>	<u>7,834,648</u>	<u>7,550,885</u>	<u>12,679,164</u>	<u>12,368,889</u>
Total Liabilities & Net Assets	<u>\$ 5,776,576</u>	<u>\$ 5,931,037</u>	<u>\$ 8,678,562</u>	<u>\$ 8,649,788</u>	<u>\$14,455,138</u>	<u>\$14,580,825</u>

A portion of the City of Kenyon's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities. Governmental activities account for 38 percent of the City of Kenyon's net assets.

The total increase in net assets for governmental activities is \$26,512 for the year ended December 31, 2010. The total revenues for governmental activities amounted to \$1,328,526 while total expenses were \$1,430,735 and transfers in were \$128,721, which is illustrated in the statement below.

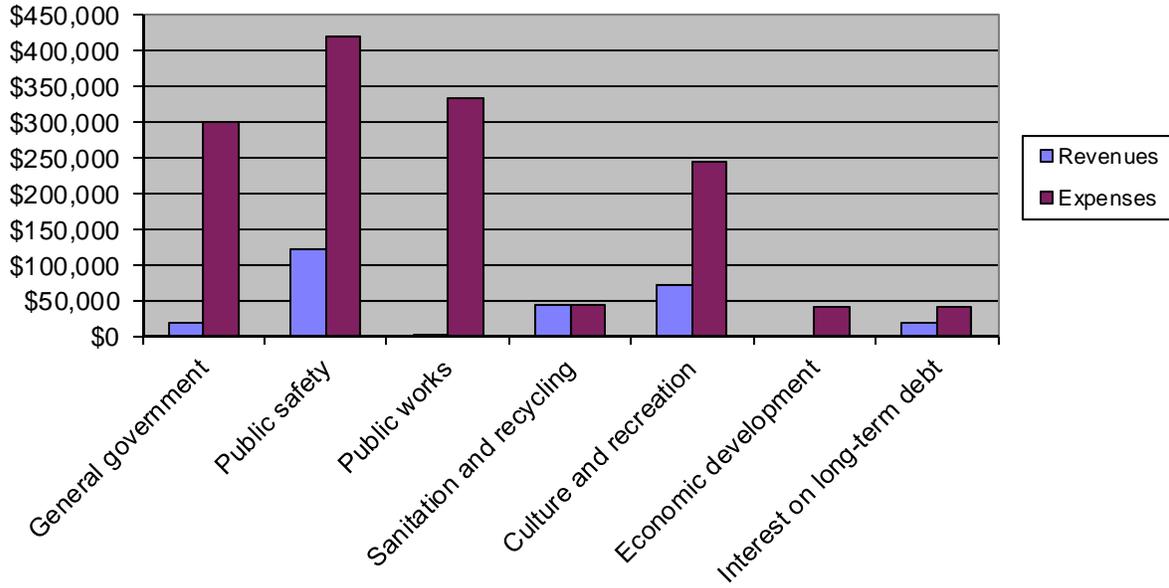
City of Kenyon's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	\$ 188,198	\$ 165,982	\$ 2,839,244	\$ 2,819,059	\$ 3,027,442	\$ 2,985,041
Operating Grants & Contributions	88,608	91,334		5,425	88,608	96,759
Capital Grants & Contributions	4,190	4,036	102,469	2,565	106,659	6,601
General revenues:						
General property taxes	512,720	601,638			512,720	601,638
Tax increments	15,620	16,589			15,620	16,589
Intergovernmental Revenue	501,237	576,154	864		502,101	576,154
Interest earnings	6,573	9,882	28,197	41,106	34,770	50,988
Miscellaneous	11,280	15,898	32,927	6,827	44,207	22,725
Gain on sale of capital assets	100	6,250			100	6,250
Total revenues	1,328,526	1,487,763	3,003,701	2,874,982	4,332,227	4,362,745
Expenses:						
General government	300,082	340,282			300,082	340,282
Public safety	421,124	431,169			421,124	431,169
Public works	335,365	327,002			335,365	327,002
Sanitation and recycling	43,500	34,704			43,500	34,704
Culture and recreation	245,958	239,081			245,958	239,081
Economic development	41,669	27,387			41,669	27,387
Interest on long-term debt	43,037	49,085			43,037	49,085
Water			210,614	191,701	210,614	191,701
Sewer			293,164	272,249	293,164	272,249
Electric			1,468,974	1,611,127	1,468,974	1,611,127
Liquor			592,675	612,710	592,675	612,710
Storm sewer			25,790	21,230	25,790	21,230
Total expenses	1,430,735	1,448,710	2,591,217	2,709,017	4,021,952	4,157,727
Increase in net assets before transfers and other items	(102,209)	39,053	412,484	165,965	310,275	205,018
Transfers	128,721	106,347	(128,721)	(106,347)		
Change in net assets	26,512	145,400	283,763	59,618	310,275	205,018
Net Assets – January 1	4,818,004	4,672,604	7,550,885	7,491,267	12,368,889	12,163,871
Net Assets – December 31	\$ 4,844,516	\$ 4,818,004	\$ 7,834,648	\$ 7,550,885	\$ 12,679,164	\$ 12,368,889

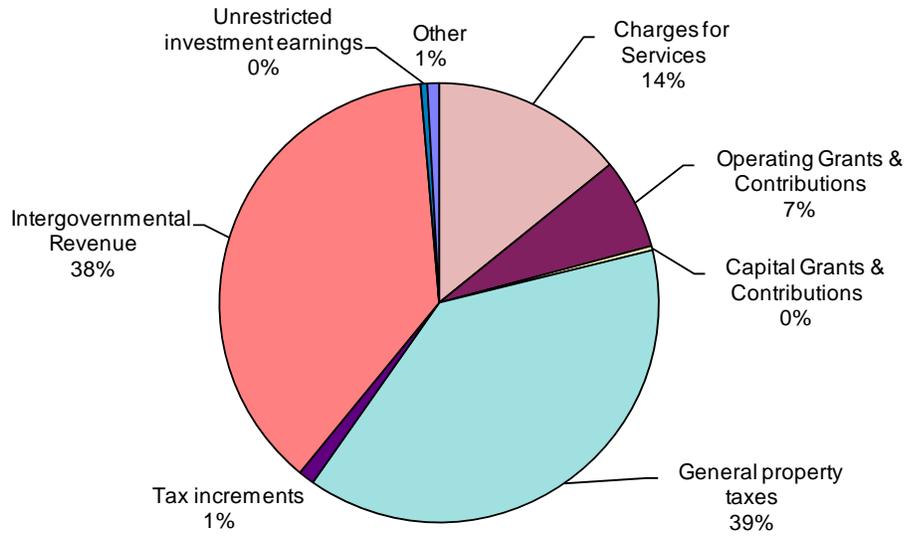
**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graph shows 2010 revenues and expenses for both government activities and business-type activities.

Expenses and Program Revenues-Governmental Activities



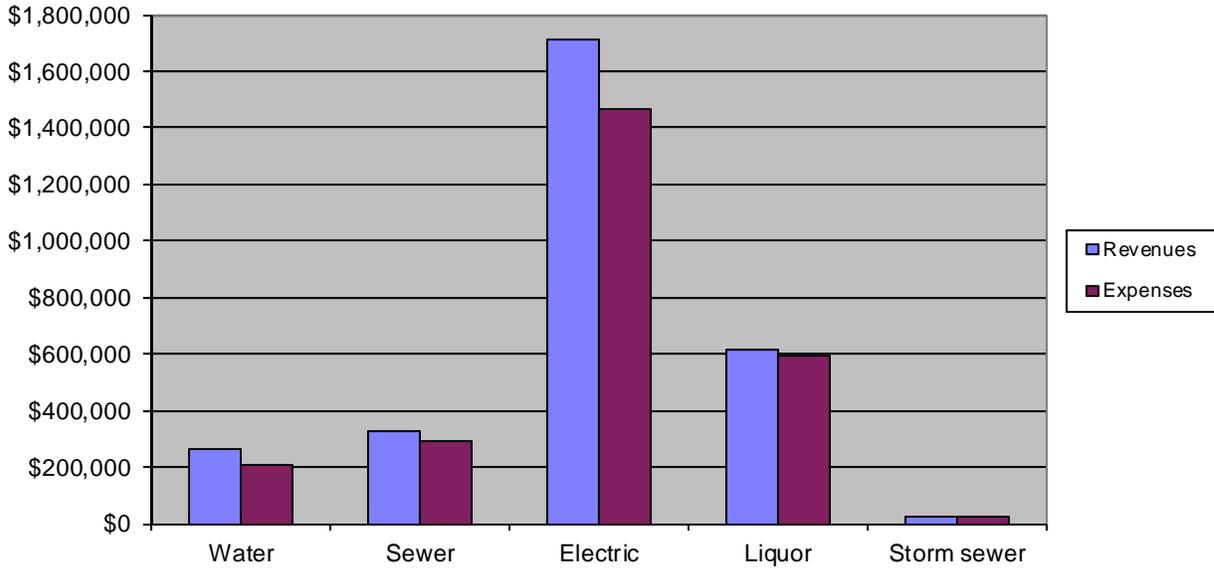
Government Activities Revenues



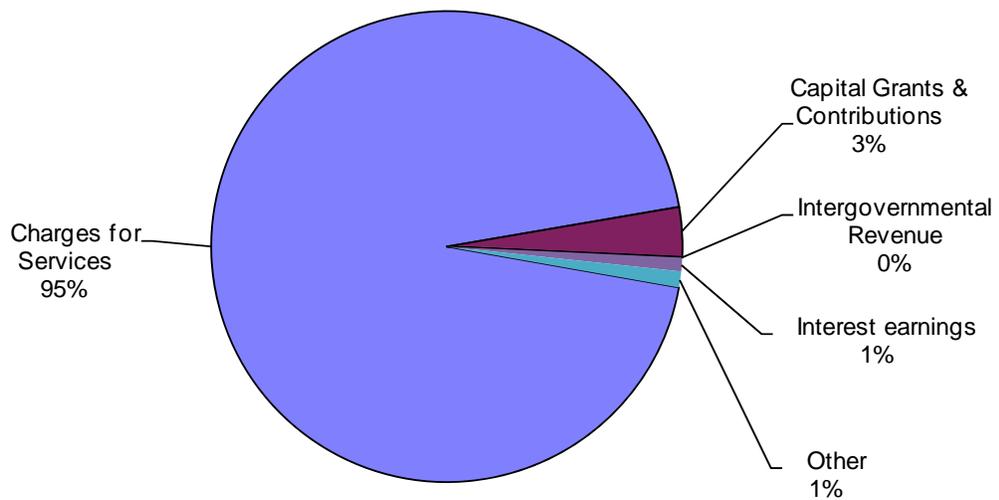
**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-type activities. Business-type activities increased the City of Kenyon net assets \$283,763 for the year ended December 31, 2010. Business-type activities revenues and expenses are illustrated in the charts below.

Expenses and Program Revenues-Business Type-Activities



Business-Type Activities Revenue



CITY OF KENYON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the City's Funds

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

At the end of the current fiscal year, the City of Kenyon's governmental funds reported combined ending fund balances of \$780,767.

The general fund is the chief operating fund of the City of Kenyon and of the governmental funds. At the end of the current fiscal year, unreserved fund balance of the general fund was \$149,069. In 2010 the city decided to close the municipal building fund, which carried a negative fund balance of \$385,903. In order to report the balance of the general fund more accurately the negative balance from the municipal building fund was transferred to the general fund. The previous plan to eliminate the negative balance in the municipal building fund, by making an annual transfer of \$3,000, would have taken 128 years. Eliminating the negative fund balance allows the City of Kenyon to move forward with a more accurate depiction of the general fund.

The fund balance of the City of Kenyon's general fund decreased by \$44,758 during the current year. Key factors in this change are as follows:

- Property tax revenue was \$84,525 less than anticipated
- State Market Value Credit was \$40,647 less than budgeted.
- A total of \$25,000 was transferred from the municipal liquor fund to the general fund in 2010. The budgeted amount of \$15,000 was transferred as well as an additional \$10,000 to make up for the budgeted transfer for 2009, which did not take place.
- Professional services expenses attributed to the general fund were \$22,000 under budget in 2010. Additional legal expenses were incurred by KMU for legal review of new contracts.
- Budgeted transfers to other areas of the budget were \$111,000 with actual transfers totaling \$61,000. A portion of the transfers were included in the budget in anticipation of deep cuts to local government aid (LGA). Reductions to LGA in 2010 were not as severe as expected, and these transfers were not required.

The debt service funds have a total fund balance of \$102,212, all of which is reserved for the payment of debt service. \$860,000 remains to be paid through 2020 on the 2007 refunding bond. The net decrease in fund balance during the current year in the debt service fund is related to having resources available to paying off the bond issues.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Proprietary Funds. The City of Kenyon'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 proprietary funds at year-end amounted to \$2,580,752. The total increase in net assets for the funds was \$283,763. Key factors in this change are as follows:

- The most significant increase in net assets (\$180,596) was realized in the electric fund. This increase was due primarily to a decrease in energy costs and expenses related to the NCII base load project.
- The water and sewer funds recognized significant increases in net assets compared to 2009 due mainly to special assessment revenue recorded in 2010. These assessments are for the Ninth Street Utility Improvements, most of which will be recovered primarily within the next 10 years.
- The increase in net assets for the Liquor Store prior to transfers to the general fund was \$39,964 compared to \$12,963 in 2009. A total of \$25,000 was transferred to the general fund in 2010.
- Professional services expenses attributed to the proprietary funds were incurred for legal review of new contracts.

Capital Asset Administration. The City of Kenyon's investment in capital assets for its governmental and business type activities as of December 31, 2010 amounts to \$10,365,323 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, furniture, and infrastructure.

City of Kenyon's Capital Assets

	Government Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,216,097	\$ 1,216,097	\$ 57,185	\$ 57,185	\$ 1,273,282	\$ 1,273,282
Building and Improvements	1,708,091	1,692,275	5,131,831	5,131,831	6,839,922	6,824,106
Infrastructure	1,333,135	1,316,500	4,604,485	4,362,411	5,937,620	5,678,911
Machinery and Equipment	2,311,238	2,311,238	520,389	520,389	2,831,627	2,831,627
Transportation Equipment			302,332	302,332	302,332	302,332
Office Furniture and Equipment			77,117	77,117	77,117	77,117
Generators			2,395,536	2,395,536	2,395,536	2,395,536
Construction in progress	7,514	21,361		5,195	7,514	26,556
Total assets	6,576,075	6,557,471	13,088,875	12,851,996	19,664,950	19,409,467
Less: Accumulated Depreciation	(1,886,982)	(1,691,205)	(7,412,645)	(7,034,356)	(9,299,627)	(8,725,561)
Net Capital Assets	\$ 4,689,093	\$ 4,866,266	\$ 5,676,230	\$ 5,817,640	\$ 10,365,323	\$ 10,683,906

More detailed information on the City of Kenyon's capital assets is presented in the Notes to the Financial Statements on page 40-41.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long-Term Debt. At the end of the fiscal year, the City of Kenyon had long-term debt of \$1,513,000. Of this amount, \$860,000 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 the water fund's PFA loan and the 2010 Utility Bonds. State statute limits the amount of general obligation debt a government entity may issue to 2% of its total market value. In addition, those outstanding debt obligations with specific revenue sources pledged towards debt repayment are deducted from the debt limitation.

City of Kenyon's Outstanding Debt

	Government Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 860,000	\$ 1,020,000	\$	\$	\$ 860,000	\$ 1,020,000
General Obligation Revenue			193,000	168,000	193,000	168,000
Revenue Bonds			460,000	695,000	460,000	695,000
Total assets	\$ 860,000	\$ 1,020,000	\$ 653,000	\$ 863,000	\$ 1,513,000	\$ 1,883,000

Additional information on the City of Kenyon's long-term debt can be found in the Notes to the Financial Statements on pages 42-44.

Factors on the City of Kenyon's Future

Potential adjustments to the 2011 expenditure budget

- MnDOT TH56 Reconstruction Project – this project was unforeseen during the 2011 budgeting process. The City of Kenyon has already incurred \$110,000 in engineering fees, and the total cost for this 2012 project is estimated at over \$400,000. A reimbursement resolution was adopted in April of 2011. This will allow the City of Kenyon to issue long-term debt (if needed) in 2012 for costs related to this project incurred in 2011.
- Historic Kenyon High School – As this issue unfolds, additional funding may be needed for planning, hazardous material abatement, preliminary demolition work, or to match grant funding.
- Kenyon Fire Station – A preliminary analysis of a renovation/expansion project at the current site was conducted earlier this year. If the Council is interested in pursuing this further, an RFP could be issued for additional architectural services. Funding may be needed to secure the adjacent property.
- Business Park Development – Most costs related to the development of a business park would be part of a larger financing package (Bonds/TIF/etc.). Some initial funding was set aside in 2010 for the project. The council could consider allocating additional funding to move this project forward.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Potential future revenue sources

- Institute Street Light Utility District – Street Lighting Utility Districts are becoming very common as a way to pass on the cost of street light operation and maintenance to local property owners. Due to policy changes implemented in 2009, the street lighting budget has been reduced by approximately 25% since 2008. Even so, the annual electrical cost for public street lights continues to be over \$30,000. Based on the number of utility customers, a monthly fee of \$2.65 would generate enough revenue to cover this cost.
- Institute Cable and/or Gas Franchise Fee – a franchise fee is paid to a local authority for the privilege of using the public rights-of-way and to compensate for the costs of regulation. The City of Kenyon received a Cable Franchise Fee until 1999 when an agreement was reached to provide free services to all government offices was reached. These franchise fees are typically passed on to the end users.

Requests for Information

This financial report is designed to provide a general overview of the City of Kenyon's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Administrator, City of Kenyon, 709 Second Street, Kenyon, Minnesota 55946.

CITY OF KENYON, MINNESOTA
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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CITY OF KENYON, MINNESOTA
STATEMENT OF NET ASSETS

December 31, 2010

With Comparative Totals for December 31, 2009

	Governmental Activities	Business-Type Activities	Totals	
			2010	2009
Assets				
Cash and investments	\$ 807,498	\$ 2,044,160	\$ 2,851,658	\$ 2,610,002
Receivables	267,489	427,028	694,517	698,151
Internal balances	(17,890)	17,890		
Inventory		226,315	226,315	230,619
Loans receivable	3,666		3,666	8,081
Prepaid expenses	26,720	83,296	110,016	80,348
Restricted cash		203,643	203,643	201,608
Capital assets:				
Nondepreciable	1,223,611	57,185	1,280,796	1,299,838
Depreciable, net	3,465,482	5,619,045	9,084,527	9,384,068
Total Assets	5,776,576	8,678,562	14,455,138	14,512,715
Liabilities and Net Assets				
Liabilities				
Accounts payable	44,021	171,977	215,998	233,441
Deposits payable	800	8,960	9,760	12,833
Compensated absences	23,177	16,403	39,580	27,378
Accrued liabilities	16,909	12,783	29,692	27,909
Accrued interest payable	14,398	7,814	22,212	27,375
Noncurrent liabilities:				
Due within one year	90,000	257,000	347,000	495,000
Due in more than one year	742,755	368,977	1,111,732	1,319,890
Total Liabilities	932,060	843,914	1,775,974	2,143,826
Net Assets				
Invested in capital assets, net of related debt	3,856,338	5,050,253	8,906,591	8,869,016
Restricted for:				
Debt service	102,212	203,643	305,855	324,528
Unrestricted	885,966	2,580,752	3,466,718	3,175,345
Total Net Assets	4,844,516	7,834,648	12,679,164	12,368,889
Total Liabilities and Net Assets	\$ 5,776,576	\$ 8,678,562	\$ 14,455,138	\$ 14,512,715

See Notes to Financial Statements

CITY OF KENYON, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010
With Comparative Totals for December 31, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 300,082	\$ 19,146	\$ 1,276	\$
Public safety	421,124	81,120	38,936	3,272
Public works	335,365			918
Sanitation and recycling	43,500	43,881		
Culture and recreation	245,958	23,619	48,270	
Economic development	41,669	20,432	126	
Interest on long-term debt	43,037			
Total governmental activities	<u>1,430,735</u>	<u>188,198</u>	<u>88,608</u>	<u>4,190</u>
Business-Type activities:				
Water	210,614	212,176		48,837
Sewer	293,164	272,169		53,632
Electric	1,468,974	1,713,918		
Liquor	592,675	616,866		
Storm sewer	25,790	24,115		
Total business-type activities	<u>2,591,217</u>	<u>2,839,244</u>		<u>102,469</u>
Total	<u>\$ 4,021,952</u>	<u>\$ 3,027,442</u>	<u>\$ 88,608</u>	<u>\$ 106,659</u>

General revenues:
 General property taxes
 Tax increments
 Grants and contributions not restricted to specific programs
 Interest earnings
 Miscellaneous
 Gain on sale of capital assets
 Transfers, net
 Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

See Notes to Financial Statements

FORM A-2

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2010	2009
\$ (279,660)	\$	\$ (279,660)	\$ (320,599)
(297,796)		(297,796)	(324,439)
(334,447)		(334,447)	(323,821)
381		381	338
(174,069)		(174,069)	(153,584)
(21,111)		(21,111)	(16,168)
(43,037)		(43,037)	(49,085)
<u>(1,149,739)</u>		<u>(1,149,739)</u>	<u>(1,187,358)</u>
	50,399	50,399	7,775
	32,637	32,637	(29)
	244,944	244,944	94,747
	24,191	24,191	12,883
	<u>(1,675)</u>	<u>(1,675)</u>	<u>2,656</u>
	350,496	350,496	118,032
<u>(1,149,739)</u>	<u>350,496</u>	<u>(799,243)</u>	<u>(1,069,326)</u>
512,720		512,720	601,638
15,620		15,620	16,589
501,237	864	502,101	576,154
6,573	28,197	34,770	50,988
11,280	32,927	44,207	28,975
100		100	
128,721	<u>(128,721)</u>		
<u>1,176,251</u>	<u>(66,733)</u>	<u>1,109,518</u>	<u>1,274,344</u>
26,512	283,763	310,275	205,018
<u>4,818,004</u>	<u>7,550,885</u>	<u>12,368,889</u>	<u>12,163,871</u>
<u>\$ 4,844,516</u>	<u>\$ 7,834,648</u>	<u>\$ 12,679,164</u>	<u>\$ 12,368,889</u>

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CITY OF KENYON, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2010

CITY OF KENYON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010
With Comparative Totals for December 31, 2009

	101	409	Other	Total Governmental Funds	
	General	Trondheim Road Extension	Governmental Funds	2010	2009
ASSETS					
Cash and investments	\$ 82,675	\$ 1,180	\$ 723,643	\$ 807,498	\$ 717,328
Accounts receivable	10,980		2,015	12,995	6,251
Developer receivable - deferred	62,018			62,018	72,018
Taxes receivable - delinquent	61,958			61,958	68,613
Special assessments receivable					
Delinquent			898	898	846
Deferred	3,171	113,275		116,446	119,558
Loan receivable			3,666	3,666	8,081
Accrued interest receivable	138		199	337	893
Due from other funds	69,056			69,056	70,881
Due from other governments	12,837			12,837	28,868
Advances to other funds	32,895			32,895	48,737
Prepaid items	18,462		8,258	26,720	12,297
TOTAL ASSETS	\$ 354,190	\$ 114,455	\$ 738,679	\$ 1,207,324	\$ 1,154,371
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 12,630	\$	\$ 31,391	\$ 44,021	\$ 46,964
Accrued liabilities	13,987		2,922	16,909	15,425
Customer deposits			800	800	800
Advances from other funds		119,841		119,841	119,841
Deferred revenue	127,147	113,275	4,564	244,986	204,209
Total Liabilities	153,764	233,116	39,677	426,557	387,239
Fund Balance					
Reserved for:					
Prepaid items	18,462		8,258	26,720	12,297
Advances to other funds	32,895			32,895	48,737
Debt service			102,212	102,212	138,510
Unreserved, designated			318,202	318,202	255,532
Unreserved, undesignated, reported in:					
General fund	149,069			149,069	573,017
Special revenue funds			160,085	160,085	145,693
Capital projects funds		(118,661)	110,245	(8,416)	(406,654)
Total Fund Balance	200,426	(118,661)	699,002	780,767	767,132
TOTAL LIABILITIES AND FUND BALANCE	\$ 354,190	\$ 114,455	\$ 738,679	\$ 1,207,324	\$ 1,154,371

See Notes to Financial Statements

CITY OF KENYON, MINNESOTA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2010

With Comparative Totals for the Year Ended December 31, 2009

	101 General	409 Trondheim Road Extension	Other Governmental Funds	Total Governmental Funds	
				2010	2009
REVENUES					
General property taxes	\$ 216,308	\$ 2,044	\$ 301,023	\$ 519,375	\$ 601,549
Tax increment			15,620	15,620	16,589
Licenses and permits	5,008			5,008	4,251
Special assessments		3,467	511	3,978	34,993
Intergovernmental revenues	522,440		64,025	586,465	647,219
Charges for services	80,515		60,070	140,585	131,846
Fines and forfeitures	6,859		1,219	8,078	8,944
Investment income	2,902	2	3,669	6,573	9,882
Loan repayments			4,866	4,866	9,548
Donations			7,692	7,692	19,562
Miscellaneous revenues	19,917		24,497	44,414	38,378
Total Revenues	<u>853,949</u>	<u>5,513</u>	<u>483,192</u>	<u>1,342,654</u>	<u>1,522,761</u>
EXPENDITURES					
General government	280,908		1,418	282,326	314,942
Public safety	268,884		87,872	356,756	375,386
Public works	236,173			236,173	225,054
Sanitation and recycling	43,500			43,500	34,704
Culture and recreation	67,435		157,599	225,034	197,636
Economic development	54,907		29,641	84,548	27,387
Capital outlay	14,621		12,193	26,814	110,308
Debt service:					
Principal			160,000	160,000	160,000
Interest and other		4,494	38,095	42,589	48,589
Total Expenditures	<u>966,428</u>	<u>4,494</u>	<u>486,818</u>	<u>1,457,740</u>	<u>1,494,006</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(112,479)</u>	<u>1,019</u>	<u>(3,626)</u>	<u>(115,086)</u>	<u>28,755</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets					6,250
Transfers In	128,721		92,000	220,721	234,486
Transfers out	(61,000)		(31,000)	(92,000)	(128,139)
Total Other Financing Sources (Uses)	<u>67,721</u>		<u>61,000</u>	<u>128,721</u>	<u>112,597</u>
Net change in fund balances	(44,758)	1,019	57,374	13,635	141,352
Fund Balance - Beginning Restated (Note 13)	<u>245,184</u>	<u>(119,680)</u>	<u>641,628</u>	<u>767,132</u>	<u>625,780</u>
Fund Balance - Ending	<u>\$ 200,426</u>	<u>\$ (118,661)</u>	<u>\$ 699,002</u>	<u>\$ 780,767</u>	<u>\$ 767,132</u>

CITY OF KENYON, MINNESOTA
RECONCILIATION OF NET ASSETS IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS

December 31, 2010

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

Total governmental fund balances (page 16)	\$	780,767
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$	6,576,075
Less: Accumulated depreciation		<u>(1,886,982)</u>
		4,689,093
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Developer receivable	\$	62,018
Delinquent property taxes		61,958
Deferred and delinquent special assessments		117,344
Notes receivable		<u>3,666</u>
		244,986
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$	(860,000)
Compensated absences		(23,177)
Deferred charges		27,245
Accrued interest		<u>(14,398)</u>
		<u>(870,330)</u>
Net assets of governmental activities (page 13)	\$	<u><u>4,844,516</u></u>

CITY OF KENYON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

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

Net change in fund balances - total governmental funds (page 17)	\$	13,635
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 18,604	
Depreciation expense	<u>(195,777)</u>	(177,173)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred revenue, December 31, 2010	\$ 244,986	
Deferred revenue, December 31, 2009	<u>(204,209)</u>	40,777
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences, December 31, 2010	\$ (23,177)	
Compensated absences, December 31, 2009	<u>12,898</u>	(10,279)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal retirement on long-term debt	\$ 160,000	
Amortization of deferred charges	(2,996)	
Change in accrued interest	<u>2,548</u>	<u>159,552</u>
Change in net assets of governmental activities (pages 14 and 15)	\$	<u><u>26,512</u></u>

CITY OF KENYON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
REVENUES					
Local Taxes					
General tax levy	\$ 300,832	\$ 300,832	\$ 216,308	\$ (84,524)	\$ 301,418
Licenses and Permits	5,250	5,250	5,008	(242)	4,251
Intergovernmental Revenues					
Local government aid	466,643	466,643	466,643		506,393
Market value credit	65,000	65,000	24,353	(40,647)	65,562
Police state aid	18,295	18,295	17,931	(364)	1,586
Other state aid	2,219	2,219	13,513	11,294	4,199
Federal grants					417
Total Intergovernmental	552,157	552,157	522,440	(29,717)	578,157
Charges for Services					
General government	3,100	3,100	14,234	11,134	9,915
Recycling	35,000	35,000	43,881	8,881	35,042
Culture and recreation	22,450	22,450	22,400	(50)	20,793
Total Charges for Services	60,550	60,550	80,515	19,965	65,750
Fines and Forfeits	6,000	6,000	6,859	859	7,548
Investment Income	5,500	5,500	2,902	(2,598)	5,059
Miscellaneous Revenues					
Refunds and reimbursements	1,000	1,000	12,345	11,345	1,814
Rents			1,365	1,365	735
Other	5,000	5,000	6,207	1,207	14,117
Total Miscellaneous Revenues	6,000	6,000	19,917	13,917	16,666
TOTAL REVENUES	\$ 936,289	\$ 936,289	\$ 853,949	\$ (82,340)	\$ 978,849

See Notes to Financial Statements

CITY OF KENYON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Employee services	\$ 15,101	\$ 15,101	\$ 13,296	\$ 1,805	\$ 14,563
Other services and charges	900	900	2,144	(1,244)	1,034
Total Mayor and Council	<u>16,001</u>	<u>16,001</u>	<u>15,440</u>	<u>561</u>	<u>15,597</u>
City Administration					
Employee services	156,061	156,061	154,540	1,521	154,989
Supplies					435
Other services and charges	6,000	6,000	5,450	550	3,361
Total City Administration	<u>162,061</u>	<u>162,061</u>	<u>159,990</u>	<u>2,071</u>	<u>158,785</u>
Elections	<u>1,200</u>	<u>1,200</u>	<u>2,512</u>	<u>(1,312)</u>	<u>175</u>
General Government					
Employee services	4,920	4,920	5,509	(589)	4,816
Supplies	6,600	6,600	8,776	(2,176)	6,606
Other services and charges	62,206	62,206	47,127	15,079	63,134
Total Government Buildings	<u>73,726</u>	<u>73,726</u>	<u>61,412</u>	<u>12,314</u>	<u>74,556</u>
Professional Services					
Auditing and accounting	23,000	23,000	22,990	10	27,200
Legal	25,000	25,000	12,999	12,001	33,712
Engineering	15,000	15,000	5,565	9,435	4,917
Total Professional Services	<u>63,000</u>	<u>63,000</u>	<u>41,554</u>	<u>21,446</u>	<u>65,829</u>
Total General Government	<u>\$ 315,988</u>	<u>\$ 315,988</u>	<u>\$ 280,908</u>	<u>\$ 35,080</u>	<u>\$ 314,942</u>

See Notes to Financial Statements

CITY OF KENYON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2010

With Comparative Totals for the Year Ended December 31, 2009

EXPENDITURES (Continued)	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
Public Safety					
Police Protection					
Employee services	\$ 226,918	\$ 226,918	\$ 216,301	\$ 10,617	\$ 238,404
Supplies	16,850	16,850	19,094	(2,244)	14,646
Other services and charges	29,436	29,436	33,489	(4,053)	29,311
Total Police Protection	273,204	273,204	268,884	4,320	282,361
Total Public Safety	273,204	273,204	268,884	4,320	282,361
Public Works					
Streets					
Employee services	109,337	109,337	114,275	(4,938)	134,347
Supplies	40,000	40,000	30,611	9,389	35,444
Other services and charges	73,051	73,051	58,358	14,693	18,439
Total Streets	222,388	222,388	203,244	19,144	188,230
Street Lighting	31,000	31,000	32,929	(1,929)	36,824
Total Public Works	253,388	253,388	236,173	17,215	225,054
Sanitation and Recycling					
Recycling	35,000	35,000	43,500	(8,500)	34,704
Culture and Recreation					
Park and Recreation					
Employee services	9,940	9,940	12,506	(2,566)	10,218
Supplies	1,700	1,700	3,592	(1,892)	2,832
Other services and charges	5,060	5,060	6,067	(1,007)	4,947
Total Park and Recreation	\$ 16,700	\$ 16,700	\$ 22,165	\$ (5,465)	\$ 17,997

See Notes to Financial Statements

CITY OF KENYON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
EXPENDITURES (Continued)					
Culture and Recreation (Continued)					
Swimming Pool					
Employee services	\$ 25,643	\$ 25,643	\$ 24,124	\$ 1,519	\$ 24,635
Supplies	7,450	7,450	4,985	2,465	6,563
Other services and charges	15,916	15,916	16,161	(245)	15,015
Total Swimming Pool	<u>49,009</u>	<u>49,009</u>	<u>45,270</u>	<u>3,739</u>	<u>46,213</u>
Total Culture and Recreation	<u>65,709</u>	<u>65,709</u>	<u>67,435</u>	<u>(1,726)</u>	<u>64,210</u>
Economic Development			<u>54,907</u>	<u>(54,907)</u>	
Capital Outlay	<u>4,000</u>	<u>4,000</u>	<u>14,621</u>	<u>(10,621)</u>	<u>12,245</u>
TOTAL EXPENDITURES	<u>947,289</u>	<u>947,289</u>	<u>966,428</u>	<u>(19,139)</u>	<u>933,516</u>
Excess of revenues over expenditures	<u>(11,000)</u>	<u>(11,000)</u>	<u>(112,479)</u>	<u>(101,479)</u>	<u>45,333</u>
Other Financing Sources (Uses)					
Sale of capital assets					6,250
Transfers in	123,000	123,000	128,721	5,721	106,347
Transfers out	<u>(114,000)</u>	<u>(114,000)</u>	<u>(61,000)</u>	<u>53,000</u>	<u>(53,210)</u>
Total Other Financing Sources (Uses)	<u>9,000</u>	<u>9,000</u>	<u>67,721</u>	<u>58,721</u>	<u>59,387</u>
Net change in fund balance	(2,000)	(2,000)	(44,758)	(42,758)	104,720
FUND BALANCE - Beginning, Restated (Note 13)	<u>245,184</u>	<u>245,184</u>	<u>245,184</u>		<u>140,464</u>
FUND BALANCE - Ending	<u>\$ 243,184</u>	<u>\$ 243,184</u>	<u>\$ 200,426</u>	<u>\$ (42,758)</u>	<u>\$ 245,184</u>

See Notes to Financial Statements

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 Statement of Net Assets**

December 31, 2010

With Comparative Totals for December 31, 2009

	Business-Type Activities - Enterprise Funds		
	601	602	603
	Water Fund Fund	Sewer Fund Fund	Electric Fund Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 258,856	\$ 443,169	\$ 890,158
Accounts receivable	29,140	13,936	268,809
Accrued interest receivable	53	123	1,139
Due from other funds	992	74,735	10,315
Inventory	26,634		162,214
Prepaid items	2,409	2,613	73,828
Total Current Assets	318,084	534,576	1,406,463
Noncurrent Assets:			
Special assessments		109,056	
Advances to other funds			119,841
Restricted cash			203,643
Capital assets:			
Nondepreciable			14,372
Depreciable	1,833,231	5,265,404	5,193,847
Less: Accumulated depreciation	(870,103)	(3,524,795)	(2,730,092)
Net capital assets	963,128	1,740,609	2,478,127
Total Assets	1,281,212	2,384,241	4,208,074
LIABILITIES			
Current Liabilities:			
Accounts payable	1,867	10,428	125,473
Accrued liabilities	2,367	1,137	6,086
Accrued interest payable	912	606	6,296
Customer deposits	2,125		6,835
Due to other funds	49,674	11,307	96,474
Accrued compensated absences	3,377	1,225	8,683
Current maturities of bonds payable	11,000	6,000	240,000
Total Current Liabilities	71,322	30,703	489,847
Noncurrent Liabilities:			
Advances from other funds			
Bonds payable, net of current maturities, discount, and issuance costs	57,000	118,624	193,353
Total Liabilities	128,322	149,327	683,200
NET ASSETS			
Invested in capital assets, net of related debt	895,128	1,615,985	2,044,774
Restricted for debt service			203,643
Unrestricted	257,762	618,929	1,276,457
Total Net Assets	\$ 1,152,890	\$ 2,234,914	\$ 3,524,874

See Notes to Financial Statements

FORM C-1

Business-Type Activities - Enterprise Funds			
609 Liquor Fund Fund	215/220 Storm Sewer Fund	TOTALS	
		2010	2009
\$ 30,679	\$ 421,298	\$ 2,044,160	\$ 1,892,674
4,600		316,485	397,210
7	165	1,487	3,289
	2,357	88,399	34,374
37,467		226,315	230,619
4,082	364	83,296	68,051
<u>76,835</u>	<u>424,184</u>	<u>2,760,142</u>	<u>2,626,217</u>
		109,056	605
		119,841	119,841
		203,643	201,608
42,813		57,185	62,380
224,372	514,836	13,031,690	12,789,616
(146,481)	(141,174)	(7,412,645)	(7,034,356)
<u>120,704</u>	<u>373,662</u>	<u>5,676,230</u>	<u>5,817,640</u>
<u>197,539</u>	<u>797,846</u>	<u>8,868,912</u>	<u>8,765,911</u>
34,209		171,977	186,477
3,193		12,783	12,429
		7,814	10,429
		8,960	12,088
		157,455	99,630
3,118		16,403	14,480
		257,000	335,000
<u>40,520</u>		<u>632,392</u>	<u>670,533</u>
32,895		32,895	54,362
		368,977	490,131
<u>73,415</u>		<u>1,034,264</u>	<u>1,215,026</u>
120,704	373,662	5,050,253	4,992,509
		203,643	
<u>3,420</u>	<u>424,184</u>	<u>2,580,752</u>	<u>2,558,376</u>
<u>\$ 124,124</u>	<u>\$ 797,846</u>	<u>\$ 7,834,648</u>	<u>\$ 7,550,885</u>

**CITY OF KENYON, MINNESOTA
PROPRIETARY FUNDS
Statement of Revenues, Expenses and
Changes in Fund Net Assets**

For the Year Ended December 31, 2010

With Comparative Totals for the Year Ended December 31, 2009

	Business-Type Activities - Enterprise Funds		
	601 Water Fund	602 Sewer Fund	603 Electric Fund
Operating Revenues			
Sales and charges for services	\$ 212,176	\$ 272,169	\$ 1,713,918
Operating Expenses			
Cost of sales			768,053
Power costs			29,887
Conservation improvement program			32,356
Base load projects			227,514
Salaries and wages	92,160	48,342	3,570
Supplies	4,661	7,930	22,944
Professional services	6,522	8,068	54,664
Insurance	3,017	5,159	27,589
Utilities	18,075	47,921	13,447
Repairs and maintenance	18,629	32,383	158,294
Depreciation	57,234	127,469	34,222
Dues and subscriptions	683	1,775	3,833
Other services	10	965	13,139
Safety	32		42,404
Generator expense			8,087
Other operating expense	6,816	2,725	
Total Operating Expenses	<u>207,839</u>	<u>282,737</u>	<u>1,440,003</u>
Operating Income (Loss)	<u>4,337</u>	<u>(10,568)</u>	<u>273,915</u>
Nonoperating Revenues (Expenses)			
Miscellaneous revenue	2,894	609	12,157
Connection fees		1,318	250
Intergovernmental	173		691
Special assessments	48,837	53,632	
Investment income	2,647	3,221	18,475
Amortization of deferred charges		(2,655)	(8,191)
Miscellaneous expense	(5)		(1,193)
Interest expense	(2,770)	(7,772)	(19,587)
Total Nonoperating Revenues (Expenses)	<u>51,776</u>	<u>48,353</u>	<u>2,602</u>
Income (Loss) Before Transfers	56,113	37,785	276,517
Transfers out	<u>(7,800)</u>		<u>(95,921)</u>
Change in net assets	48,313	37,785	180,596
Total Net Assets - Beginning of Year	<u>1,104,577</u>	<u>2,197,129</u>	<u>3,344,278</u>
Total Net Assets - End of Year	<u>\$ 1,152,890</u>	<u>\$ 2,234,914</u>	<u>\$ 3,524,874</u>

See Notes to Financial Statements

FORM C-2

Business-Type Activities - Enterprise Funds			
609 Liquor Fund	215 / 220 Storm Sewer Fund	TOTALS	
		2010	2009
\$ 616,866	\$ 24,115	\$ 2,839,244	\$ 2,802,750
406,958		406,958	406,779
		768,053	888,250
		10,302	18,920
		32,356	47,934
120,188		507,789	495,350
2,754		18,915	18,261
		37,534	70,042
8,847	364	72,051	72,252
14,233		107,818	99,488
8,217	7,047	79,723	60,919
16,913	18,379	378,289	371,009
70		36,750	18,896
3,053		7,861	4,825
		13,171	10,819
		42,404	42,560
10,401		28,029	28,467
<u>591,634</u>	<u>25,790</u>	<u>2,548,003</u>	<u>2,654,771</u>
25,232	(1,675)	291,241	147,979
15,699		31,359	27,675
		1,568	1,937
		864	886
		102,469	628
74	3,780	28,197	41,106
		(10,846)	(14,267)
		(1,198)	(657)
(1,041)		(31,170)	(39,322)
<u>14,732</u>	<u>3,780</u>	<u>121,243</u>	<u>17,986</u>
39,964	2,105	412,484	165,965
(25,000)		(128,721)	(106,347)
14,964	2,105	283,763	59,618
109,160	795,741	7,550,885	7,491,267
<u>\$ 124,124</u>	<u>\$ 797,846</u>	<u>\$ 7,834,648</u>	<u>\$ 7,550,885</u>

CITY OF KENYON, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Business-Type Activities - Enterprise Funds		
	601 Water Fund	602 Sewer Fund	603 Electric Fund
Cash Flows From Operating Activities			
Cash received from customers	\$ 209,931	\$ 258,724	\$ 1,797,960
Cash payments to suppliers	(64,747)	(104,422)	(1,076,562)
Cash payments to employees	(92,193)	(48,251)	(226,620)
Other cash payments	(345)		(2,728)
Net Cash Provided By Operating Activities	<u>52,646</u>	<u>106,051</u>	<u>492,050</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(127,916)	(77,765)	(31,198)
Bond proceeds		125,000	
Principal payments on bonds	(10,000)	(90,000)	(235,000)
Interest paid on bonds	(2,806)	(7,491)	(22,447)
Connection fees received		1,318	250
Special assessments received	48,837	(41,949)	
Net Cash Used In Capital and Related Financing Activities	<u>(91,885)</u>	<u>(90,887)</u>	<u>(288,395)</u>
Cash Flows From Non-Capital Financing Activities			
Transfers in from (out to) other funds	(7,800)		(95,921)
Increase (decrease) in advances to other funds	(5,625)		
Increase (decrease) in due to other funds	48,682	(37,177)	(7,846)
Other income (expense)	3,062	609	11,655
Net Cash Provided By (Used In) Non-Capital Financing Activities	<u>38,319</u>	<u>(36,568)</u>	<u>(92,112)</u>
Cash Flows From Investing Activities			
Investment earnings received	2,674	3,494	19,654
Net Increase (Decrease) in Cash and Cash Equivalents	1,754	(17,910)	131,197
Cash and Cash Equivalents, Beginning of Year	<u>257,102</u>	<u>461,079</u>	<u>962,604</u>
Cash and Cash Equivalents, End of Year	<u>\$ 258,856</u>	<u>\$ 443,169</u>	<u>\$ 1,093,801</u>
Classified As:			
Current assets	\$ 258,856	\$ 443,169	\$ 890,158
Restricted assets			203,643
Total Cash and Cash Equivalents, End of Year	<u>\$ 258,856</u>	<u>\$ 443,169</u>	<u>\$ 1,093,801</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income (Loss)	\$ 4,337	\$ (10,568)	\$ 273,915
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	57,234	127,469	158,294
(Increase) Decrease In:			
Accounts receivable	(2,245)	(13,445)	84,042
Inventory	(4,379)		9,223
Prepaid items	(1,138)	(1,468)	(12,206)
Increase (Decrease) In:			
Accounts payable	(785)	3,972	(19,384)
Accrued liabilities	(33)	91	894
Customer deposits	(345)		(2,728)
Net Cash Provided By Operating Activities	<u>\$ 52,646</u>	<u>\$ 106,051</u>	<u>\$ 492,050</u>

See Notes to Financial Statements

FORM C-3

Business-Type Activities - Enterprise Funds			
609	215/220	TOTALS	
Liquor Fund	Storm Sewer	2010	2009
\$ 616,369	\$ 24,115	\$ 2,907,099	\$ 2,753,658
(453,445)	(7,775)	(1,706,951)	(1,757,283)
(118,863)		(485,927)	(491,777)
(55)		(3,128)	(4,448)
<u>44,006</u>	<u>16,340</u>	<u>711,093</u>	<u>500,150</u>
		(236,879)	(111,518)
		125,000	
		(335,000)	(365,000)
(1,041)		(33,785)	(37,573)
		1,568	1,937
		6,888	455
<u>(1,041)</u>		<u>(472,208)</u>	<u>(511,699)</u>
(25,000)		(128,721)	(108,777)
(15,842)		(21,467)	(15,451)
	141	3,800	155
15,699		31,025	27,904
<u>(25,143)</u>	<u>141</u>	<u>(115,363)</u>	<u>(96,169)</u>
73	4,104	29,999	42,047
17,895	20,585	153,521	(65,671)
12,784	400,713	2,094,282	2,159,953
<u>\$ 30,679</u>	<u>\$ 421,298</u>	<u>\$ 2,247,803</u>	<u>\$ 2,094,282</u>
\$ 30,679	\$ 421,298	\$ 2,044,160	\$ 1,892,674
		203,643	201,608
<u>\$ 30,679</u>	<u>\$ 421,298</u>	<u>\$ 2,247,803</u>	<u>\$ 2,094,282</u>
\$ 25,232	\$ (1,675)	\$ 291,241	\$ 147,979
16,913	18,379	378,289	371,009
(497)		67,855	(49,092)
(540)		4,304	6,561
(69)	(364)	(15,245)	11,094
1,697		(14,500)	13,474
1,325		2,277	3,573
(55)		(3,128)	(4,448)
<u>\$ 44,006</u>	<u>\$ 16,340</u>	<u>\$ 711,093</u>	<u>\$ 500,150</u>

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CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of Kenyon, Minnesota was first incorporated in 1856. The City operates under the “optional Plan A” form of government as defined by Minnesota State Statutes which prescribes a Mayor-Council form of government. Four Council members are each elected to four year terms and the Mayor is elected to a two year term.

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.

Reporting Entity

In accordance with GASB Statement No. 14 the City’s financial statements include the primary government and the component units of the City of Kenyon, defined as follows:

Primary Government - Includes all funds, account groups, organizations, institutions, agencies, departments, or offices which are not legally separate from the City of Kenyon.

Component Units - Component units are legally separate organizations for which the elected officials of the City of Kenyon are financially accountable or for which the nature or significance of their relationship with the City of Kenyon would cause the general purpose financial statements to be misleading or incomplete. Because its sole purpose is to encourage future development within the City, the Kenyon Economic Development Authority (EDA), has been reported as a blended component unit in the financial statements of the City of Kenyon.

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.

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.

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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. 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.

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.

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.

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Property taxes, licenses and permits, 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. 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.

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

The *Water fund* accounts for the provisions of water services to the residents of the City.

The *Sewer fund* accounts for the provisions of sewer services to the residents of the City.

The *Electric fund* accounts for the provisions of electric services to the residents of the City.

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

The *Storm Sewer fund* accounts for the provisions of storm water services to the residents of the City.

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 Governmental Accounting Standards Board. 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 the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds 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's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of 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 use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary accounting is employed as a management control for funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and may be amended by formal council action. All budget appropriations lapse at the end of the fiscal year.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Except where otherwise required, the City maintains all deposits in bank accounts in the name of the City. These deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and temporary cash investments which is under the management of the City. Temporary cash investments are stated at cost, which approximates market.

The City has designated cash and cash equivalents as demand deposits and all investments with an original maturity of twelve months or less.

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity (continued)

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 2010. The enterprise fund accounts receivable are reported net of a \$5,000 allowance for uncollectible accounts in 2010 and 2009.

Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to the County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. Delinquent taxes receivable are fully offset by deferred revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

The County spreads all levies over taxable property. Such taxes become a lien on January 1, following, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectable, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of July and December.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The cost of inventories are recorded as expense when consumed rather than when purchased.

Prepaid Items

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

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund loans are classified as "advances from other funds" or "advances to other funds".

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity (continued)

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.

Special Assessments

Assessments are levied at various times by City resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to ten years with interest charges of 5.0% to 7.5%. Revenue from these assessments is recognized when the City certifies the assessment in the government wide financial statements and as the annual installments become collectible in the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are fully offset by deferred revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

Tax Increment Districts

Property tax revenues received on tax increment districts are recorded in the related TIF debt service fund.

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 government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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, net of interest earned on the invested debt proceeds over the same period.

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	<u>Useful Life</u> <u>in Years</u>
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

Infrastructure assets include roads, streets, water, sewer and electric lines, etc. These infrastructure assets are likely to be the largest asset class of the City. Historical cost, accumulated depreciation and depreciation expense related to infrastructure assets constructed prior to January 1, 2004 are not included in the City's financial statements as allowed by GASB Statement No. 34.

Market Value Credit (MVC)

Property taxes on homestead property (as defined by State Statutes) are partially reduced by MVC. This credit is paid to the City by the State in lieu of taxes levied against homestead property. The State remits this credit through installments each year. The intergovernmental revenue is recognized as revenue by the City at the time of recognition. In governmental fund types the cost of these benefits is recognized when payments are made to the employees.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused paid time off which is paid to the employees upon separation. PTO is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirement. The General fund is typically used to liquidate governmental compensated absences payable.

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 statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs may be reported separately and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize 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.

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Fund Equity

In the fund financial statements, governmental fund types 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”.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts receivable. Credit risk associated with cash and investments are discussed in Note 2.

The City's accounts receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Kenyon.

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2010, the City's cash and investments consisted of the following items, all of which are held in an internal cash and investment pool:

<u>Cash and Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Cash	None	N/A	\$ 589,373
Money Market Mutual Funds	None	N/A	864,875
Non-Negotiable CD's	January - December 2011	Unrated	<u>1,601,053</u>
Total			<u>\$ 3,055,301</u>

Per Statement of Net Assets:

Cash and Investments	\$ 2,851,658
Restricted Cash	<u>203,643</u>
Total	<u>\$ 3,055,301</u>

Investments Authorized by Minnesota Statutes

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c) General obligations of the State of Minnesota or its municipalities.
- d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer in to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Collateralization of Cash Deposits

The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Interest Rate Risk

The City does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City has no investment policy that would limit its investment choices.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

3. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2010 are as follows:

<u>Fund</u>	<u>Goodhue County</u>
General	\$ 12,837

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,216,097	\$	\$	\$ 1,216,097
Work in progress	21,361		13,847	7,514
Total capital assets, not being depreciated	1,237,458		13,847	1,223,611
Capital assets, being depreciated:				
Buildings/improvements	1,692,275	15,816		1,708,091
Machinery and equipment	1,316,500	16,635		1,333,135
Infrastructure	2,311,238			2,311,238
Total capital assets, being depreciated	5,320,013	32,451		5,352,464
Less accumulated depreciation for:				
Buildings/improvements	549,760	47,811		597,571
Machinery and equipment	631,170	83,993		715,163
Infrastructure	510,275	63,973		574,248
Total accumulated depreciation	1,691,205	195,777		1,886,982
Total capital assets, being depreciated, net	3,628,808	(163,326)		3,465,482
Governmental activities capital assets, net	\$ 4,866,266	\$ (163,326)	\$ 13,847	\$ 4,689,093

Governmental Activities:

General government	\$ 16,447
Public safety	58,683
Streets and highways	97,757
Culture and recreation	22,890
Total depreciation expense - governmental activities	\$ 195,777

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 57,185	\$	\$	\$ 57,185
Work in progress	5,195		5,195	
Total capital assets, not being depreciated	62,380		5,195	57,185
Capital assets, being depreciated:				
Buildings and structures	5,131,831			5,131,831
Infrastructure	4,362,411	242,074		4,604,485
Machinery and other equipment	520,389			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	12,789,616	242,074		13,031,690
Less accumulated depreciation for:				
Buildings and structures	3,550,805	111,301		3,662,106
Infrastructure	2,017,208	141,114		2,158,322
Machinery and other equipment	277,486	33,065		310,551
Transportation equipment	154,398	13,360		167,758
Office furniture and equipment	67,761	966		68,727
Generators	966,698	78,483		1,045,181
Total accumulated depreciation	7,034,356	378,289		7,412,645
Total capital assets, being depreciated, net	5,755,260	(136,215)		5,619,045
Business-type activities capital assets, net	\$ 5,817,640	\$ (136,215)	\$ 5,195	\$ 5,676,230

Business-Type Activities:

Water	\$ 57,234
Sewer	127,469
Electric	158,294
Storm Water	18,379
Liquor	16,913
	<u>\$ 378,289</u>

Total depreciation expense - business-type activities

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt

The long-term debt obligations outstanding and related maturities and interest rates are summarized in the schedule of bonds payable and compensated absences.

General Obligation Improvement Bonds:

The 2007A G.O. Refunding bonds were issued to refund the 1999 G.O. Improvement 2000 Public Project Revenue Bonds and to finance construction of various improvements. These bonds are payable primarily from ad valorem tax levies and are backed by the full faith and credit of the City.

General Obligation Revenue Bonds:

The 1995 G.O. Sewer Revenue Bonds and the 2003 G.O. Water Revenue Bonds (PFA) were issued to finance various improvements to the water and sewer system. The 2004 G.O. Refunding Bonds were issued to refund the 1995B G.O. Sewer Revenue, 1996 G.O. Sewer Revenue and 1996 G.O. Sewer Revenue Refunding Bonds. The 2010 G.O. Utility Revenue Bonds were issued to finance improvements to the water and sewer system. These bonds are payable primarily from user fees and special assessments and are backed by the full faith and credit of the City.

Revenue Bonds:

The 2008 Electric Revenue Bonds were issued to refund the 2002 Electric Revenue and Refunding Bonds. These bonds are payable primarily from user fees and are backed by the full faith and credit of the City.

A summary of interest rates, maturities and December 31, 2010 balances is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2010
General Obligation Improvement Bonds Series 2007A Refunding	3.75 - 4.20%	2020	\$ 860,000
General Obligation Revenue Bonds Series 2003 Water (PFA)	3.24%	2016	68,000
Series 2010 Utility	2.90%	2018	125,000
Revenue Bonds Series 2008 Electric and Refunding	2.90 - 3.40%	2012	460,000
Total			<u>\$ 1,513,000</u>

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Debt (Continued)

The changes in the Long-Term Debt of the City during the year ended December 31, 2010 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Improvement Bonds:					
Series 2007A Refunding	\$ 1,020,000	\$	\$ 160,000	\$ 860,000	\$ 90,000
Unamortized Discount and Issue Costs	(30,241)		(2,996)	(27,245)	
Compensated Absences	12,898	10,279		23,177	23,177
Governmental Activities Long-term Liabilities	<u>1,002,657</u>	<u>10,279</u>	<u>157,004</u>	<u>855,932</u>	<u>113,177</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Revenue Bonds:					
Series 1995 Sewer	35,000		35,000		
Series 2003 Water (PFA)	78,000		10,000	68,000	11,000
Series 2004 Refunding	55,000		55,000		
Series 2010 Utility		125,000		125,000	6,000
Revenue Bonds:					
Series 2008 Electric and Refunding	695,000		235,000	460,000	240,000
Unamortized Discount and Issue Costs	(37,869)		(10,846)	(27,023)	
Compensated Absences	14,480	1,923		16,403	16,403
Business-type Activities Long-term Liabilities	<u>839,611</u>	<u>126,923</u>	<u>324,154</u>	<u>642,380</u>	<u>273,403</u>
Total	<u>\$ 1,842,268</u>	<u>\$ 137,202</u>	<u>\$ 481,158</u>	<u>\$ 1,498,312</u>	<u>\$ 386,580</u>

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Debt (Continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2010 are summarized below.

Years	General Obligation Improvement Bonds		General Obligation Revenue Bonds / Notes		Other	
	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>						
2011	\$ 90,000	\$ 32,960				
2012	90,000	29,540				
2013	95,000	25,930				
2014	95,000	22,130				
2015	100,000	18,230				
2016-2020	390,000	41,850				
Totals	<u>\$ 860,000</u>	<u>\$ 170,640</u>				
<u>Business-Type Activities</u>						
2011			\$ 17,000	\$ 5,828	\$ 240,000	\$ 15,160
2012			27,000	5,182	220,000	7,480
2013			29,000	4,347		
2014			30,000	3,468		
2015			30,000	2,558		
2016-2020			60,000	2,517		
Totals			<u>\$ 193,000</u>	<u>\$ 23,900</u>	<u>\$ 460,000</u>	<u>\$ 22,640</u>

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes, net of debt service cash and investments available to pay these bonds. The limitation is two percent of the City's estimated market valuation. At December 31, 2010 the City did not exceed the statutory limitation.

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures

Transfers during the year ended December 31, 2010 were as follows:

Funds	Transfers In	Transfers Out
General Fund:	\$ 128,721	\$ 61,000
Special Revenue Funds:		
Fire		30,000
Library		1,000
Gunderson House	7,000	
Capital Project Funds:		
Capital Outlay	85,000	
Enterprise Funds:		
Water		7,800
Electric		95,921
Liquor		25,000
Total Transfers	\$ 220,721	\$ 220,721

The amounts due to and from and advanced to and from other funds at December 31, 2010, at the individual fund level are summarized below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 69,056	\$
Enterprise Funds:		
Water	992	49,674
Sewer	74,735	11,307
Electric	10,315	96,474
Storm Water	2,357	
	\$ 157,455	\$ 157,455

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures (Continued)

	Advances From Other Funds	Advances To Other Funds
Capital Project Funds:		
Trondheim Road Extension	\$	\$ 119,841
Enterprise Funds:		
Electric	119,841	
	<u>\$ 119,841</u>	<u>\$ 119,841</u>

At December 31, 2010 the following funds have deficit fund equity:

Capital Project Funds:		
Trondheim Road Extension		\$ 118,661

The City intends to fund accumulated deficits through additional revenue sources.

7. Deferred Revenue

Deferred revenue recorded in the fund financial statements at December 31, 2010 consists of the following:

- Special assessments and loans receivable that are not available for current year expenditures

Revenue	General Fund	Special Revenue	Debt Service Funds	Capital Projects Funds	Totals
Special assessments	\$ 3,171	\$	\$ 898	\$ 113,275	\$ 117,344
Taxes receivable	61,958				61,958
Loans receivable		3,666			3,666
Other	62,018				62,018
Total	<u>\$ 127,147</u>	<u>\$ 3,666</u>	<u>\$ 898</u>	<u>\$ 113,275</u>	<u>\$ 244,986</u>

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fund Equity

Reserved fund equity represents the portion not available for expenditures or legally segregated for specific future use. Designated fund equity represents the portion which is based on tentative future spending plans. Fund equity has been reserved or designated at December 31, 2010 as follows:

Reserved Fund Balances

General Fund	
Prepaid items	\$ 18,462
Advances to other funds	32,895
Special Revenue Funds	
Prepaid items	8,258
Debt Service Funds	
Future debt service	102,212

<u>Designated Fund Balances</u>	<u>Public Safety Capital</u>	<u>Streets and Highways Capital</u>	<u>Culture and Recreation Capital</u>	<u>Total</u>
Special Revenue Funds	\$ 1,849	\$	\$ 8,276	\$ 10,125
Capital Project Funds	180,863	112,850	14,364	308,077
	<u>\$ 182,712</u>	<u>\$ 112,850</u>	<u>\$ 22,640</u>	<u>\$ 318,202</u>

9. Commitments and Contingencies

The City participates in a number of federal and state agency assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City does not anticipate any audit adjustments or disallowed program expenditures that would be material in relation to the general purpose financial statements taken as a whole.

10. Defined Benefit Pension Plans - Statewide

Plan Description

All full-time and certain part-time employees of the City of Kenyon, Minnesota are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans - Statewide (Continued)

Plan Description (Continued)

GERF 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.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state 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 GERF 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 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement is the age for unreduced Social Security benefits capped at 66 for Coordinated Members hired on or after July 1, 1989. A reduced retirement benefit 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 GERF. That report may be obtained on the web at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

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 state statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.4% of their annual covered salary in 2010. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members and 6.75% for Coordinated Plan GERF Members, and 14.1% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008 were \$63,342, \$62,861, and \$47,968, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. 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. The City carries insurance for employee health, liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2010.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, total contributions, plus compounded earnings on those contributions will be sufficient to satisfy claims liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of \$1,000,000 per claim for plan year 2010. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

12. Fireman's Relief Association

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.

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

Contributions totaling \$17,970 were made by the State, in accordance with Minnesota statute requirements for the year ended December 31, 2010.

CITY OF KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. Prior Period Adjustment

A prior period adjustment has been made to eliminate the negative fund balance in the Municipal Building Fund and reduce the General Fund balance by the same amount as of December 31, 2008. A summary of the prior period adjustment is as follows:

	<u>12/31/2009</u>	<u>12/31/2008</u>
General Fund - Ending fund balance, as previously reported	\$ 631,087	\$ 529,367
Restatement to eliminate Municipal Building Fund	<u>(385,903)</u>	<u>(388,903)</u>
General Fund - Ending fund balance, as restated	<u>\$ 245,184</u>	<u>\$ 140,464</u>

CITY OF KENYON, MINNESOTA
COMBINING AND INDIVIDUAL FUND STATEMENTS
DECEMBER 31, 2010

**CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010**

	Special Revenue					
	201 Ambulance	203 Fire	204 Library	205 Economic Development Authority	206 Gunderson House	210 Police Forfeiture
ASSETS						
Cash and investments	\$ 17,178	\$ 1,603	\$ 47,350	\$ 97,013	\$ 10,606	\$ 175
Accounts receivable		1,200	48	767		
Special assessments receivable						
Delinquent						
Deferred						
Loan receivable				3,666		
Accrued interest receivable	5		14	27	3	
Prepaid items		4,559	1,575	405	1,719	
TOTAL ASSETS	\$ 17,183	\$ 7,362	\$ 48,987	\$ 101,878	\$ 12,328	\$ 175
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 12,450	\$ 1,425	\$ 531		\$ 257	\$
Accrued liabilities			2,922			
Customer deposits				800		
Deferred revenue				3,666		
Total Liabilities	12,450	1,425	3,453	4,466	257	
Fund Balance:						
Reserved for prepaid items		4,559	1,575	405	1,719	
Reserved for debt service						
Unreserved:						
Designated						
Undesignated	4,733	1,378	43,959	97,007	10,352	175
Total Fund Balance	4,733	5,937	45,534	97,412	12,071	175
TOTAL LIABILITIES AND FUND BALANCE	\$ 17,183	\$ 7,362	\$ 48,987	\$ 101,878	\$ 12,328	\$ 175

FORM D-1

Special Revenue		Capital Project	Debt Service	Total Nonmajor Governmental Funds
230 Special Purpose Donation	402 2004 Tax Abatement TIF/ Sun Home	202 Capital Outlay	307 2007 G.O. Refunding Bonds	2010
\$ 10,940	\$ 11,966	\$ 424,626	\$ 102,186	\$ 723,643
				2,015
			898	898
				3,666
3	1	120	26	199
				8,258
<u>\$ 10,943</u>	<u>\$ 11,967</u>	<u>\$ 424,746</u>	<u>\$ 103,110</u>	<u>\$ 738,679</u>
\$ 796	\$ 9,508	\$ 6,424	\$	\$ 31,391
				2,922
				800
			898	4,564
<u>796</u>	<u>9,508</u>	<u>6,424</u>	<u>898</u>	<u>39,677</u>
				8,258
			102,212	102,212
10,125		308,077		318,202
22	2,459	110,245		270,330
<u>10,147</u>	<u>2,459</u>	<u>418,322</u>	<u>102,212</u>	<u>699,002</u>
<u>\$ 10,943</u>	<u>\$ 11,967</u>	<u>\$ 424,746</u>	<u>\$ 103,110</u>	<u>\$ 738,679</u>

CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	Special Revenue					
	201 Ambulance	203 Fire	204 Library	205 Economic Development Authority	206 Gunderson House	210 Police Forfeiture
REVENUES						
General property taxes	\$ 11,205	\$ 20,341	\$ 102,075	\$	\$	\$
Tax increment						
Special assessments						
Intergovernmental revenues		19,730	44,295			
Charges for services		60,070				
Fines and forfeitures			1,219			
Investment income	59	64	85	886	13	
Loan repayments				4,866		
Donations		1,275				
Miscellaneous revenues		2,841	1,264	19,326	1,066	
TOTAL REVENUES	11,264	104,321	148,938	25,078	1,079	
EXPENDITURES						
General government						
Public safety	12,616	73,512				
Culture and recreation			147,091		5,904	
Economic development				9,141		
Capital outlay						
Principal						
Interest and other						
TOTAL EXPENDITURES	12,616	73,512	147,091	9,141	5,904	
Excess (deficiency) of revenues over (under) expenditures	(1,352)	30,809	1,847	15,937	(4,825)	
OTHER FINANCING SOURCES (USES)						
Transfers In					7,000	
Transfers out		(30,000)	(1,000)			
Total other financing sources (uses)		(30,000)	(1,000)		7,000	
Net change in fund balances	(1,352)	809	847	15,937	2,175	
Fund Balance - Beginning	6,085	5,128	44,687	81,475	9,896	175
Fund Balance - Ending	\$ 4,733	\$ 5,937	\$ 45,534	\$ 97,412	\$ 12,071	\$ 175

FORM D-2

Special Revenue		Capital Project	Debt Service	Total Nonmajor Governmental Funds
230 Special Purpose Donation	402 2004 Tax Abatement TIF/ Sun Home	202 Capital Outlay	307 2007 G.O. Refunding Bonds	2010
\$	\$ 6,200 15,620	\$	\$ 161,202	\$ 301,023
			511	15,620
				511
				64,025
				60,070
				1,219
72	20	2,386	84	3,669
				4,866
6,417				7,692
				24,497
<u>6,489</u>	<u>21,840</u>	<u>2,386</u>	<u>161,797</u>	<u>483,192</u>
1,418				1,418
1,744				87,872
4,604				157,599
	20,500			29,641
		12,193		12,193
			160,000	160,000
			38,095	38,095
<u>7,766</u>	<u>20,500</u>	<u>12,193</u>	<u>198,095</u>	<u>486,818</u>
<u>(1,277)</u>	<u>1,340</u>	<u>(9,807)</u>	<u>(36,298)</u>	<u>(3,626)</u>
		85,000		92,000
				(31,000)
		85,000		61,000
(1,277)	1,340	75,193	(36,298)	57,374
11,424	1,119	343,129	138,510	641,628
<u>\$ 10,147</u>	<u>\$ 2,459</u>	<u>\$ 418,322</u>	<u>\$ 102,212</u>	<u>\$ 699,002</u>

CITY OF KENYON, MINNESOTA
FIRE FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
With Comparative Totals for the Years Ended December 31, 2010 and 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
REVENUES					
Local Taxes					
General tax levy	\$ 20,341	\$ 20,341	\$ 20,341	\$	\$ 20,504
Intergovernmental Revenues					
Fire state aid	14,000	14,000	17,970	3,970	16,722
Other state aid			1,760	1,760	1,760
Federal grants					855
Total Intergovernmental	14,000	14,000	19,730	5,730	19,337
Charges for Services					
Fire contracts	66,259	66,259	60,070	(6,189)	66,096
Investment Income					
			64	64	161
Miscellaneous Revenues					
Donations			1,275	1,275	
Other			2,841	2,841	1,088
Total Miscellaneous Revenues			4,116	4,116	1,088
TOTAL REVENUES	100,600	100,600	104,321	3,721	107,186
EXPENDITURES					
Employee services	2,420	2,420	2,893	(473)	2,577
Supplies	9,000	9,000	5,890	3,110	15,711
Repairs and maintenance	11,500	11,500	14,808	(3,308)	11,633
Professional Services	4,225	4,225	2,845	1,380	3,725
Training	5,500	5,500	12,153	(6,653)	5,944
Insurance	6,070	6,070	5,793	277	5,719
Utilities	7,885	7,885	6,159	1,726	6,067
Fire state aid	14,000	14,000	17,970	(3,970)	16,722
Capital outlay	2,500	2,500		2,500	950
Other services and charges	7,500	7,500	5,001	2,499	7,987
TOTAL EXPENDITURES	70,600	70,600	73,512	(2,912)	77,035
Excess of revenues over expenditures	30,000	30,000	30,809	809	30,151
OTHER FINANCING USES					
Transfers out	(30,000)	(30,000)	(30,000)		(30,000)
Net Change in Fund Balance			809	809	151
FUND BALANCE - Beginning	5,128	5,128	5,128		4,977
FUND BALANCE - Ending	\$ 5,128	\$ 5,128	\$ 5,937	\$ 809	\$ 5,128

CITY OF KENYON, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
With Comparative Totals for the Years Ended December 31, 2010 and 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
REVENUES					
Local Taxes					
General tax levy	\$ 102,075	\$ 102,075	\$ 102,075	\$	\$ 101,325
Intergovernmental Revenues					
County aid	44,295	44,295	44,295		49,725
Fines and Foreitures	750	750	1,219	469	1,146
Investment Income			85	85	89
Miscellaneous Revenues					
Other	250	250	1,264	1,014	307
TOTAL REVENUES	<u>147,370</u>	<u>147,370</u>	<u>148,938</u>	<u>1,568</u>	<u>152,592</u>
EXPENDITURES					
Employee services	118,400	118,400	118,598	(198)	117,578
Supplies	1,500	1,500	903	597	1,435
Repairs and maintenance			672	(672)	
Training	600	600	95	505	314
Insurance			1,314	(1,314)	
Utilities	50	50	61	(11)	32
Automation	4,710	4,710	4,828	(118)	4,265
Capital outlay	19,300	19,300	19,346	(46)	20,494
Other services and charges	1,810	1,810	1,274	536	1,445
TOTAL EXPENDITURES	<u>146,370</u>	<u>146,370</u>	<u>147,091</u>	<u>(721)</u>	<u>145,563</u>
Excess of revenues over expenditures	1,000	1,000	1,847	847	7,029
OTHER FINANCING USES					
Transfers out	(1,000)	(1,000)	(1,000)		(2,000)
Net Change in Fund Balance			847	847	5,029
FUND BALANCE - Beginning	<u>44,687</u>	<u>44,687</u>	<u>44,687</u>		<u>39,658</u>
FUND BALANCE - Ending	<u>\$ 44,687</u>	<u>\$ 44,687</u>	<u>\$ 45,534</u>	<u>\$ 847</u>	<u>\$ 44,687</u>

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CITY OF KENYON, MINNESOTA
SUPPLEMENTAL INFORMATION
DECEMBER 31, 2010

SCHEDULE 1

**CITY OF KENYON, MINNESOTA
WATER FUND
Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Years Ended December 31, 2010 and 2009**

	2010	2009
Operating Revenue		
Charges for services	\$ 212,176	\$ 196,599
Operating Expenses		
Salaries and wages	92,160	94,681
Supplies	4,661	5,644
Professional services	6,522	4,964
Insurance	3,017	3,028
Utilities	18,075	14,908
Repairs and maintenance	18,629	9,438
Depreciation	57,234	47,066
Dues and subscriptions	683	585
Other services	10	34
Safety	32	293
Other operating expense	6,816	7,647
Total Operating Expenses	207,839	188,288
Operating Income	4,337	8,311
Nonoperating Revenues (Expenses)		
Miscellaneous revenue	2,894	2,033
Connection fees		844
Intergovernmental	173	
Special assessments	48,837	
Investment income	2,647	3,552
Miscellaneous expense	(5)	(62)
Interest expense	(2,770)	(3,351)
Total Nonoperating Revenues (Expenses)	51,776	3,016
INCOME BEFORE TRANSFERS	56,113	11,327
Transfers out	(7,800)	(7,900)
Change in net assets	48,313	3,427
Net Assets - Beginning of Year	1,104,577	1,101,150
Net Assets - End of Year	\$ 1,152,890	\$ 1,104,577

SCHEDULE 2

CITY OF KENYON, MINNESOTA
SEWER FUND
Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Years Ended December 31, 2010 and 2009

	2010	2009
Operating Revenue		
Charges for services	\$ 272,169	\$ 269,909
Operating Expenses		
Salaries and wages	48,342	25,856
Supplies	7,930	5,632
Professional services	8,068	26,730
Insurance	5,159	4,447
Utilities	47,921	47,223
Repairs and maintenance	32,383	21,750
Depreciation	127,469	126,624
Dues and subscriptions	1,775	1,482
Other services	965	195
Other operating expense	2,725	1,091
Total Operating Expenses	<u>282,737</u>	<u>261,030</u>
Operating Income (Loss)	<u>(10,568)</u>	<u>8,879</u>
Nonoperating Revenues (Expenses)		
Miscellaneous revenue	609	839
Connection fees	1,318	844
Special assessments	53,632	628
Investment income	3,221	4,934
Amortization of deferred charges	(2,655)	(2,655)
Interest expense	(7,772)	(8,564)
Total Nonoperating Revenues (Expenses)	<u>48,353</u>	<u>(3,974)</u>
Change in net assets	37,785	4,905
Net Assets - Beginning of Year	<u>2,197,129</u>	<u>2,192,224</u>
Net Assets - End of Year	<u>\$ 2,234,914</u>	<u>\$ 2,197,129</u>

SCHEDULE 3

**CITY OF KENYON, MINNESOTA
ELECTRIC FUND
Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Years Ended December 31, 2010 and 2009**

	2010	2009
Operating Revenue		
Charges for services	<u>\$ 1,713,918</u>	<u>\$ 1,704,739</u>
Operating Expenses		
Power costs	768,053	888,250
Conservation improvement program	29,887	29,200
Base load projects	32,356	47,934
Salaries and wages	227,514	223,983
Supplies	3,570	4,029
Professional services	22,944	38,348
Insurance	54,664	55,251
Utilities	27,589	23,455
Repairs and maintenance	13,447	19,488
Depreciation	158,294	164,753
Dues and subscriptions	34,222	15,686
Other services	3,833	902
Safety	13,139	10,526
Generator expense	42,404	42,560
Other operating expense	8,087	8,576
Total Operating Expenses	<u>1,440,003</u>	<u>1,572,941</u>
Operating Income	<u>273,915</u>	<u>131,798</u>
Nonoperating Revenues (Expenses)		
Miscellaneous revenue	12,157	6,827
Connection fees	250	249
Intergovernmental	691	886
Investment income	18,475	26,900
Amortization of deferred charges	(8,191)	(11,612)
Miscellaneous expense	(1,193)	(595)
Interest expense	(19,587)	(25,979)
Total Nonoperating Revenues (Expenses)	<u>2,602</u>	<u>(3,324)</u>
INCOME BEFORE TRANSFERS	276,517	128,474
Transfers out	<u>(95,921)</u>	<u>(98,447)</u>
Change in net assets	180,596	30,027
Net Assets - Beginning of Year	<u>3,344,278</u>	<u>3,314,251</u>
Net Assets - End of Year	<u><u>\$ 3,524,874</u></u>	<u><u>\$ 3,344,278</u></u>

CITY OF KENYON, MINNESOTA
LIQUOR FUND
Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Years Ended December 31, 2010 and 2009

	2010	2009
Operating Revenue		
Sales	\$ 616,866	\$ 607,617
Cost of sales	406,958	406,779
Gross Profit	<u>209,908</u>	<u>200,838</u>
Operating Expenses		
Salaries and wages	120,188	140,550
Supplies	2,754	2,956
Insurance	8,847	9,526
Utilities	14,233	13,902
Repairs and maintenance	8,217	7,393
Depreciation	16,913	14,186
Dues and subscriptions	70	1,143
Other services	3,053	3,694
Other operating expense	10,401	11,153
Total Operating Expenses	<u>184,676</u>	<u>204,503</u>
Operating Income (Loss)	<u>25,232</u>	<u>(3,665)</u>
Nonoperating Revenues (Expenses)		
Miscellaneous revenue	15,699	17,976
Investment income	74	80
Interest expense	(1,041)	(1,428)
Total Nonoperating Revenues (Expenses)	<u>14,732</u>	<u>16,628</u>
INCOME BEFORE TRANSFERS	39,964	12,963
Transfers out	<u>(25,000)</u>	
Change in net assets	14,964	12,963
Net Assets - Beginning of Year	<u>109,160</u>	<u>96,197</u>
Net Assets - End of Year	<u>\$ 124,124</u>	<u>\$ 109,160</u>

SCHEDULE 5

**CITY OF KENYON, MINNESOTA
 STORM SEWER FUND
 Statement of Revenues, Expenses
 and Changes in Fund Net Assets
 For the Years Ended December 31, 2010 and 2009**

	2010	2009
Operating Revenue		
Charges for services	\$ 24,115	\$ 23,886
Operating Expenses		
Repairs and maintenance	7,047	2,850
Depreciation	18,379	18,380
Total Operating Expenses	25,790	21,230
Operating Income (Loss)	(1,675)	2,656
Nonoperating Revenues (Expenses)		
Investment income	3,780	5,640
Total Nonoperating Revenues (Expenses)	3,780	5,640
Change in net assets	2,105	8,296
Net Assets - Beginning of Year	795,741	787,445
Net Assets - End of Year	\$ 797,846	\$ 795,741

AUDITOR'S REPORT ON COMPLIANCE

Honorable Mayor and Members
of the City Council
City of Kenyon, Minnesota

We have audited the financial statements of the City of Kenyon, Minnesota as of and for the year ended December 31, 2010 and have issued our report thereon dated April 14, 2011.

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 Governments*, promulgated by the State Auditor pursuant to Minn. Stat. § 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 of Kenyon, Minnesota complied with the material terms and conditions of applicable legal provisions.

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

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
April 14, 2011