

CITY OF KENYON, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2017

**CITY OF KENYON, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017**

INTRODUCTORY SECTION

OFFICIAL DIRECTORY	1
--------------------	---

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	2
------------------------------	---

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS	5
--------------------------------------	---

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	16
---------------------------	----

STATEMENT OF ACTIVITIES	17
-------------------------	----

GOVERNMENTAL FUNDS

BALANCE SHEET	19
---------------	----

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	20
--	----

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	21
---	----

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES	22
--	----

STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL – GENERAL FUND	23
--	----

PROPRIETARY FUNDS

STATEMENT OF NET POSITION	27
---------------------------	----

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	29
---	----

STATEMENT OF CASH FLOWS	31
-------------------------	----

NOTES TO FINANCIAL STATEMENTS	33
-------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	65
--	----

SCHEDULE OF THE CITY CONTRIBUTIONS	66
------------------------------------	----

**CITY OF KENYON, MINNESOTA
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET 67

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE 69

INDIVIDUAL FUND FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET TO ACTUAL – FIRE FUND 71

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET TO ACTUAL – LIBRARY FUND 72

DEBT SERVICE FUND

COMBINING BALANCE SHEET 73

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE 75

CAPITAL PROJECTS FUND

COMBINING BALANCE SHEET 77

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE 79

ENTERPRISE FUNDS – SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION

WATER FUND 81

SEWER FUND 82

ELECTRIC FUND 83

LIQUOR FUND 84

STORM WATER FUND 85

PFA SEWER LOAN OF 2013 – LOAN RETIREMENT DEBT SERVICE FUND 86

CITY OF KENYON, MINNESOTA
INTRODUCTORY SECTION
DECEMBER 31, 2017

**CITY OF KENYON, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2017**

Elected Officials

		<u>Term Expires</u>
Mayor	Michael Engel	December 31, 2018
Council Member	Fred Barsness	December 31, 2018
Council Member	Doug Henke	December 31, 2018
Council Member	Richard Nielsen	December 31, 2020
Council Member	John Mortensen	December 31, 2020

Appointed Officials

Administrator Mark Vahlsing

Public Utilities Commission – Appointed

Chairperson	Richard Nielsen	December 31, 2017
Commissioner	Jim Malloy	December 31, 2018
Commissioner	Jerry Houglum	December 31, 2019

Public Utilities Commission Administration – Appointed

Operations Superintendent Randy Eggert
Finance Clerk Susan Dodds

CITY OF KENYON, MINNESOTA
FINANCIAL SECTION
DECEMBER 31, 2017



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Kenyon, Minnesota

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2017, 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 accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Kenyon's 2016 financial statements and expressed an unmodified opinion on the respective financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information in their report dated June 27, 2017. The summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the City's proportionate share of the net pension liability, and the schedule of the City's contributions, as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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.

The combining and individual nonmajor fund financial statements and the supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Honorable Mayor and City Council
City of Kenyon, Minnesota

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2018, on our consideration of the City of Kenyon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Kenyon's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kenyon's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 4, 2018

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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, 2017. We encourage readers to consider the information presented here in conjunction with the entire audit report.

FINANCIAL HIGHLIGHTS

- The total net position at December 31, 2017 (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) for the City of Kenyon was \$14,067,585. Of this amount, \$5,665,646 (unrestricted net position) 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 \$2,021,209, of which 34% is available for use within the City's designations.
- At the end of the fiscal year, unassigned fund balance of the general fund was \$756,278, or 66% of total general fund expenditures compared to 75% in 2016.
- The City of Kenyon decreased its existing debt principal by \$463,951 during the current fiscal year, leaving a remaining balance of \$5,690,022. The decrease is primarily due to the continued payment of principal on outstanding debt. This includes the payment of \$355,833 of the principal of the 2016 GO loan anticipation notes from City funds as part of the refunding of the debt with the \$2,120,000 2017 USDA bond and \$450,000 2017 USDA note.

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 statements, 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 position presents all information on all of the City of Kenyon's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Kenyon is improving or deteriorating.

The statement of activities presents information showing how the city's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the event changing the asset or liability 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. This may include uncollected taxes and other revenue or expenses that are appropriated for the current year even though cash is not received or expended until the following year.

The government-wide financial statements distinguish between 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 include general government, public safety, public works, sanitation and recycling, culture and recreation, and economic development. The business-type activities include water, sewer, electric, liquor, and storm sewer.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

The government-wide financial statements include the City of Kenyon itself (known as the primary government), as well as 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 16-18 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kenyon, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City 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 nine individual governmental funds, including three major funds, General, Capital Projects, and Debt Service. The other six governmental funds include: Fire, Library, Economic Development Authority, Police Forfeiture, Special Purpose Donations, and 2004 Tax Abatement/Tax Increment Financing Sunset Home.

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, Capital Projects, and Debt Service funds. Data from the other six 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 19-26 of this report.

Proprietary Funds. The only type of proprietary fund the City of Kenyon maintains is Enterprise. These 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 27-32 of this report.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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 33-64 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented herewith. Combining and individual financial statements and schedules can be found on pages 67-86.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a city's financial position. In the case of the City of Kenyon, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,067,585 at the close of the fiscal year, with \$5,201,033 of this net position from governmental activities and \$8,866,552 from proprietary funds.

As noted in Table A-1, below, net position \$7,928,821 or 56% 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.

**Table A-1
Condensed Statements of Net Position
December 31, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 7,210,097	\$ 6,764,013	\$ 5,227,248	\$ 4,909,578	\$ 12,437,345	\$ 11,673,591
Capital Assets	2,209,450	3,799,522	6,404,635	6,520,677	8,614,085	10,320,199
Total Assets	<u>9,419,547</u>	<u>10,563,535</u>	<u>11,631,883</u>	<u>11,430,255</u>	<u>21,051,430</u>	<u>21,993,790</u>
Deferred Outflows of Resources	439,447	721,393	99,968	224,113	539,415	945,506
Long-Term Liabilities	3,925,848	2,073,139	2,421,678	2,582,190	6,347,526	4,655,329
Other Liabilities	257,261	3,824,093	364,367	361,994	621,628	4,186,087
Total Liabilities	<u>4,183,109</u>	<u>5,897,232</u>	<u>2,786,045</u>	<u>2,944,184</u>	<u>6,969,154</u>	<u>8,841,416</u>
Deferred Inflows of Resources	474,852	126,866	79,254	54,974	554,106	181,840
Net Position:						
Net Investment in Capital Assets	3,713,274	3,648,610	4,215,547	4,324,604	7,928,821	7,973,214
Restricted	374,058	346,840	99,060	99,060	473,118	445,900
Unrestricted	1,113,701	1,265,380	4,551,945	4,231,546	5,665,646	5,496,926
Total Net Position	<u>\$ 5,201,033</u>	<u>\$ 5,260,830</u>	<u>\$ 8,866,552</u>	<u>\$ 8,655,210</u>	<u>\$ 14,067,585</u>	<u>\$ 13,916,040</u>

A portion (473,118) of the City of Kenyon's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance (5,665,646) of unrestricted net position may be used to meet the City's ongoing obligations to citizens.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Governmental Activities. Governmental activities account for 37% of the City of Kenyon's net position.

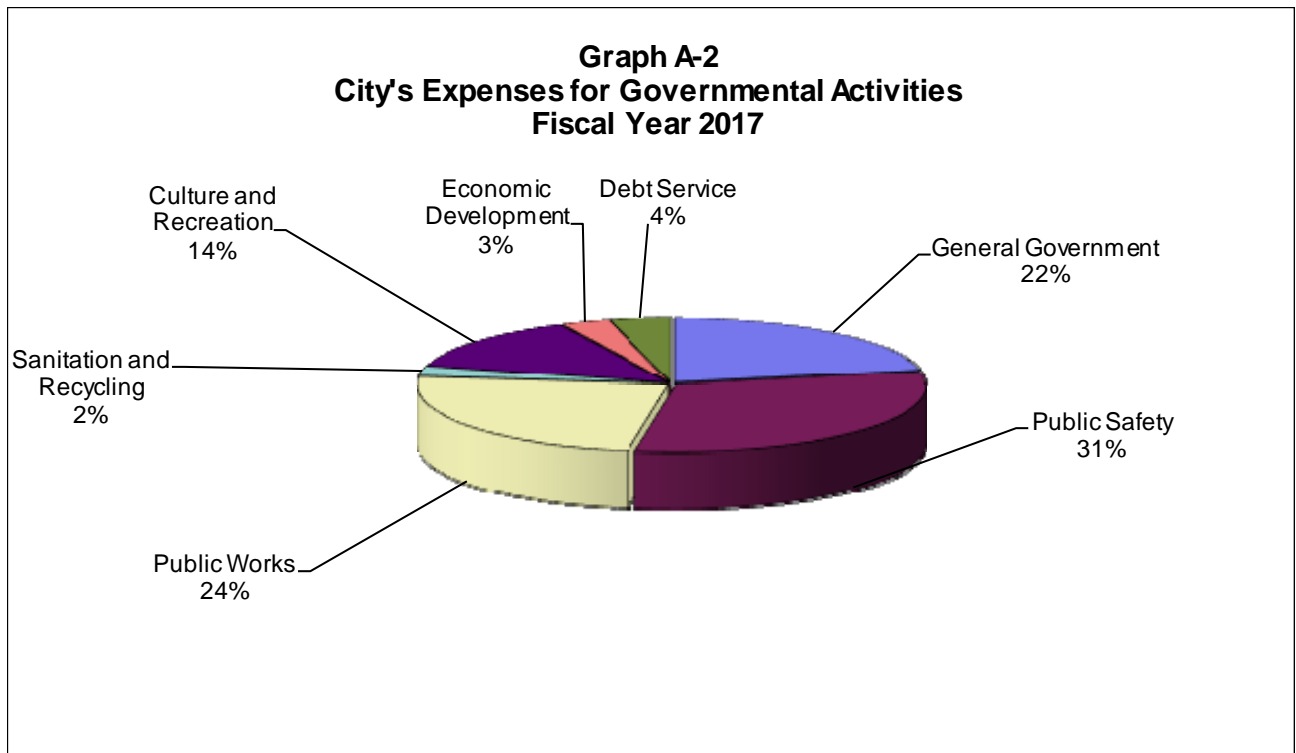
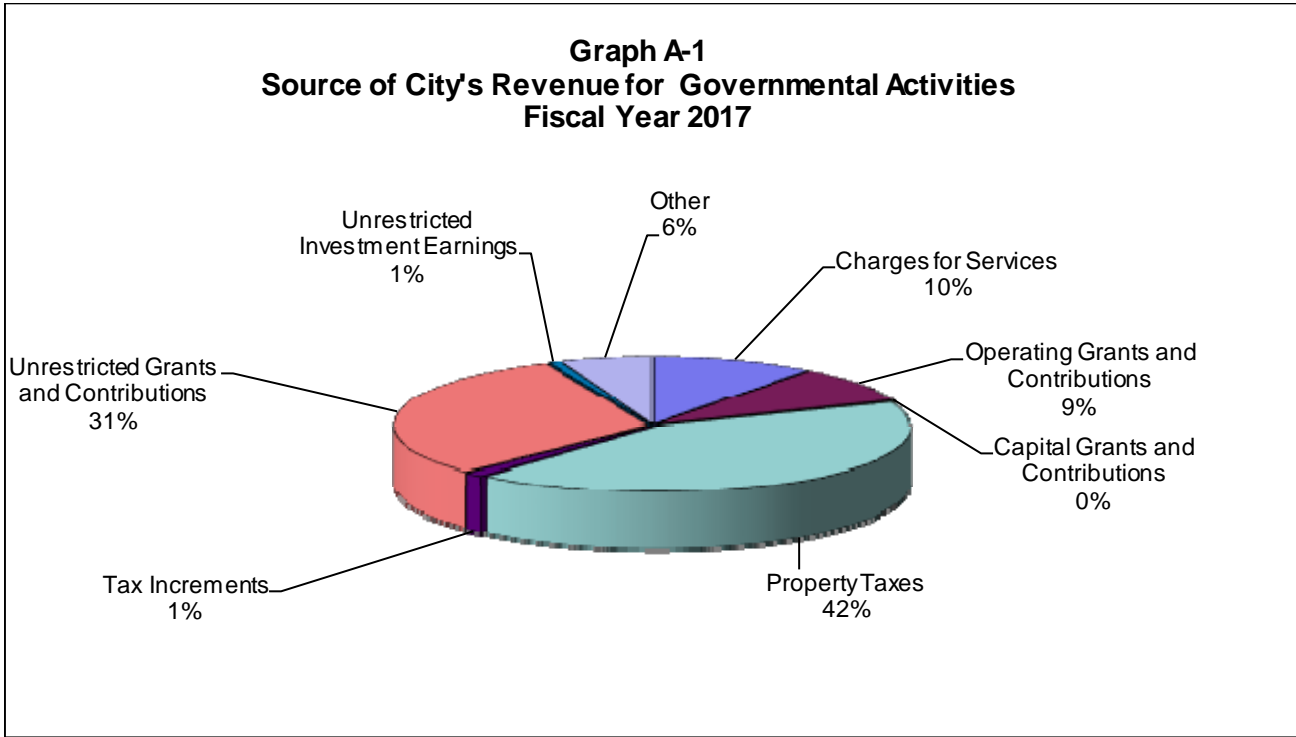
The total decrease in net position for governmental activities is \$59,797 for the year ended December 31, 2017. The total revenues for governmental activities amounted to \$1,786,731 while total expenses were \$1,932,170 and Transfers in were \$85,642, which is illustrated in table A-2 below:

**Table A-2
Condensed Statement of Activities
Years Ended December 31, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program Revenues:						
Charges for Services	\$ 185,742	\$ 183,123	\$ 3,260,786	\$ 3,316,443	\$ 3,446,528	\$ 3,499,566
Operating Grants and Contributions	156,350	142,620	-	-	156,350	142,620
Capital Grants and Contributions	1,944	95,364	13,334	61,112	15,278	156,476
General Revenues:						
Property Taxes	754,731	712,381	103,050	99,060	857,781	811,441
Tax Increments	19,877	19,839	-	-	19,877	19,839
Grants and Contributions, Not Restricted	550,553	532,856	2,045	2,949	552,598	535,805
Unrestricted Investment Earnings	14,484	14,234	28,549	22,988	43,033	37,222
Gain on Disposal of Assets	88,567	15,000	-	-	88,567	15,000
Miscellaneous	14,483	17,535	44,029	63,290	58,512	80,825
Total Revenues	<u>1,786,731</u>	<u>1,732,952</u>	<u>3,451,793</u>	<u>3,565,842</u>	<u>5,238,524</u>	<u>5,298,794</u>
EXPENSES						
General Government	423,147	410,613	-	-	423,147	410,613
Public Safety	592,549	579,544	-	-	592,549	579,544
Public Works	468,043	392,391	-	-	468,043	392,391
Sanitation and Recycling	47,655	43,920	-	-	47,655	43,920
Culture and Recreation	263,889	285,893	-	-	263,889	285,893
Economic Development	60,551	35,824	-	-	60,551	35,824
Debt Service	76,336	62,972	-	-	76,336	62,972
Water	-	-	240,255	236,657	240,255	236,657
Sewer	-	-	401,880	411,098	401,880	411,098
Electric	-	-	1,734,319	1,737,582	1,734,319	1,737,582
Liquor	-	-	736,278	722,501	736,278	722,501
Storm Water	-	-	42,077	60,226	42,077	60,226
Total Expenses	<u>1,932,170</u>	<u>1,811,157</u>	<u>3,154,809</u>	<u>3,168,064</u>	<u>5,086,979</u>	<u>4,979,221</u>
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS	(145,439)	(78,205)	296,984	397,778	151,545	319,573
Transfers	<u>85,642</u>	<u>88,142</u>	<u>(85,642)</u>	<u>(88,142)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(59,797)	9,937	211,342	309,636	151,545	319,573
Net Position - Beginning of Year	<u>5,260,830</u>	<u>5,250,893</u>	<u>8,655,210</u>	<u>8,345,574</u>	<u>13,916,040</u>	<u>13,596,467</u>
Change in Accounting Principle	-	-	-	-	-	-
Net Position - As Restated	<u>5,260,830</u>	<u>5,250,893</u>	<u>8,655,210</u>	<u>8,345,574</u>	<u>13,916,040</u>	<u>13,596,467</u>
NET POSITION - END OF YEAR	<u>\$ 5,201,033</u>	<u>\$ 5,260,830</u>	<u>\$ 8,866,552</u>	<u>\$ 8,655,210</u>	<u>\$ 14,067,585</u>	<u>\$ 13,916,040</u>

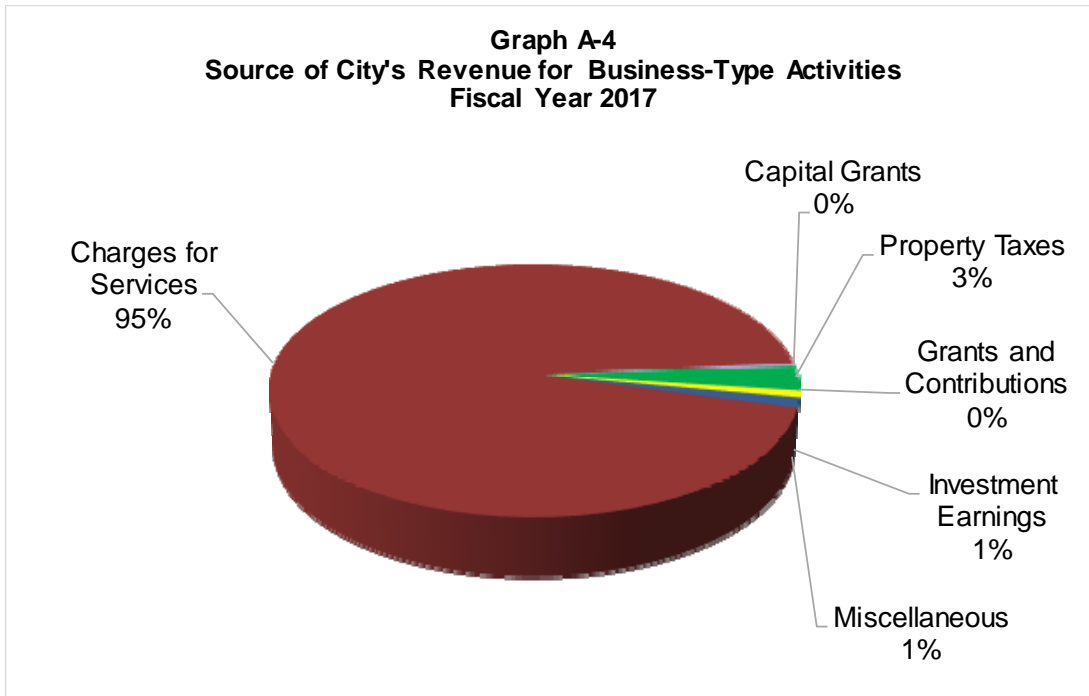
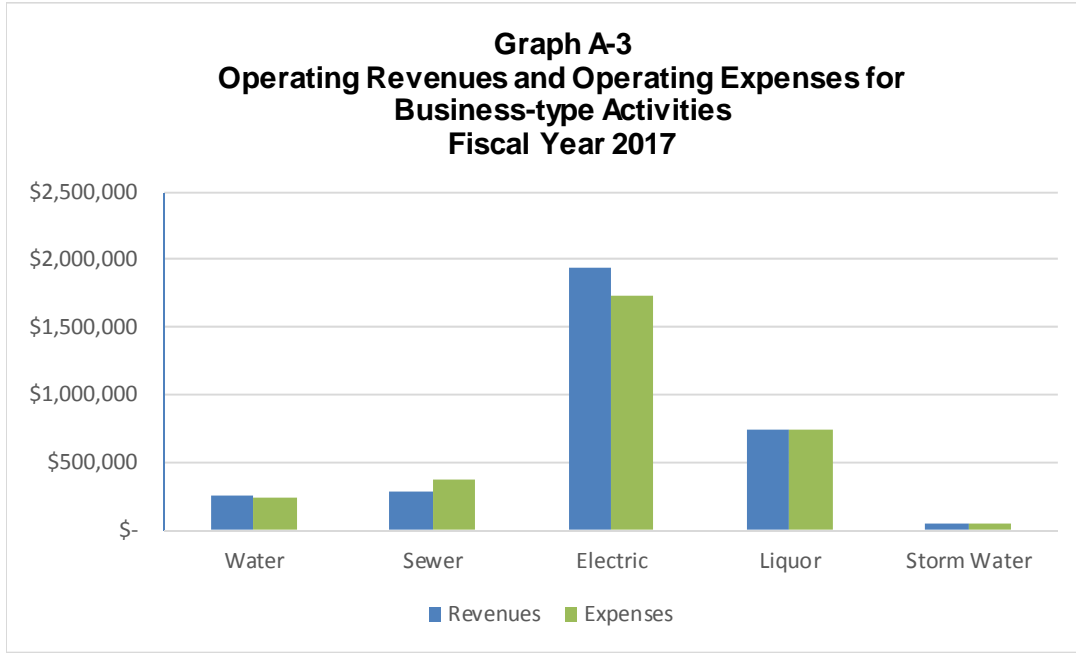
**CITY OF KENYON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2017**

The following graphs show 2017 program revenues and expenses for government activities.



**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Business-Type Activities. Business-type activities increased the City of Kenyon net position \$211,342 for the year ended December 31, 2017. Business-type activities revenues and expenses are illustrated in the charts below.



**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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, unassigned and assigned fund balance may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

GASB (Governmental Accounting Standards Board) Statement 54 requires fund balances to be classified as follows:

Nonspendable – Amounts that are not in spendable form. Included in this category are advances to other funds, prepaid items, and inventory.

Restricted – Amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions. The City's special purpose donation fund is considered restricted.

Committed – These amounts are constrained for specific purposes. Formal council action (resolution) is required to classify amounts into the committed category. These amounts may not be used for any other purpose unless the city council removes or changes this classification by taking the same type of action it used to previously commit those amounts.

Assigned – Amounts *intended* to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. Most special revenue fund balances including Fire, Library, EDA, and Ambulance are reported in this category. A resolution was passed which allows the City Administrator to assign fund balance amounts without the formal action of the city council.

Unassigned – This includes any funds with negative balance and general fund balances that do not meet the criteria for the other categories

Other Information. Additional information regarding the committed fund balances can be found in Note 10 to Financial Statements.

At the end of the current fiscal year, the City of Kenyon's governmental funds reported combined ending fund balances of \$2,021,209, which included an unassigned fund balance of \$695,528.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

General Fund

The fund balance of the City of Kenyon's general fund decreased by \$35,688 during the current year. Total revenues for the General Fund decreased by \$5,244 as noted in Table A-3 below:

**Table A-3
General Fund Revenues**

	Year Ended December 31,		Change	
	2017	2016	Increase/ (Decrease)	Percent
GENERAL FUND				
Taxes	\$ 416,106	\$ 427,867	\$ (11,761)	(2.7)%
Tax Increment	-	0	-	#DIV/0!
Special Assessments	2,918	19923	(17,005)	(85.4)
Licenses and Permits	9,226	7795	1,431	18.4
Intergovernmental	575,371	557733	17,638	3.2
Charges for Services	93,468	79611	13,857	17.4
Fines and Forfeits	6,563	5413	1,150	21.2
Investment Earnings	4,426	5030	(604)	(12.0)
Miscellaneous	50,584	60534	(9,950)	(16.4)
Total	<u>\$ 1,158,662</u>	<u>\$ 1,163,906</u>	<u>\$ (5,244)</u>	<u>(0.5)</u>

The following schedule presents a summary of General Fund expenditures:

**Table A-4
General Fund Expenditures**

	Year Ended December 31,		Change	
	2017	2016	Increase/ (Decrease)	Percent
GENERAL FUND				
General Government	\$ 387,602	\$ 378,532	\$ 9,070	2.4 %
Public Safety	361,081	341575	19,506	5.7
Public Works	238,859	227365	11,494	5.1
Sanitation and Recycling	47,655	43920	3,735	8.5
Culture and Recreation	108,069	101562	6,507	6.4
Total	<u>\$ 1,143,266</u>	<u>\$ 1,092,954</u>	<u>\$ 50,312</u>	<u>4.6</u>

General Fund Budgetary Highlights

Over the course of the year, the City did not revise the annual operating budget. The City has not historically made budget amendments during the year.

- Actual revenues were \$12,190 less than expected.
- Actual expenditures were \$50,961 more than budget. This is primarily due to general government and public safety services related to repairs and maintenance projects, including costs related to the Bullis Street property above the market value that had been recorded to land held for resale, as well as incurring more employee wages and benefits expenditures than budgeted.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Other Major Funds Analysis

The Capital Projects fund's fund balance decreased \$916,511, this is primarily due to the City completing construction on the City's new fire hall and street improvement projects.

The Debt Service Fund's fund balance increase \$135,358 due primarily a transfer into the fund from the Capital Projects fund, to close out old project accounts and provide the funds make the required debt service payment on the 2016 GO loan anticipation notes, that had funded the construction of the new fire hall, as part of the related refunding of the notes.

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 position of the proprietary funds at year-end amounted to \$4,551,945 with a total increase in net position of \$211,342. Each of the following funds had net increases or decreases:

- Water (net increase of \$24,303) – the water rate increase in August 2015 resulted in similar net position increases in 2016 and 2017
- Sanitary Sewer (net increase of \$6,656) – there has not been an increase in sanitary sewer rates since October 2011, but there has been a rate increase approved for 2018
- Electric (net increase of \$171,534) – the Utility has experienced a decrease in the cost of energy each year since 2013
- Liquor (net increase of \$1,532) – this includes a transfer of \$20,000 to the general fund in 2017
- Storm Sewer (net increase of \$7,317) – residential rates increased by \$0.50 and nonresidential rates increased by \$1.00 in January of 2017

CAPITAL ASSET ADMINISTRATION

The City of Kenyon's investment in capital assets for its governmental and business type activities as of December 31, 2017 amounts to \$13,614,732 (capital assets less accumulated depreciation). This investment in capital assets includes land, buildings, equipment, furniture, and infrastructure.

**Table A-5
The City's Capital Assets**

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change
	2017	2016		2017	2016	
Land	\$ 1,317,957	\$ 1,317,957	-	\$ 57,185	\$ 57,185	-
Construction in Progress	-	1,952,762	(100.0)	-	12,400	100.0
Buildings and Building Improvements	4,304,908	1,789,528	140.6	6,983,165	6,940,972	0.6
Infrastructure and Infrastructure Improvements	2,857,311	2,857,311	-	5,546,202	5,485,261	1.1
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,828,245	1,760,351	3.9	1,231,043	1,033,135	19.2
Generators	-	-	-	2,532,286	2,532,286	-
Less: Accumulated Depreciation	(3,098,324)	(2,913,896)	6.3	(9,945,246)	(9,540,562)	4.2
Total	<u>\$ 7,210,097</u>	<u>\$ 6,764,013</u>	6.6	<u>\$ 6,404,635</u>	<u>\$ 6,520,677</u>	(1.8)

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

LONG-TERM DEBT

At the end of the fiscal year, the City of Kenyon had long-term debt of \$5,731,856 a decrease of \$461,636 over 2016 due to the City making regular debt service payments, including a \$355,833 payment of the principal of the 2016 G.O. Anticipation Note as part of its refunding with the issuance of two new debts, the G.O. USDA bond and the USDA Note. These two bonds totaled \$2,570,000 in new bond issuance.

Governmental activities debt decreased \$452,744 and business-type activities decreased \$8,892.

**Table A-7
The City's Long-Term Liabilities**

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change
	2017	2016		2017	2016	
G.O. Improvement Bonds	\$ 688,535	\$ 771,070	(10.7)%	\$ 526,466	\$ 573,930	(8.3)%
G.O. Loan Anticipation Notes	-	2,900,000	(100.0)	-	-	-
G.O. Revenue Bonds	2,120,000	-	-	1,523,543	1,622,143	(6.1)
USDA Note	450,000	-	-	-	-	-
Capital Lease	242,399	286,830	(15.5)	139,079	-	-
Compensated Absences	26,561	24,312	9.3	19,384	21,291	(9.0)
Discount	(4,111)	(6,084)	(32.4)	-	-	-
Total	<u>\$ 3,523,384</u>	<u>\$ 3,976,128</u>	(11.4)	<u>\$ 2,208,472</u>	<u>\$ 2,217,364</u>	(0.4)

Additional information on the City of Kenyon's long-term debt can be found in the Notes to the Financial Statements on pages 48-51.

FACTORS OF THE CITY OF KENYON'S FUTURE

Potential Adjustments to the 2017 Expenditure Budget

- Kenyon Fire Station – Construction on the new 12,000 square foot Fire Department Facility was completed in 2017. The total cost of the project was approximately \$2,600,000. The City closed on the permanent financing with the USDA Rural Development through the Community Facilities program in late 2017.
- Reconstruction of Red Wing Avenue between 2nd and 8th Streets. The City Engineer has identified this work as needed in either 2019 or 2020. Utility work will also be needed and will include replacement of sanitary sewer, water, and storm sewer mains. The roadway will also need to be replaced. The estimated project cost may be \$650,000 to \$800,000 and the City is still exploring options to finance the project.

Potential Future Revenue Sources

- In 2017, the Kenyon Economic Development Authority acquired 30 acres of land for future light industrial and commercial development. The EDA also continues working to help improve the downtown area with the goal of making it more attractive to residents and visitors. The overall goals of the EDA are to increase the City's tax capacity and create and retain employment opportunities in the City.
- The City is also working on a possible down payment assistance program for new owner occupied housing. The goal is to help the community grow, as well as increase the tax-base.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

- 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.
- In 2017 the City of Kenyon was awarded a \$655,000 grant through the Minnesota Department of Employment and Economic Development Small Cities Development program. Funding will be used for single-family housing, multi-family housing, and commercial building rehabilitation.

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, 2017

CITY OF KENYON, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	Governmental	Business-Type	Totals	
	Activities	Activities	2017	2016
ASSETS				
Cash and Investments	\$ 1,782,568	\$ 4,413,165	\$ 6,195,733	\$ 7,714,087
Receivables	153,146	516,516	669,662	732,940
Internal Balances	(20,459)	20,459	-	-
Inventories	-	191,337	191,337	191,895
Prepaid Items	31,026	85,771	116,797	70,178
Property Held for Resale	263,169	-	263,169	-
Capital Assets:				
Capital Assets, Not Being Depreciated	1,317,957	57,185	1,375,142	3,340,304
Capital Assets, Being Depreciated, Net	5,892,140	6,347,450	12,239,590	9,944,386
Total Assets	9,419,547	11,631,883	21,051,430	21,993,790
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Items	439,447	99,968	539,415	945,506
LIABILITIES				
Accounts Payable	41,693	143,000	184,693	899,053
Accrued Compensation	10,303	6,906	17,209	21,349
Deposits	500	13,552	14,052	13,108
Accrued Interest Payable	33,815	10,356	44,171	33,943
Noncurrent Liabilities:				
Net Pension Liability	573,414	403,759	977,173	1,680,471
Due within One Year	170,950	190,553	361,503	3,218,634
Due in More than One Year	3,352,434	2,017,919	5,370,353	2,974,858
Total Liabilities	4,183,109	2,786,045	6,969,154	8,841,416
DEFERRED INFLOWS OF RESOURCES				
Pension Related Items	474,852	79,254	554,106	181,840
NET POSITION				
Net Investment in Capital Assets	3,713,274	4,215,547	7,928,821	7,973,214
Restricted for:				
Police Forfeitures	1,269	-	1,269	1,269
Future Debt Retirement	372,789	99,060	471,849	416,325
Special Purpose Contributions	-	-	-	28,306
Unrestricted	1,113,701	4,551,945	5,665,646	5,496,926
Total Net Position	\$ 5,201,033	\$ 8,866,552	\$ 14,067,585	\$ 13,916,040

See accompanying Notes to Financial Statements.

CITY OF KENYON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

Functions/Programs	Expenses	Program Revenues		
		Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 423,147	\$ 32,823	\$ 39,000	\$ -
Public Safety	592,549	92,173	120	-
Public Works	468,043	-	63,812	1,944
Sanitation and Recycling	47,655	45,728	-	-
Culture and Recreation	263,889	980	53,418	-
Economic Development	60,551	14,038	-	-
Debt Service	76,336	-	-	-
Total Governmental Activities	1,932,170	185,742	156,350	1,944
Business-Type Activities:				
Water	240,255	253,806	-	-
Sewer	401,880	280,920	-	13,334
Electric	1,734,319	1,937,953	-	-
Liquor	736,278	741,499	-	-
Storm Water	42,077	46,608	-	-
Total Business-Type Activities	3,154,809	3,260,786	-	13,334
Total	\$ 5,086,979	\$ 3,446,528	\$ 156,350	\$ 15,278

General Revenues:

Taxes:

Property Taxes

Tax Increment

Grants and Contributions Not Restricted to Specific Programs

Gain on Disposal of Assets

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2017	2016
\$ (351,324)	\$ -	\$ (351,324)	\$ (342,192)
(500,256)	-	(500,256)	(482,400)
(402,287)	-	(402,287)	(243,516)
(1,927)	-	(1,927)	1,423
(209,491)	-	(209,491)	(234,553)
(46,513)	-	(46,513)	(25,840)
(76,336)	-	(76,336)	(62,972)
<u>(1,588,134)</u>	<u>-</u>	<u>(1,588,134)</u>	<u>(1,390,050)</u>
-	13,551	13,551	15,455
-	(107,626)	(107,626)	(74,219)
-	203,634	203,634	268,277
-	5,221	5,221	19,786
-	4,531	4,531	(19,808)
<u>-</u>	<u>119,311</u>	<u>119,311</u>	<u>209,491</u>
(1,588,134)	119,311	(1,468,823)	(1,180,559)
754,731	103,050	857,781	811,441
19,877	-	19,877	19,839
550,553	2,045	552,598	535,805
88,567	-	88,567	15,000
14,484	28,549	43,033	37,222
14,483	44,029	58,512	80,825
85,642	(85,642)	-	-
<u>1,528,337</u>	<u>92,031</u>	<u>1,620,368</u>	<u>1,500,132</u>
(59,797)	211,342	151,545	319,573
<u>5,260,830</u>	<u>8,655,210</u>	<u>13,916,040</u>	<u>13,596,467</u>
<u>\$ 5,201,033</u>	<u>\$ 8,866,552</u>	<u>\$ 14,067,585</u>	<u>\$ 13,916,040</u>

CITY OF KENYON, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2017

CITY OF KENYON, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	2017				2016	
	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 591,402	\$ 723,933	\$ 299,621	\$ 166,964	\$ 1,781,920	\$ 3,570,147
Restricted Cash and Investments	-	-	648	-	648	-
Accounts Receivable	3,432	-	-	579	4,011	5,701
Developer Receivable - Deferred	7,644	-	-	-	7,644	7,644
Taxes Receivable	21,595	-	-	-	21,595	22,281
Special Assessments Receivable:						
Delinquent	171	-	-	-	171	6,758
Deferred	566	-	106,335	-	106,901	171,049
Accrued Interest Receivable	51	59	-	-	110	1,778
Due from Other Funds	190,078	-	-	-	190,078	72,755
Due from Other Governmental Units	12,714	-	-	-	12,714	9,483
Prepaid Items	22,692	-	-	8,334	31,026	31,926
Property Held for Resale	26,300	-	-	236,869	263,169	-
Total Assets	\$ 876,645	\$ 723,992	\$ 406,604	\$ 412,746	\$ 2,419,987	\$ 3,899,522
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ 33,127	\$ 144	\$ -	\$ 8,422	\$ 41,693	\$ 740,122
Accrued Liabilities	8,838	-	-	1,465	10,303	12,252
Due to Other Funds	-	119,463	-	-	119,463	-
Advances from Other Funds	-	-	-	91,074	91,074	100,000
Deposits	-	-	-	500	500	500
Total Liabilities	41,965	119,607	-	101,461	263,033	852,874
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue:						
Property Taxes	21,029	-	-	-	21,029	22,123
Special Assessments	737	-	106,335	-	107,072	177,807
Loans Receivable	7,644	-	-	-	7,644	7,644
Total Deferred Inflows of Resources	29,410	-	106,335	-	135,745	207,574
FUND BALANCE						
Nonspendable for Prepaid Items	22,692	-	-	8,334	31,026	31,926
Nonspendable for Property Held for Resale	26,300	-	-	-	26,300	-
Restricted:						
Police Forfeitures	-	-	-	1,269	1,269	1,269
Future Debt Retirement	-	-	300,269	-	300,269	164,911
Special Purpose Contributions	-	-	-	-	-	28,306
Fire Building	-	-	-	-	-	837,168
Committed for Capital Projects	-	604,385	-	-	604,385	683,728
Assigned:						
Fire Department	-	-	-	30,631	30,631	32,952
Library Operations	-	-	-	52,787	52,787	48,882
Economic Development	-	-	-	176,119	176,119	181,710
Special Purpose Contributions	-	-	-	42,145	42,145	12,429
Unassigned	756,278	-	-	-	756,278	815,793
Total Fund Balance	805,270	604,385	300,269	311,285	2,021,209	2,839,074
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 876,645	\$ 723,992	\$ 406,604	\$ 412,746	\$ 2,419,987	\$ 3,899,522

See accompanying Notes to the Financial Statements.

**CITY OF KENYON, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Total Fund Balance for Governmental Funds \$ 2,021,209

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land and Land Improvements	\$	1,317,957	
Buildings and Building Improvements		4,304,908	
Infrastructure and Infrastructure Improvements		2,857,311	
Furniture, Fixtures, Vehicles, Equipment, and Machinery		1,828,245	
Less: Accumulated Depreciation		<u>(3,098,324)</u>	7,210,097

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable resources in the funds.

Delinquent Property Taxes		21,029	
Delinquent and Unavailable Special Assessments		107,072	
Developer Receivable		<u>7,644</u>	135,745

The City's net pension liability and the related deferred inflows and outflows of resources are recorded only on the Statement of Net Position. Balances at year-end are:

Net Pension Liability		(573,414)	
Deferred Outflow of Resources - Pension		439,447	
Deferred Inflows of Resources - Pension		<u>(474,852)</u>	(608,819)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Bonds and Notes Payable		(3,258,535)	
Capital Lease Payable		(242,399)	
Bond Discounts		4,111	
Compensated Absences		(26,561)	
Accrued Interest Payable		<u>(33,815)</u>	(3,557,199)

Total Net Position of Governmental Activities		<u>\$ 5,201,033</u>	
---	--	---------------------	--

CITY OF KENYON, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017				2016	
	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 416,106	\$ -	\$ 148,995	\$ 190,724	\$ 755,825	\$ 722,607
Tax Increment	-	-	-	19,877	19,877	19,839
Special Assessments	2,918	-	70,423	-	73,341	49,101
Licenses and Permits	9,226	-	-	-	9,226	7,795
Intergovernmental	575,371	-	-	79,733	655,104	628,077
Charges for Services	93,468	-	-	77,516	170,984	165,049
Fines and Forfeits	6,563	-	-	832	7,395	6,551
Investment Earnings	4,426	8,718	395	945	14,484	14,234
Donations	-	-	-	20,159	20,159	12,767
Miscellaneous	50,584	4,500	-	14,564	69,648	73,618
Total Revenues	1,158,662	13,218	219,813	404,350	1,796,043	1,699,638
EXPENDITURES						
Current:						
General Government	387,602	-	-	-	387,602	378,532
Public Safety	361,081	-	-	112,164	473,245	433,652
Public Works	238,859	-	-	-	238,859	227,365
Sanitation and Recycling	47,655	-	-	-	47,655	43,920
Culture and Recreation	108,069	-	-	182,664	290,733	277,575
Economic Development	-	-	-	60,551	60,551	29,657
Capital Outlay	11,226	760,296	-	-	771,522	2,261,891
Debt Service:						
Principal	-	-	482,849	-	482,849	125,705
Interest and Fiscal Charges	-	217	58,267	2,500	60,984	26,977
Bond Issuance Costs	-	-	-	-	-	56,772
Total Expenditures	1,154,492	760,513	541,116	357,879	2,814,000	3,862,046
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,170	(747,295)	(321,303)	46,471	(1,017,957)	(2,162,408)
OTHER FINANCING SOURCES (USES)						
Transfers In	85,642	288,527	430,778	-	804,947	488,215
Transfers Out	(125,500)	(457,743)	-	(136,062)	(719,305)	(400,073)
Bond Proceeds	-	-	2,570,000	-	2,570,000	3,299,900
Payment to Refunded Bond Escrow Agent	-	-	(2,544,117)	-	(2,544,117)	-
Proceeds on Capital Asset Disposal	-	-	-	88,567	88,567	15,000
Total Other Financing Sources (Uses)	(39,858)	(169,216)	456,661	(47,495)	200,092	3,403,042
NET CHANGE IN FUND BALANCE	(35,688)	(916,511)	135,358	(1,024)	(817,865)	1,240,634
Fund Balance - Beginning of Year	840,958	1,520,896	164,911	312,309	2,839,074	1,598,440
FUND BALANCE - END OF YEAR	\$ 805,270	\$ 604,385	\$ 300,269	\$ 311,285	\$ 2,021,209	\$ 2,839,074

See accompanying Notes to the Financial Statements.

**CITY OF KENYON, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

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

Net Change in Fund Balances - Total Governmental Funds	\$	(817,865)
--	----	-----------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay		715,237
Depreciation Expense		(269,153)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(71,829)
---	--	----------

Certain expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences		(2,249)
----------------------	--	---------

Pension expenses in the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in the net pension liability and the related deferred outflows and inflows of resources.		(55,057)
---	--	----------

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Bond and Note Proceeds		(2,570,000)
Change in Bond Discounts		(1,973)
Repayment of Bond Principal		2,982,535
Repayment of Capital Lease		44,431
Change in Accrued Interest Expense for General Obligation Bonds		(13,874)

Change in Net Position of Governmental Activities	\$	<u>(59,797)</u>
---	----	-----------------

**CITY OF KENYON, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	2017			2016	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Property Taxes	\$ 436,280	\$ 436,280	\$ 416,106	\$ (20,174)	\$ 427,867
Special Assessments	-	-	2,918	2,918	19,923
Licenses and Permits	7,400	7,400	9,226	1,826	7,795
Intergovernmental:					
Local Government Aid	568,841	568,841	546,899	(21,942)	528,405
Market Value Credit	-	-	1,107	1,107	1,081
Police State Aid	16,000	16,000	23,093	7,093	23,428
Other State Aids	2,720	2,720	4,272	1,552	4,819
Total Intergovernmental	<u>587,561</u>	<u>587,561</u>	<u>575,371</u>	<u>(12,190)</u>	<u>557,733</u>
Charges for Services:					
General Government	9,500	9,500	21,545	12,045	10,273
Recycling	44,000	44,000	45,728	1,728	45,343
Culture and Recreation	24,760	24,760	26,170	1,410	23,995
Public Safety	300	300	25	(275)	-
Total Charges for Services	<u>78,560</u>	<u>78,560</u>	<u>93,468</u>	<u>14,908</u>	<u>79,611</u>
Fines and Forfeits	6,600	6,600	6,563	(37)	5,413
Investment Earnings	3,200	3,200	4,426	1,226	5,030
Miscellaneous:					
Refunds and Reimbursements	2,000	2,000	3,603	1,603	6,577
Dividends	8,030	8,030	3,266	(4,764)	11,166
Rents	2,800	2,800	2,783	(17)	2,783
Shared Facility Charge	39,000	39,000	39,000	-	39,000
Other	200	200	1,932	1,732	1,008
Total Miscellaneous	<u>52,030</u>	<u>52,030</u>	<u>50,584</u>	<u>(1,446)</u>	<u>60,534</u>
Total Revenues	<u>1,171,631</u>	<u>1,171,631</u>	<u>1,158,662</u>	<u>(12,969)</u>	<u>1,163,906</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	2017			Variance from Final Budget	2016
	Original Budget	Final Budget	Actual		Actual
EXPENDITURES					
General Government:					
Mayor and Council:					
Employee Services	\$ 12,660	\$ 12,660	\$ 11,922	\$ 738	\$ 12,571
Other Services and Charges	850	850	630	220	1,320
Total Mayor and Council	<u>13,510</u>	<u>13,510</u>	<u>12,552</u>	<u>958</u>	<u>13,891</u>
City Administration:					
Employee Services	223,750	223,750	227,558	(3,808)	208,892
Travel and Conferences	4,500	4,500	5,982	(1,482)	4,234
Other Services and Charges	1,800	1,800	2,843	(1,043)	2,680
Total City Administration	<u>230,050</u>	<u>230,050</u>	<u>236,383</u>	<u>(6,333)</u>	<u>215,806</u>
Elections	-	-	412	(412)	2,519
General Government Services:					
Employee Services	5,805	5,805	7,689	(1,884)	1,922
Supplies	12,500	12,500	17,803	(5,303)	12,753
Telephone	5,010	5,010	5,324	(314)	6,322
Insurance	7,930	7,930	6,772	1,158	6,955
Utilities	7,080	7,080	12,377	(5,297)	6,798
Other Services and Charges	34,250	34,250	41,384	(7,134)	35,869
Total General Government Services	<u>72,575</u>	<u>72,575</u>	<u>91,349</u>	<u>(18,774)</u>	<u>70,619</u>
Professional Services:					
Auditing and Accounting	13,840	13,840	14,995	(1,155)	18,740
Legal	25,000	25,000	23,928	1,072	43,558
Engineering	10,000	10,000	7,983	2,017	13,399
Total Professional Services	<u>48,840</u>	<u>48,840</u>	<u>46,906</u>	<u>1,934</u>	<u>75,697</u>
Total General Government	364,975	364,975	387,602	(22,627)	378,532

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	2017			Variance from Final Budget	2016
	Original Budget	Final Budget	Actual		Actual
EXPENDITURES (CONTINUED)					
Public Safety:					
Police Protection:					
Employee Services	\$ 283,660	\$ 283,660	\$ 301,099	\$ (17,439)	\$ 279,704
Supplies	14,400	14,400	16,306	(1,906)	15,477
Legal	12,500	12,500	12,180	320	12,180
Telephone	3,530	3,530	3,345	185	4,739
Insurance	12,230	12,230	11,324	906	12,333
Other Services and Charges	16,570	16,570	16,827	(257)	17,142
Total Police Protection	<u>342,890</u>	<u>342,890</u>	<u>361,081</u>	<u>(18,191)</u>	<u>341,575</u>
Total Public Safety	342,890	342,890	361,081	(18,191)	341,575
Public Works:					
Streets:					
Employee Services	134,460	134,460	126,827	7,633	146,384
Supplies	51,000	51,000	58,203	(7,203)	34,044
Insurance	5,000	5,000	5,477	(477)	4,818
Utilities	7,441	7,441	6,323	1,118	5,799
Other Services and Charges	9,610	9,610	18,071	(8,461)	9,783
Total Highways and Streets	<u>207,511</u>	<u>207,511</u>	<u>214,901</u>	<u>(7,390)</u>	<u>200,828</u>
Street Lighting	<u>29,950</u>	<u>29,950</u>	<u>23,958</u>	<u>5,992</u>	<u>26,537</u>
Total Public Works	237,461	237,461	238,859	(1,398)	227,365
Sanitation and Recycling:					
Recycling	43,900	43,900	47,655	(3,755)	43,920

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	2017			Variance from Final Budget	2016
	Original Budget	Final Budget	Actual		Actual
EXPENDITURES (CONTINUED)					
Culture and Recreation:					
Gunderson House:					
Insurance	3,420	3,420	3,305	115	3,430
Management Fees	2,500	2,500	2,500	-	2,500
Other Services and Charges	-	-	80	(80)	245
Total Gunderson House	<u>5,920</u>	<u>5,920</u>	<u>5,885</u>	<u>35</u>	<u>6,175</u>
Parks and Recreation and Community Garden:					
Employee Services	29,945	29,945	28,436	1,509	25,329
Supplies	2,200	2,200	4,115	(1,915)	3,631
Insurance	4,270	4,270	4,130	140	4,254
Utilities	1,700	1,700	1,914	(214)	1,778
Other Services and Charges	1,000	1,000	2,183	(1,183)	1,506
Total Parks and Recreation and Community Garden	<u>39,115</u>	<u>39,115</u>	<u>40,778</u>	<u>(1,663)</u>	<u>36,498</u>
Swimming Pool:					
Employee Services	24,390	24,390	32,441	(8,051)	28,855
Supplies	8,850	8,850	7,604	1,246	7,893
Insurance	2,980	2,980	2,868	112	2,937
Utilities	11,160	11,160	12,342	(1,182)	12,232
Other Services and Charges	7,890	7,890	6,151	1,739	6,972
Total Swimming Pool	<u>55,270</u>	<u>55,270</u>	<u>61,406</u>	<u>(6,136)</u>	<u>58,889</u>
Total Culture and Recreation	100,305	100,305	108,069	(7,764)	101,562
Capital Outlay	14,000	14,000	11,226	2,774	-
Total Expenditures	<u>1,103,531</u>	<u>1,103,531</u>	<u>1,154,492</u>	<u>(50,961)</u>	<u>1,092,954</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	68,100	68,100	4,170	(63,930)	70,952
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	-	-	-	-	15,000
Transfers In	88,000	88,000	85,642	(2,358)	88,142
Transfers Out	(125,500)	(125,500)	(125,500)	-	(153,000)
Total Other Financing Uses	<u>(37,500)</u>	<u>(37,500)</u>	<u>(39,858)</u>	<u>(2,358)</u>	<u>(49,858)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 30,600</u>	<u>\$ 30,600</u>	(35,688)	<u>\$ (66,288)</u>	21,094
Fund Balance - Beginning of Year			840,958		819,864
FUND BALANCE - END OF YEAR			<u>\$ 805,270</u>		<u>\$ 840,958</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2017
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water	Sewer	Electric
CURRENT ASSETS			
Cash and Investments	\$ 508,245	\$ 1,018,722	\$ 2,283,715
Accounts Receivable	37,288	15,257	348,253
Special Assessments Receivable	3,363	106,869	5,069
Accrued Interest Receivable	-	80	206
Due from Other Funds	-	28,758	-
Inventories	22,333	-	123,151
Prepaid Items	1,954	4,069	75,557
Total Current Assets	<u>573,183</u>	<u>1,173,755</u>	<u>2,835,951</u>
NONCURRENT ASSETS			
Advances to Other Funds	-	-	141,598
Capital Assets:			
Nondepreciable	-	-	14,372
Depreciable	2,162,802	7,642,117	5,392,871
Total Capital Assets	<u>2,162,802</u>	<u>7,642,117</u>	<u>5,407,243</u>
Less: Accumulated Depreciation	(1,224,777)	(4,520,937)	(3,636,838)
Total Net Capital Assets	<u>938,025</u>	<u>3,121,180</u>	<u>1,770,405</u>
Total Noncurrent Assets	938,025	3,121,180	1,912,003
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	17,926	13,414	44,701
Total Assets and Deferred Outflows of Resources	<u>\$ 1,529,134</u>	<u>\$ 4,308,349</u>	<u>\$ 4,792,655</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Current Portion of Long-Term Debt	\$ 23,160	\$ 132,604	\$ 3,190
Accounts Payable	176	6,934	112,945
Accrued Compensation	1,053	1,149	2,673
Compensated Absences, Current Portion	3,327	3,143	9,767
Due to Other Funds	-	-	103,960
Deposits	4,075	-	9,671
Accrued Interest Payable	1,491	7,780	187
Total Current Liabilities	<u>33,282</u>	<u>151,610</u>	<u>242,393</u>
LONG-TERM LIABILITIES			
Long-Term Debt, Net of Current Portion	140,545	1,774,083	17,400
Net Pension Liability	72,403	54,178	180,540
Advances from Other Funds	-	-	-
Total Long-Term Liabilities	<u>212,948</u>	<u>1,828,261</u>	<u>197,940</u>
Total Liabilities	246,230	1,979,871	440,333
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	14,212	10,635	35,438
NET POSITION			
Net Investment in Capital Assets	774,320	1,214,493	1,749,815
Restricted	-	99,060	-
Unrestricted	494,372	1,004,290	2,567,069
Total Net Position	<u>1,268,692</u>	<u>2,317,843</u>	<u>4,316,884</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,529,134</u>	<u>\$ 4,308,349</u>	<u>\$ 4,792,655</u>

See accompanying Notes to Financial Statements.

2017

2017			2016
Municipal Liquor	Storm Water	Total	Total
\$ 85,457	\$ 517,026	\$ 4,413,165	\$ 4,143,956
-	-	400,798	363,050
-	90	115,391	141,389
-	41	327	3,791
-	4,587	33,345	34,217
45,853	-	191,337	191,895
4,052	139	85,771	38,252
<u>135,362</u>	<u>521,883</u>	<u>5,240,134</u>	<u>4,916,550</u>
-	-	141,598	163,088
42,813	-	57,185	69,585
<u>380,715</u>	<u>714,191</u>	<u>16,292,696</u>	<u>15,991,654</u>
423,528	714,191	16,349,881	16,061,239
(246,539)	(316,155)	(9,945,246)	(9,540,562)
<u>176,989</u>	<u>398,036</u>	<u>6,404,635</u>	<u>6,520,677</u>
176,989	398,036	6,546,233	6,683,765
22,786	1,141	99,968	224,113
<u>\$ 335,137</u>	<u>\$ 921,060</u>	<u>\$ 11,886,335</u>	<u>\$ 11,824,428</u>
\$ -	\$ 12,215	\$ 171,169	\$ 146,065
22,945	-	143,000	158,931
2,031	-	6,906	9,097
3,147	-	19,384	21,291
-	-	103,960	106,972
(194)	-	13,552	12,608
-	898	10,356	14,002
<u>27,929</u>	<u>13,113</u>	<u>468,327</u>	<u>468,966</u>
-	85,891	2,017,919	2,050,008
92,030	4,608	403,759	532,182
50,524	-	50,524	63,088
<u>142,554</u>	<u>90,499</u>	<u>2,472,202</u>	<u>2,645,278</u>
170,483	103,612	2,940,529	3,114,244
18,065	904	79,254	54,974
176,989	299,930	4,215,547	4,324,604
-	-	99,060	99,060
(30,400)	516,614	4,551,945	4,231,546
<u>146,589</u>	<u>816,544</u>	<u>8,866,552</u>	<u>8,655,210</u>
<u>\$ 335,137</u>	<u>\$ 921,060</u>	<u>\$ 11,886,335</u>	<u>\$ 11,824,428</u>

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2017
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Water	Sewer	Electric
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ -
Costs of Goods Sold	-	-	-
Charges for Services	252,835	280,920	1,934,487
Total Gross Profit and Operating Revenues	<u>252,835</u>	<u>280,920</u>	<u>1,934,487</u>
OPERATING EXPENSES			
Power Costs	-	-	1,048,164
Conservation Improvement Program	-	-	11,263
Employee Services	112,366	83,569	285,651
Supplies	3,122	10,883	8,213
Professional Services	1,080	11,023	5,703
Insurance	2,082	7,594	50,767
Utilities	13,173	45,051	20,950
Repairs and Maintenance	19,769	7,428	23,809
Depreciation	68,710	192,830	152,490
Dues and Subscriptions	978	-	34,079
Other Services	-	585	1,145
Safety	779	-	7,105
Generator Expense	-	-	41,619
Shared Facility Charge	7,800	-	31,200
Other Operating Expenses	6,969	4,538	8,343
Total Operating Expenses	<u>236,828</u>	<u>363,501</u>	<u>1,730,501</u>
OPERATING INCOME (LOSS)	16,007	(82,581)	203,986
OTHER INCOME (EXPENSES)			
Miscellaneous Nonoperating Revenues	6,921	5,064	7,200
Dividend	325	688	8,157
Intergovernmental Revenues	392	156	1,219
Property Taxes	-	103,050	-
Special Assessments	971	13,334	3,466
Interest Revenue	3,114	5,324	16,966
Gain (Loss) on Disposal of Capital Assets	-	(18,021)	-
Miscellaneous Nonoperating Expenses	-	-	(3,357)
Interest Expense	(3,427)	(20,358)	(461)
Total Other Income	<u>8,296</u>	<u>89,237</u>	<u>33,190</u>
NET INCOME BEFORE TRANSFERS	24,303	6,656	237,176
TRANSFERS			
Transfers Out	-	-	(65,642)
CHANGE IN NET POSITION	24,303	6,656	171,534
Net Position - Beginning of Year	<u>1,244,389</u>	<u>2,311,187</u>	<u>4,145,350</u>
NET POSITION - END OF YEAR	<u>\$ 1,268,692</u>	<u>\$ 2,317,843</u>	<u>\$ 4,316,884</u>

See accompanying Notes to Financial Statements.

2017			2016
Municipal Liquor	Storm Water	Total	Totals
\$ 741,499	\$ -	\$ 741,499	\$ 742,287
(482,627)	-	(482,627)	(475,084)
-	46,579	2,514,821	2,572,486
<u>258,872</u>	<u>46,579</u>	<u>2,773,693</u>	<u>2,839,689</u>
-	-	1,048,164	1,032,479
-	-	11,263	14,921
154,880	4,391	640,857	668,186
4,546	-	26,764	20,813
-	-	17,806	7,310
8,710	387	69,540	70,622
15,846	-	95,020	101,279
8,858	5,940	65,804	111,043
15,198	29,438	458,666	445,726
1,470	-	36,527	36,472
21,167	-	22,897	30,583
-	-	7,884	8,943
-	-	41,619	25,214
-	-	39,000	39,000
22,084	-	41,934	46,679
<u>252,759</u>	<u>40,156</u>	<u>2,623,745</u>	<u>2,659,270</u>
6,113	6,423	149,948	180,419
15,141	51	34,377	24,441
421	61	9,652	38,849
264	14	2,045	2,949
-	-	103,050	99,060
-	29	17,800	62,782
485	2,660	28,549	22,988
-	-	(18,021)	-
(25)	-	(3,382)	(2,007)
(867)	(1,921)	(27,034)	(31,703)
<u>15,419</u>	<u>894</u>	<u>147,036</u>	<u>217,359</u>
21,532	7,317	296,984	397,778
(20,000)	-	(85,642)	(88,142)
1,532	7,317	211,342	309,636
<u>145,057</u>	<u>809,227</u>	<u>8,655,210</u>	<u>8,345,574</u>
<u>\$ 146,589</u>	<u>\$ 816,544</u>	<u>\$ 8,866,552</u>	<u>\$ 8,655,210</u>

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2017
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Water	Sewer	Electric
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	\$ 247,781	\$ 280,262	\$ 1,903,618
Cash Paid to Suppliers and Others	(63,338)	(95,885)	(1,332,641)
Cash Paid to Employees	(110,138)	(81,771)	(279,977)
Net Cash Provided by Operating Activities	<u>74,305</u>	<u>102,606</u>	<u>291,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other Noncapital Income	7,246	5,752	12,000
Transfers Out	-	-	(65,642)
Intergovernmental Revenues	392	156	1,219
Repayment of Advances from Other Funds	-	-	21,490
Property Taxes	-	103,050	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>7,638</u>	<u>108,958</u>	<u>(30,933)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(7,011)	(311,441)	(12,224)
Special Assessment Collections	1,706	40,184	1,849
Proceeds of Long-Term Debt	-	165,064	-
Principal Payments on Long-Term Debt	(22,385)	(135,310)	(3,190)
Interest Paid on Long-Term Debt	(3,815)	(23,187)	(478)
Net Cash Used by Capital and Related Financing Activities	<u>(31,505)</u>	<u>(264,690)</u>	<u>(14,043)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	3,503	5,718	19,390
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	53,941	(47,408)	265,414
Cash and Cash Equivalents - Beginning of Year	454,304	1,066,130	2,018,301
CASH AND CASH EQUIVALENTS - END OF YEAR			
	<u>\$ 508,245</u>	<u>\$ 1,018,722</u>	<u>\$ 2,283,715</u>
RECONCILIATION OF CASH TO STATEMENT OF NET POSITION			
Cash and Investments	\$ 508,245	\$ 1,018,722	\$ 2,283,715
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 16,007	\$ (82,581)	\$ 203,986
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	68,710	192,830	152,490
(Increase) Decrease in Assets:			
Accounts Receivable	(5,404)	(658)	(31,686)
Due from Other Funds	-	(1,698)	3,430
Inventories	(5,350)	-	3,667
Prepaid Items	64	599	(48,383)
(Increase) Decrease in Deferred Outflows:			
Pensions	22,368	17,118	55,560
Increase (Decrease) in Liabilities:			
Accounts Payable	(2,300)	(4,254)	587
Customer Deposits	350	-	817
Salaries and Benefits Payable	(552)	(374)	(1,324)
Due to Other Funds	-	(3,430)	418
Compensated Absences	(635)	231	(1,864)
Net Pension Liability	(23,281)	(18,323)	(57,542)
Increase (Decrease) in Deferred Inflows:			
Pensions	4,328	3,146	10,844
Net Cash Provided by Operating Activities	<u>\$ 74,305</u>	<u>\$ 102,606</u>	<u>\$ 291,000</u>

See accompanying Notes to Financial Statements.

2017			2016	
Municipal Liquor	Storm Water	Total	Totals	
\$ 258,649	\$ 46,579	\$ 2,736,889	\$ 2,831,425	
(83,092)	(14,298)	(1,589,254)	(1,586,739)	
(145,158)	(7,909)	(624,953)	(618,926)	
<u>30,399</u>	<u>24,372</u>	<u>522,682</u>	<u>625,760</u>	
15,537	112	40,647	61,283	
(20,000)	-	(85,642)	(88,142)	
264	14	2,045	2,949	
(12,564)	-	8,926	(74,205)	
-	-	103,050	99,060	
<u>(16,763)</u>	<u>126</u>	<u>69,026</u>	<u>945</u>	
(29,969)	-	(360,645)	(451,802)	
-	59	43,798	31,253	
-	-	165,064	220,100	
-	(11,164)	(172,049)	(155,065)	
(867)	(2,333)	(30,680)	(27,331)	
<u>(30,836)</u>	<u>(13,438)</u>	<u>(354,512)</u>	<u>(382,845)</u>	
535	2,867	32,013	21,962	
(16,665)	13,927	269,209	265,822	
102,122	503,099	4,143,956	3,878,134	
<u>\$ 85,457</u>	<u>\$ 517,026</u>	<u>\$ 4,413,165</u>	<u>\$ 4,143,956</u>	
<u>\$ 85,457</u>	<u>\$ 517,026</u>	<u>\$ 4,413,165</u>	<u>\$ 4,143,956</u>	
\$ 6,113	\$ 6,423	\$ 149,948	\$ 180,419	
15,198	29,438	458,666	445,726	
-	-	(37,748)	(5,488)	
-	(860)	872	1,861	
2,241	-	558	20,355	
(1,932)	2,133	(47,519)	11,127	
25,370	3,729	124,145	(177,829)	
(720)	(9,244)	(15,931)	(73,207)	
(223)	-	944	(2,776)	
59	-	(2,191)	2,782	
-	-	(3,012)	(1,517)	
361	-	(1,907)	6,086	
(22,321)	(6,956)	(128,423)	204,337	
6,253	(291)	24,280	13,884	
<u>\$ 30,399</u>	<u>\$ 24,372</u>	<u>\$ 522,682</u>	<u>\$ 625,760</u>	

CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kenyon, Minnesota (the City) 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 in this report.

Financial 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. The EDA board consists of two council members and three representatives from local business. The EDA activities are blended and reported in a separate special revenue fund.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

The blended component unit, although a legally separate entity it is in substance, part of the City's operations and so data from this unit is combined with data of the primary government. The blended component unit has a December 31 year-end.

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the primary government and its blended component unit. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. 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 to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. The City reports all proprietary funds as major funds.

CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

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 **Debt Service fund** accounts for the accumulation of resources and repayment of the City's debt.

The **Capital Projects fund** accounts for the accumulation of resources and construction of capital projects (roads, buildings, etc.).

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
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. 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 Municipal Liquor Store, Sewer, Electric, Water, and Storm Water Funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriation budgets are adopted for the General Fund and certain Special Revenue Funds.

Budgeted amounts are reported as originally adopted, or as amended by the City Council or the Commission. Budgeted expenditure appropriations lapse at year-end.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Legal Compliance – Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments, and the final tax levy and General Fund budget are adopted. The Council also approves budgets for certain special revenue funds.
3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of the General Fund must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and certain Special Revenue Funds. Formal budgetary integration is not employed for the capital projects and debt service funds.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts presented are as originally adopted.

Cash and Investments

Cash and investment balances from all funds are combined and invested to the extent available in certificates of deposits and other allowable investments in accordance with Minnesota Statutes. Earnings from investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

For purposes of the statement of cash flows, all highly liquid investments are considered to be cash equivalents.

Short-term highly liquid debt instruments (including commercial paper, banker's acceptances and U.S. Treasury and Agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Revenue Recognition

Property tax levies are set by the City Council in December of each year, and are certified to the County Auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on property on January 1 and are recorded as receivables by the City at that date. 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 three times a year.

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. Taxes which remain unpaid at December 31 are classified as delinquent and are not recognized as revenue in the governmental fund financial statements because they are not known to be available to finance current expenditures. The portion of delinquent taxes not collected by the City in January is fully offset by unavailable resources in the governmental funds because it is not available to finance current expenditures. Property tax revenue in governmental activities is susceptible to full accrual on the government-wide statements. No allowances for uncollectible taxes have been provided because such amounts are not expected to be material.

Special Assessment Revenue Recognition

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 1 to 10 years with interest charges of 2.0% to 6.4%. 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 inflow of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

Utility Billing

The City bills customers monthly for electric, sewer, water, and storm water utility services. The City bills and recognizes the electric, sewer, water, and storm water services revenues on a monthly basis. In addition the City bills customers monthly for refuse and recycling and are recognized in the General Fund on a monthly basis.

Inventories

Materials and supplies, if material, are recorded at original cost and are reported under the consumption method in the Governmental Funds. Liquor store inventories are recorded at average cost. Inventories in the City's Electric and Water funds are also reflected at average cost.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Held for Resale

The City has certain parcels of land that is it holding for resale. The properties are valued on the financial statements at the lower of cost or net realizable value. Any gains or losses on the value are recognized any time portions of the land are sold.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables are classified as “due from other funds”, “due to other funds”, “advances to other funds”, or “advances from other funds” on the balance sheets of the fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the 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.

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 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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions and benefit payments (including refunds of contributions) are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 the proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method.

In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of the debt issue is reported as another financing source. Bond premiums and discounts on debt issuances are reported as other financing sources and uses. Bond issuance costs are reported as debt service expenditures, in the year they are incurred.

Net Pension/Fund Balance

In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position."

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension/Fund Balance (Continued)

In the fund financial statements, governmental funds report fund balances in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – The portion of fund balances related to prepaids, inventories, land held for resale, long-term receivables, and corpus on any permanent fund.

Restricted – The funds are constrained from outside parties (statute, grantors, bond agreements, etc.).

Committed – The funds are established and modified by a resolution approved by the City Council.

Assigned – Consists of internally imposed constraints approved by the City Finance Director.

Unassigned – This is the residual classification for the general fund and also reflects the negative residual amounts in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the City's policy to use committed first, then assigned, and finally unassigned amounts.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses made on behalf of another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

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

All interfund transactions are eliminated except for activity between governmental activities and business-type activities for presentation in the government-wide statements of net position and statements of activities.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts receivable are established when City management believes that some portion of the receivable will not be collected. Management's estimate of the required allowance is based upon historical experience and analysis of receivables on a specific identification basis.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources

The City's governmental fund financial statements report a separate section for deferred inflows of resources. The separate financial statement element reflects an increase in fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting.

In the City's proprietary funds, deferred inflows and outflows of resources are also reported to represent items which are related to the City's net pension liability and are to be recognized in future periods.

Summarized Comparative Information

The basic financial statements, required supplementary information and combining and individual fund nonmajor financial statements and schedules, include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements. Also certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 DEPOSITS AND INVESTMENTS

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value based on market prices or amortized cost at December 31, 2017. Investment earnings on cash and pooled investments are credited to the General fund. In addition, other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

Deposits

In accordance with applicable Minnesota State Statutes, the City maintains deposits at financial institutions authorized by the City Council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local governments rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City’s deposits may not be returned to it. The City’s deposit policy does not provide additional restrictions beyond Minnesota state statutes.

As of December 31, 2017, all of the City’s deposits were insured and/or collateralized in accordance with Minnesota Statute 118A.03, Subd. 1.

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations rated “A” or better; revenue obligations rated “AA” or better
- General obligations of the Minnesota Housing Finance Agency rated “A” or better
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories
- Obligations by a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service, or (ii) enrolled in the credit enhancement program
- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2017, the City had the following investments in its pool:

	Credit Rating	Value	Maturity		
			Less than 1 Year	1 to 5 Years	More than 5 Years
Money Market Accounts	NR	\$ 544,023	\$ 544,023	\$ -	\$ -
Negotiable CDs	NR	748,470	598,610	149,860	-
4M fund Investment Pool	NR	2,774,661	2,774,661	-	-
		<u>4,067,154</u>	<u>\$ 3,917,294</u>	<u>\$ 149,860</u>	<u>\$ -</u>
Cash and Deposits		<u>2,128,579</u>			
Total Cash and Investments		<u>\$ 6,195,733</u>			

NR - Not Rated

NA - Not Applicable

Interest Rate Risk – This is the risk that arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City does not have a formal policy for managing interest rate risk.

Credit Risk – Minnesota Statutes restrict the types of investments that the City may invest in. The City does not have a formal policy for managing credit risk. The City’s external investment pool investment is with the 4M Fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated pool and reported at amortized cost. The 4M Fund does not restrict or limit withdrawals made by the City.

Concentration of Credit Risk – The City places no additional limits on the amount the City may invest in any one issuer or type of investment. For the year ended December 31, 2017, the majority of investments were in certificates of deposit and there were no significant concentrations in any one issuer.

Fair Value Measurements

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Negotiable CDs	\$ 249,782	<u>\$ -</u>	<u>\$ 249,782</u>	<u>\$ -</u>
Investments at Amortized Cost	3,817,372			
Cash and Deposits	<u>2,128,579</u>			
Total Cash and Investments	<u>\$ 6,195,733</u>			

CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 CAPITAL ASSETS

Capital asset activity for Governmental Activities for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,317,957	\$ -	\$ -	\$ -	\$ 1,317,957
Construction in Progress	1,952,762	628,173	-	(2,580,935)	-
Total Capital Assets, Not Being Depreciated	<u>3,270,719</u>	<u>628,173</u>	<u>-</u>	<u>(2,580,935)</u>	<u>1,317,957</u>
Capital Assets, Being Depreciated:					
Buildings and Building Improvements	1,789,528	-	65,555	2,580,935	4,304,908
Infrastructure and Infrastructure Improvements	2,857,311	-	-	-	2,857,311
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,760,351	87,064	19,170	-	1,828,245
Total Capital Assets, Being Depreciated	<u>6,407,190</u>	<u>87,064</u>	<u>84,725</u>	<u>2,580,935</u>	<u>8,990,464</u>
Accumulated Depreciation for:					
Buildings and Building Improvements	879,760	113,052	65,555	-	927,257
Infrastructure and Infrastructure Improvements	975,148	82,895	-	-	1,058,043
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,058,988	73,206	19,170	-	1,113,024
Total Accumulated Depreciation	<u>2,913,896</u>	<u>269,153</u>	<u>84,725</u>	<u>-</u>	<u>3,098,324</u>
Total Capital Assets, Being Depreciated, Net	<u>3,493,294</u>	<u>(182,089)</u>	<u>-</u>	<u>2,580,935</u>	<u>5,892,140</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,764,013</u>	<u>\$ 446,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,210,097</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 CAPITAL ASSETS (CONTINUED)

Capital asset activity for Business-Type Activities for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 57,185	\$ -	\$ -	\$ -	\$ 57,185
Construction in Progress	12,400	487	-	(12,887)	-
Total Capital Assets, Not Being Depreciated	<u>69,585</u>	<u>487</u>	<u>-</u>	<u>(12,887)</u>	<u>57,185</u>
Capital Assets, Being Depreciated:					
Machinery and Equipment	679,534	257,025	72,004	12,887	877,442
Buildings and Building Improvements	6,940,972	42,193	-	-	6,983,165
Infrastructure and Infrastructure Improvements	5,485,261	60,941	-	-	5,546,202
Transportation Equipment	303,969	-	-	-	303,969
Office Furniture	49,632	-	-	-	49,632
Generators	2,532,286	-	-	-	2,532,286
Total Capital Assets, Being Depreciated	<u>15,991,654</u>	<u>360,159</u>	<u>72,004</u>	<u>12,887</u>	<u>16,292,696</u>
Accumulated Depreciation for:					
Machinery and Equipment	398,528	34,964	53,982	-	379,510
Buildings and Building Improvements	4,573,399	172,665	-	-	4,746,064
Infrastructure and Infrastructure Improvements	2,779,565	148,259	-	-	2,927,824
Transportation Equipment	225,912	17,783	-	-	243,695
Office Furniture	43,270	1,478	-	-	44,748
Generators	1,519,888	83,517	-	-	1,603,405
Total Accumulated Depreciation	<u>9,540,562</u>	<u>458,666</u>	<u>53,982</u>	<u>-</u>	<u>9,945,246</u>
Total Capital Assets, Being Depreciated, Net	<u>6,451,092</u>	<u>(98,507)</u>	<u>18,022</u>	<u>12,887</u>	<u>6,347,450</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,520,677</u>	<u>\$ (98,020)</u>	<u>\$ 18,022</u>	<u>\$ -</u>	<u>\$ 6,404,635</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 21,380
Public Safety	109,712
Public Works	112,860
Culture and Recreation	25,201
Total Depreciation Expense, Governmental Activities	<u>\$ 269,153</u>
Business-Type Activities:	
Water	\$ 68,710
Sewer	192,830
Electric	152,490
Liquor	15,198
Storm Water	29,438
Total Depreciation Expense, Business-Type Activities	<u>\$ 458,666</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 CITY INDEBTEDNESS

The following is a schedule of changes in City indebtedness for the year ended December 31, 2017:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
G.O. Improvement Bonds	\$ 771,070	\$ -	\$ 82,535	\$ 688,535	\$ 98,660
G.O. Loan Anticipation Notes	2,900,000	-	2,900,000	-	-
G.O. USDA Bond	-	2,120,000	-	2,120,000	-
USDA Note	-	450,000	-	450,000	-
Discount on Bonds	(6,084)	-	(1,973)	(4,111)	-
Capital Lease	286,830	-	44,431	242,399	45,729
Compensated Absences	24,312	2,249	-	26,561	26,561
Total Governmental Activities	3,976,128	2,572,249	3,024,993	3,523,384	170,950
Business-Type Activities:					
G.O. Revenue	1,622,143	-	98,600	1,523,543	93,543
G.O. Improvement Bonds	573,930	-	47,464	526,466	56,340
Capital Lease	-	165,064	25,985	139,079	21,286
Compensated Absences	21,291	-	1,907	19,384	19,384
Total Business-Type Activities	2,217,364	165,064	173,956	2,208,472	190,553
Total Debt	\$ 6,193,492	\$ 2,737,313	\$ 3,198,949	\$ 5,731,856	\$ 361,503

Compensated absences balances are liquidated by the General Fund and the respective enterprise funds.

General Obligation Improvement Bonds

The 2007A G.O. Refunding bonds were issued to refund the 1999 G.O. Improvement and 2000 Public Project Revenue Bonds and to finance construction of various improvements.

The 2012A Bonds were issued to finance the Highway 56 project. These bonds are payable primarily from ad valorem tax levies, user fees, and are backed by the full faith and credit of the City.

The 2016A G.O. Improvement Bonds were issued to provide funding for the City to reconstruct portions of First Street, including, the utilities underneath it. The bond will mature in 2036.

The 2016B G.O. Loan Anticipation Bonds were issued to provide temporary funding for the construction of the City's new Fire Hall. This bond matured during 2017 and was repaid with the issuance of the 2017 G.O. USDA Bond and the 2017 USDA Note.

The 2017A G.O. USDA Capital Improvement Bonds were issued to refund part of the 2016B G.O. Loan Anticipation Bonds, which had been used to fund the construction of the City's new Fire Hall, on August 28, 2017. The bonds will mature in 2057.

The 2017 USDA Notes were issued to refund part of the 2016B G.O. Loan Anticipation Bonds, which had been used to fund the construction of the City's new Fire Hall, on August 28, 2017. The notes will mature in 2057.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

General Obligation Revenue 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. The 2013 G.O. Sewer (PFA) Revenue Bonds were issued to finance the 2013 Sanitary Sewer Project and the Waste Water Treatment Plant Project.

Summary of City Indebtedness

The long-term debt obligations outstanding and related maturities and interest rates at December 31, 2017 are summarized in the schedule of bonds payable, notes payable, capital leases, and compensated absences, below:

Description	Initial Amount Issued	Maturity Date	Net Interest Rate	Outstanding Principal
Governmental Activities:				
G.O. Bonds Improvement Bonds:				
Series 2007A Refunding	\$ 1,350,000	2/1/2020	3.75 - 4.20%	\$ 240,000
Series 2012A	78,775	2/1/2023	0.85 - 2.75%	48,635
Series 2016A	399,900	2/1/2036	1.15 - 3.00%	399,900
2017 USDA Bond	2,120,000	8/28/2057	0.90%	2,120,000
Less: Unamortized Discount				(4,111)
Net Bonded Debt				<u>2,804,424</u>
2017 USDA Note	450,000	8/28/2057	0.90%	450,000
Capital Lease - Fire Truck	330,000	12/15/2022	2.60%	242,399
Compensated Absences				<u>26,561</u>
Total Governmental Activities				<u>\$ 3,523,384</u>
Business-Type Activities:				
G.O. Revenue Bonds:				
Series 2010 Utility	\$ 58,000	2/1/2018	2.90%	\$ 5,543
Series 2013 Sewer (PFA)	1,828,630	2/1/1933	1.00%	1,518,000
G.O. Improvement Bonds:				
Series 2012A	496,225	2/1/2023	0.85 - 2.75%	306,366
Series 2016A	220,100	2/1/1936	1.15 - 3.00%	220,100
Net Bonded Debt				<u>2,050,009</u>
Capital Lease - Vactor Truck	165,064	8/1/2023		139,079
Compensated Absences				<u>19,384</u>
Total Business-Type Activities				<u>\$ 2,208,472</u>

Maturities of City Indebtedness

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable and other postemployment benefits are as follows:

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

Maturities of City Indebtedness (Continued)

<u>Year Ended December 31,</u>	Governmental Activities Bonded Debt		Totals
	Principal	Interest	
2018	\$ 98,660	\$ 79,509	\$ 178,169
2019	137,051	75,922	212,973
2020	142,918	71,228	214,146
2021	59,495	68,171	127,666
2022	61,098	66,767	127,865
2023 - 2027	284,590	312,226	596,816
2028 - 2032	315,829	272,367	588,196
2033 - 2037	337,546	224,152	561,698
2038 - 2042	273,743	181,837	455,580
2043 - 2047	315,422	140,158	455,580
2048 - 2052	363,446	92,134	455,580
2053 - 2057	418,737	36,791	455,528
Totals	<u>\$ 2,808,535</u>	<u>\$ 1,621,262</u>	<u>\$ 4,429,797</u>

<u>Year Ended December 31,</u>	Governmental Activities USDA Note		Totals
	Principal	Interest	
2018	\$ -	\$ 12,938	\$ 12,938
2019	6,404	12,937	19,341
2020	6,588	12,753	19,341
2021	6,777	12,564	19,341
2022	6,972	12,369	19,341
2023 - 2027	37,983	58,722	96,705
2028 - 2032	43,766	52,939	96,705
2033 - 2037	50,431	46,274	96,705
2038 - 2042	58,108	38,597	96,705
2043 - 2047	66,957	29,748	96,705
2048 - 2052	77,151	19,554	96,705
2053 - 2057	88,863	7,807	96,670
Totals	<u>\$ 450,000</u>	<u>\$ 317,202</u>	<u>\$ 767,202</u>

<u>Year Ended December 31,</u>	Business-Type Activities Bonded Debt		Totals
	Principal	Interest	
2018	\$ 149,883	\$ 26,525	\$ 176,408
2019	147,115	24,646	171,761
2020	148,115	22,755	170,870
2021	153,430	20,740	174,170
2022	158,745	18,387	177,132
2023 - 2027	580,345	64,347	644,692
2028 - 2032	555,350	32,690	588,040
2033 - 2036	157,026	4,402	161,428
Totals	<u>\$ 2,050,009</u>	<u>\$ 214,492</u>	<u>\$ 2,264,501</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

Statutory Limitations of City Indebtedness

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 3% of the City's estimated market valuation. At December 31, 2017 the City did not exceed the statutory limitation.

NOTE 5 CAPITAL LEASE

In October 2014, the City entered into a lease agreement for financing the acquisition of a fire truck. This agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. The capital asset related to the lease has a cost of \$384,834 with related accumulated depreciation of \$35,918 as of December 31, 2017.

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$ 52,430
2019	52,430
2020	52,430
2021	52,430
2022	52,430
Total Minimum Lease Payments	<u>262,150</u>
Less: Interest	<u>(19,751)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 242,399</u></u>

In July 2017, the City entered into a lease agreement for financing the acquisition of a vector truck. This agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. The capital asset related to the lease has a cost of \$195,602 with related accumulated depreciation of \$5,433 as of December 31, 2017.

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$ 26,016
2019	26,016
2020	26,016
2021	26,016
2022	26,016
2023	26,016
Total Minimum Lease Payments	<u>156,096</u>
Less: Interest	<u>(17,017)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 139,079</u></u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund)): All full-time and certain part-time employees of the City of Kenyon are covered by the General Employees Plan. General Employees Plan 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.
2. Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund)): The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90.0% funded, or have fallen below 80.0%, are given 1.0% increases.

The benefit provisions stated in the following 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.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010 but before July 1, 2014 vest on a prorated basis from 50% after 5 years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014 vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989 a full annuity is available when age plus years of service equal at least 90.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee Contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017 were \$53,376. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2017. The City was required to contribute 16.20% of pay for members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017 were \$32,304. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$734,152 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund during PERA's fiscal year ending June 30, 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$9,229. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017 the City's proportion share was 0.0115% which was a decrease of 0.0003% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 the City recognized pension expense of \$97,938 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,840 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund during the City's fiscal year ending December 31, 2017.

At December 31, 2017, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 24,195	\$ 47,230
Changes in Actuarial Assumptions	121,885	73,599
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4,742	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	4,953	23,278
City Contributions Subsequent to the Measurement Date	25,996	-
Total	<u>\$ 181,771</u>	<u>\$ 144,107</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

\$25,996 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expenses Amount</u>
2018	\$ 20,192
2019	40,778
2020	(18,139)
2021	(31,163)
2022	-
Thereafter	-

2. Police and Fire Fund Pension Costs

At December 31, 2017 the City reported a liability of \$243,021 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2017 the City’s proportion was 0.0180% which the same as its proportion measured as of June 30, 2016. The City also recognized \$1,620 for the year ended December 31, 2017 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017 the City recognized pension expense of \$63,898 for its proportionate share of the Police and Fire Plan’s pension expense.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2017 the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 5,594	\$ 64,969
Changes in Actuarial Assumptions	318,042	345,030
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,338	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	14,967	-
City Contributions Subsequent to the Measurement Date	15,703	-
Total	<u>\$ 357,644</u>	<u>\$ 409,999</u>

\$15,703 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30.</u>	<u>Pension Expenses Amount</u>
2018	\$ 7,973
2019	7,973
2020	(936)
2021	(15,181)
2022	(67,887)
Thereafter	-

The City recognized total pension expense of \$163,676 for all of the pension plans in which it participates. This includes \$99,778 for the General Employees Fund and \$63,898 for the Police and Fire Fund.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA’s experience. Cost of living benefit increases for retirees are assumed to be 1.0% per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5% thereafter for both plans, and 2.5% for all years for the Correctional Plan.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Actuarial Assumptions (Continued)

Police and Fire Fund (Continued)

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	39.00 %	5.10 %
International Equity	19.00	5.30 %
Bonds	20.00	0.75 %
Alternative Assets	20.00	5.90 %
Cash	2.00	-
Totals	100.00 %	

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

<u>Description</u>	<u>1% Decrease in Discount Rate (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase in Discount Rate (8.50%)</u>
City's Proportionate Share of the General Employee's Plan Net Pension Liability	\$ 1,138,725	\$ 734,152	\$ 402,936
<u>Description</u>	<u>1% Decrease in Discount Rate (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase in Discount Rate (7.50%)</u>
City's Proportionate Share of the Police & Fire Plan Net Pension Liability	\$ 457,680	\$ 243,021	\$ 65,809

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 DEFINED CONTRIBUTION PENSION PLAN – FIRE 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 required supplementary information. The report may be obtained by writing to:

Kenyon Firemen’s Relief Association
709 Second Street, Kenyon, MN 55946

Contributions totaling \$26,732 were received by the Fire Relief from the State (through the City), in accordance with Minnesota statute requirements for the year ended December 31, 2017.

NOTE 8 INTERFUND TRANSACTIONS

Transfers

Transfers during the year ended December 31, 2017 were as follows:

	Amount	Description
Major Funds		
Transfers to General Fund from:		
Liquor Fund	\$ 20,000	Budgeted Transfer
Electric Fund	65,642	Payment in Lieu of Taxes
Total Transfers to General Fund	85,642	
Transfer to Debt Service Fund from:		
Capital Projects Fund	355,883	Closeout of Funds
Other Governmental Funds	74,895	Debt Service Requirements
Total Transfers to Debt Service Fund	430,778	
Transfers to Capital Projects from:		
General Fund	125,500	Budgeted Transfer
Capital Projects Fund	101,860	Budgeted Transfer
Other Governmental Funds	61,167	Budgeted Transfer
Total Transfers to Capital Projects Fund	288,527	
Total Transfers to Major Funds	\$ 804,947	

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 8 INTERFUND TRANSACTIONS (CONTINUED)

Interfund Receivables and Payables

The amounts due to and from other funds as of December 31, 2017 were as follows:

<u>Fund</u>	<u>Interfund Receivables Due from Other Funds</u>	<u>Interfund Payables Due to Other Funds</u>
Major Governmental Funds:		
General Fund	\$ 190,078	\$ -
Capital Projects Funds	-	119,463
Enterprise Funds:		
Sewer	28,758	-
Electric	-	103,960
Storm Sewer	4,587	-
Total Due to/from	<u>\$ 223,423</u>	<u>\$ 223,423</u>

Advances to and from other funds as of December 31, 2017 were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Economic Development Authority	\$ -	\$ 91,074
Enterprise Funds:		
Electric	141,598	-
Liquor	-	50,524
Total Advances	<u>\$ 141,598</u>	<u>\$ 141,598</u>

The advance between the Economic Development Authority and the Electric fund is related to the City's startup costs for their industrial park. It requires annual payments of \$11,425.88 which includes interest at 2.5%.

The advance between the Liquor fund and the Electric fund requires quarterly payments of \$3,358, including interest of 2.5%. The final payment is due to be paid in December 2021.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 9 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Excess of expenditures over appropriations as of December 31, 2017

General Fund	\$ 1,103,531	\$ 1,154,492	\$ 50,961
Nonmajor Governmental Fund - Fire	95,860	107,210	11,350

The excess of expenditures over appropriations were funded by greater than anticipated revenues and use of existing fund balance.

NOTE 10 FUND BALANCE

As of December 31, 2017, the City has portions of its fund balance in nonspendable form, restricted, committed, and assigned. The table below summarizes these amounts:

	General Fund	Capital Projects	Debt Service	Nonmajor Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$ 22,692	\$ -	\$ -	\$ 8,334	\$ 31,026
Property Held for Sale	26,300	-	-	-	26,300
Restricted:					
Police Forfeitures	-	-	-	1,269	1,269
Future Debt Retirement	-	-	300,269	-	300,269
Committed:					
Capital Projects	-	604,385	-	-	604,385
Assigned:					
Fire Department	-	-	-	30,631	30,631
Library Operations	-	-	-	52,787	52,787
Economic Development	-	-	-	176,119	176,119
Special Purpose Contributions	-	-	-	42,145	42,145
Unassigned	756,278	-	-	-	756,278
Total Fund Balance	<u>\$ 805,270</u>	<u>\$ 604,385</u>	<u>\$ 300,269</u>	<u>\$ 311,285</u>	<u>\$ 2,021,209</u>

NOTE 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 obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 11 RISK MANAGEMENT (CONTINUED)

The City continues to carry commercial insurance for all other risks of loss, including disability and employee health insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Electrical Power

Under authorization of state statutes, the Commission joined Central Minnesota Municipal Power Agency (CMMPA) with other municipal utilities to purchase electrical power through contracts for the mutual advantage of the governments. In 2015 CMMPA changed its name to Central Municipal Power Agency/Services (CMPAS). The governing body consists of members from each of the member utilities who are elected by the respective local utility commissions. Complete financial statements may be obtained by contacting CMPAS at 459 South Grove Street, Blue Earth, Minnesota, 56013.

The Commission signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase 0.23MW of electrical power from the Wolf Wind project in Rushmore, MN. CMPAS has a 6.25MW subscription that is allocated among its members based on load share ratio. The contractual period for this contract is May 1, 2005 to December 31, 2020.

In September 2003, the City signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase electrical power from a new power plant constructed by the Omaha Public Power District (OPPD). This new plant was completed and operational in 2009. The life of the contract is 40 years after the date of completion. The Commission has committed to purchase 0.63MW from this 600-megawatt plant. The City's agreement with OPPD is from May 1, 2009 through April 30, 2039.

The Commission is committed to purchase power from NextEra Energy Resources to meet its power requirements. This agreement (5x16) is a 1.5MW block of energy for the City and the initial contractual period was January 1, 2016 to December 31, 2020.

In 2010, the City signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase a total of 0.5MW of electrical power from the Iberdrola Wind project in Rugby, SD. CMPAS has a 4.5MW subscription that is allocated among its members based on agreed upon levels of commitment. The contractual period for this contract is January 1, 2011, to December 31, 2025. In 2012, the City signed another agreement with CMPAS to purchase an additional 0.5MW of electrical power from the Iberdrola Wind Project, this subscription period ends on February 28, 2027. The total commitment with Iberdrola is for 1.0MW.

In 2012, the City signed an agreement to commit to purchasing power from the WPPI/Point Beach Nuclear Project. This agreement is for 0.20MW of energy annually and extends through March 8, 2033.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Electrical Power (Continued)

In July of 2017, the City signed an agreement to commit to purchasing power from the Lemond Solar Center project located in Owatonna, MN. Lemond Solar Center, LLC was a project of the Southern Minnesota Municipal Power Agency that came online in June of 2017. This agreement is for 0.04MW of energy annually and extends through June 30, 2018.

Federal and State Funds

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. Management is not aware of any disallowed claims at this time. The City administration believes such disallowances, if any, will be immaterial.

NOTE 13 TAX ABATEMENT

The City enters into property tax abatement agreements through the use of tax increment financing districts with local businesses under various Minnesota Statutes. Under these statutes the City annually abates taxes collected above the districts' base tax capacity which is established during adoption of the tax increment district. These agreements are established to foster economic development and redevelopment through creating jobs, removing blight and providing affordable housing. The City uses Minnesota Statutes 469.124 to 469.134 and 469.174 to 469.179 (The Tax Increment Act) to create these districts.

For the fiscal year ended December 31, 2017 the City has one agreement in place under Minnesota Statute 439.174 to 469.179 (The Tax Increment Act) which resulted in property taxes totaling \$17,855 being abated through a pay as you go note to finance a housing project.

CITY OF KENYON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

**CITY OF KENYON, MINNESOTA
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS**

	Measurement Date			
	6/30/2017	6/30/2016	6/30/2015	6/30/2014
General Employees Fund				
City's Proportion of the Net Pension Liability	0.0115%	0.0118%	0.0116%	0.0125%
City's Proportionate Share of the Net Pension Liability	\$ 734,152	\$ 958,101	\$ 601,172	\$ 587,187
State's Proportionate Share of the Net Pension Liability Associated with the City	9,229	-	-	-
Total	<u>\$ 743,381</u>	<u>\$ 958,101</u>	<u>\$ 601,172</u>	<u>\$ 587,187</u>
City's Covered Payroll	\$ 744,384	\$ 713,035	\$ 694,281	\$ 662,407
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	98.63%	134.37%	86.59%	88.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%	78.70%
Police and Fire Fund				
City's Proportion of the Net Pension Liability	0.0180%	0.0180%	0.0160%	0.0160%
City's Proportionate Share of the Net Pension Liability	\$ 243,021	\$ 722,371	\$ 181,797	\$ 172,807
City's Covered Payroll	183,987	169,831	154,001	137,426
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	132.09%	425.35%	118.05%	125.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.43%	63.90%	86.60%	87.10%

*Additional information will be added as it becomes available.

**CITY OF KENYON, MINNESOTA
SCHEDULE OF THE CITY CONTRIBUTIONS
LAST 10 YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Employees Fund				
Statutorily Required Contribution	\$ 53,376	\$ 54,277	\$ 50,223	\$ 47,633
Contributions in Relation to the Statutorily Required Contribution	<u>(53,376)</u>	<u>(54,277)</u>	<u>(50,223)</u>	<u>(47,633)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
City's Covered Payroll	\$ 711,680	\$ 723,693	\$ 694,281	\$ 662,407
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.50%	7.50%	7.25%
Police and Fire Fund				
Statutorily Required Contribution	\$ 32,304	\$ 28,092	\$ 23,482	\$ 21,152
Contributions in Relation to the Statutorily Required Contribution	<u>(32,304)</u>	<u>(28,092)</u>	<u>(23,482)</u>	<u>(21,152)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
City's Covered Payroll	\$ 199,407	\$ 173,407	\$ 154,001	\$ 137,426
Contributions as a Percentage of Covered Employee Payroll	16.20%	16.20%	16.20%	15.30%

*Additional information will be added as it becomes available.

CITY OF KENYON, MINNESOTA
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
DECEMBER 31, 2017

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)**

	<u>Fire Fund</u>	<u>Library Fund</u>	<u>Economic Development Authority</u>
ASSETS			
Cash and Investments	\$ 33,021	\$ 55,440	\$ 34,165
Receivables:			
Accounts Receivable	500	79	-
Accrued Interest Receivable	-	-	-
Prepaid Items	6,172	1,228	934
Property Held for Resale	-	-	236,869
	<u>39,693</u>	<u>56,747</u>	<u>271,968</u>
Total Assets	<u>\$ 39,693</u>	<u>\$ 56,747</u>	<u>\$ 271,968</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 2,890	\$ 1,267	\$ 3,341
Accrued Compensation	-	1,465	-
Advances from Other Funds	-	-	91,074
Customer Deposits	-	-	500
Total Liabilities	<u>2,890</u>	<u>2,732</u>	<u>94,915</u>
FUND BALANCE			
Nonspendable for Prepaid Items	6,172	1,228	934
Restricted:			
Police Forfeitures	-	-	-
Assigned:			
Fire Department	30,631	-	-
Library Operations	-	52,787	-
Economic Development	-	-	176,119
Special Purpose Contributions	-	-	-
Total Fund Balance	<u>36,803</u>	<u>54,015</u>	<u>177,053</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 39,693</u>	<u>\$ 56,747</u>	<u>\$ 271,968</u>

2017				2016	
Police Forfeiture	Special Purpose Donations	2004 Tax Abatement TIF/Sun Home	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds	
\$ 1,269	\$ 43,069	\$ -	\$ 166,964	\$ 414,034	
-	-	-	579	2,100	
-	-	-	-	207	
-	-	-	8,334	6,761	
-	-	-	236,869	-	
<u>\$ 1,269</u>	<u>\$ 43,069</u>	<u>\$ -</u>	<u>\$ 412,746</u>	<u>\$ 423,102</u>	
\$ -	\$ 924	\$ -	\$ 8,422	\$ 8,818	
-	-	-	1,465	1,475	
-	-	-	91,074	100,000	
-	-	-	500	500	
-	924	-	101,461	110,793	
-	-	-	8,334	6,761	
1,269	-	-	1,269	1,269	
-	-	-	30,631	32,952	
-	-	-	52,787	48,882	
-	-	-	176,119	181,710	
-	42,145	-	42,145	12,429	
<u>1,269</u>	<u>42,145</u>	<u>-</u>	<u>311,285</u>	<u>312,309</u>	
<u>\$ 1,269</u>	<u>\$ 43,069</u>	<u>\$ -</u>	<u>\$ 412,746</u>	<u>\$ 423,102</u>	

CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	Fire Fund	Library Fund	Economic Development Authority
REVENUES			
Taxes	\$ 42,534	\$ 130,160	\$ 18,030
Tax Increment	-	-	-
Intergovernmental	39,864	39,869	-
Charges for Services	77,516	-	-
Investment Earnings	371	104	255
Fines and Forfeitures	-	783	49
Donations	-	-	-
Miscellaneous	753	1,580	12,231
Total Revenues	<u>161,038</u>	<u>172,496</u>	<u>30,565</u>
EXPENDITURES			
Current:			
Public Safety	107,210	-	-
Culture and Recreation	-	168,654	-
Economic Development	-	-	40,674
Debt Service:			
Interest and Fiscal Charges	-	-	2,500
Total Expenditures	<u>107,210</u>	<u>168,654</u>	<u>43,174</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	53,828	3,842	(12,609)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(55,000)	-	(81,062)
Proceeds on Capital Asset Disposal	-	-	88,567
Total Other Financing Sources	<u>(55,000)</u>	<u>-</u>	<u>7,505</u>
NET CHANGE IN FUND BALANCE	(1,172)	3,842	(5,104)
Fund Balance - Beginning of Year	<u>37,975</u>	<u>50,173</u>	<u>182,157</u>
FUND BALANCE - END OF YEAR	<u>\$ 36,803</u>	<u>\$ 54,015</u>	<u>\$ 177,053</u>

2017			2016	
Police Forfeiture	Special Purpose Donations	2004 Tax Abatement TIF/Sun Home	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 190,724	\$ 172,340
-	-	19,877	19,877	19,839
-	-	-	79,733	70,344
-	-	-	77,516	85,438
-	215	-	945	1,304
-	-	-	832	1,138
-	20,159	-	20,159	12,767
-	-	-	14,564	12,084
-	20,374	19,877	404,350	375,254
-	4,954	-	112,164	92,077
-	14,010	-	182,664	176,013
-	-	19,877	60,551	29,657
-	-	-	2,500	-
-	18,964	19,877	357,879	297,747
-	1,410	-	46,471	77,507
-	-	-	-	36,000
-	-	-	(136,062)	(68,000)
-	-	-	88,567	-
-	-	-	(47,495)	(32,000)
-	1,410	-	(1,024)	45,507
1,269	40,735	-	312,309	266,802
\$ 1,269	\$ 42,145	\$ -	\$ 311,285	\$ 312,309

**CITY OF KENYON, MINNESOTA
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	2017				2016
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Property Taxes	\$ 42,534	\$ 42,534	\$ 42,534	\$ -	\$ 39,790
Intergovernmental:					
Fire State Aid	26,000	26,000	26,732	732	27,049
Other State Aid	4,000	4,000	13,132	9,132	2,100
Total Intergovernmental Revenue	<u>30,000</u>	<u>30,000</u>	<u>39,864</u>		<u>29,149</u>
Charges for Services:					
Fire Contracts	76,516	76,516	77,516	1,000	85,438
Investment Income	180	180	371	191	257
Miscellaneous Revenues:					
Dividends	1,630	1,630	466	(1,164)	1,273
Other	-	-	287	287	100
Total Miscellaneous Revenues	<u>1,630</u>	<u>1,630</u>	<u>753</u>	<u>(877)</u>	<u>1,373</u>
Total Revenues	150,860	150,860	161,038	314	156,007
EXPENDITURES					
Public Safety:					
Employee Services	5,040	5,040	4,953	87	4,555
Supplies	15,000	15,000	18,805	(3,805)	7,923
Repairs and Miscellaneous	13,040	13,040	11,464	1,576	14,788
Professional Services	3,000	3,000	3,000	-	3,000
Training	10,750	10,750	7,828	2,922	9,882
Insurance	5,180	5,180	6,479	(1,299)	4,366
Utilities	7,380	7,380	11,778	(4,398)	6,691
Fire State Aid	26,000	26,000	26,732	(732)	27,049
Capital Outlay	-	-	8,053	(8,053)	-
Other Services and Charges	10,470	10,470	8,118	2,352	9,549
Total Public Safety	<u>95,860</u>	<u>95,860</u>	<u>107,210</u>	<u>(11,350)</u>	<u>87,803</u>
Total Expenditures	95,860	95,860	107,210	(11,350)	87,803
EXCESS OF REVENUES OVER EXPENDITURES	55,000	55,000	53,828	11,664	68,204
OTHER FINANCING SOURCES (USES)					
Transfers Out	(55,000)	(55,000)	(55,000)	-	(68,000)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(1,172)	<u>\$ 11,664</u>	204
Fund Balance - Beginning of Year			37,975		37,771
FUND BALANCE - END OF YEAR			<u>\$ 36,803</u>		<u>\$ 37,975</u>

**CITY OF KENYON, MINNESOTA
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	2017			Variance from Final Budget	2016
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Property Taxes	\$ 130,160	\$ 130,160	\$ 130,160	\$ -	\$ 121,675
Intergovernmental:					
County Aid	39,870	39,870	39,869	(1)	41,195
Total Intergovernmental Revenue	39,870	39,870	39,869	(1)	41,195
Fines and Forfeitures	1,100	1,100	783	(317)	738
Investment Income	160	160	104	(56)	91
Miscellaneous Revenues:					
Dividends	630	630	203	(427)	813
Other	1,250	1,250	1,377	127	1,476
Total Miscellaneous Revenues	<u>1,880</u>	<u>1,880</u>	<u>1,580</u>	<u>(300)</u>	<u>2,289</u>
Total Revenues	173,170	173,170	172,496	(674)	165,988
EXPENDITURES					
Culture and Recreation:					
Employee Services	129,540	129,540	126,368	3,172	122,095
Books and Other Materials	23,250	23,250	23,177	73	23,218
Repairs and Miscellaneous	250	250	-	250	2,297
Training	650	650	455	195	290
Insurance	2,270	2,270	2,186	84	2,195
Utilities	6,260	6,260	5,981	279	6,399
Automation	7,700	7,700	7,151	549	7,026
Capital Outlay	1,200	1,200	879	321	979
Other Services and Charges	2,050	2,050	2,457	(407)	1,862
Total Culture and Recreation	<u>173,170</u>	<u>173,170</u>	<u>168,654</u>	<u>4,516</u>	<u>166,361</u>
Total Expenditures	173,170	173,170	168,654	4,516	166,361
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	3,842	<u>\$ (5,190)</u>	(373)
Fund Balance - Beginning of Year			50,173		50,546
FUND BALANCE - END OF YEAR			<u>\$ 54,015</u>		<u>\$ 50,173</u>

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY DEBT ISSUANCE
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	Trondheim Road Extension	2012 G.O. Improvement Bonds	2007 G.O. Refunding Bonds	Fire Truck Capital Lease
ASSETS				
Cash and Investments	\$ 72,294	\$ 33,394	\$ 104,235	\$ -
Restricted Cash and Investments	-	-	-	-
Special Assessments Receivable				
Delinquent	-	-	-	-
Deferred	27,928	-	-	-
Accrued Interest Receivable	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 100,222</u>	<u>\$ 33,394</u>	<u>\$ 104,235</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:	27,928	-	-	-
FUND BALANCE				
Restricted for Debt Service	<u>72,294</u>	<u>33,394</u>	<u>104,235</u>	<u>-</u>
Total Fund Balance	<u>72,294</u>	<u>33,394</u>	<u>104,235</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 100,222</u>	<u>\$ 33,394</u>	<u>\$ 104,235</u>	<u>\$ -</u>

2017					2016	
2016 G.O. Improvement Bonds	2016 G.O. Loan Anticipation Notes	2017 USDA Note	2017 G.O. USDA Bonds	Total Debt Service Fund	Total Debt Service Fund	
\$ 15,451	\$ -	\$ 60,809	\$ 13,438	\$ 299,621	\$ 165,630	
-	-	648	-	648	-	
-	-	-	-	-	1,404	
78,407	-	-	-	106,335	170,891	
-	-	-	-	-	81	
<u>\$ 93,858</u>	<u>\$ -</u>	<u>\$ 61,457</u>	<u>\$ 13,438</u>	<u>\$ 406,604</u>	<u>\$ 338,006</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800	
78,407	-	-	-	106,335	172,295	
<u>15,451</u>	<u>-</u>	<u>61,457</u>	<u>13,438</u>	<u>300,269</u>	<u>164,911</u>	
<u>15,451</u>	<u>-</u>	<u>61,457</u>	<u>13,438</u>	<u>300,269</u>	<u>164,911</u>	
<u>\$ 93,858</u>	<u>\$ -</u>	<u>\$ 61,457</u>	<u>\$ 13,438</u>	<u>\$ 406,604</u>	<u>\$ 338,006</u>	

CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY DEBT ISSUANCE
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	Trondheim Road Extension	2012 G.O. Improvement Bonds	2007 G.O. Refunding Bonds	Fire Truck Capital Lease
REVENUES				
Taxes	\$ -	\$ 9,445	\$ 87,120	\$ 52,430
Special Assessments	51,476	-	-	-
Investment Earnings	-	112	269	-
Total Revenues	<u>51,476</u>	<u>9,557</u>	<u>87,389</u>	<u>52,430</u>
EXPENDITURES				
Principal	-	7,535	75,000	44,431
Interest and Fiscal Charges	-	1,109	12,112	7,999
Total Expenditures	<u>-</u>	<u>8,644</u>	<u>87,112</u>	<u>52,430</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	51,476	913	277	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Bond Proceeds	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	51,476	913	277	-
Fund Balance - Beginning of Year	<u>20,818</u>	<u>32,481</u>	<u>103,958</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 72,294</u>	<u>\$ 33,394</u>	<u>\$ 104,235</u>	<u>\$ -</u>

2017				2016	
2016 G.O. Improvement Bonds	2016 G.O. Loan Anticipation Notes	2017 USDA Note	2017 G.O. USDA Bonds	Total Debt Service Fund	Total Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ 148,995	\$ 122,400
18,947	-	-	-	70,423	29,178
14	-	-	-	395	770
<u>18,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,813</u>	<u>152,348</u>
-	355,883	-	-	482,849	125,705
11,164	25,883	-	-	58,267	26,977
<u>11,164</u>	<u>381,766</u>	<u>-</u>	<u>-</u>	<u>541,116</u>	<u>152,682</u>
7,797	(381,766)	-	-	(321,303)	(334)
-	355,883	61,457	13,438	430,778	52,430
-	(2,544,117)	-	-	(2,544,117)	-
-	2,570,000	-	-	2,570,000	-
<u>-</u>	<u>381,766</u>	<u>61,457</u>	<u>13,438</u>	<u>456,661</u>	<u>52,430</u>
7,797	-	61,457	13,438	135,358	52,096
<u>7,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,911</u>	<u>112,815</u>
<u>\$ 15,451</u>	<u>\$ -</u>	<u>\$ 61,457</u>	<u>\$ 13,438</u>	<u>\$ 300,269</u>	<u>\$ 164,911</u>

**CITY OF KENYON, MINNESOTA
 COMBINING BALANCE SHEET – BY PROJECT
 DECEMBER 31, 2017
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)**

	2017		
	Capital Outlay	Fire Hall Capital	2016 First Street
ASSETS			
Cash and Investments	\$ 723,933	\$ -	\$ -
Accrued Interest Receivable	59	-	-
Total Assets	\$ 723,992	\$ -	\$ -
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ -	\$ 144	\$ -
Due to Other Funds	-	59,787	59,676
Total Liabilities	-	59,931	59,676
FUND BALANCE (DEFICIT)			
Restricted:			
Fire Hall	-	-	-
Committed	723,992	-	-
Unassigned	-	(59,931)	(59,676)
Total Fund Balance (Deficit)	723,992	(59,931)	(59,676)
Total Liabilities and Fund Balance (Deficit)	\$ 723,992	\$ -	\$ -

			2016
Industrial Park	Total Capital Projects Fund		Total Capital Projects Fund
\$ -	\$ 723,933		\$ 2,221,226
-	59		1,112
<u>\$ -</u>	<u>\$ 723,992</u>		<u>\$ 2,222,338</u>
\$ -	\$ 144		\$ 701,442
-	119,463		-
<u>-</u>	<u>119,607</u>		<u>701,442</u>
-	-		837,168
-	723,992		738,244
-	(119,607)		(54,516)
<u>-</u>	<u>604,385</u>		<u>1,520,896</u>
<u>\$ -</u>	<u>\$ 723,992</u>		<u>\$ 2,222,338</u>

CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY PROJECT
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017		
	Capital Outlay	Fire Hall Capital	2016 First Street
REVENUES			
Investment Earnings	\$ 3,711	\$ 4,926	\$ 81
Miscellaneous	1,000	3,500	-
Total Revenues	<u>4,711</u>	<u>8,426</u>	<u>81</u>
EXPENDITURES			
Capital Outlay	97,603	651,285	11,408
Debt Services			
Interest and Fiscal Charges	-	217	-
Total Expenditures	<u>97,603</u>	<u>651,502</u>	<u>11,408</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(92,892)	(643,076)	(11,327)
OTHER FINANCING SOURCES (USES)			
Transfers In	180,500	101,860	-
Transfers Out	(101,860)	(355,883)	-
Bond Proceeds	-	-	-
Total Other Financing Sources (Uses)	<u>78,640</u>	<u>(254,023)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	(14,252)	(897,099)	(11,327)
Fund Balance (Deficit) - Beginning of Year	<u>738,244</u>	<u>837,168</u>	<u>(48,349)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 723,992</u>	<u>\$ (59,931)</u>	<u>\$ (59,676)</u>

		2016
Industrial Park	Total Capital Projects Fund	Total Capital Projects Fund
\$ -	\$ 8,718	7,130
-	4,500	1,000
-	<u>13,218</u>	<u>8,130</u>
-	760,296	2,261,891
-	217	56,772
-	<u>760,513</u>	<u>2,318,663</u>
-	(747,295)	(2,310,533)
6,167	288,527	311,643
-	(457,743)	(179,073)
-	-	3,299,900
<u>6,167</u>	<u>(169,216)</u>	<u>3,432,470</u>
6,167	(916,511)	1,121,937
<u>(6,167)</u>	<u>1,520,896</u>	<u>398,959</u>
<u>\$ -</u>	<u>\$ 604,385</u>	<u>\$ 1,520,896</u>

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WATER FUND
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for Services	\$ 252,835	\$ 251,960
OPERATING EXPENSES		
Employee Services	112,366	115,587
Supplies	3,122	5,536
Professional Services	1,080	1,160
Insurance	2,082	2,452
Utilities	13,173	13,376
Repairs and Maintenance	19,769	11,522
Depreciation	68,710	59,513
Dues and Subscriptions	978	448
Other Services	-	6,907
Safety	779	686
Shared Facility Charge	7,800	7,800
Other Operating Expenses	6,969	7,533
Total Operating Expenses	<u>236,828</u>	<u>232,520</u>
OPERATING INCOME	16,007	19,440
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	6,921	2,742
Dividend	325	1,803
Intergovernmental Revenues	392	541
Special Assessments	971	152
Interest Revenue	3,114	2,617
Interest Expense	(3,427)	(4,137)
Total Other Income	<u>8,296</u>	<u>3,718</u>
CHANGE IN NET POSITION	24,303	23,158
Net Position - Beginning of Year	<u>1,244,389</u>	<u>1,221,231</u>
NET POSITION - END OF YEAR	<u>\$ 1,268,692</u>	<u>\$ 1,244,389</u>

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEWER FUND
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for Services	\$ 280,920	\$ 275,767
OPERATING EXPENSES		
Employee Services	83,569	92,931
Supplies	10,883	5,931
Professional Services	11,023	1,520
Insurance	7,594	6,748
Utilities	45,051	47,584
Repairs and Maintenance	7,428	40,010
Depreciation	192,830	188,100
Other Services	585	39
Other Operating Expenses	4,538	4,792
Total Operating Expenses	<u>363,501</u>	<u>387,655</u>
OPERATING LOSS	(82,581)	(111,888)
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	5,064	2,532
CapX 2020 Transmission Revenue		
Dividend	688	2,090
Intergovernmental Revenues	156	281
Property Taxes	103,050	99,060
Special Assessments	13,334	61,112
Interest Revenue	5,324	4,221
Gain (Loss) on Disposal of Capital Assets	(18,021)	-
Interest Expense	(20,358)	(23,443)
Total Other Income	<u>89,237</u>	<u>145,853</u>
CHANGE IN NET POSITION	6,656	33,965
Net Position - Beginning of Year	<u>2,311,187</u>	<u>2,277,222</u>
NET POSITION - END OF YEAR	<u>\$ 2,317,843</u>	<u>\$ 2,311,187</u>

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ELECTRIC FUND
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2016)

	2017	2016
OPERATING REVENUES		
Charges for Services	\$ 1,934,487	\$ 2,004,381
OPERATING EXPENSES		
Power Costs	1,048,164	1,032,479
Conservation Improvement Program	11,263	14,921
Employee Services	285,651	299,197
Supplies	8,213	4,923
Professional Services	5,703	4,630
Insurance	50,767	52,395
Utilities	20,950	23,644
Repairs and Maintenance	23,809	36,155
Depreciation	152,490	153,378
Dues and Subscriptions	34,079	33,935
Other Services	1,145	2,893
Safety	7,105	8,257
Generator Expense	41,619	25,214
Shared Facility Charge	31,200	31,200
Other Operating Expenses	8,343	12,275
Total Operating Expenses	1,730,501	1,735,496
OPERATING INCOME	203,986	268,885
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	7,200	11,580
Dividend	8,157	33,194
Intergovernmental Revenues	1,219	1,639
Special Assessments	3,466	1,478
Interest Revenue	16,966	13,470
Miscellaneous Nonoperating Expenses	(3,357)	(1,507)
Interest Expense	(461)	(579)
Total Other Income	33,190	59,275
CHANGE IN NET POSITION	171,534	260,018
Net Position - Beginning of Year	4,145,350	3,885,332
NET POSITION - END OF YEAR	\$ 4,316,884	\$ 4,145,350

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVNEUES, EXPENSES, AND CHANGES IN NET POSITION
LIQUOR FUND
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTAL FOR YEAR ENDED DECEMBER 31, 2016)

	2017	2016
OPERATING REVENUES		
Sales	\$ 741,499	\$ 742,287
Costs of Goods Sold	(482,627)	(475,084)
Total Gross Profit and Operating Revenues	258,872	267,203
OPERATING EXPENSES		
Employee Services	154,880	145,248
Supplies	4,546	4,423
Insurance	8,710	8,340
Utilities	15,846	16,675
Repairs and Maintenance	8,858	10,328
Depreciation	15,198	15,770
Dues and Subscriptions	1,470	2,089
Other Services	21,167	20,744
Other Operating Expenses	22,084	22,079
Total Operating Expenses	252,759	245,696
OPERATING INCOME	6,113	21,507
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	15,141	7,587
Dividend	421	1,515
Intergovernmental Revenues	264	443
Interest Revenue	485	450
Miscellaneous Nonoperating Expenses	(25)	(500)
Interest Expense	(867)	(1,221)
Total Other Income	15,419	8,274
CHANGE IN NET POSITION	1,532	9,781
Net Position - Beginning of Year	145,057	135,276
NET POSITION - END OF YEAR	\$ 146,589	\$ 145,057

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
STORM WATER FUND
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2016)

	2017	2016
OPERATING REVENUES		
Charges for Services	\$ 46,579	\$ 40,378
OPERATING EXPENSES		
Employee Services	4,391	15,223
Insurance	387	687
Repairs and Maintenance	5,940	13,028
Depreciation	29,438	28,965
Total Operating Expenses	40,156	57,903
OPERATING INCOME (LOSS)	6,423	(17,525)
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	51	-
Dividend	61	247
Intergovernmental Revenues	14	45
Special Assessments	29	40
Interest Revenue	2,660	2,230
Interest Expense	(1,921)	(2,323)
Total Other Income	894	239
CHANGE IN NET POSITION	7,317	(17,286)
Net Position - Beginning of Year	809,227	826,513
NET POSITION - END OF YEAR	\$ 816,544	\$ 809,227

**CITY OF KENYON, MINNESOTA
PFA SEWER FUND LOAN OF 2013
LOAN RETIREMENT DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2016)**

	2017	2016
REVENUES		
Property Taxes	\$ 103,050	\$ 99,060
EXPENDITURES		
Principal	87,000	86,000
Interest	16,050	16,910
Total Operating Expenses	103,050	102,910
EXCESS (DEFICIT) REVENUES	-	(3,850)
Fund Balance - Beginning of Year	99,060	102,910
Fund Balance - End of Year	\$ 99,060	\$ 99,060

Note that the above detailed statement shows that activity related to the 2013 PFA Sewer Loan, but this activity is recorded as part of the sewer enterprise fund for financial reporting.