

CITY OF KENYON, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019

**CITY OF KENYON, MINNESOTA
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YEAR ENDED DECEMBER 31, 2019**

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INTRODUCTORY SECTION

**CITY OF KENYON, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2019**

Elected Officials

		<u>Term Expires</u>
Mayor	Doug Henke	December 31, 2020
Council Member	Tom Gard	December 31, 2020
Council Member	Richard Nielsen	December 31, 2020
Council Member	John Mortensen	December 31, 2020
Council Member	Dan Rechtzigel	December 31, 2022

Appointed Officials

Administrator Mark Vahlsing

Public Utilities Commission – Appointed

Chairperson	Richard Nielsen	December 31, 2020
Commissioner	Jim Malloy	December 31, 2021
Commissioner	Jerry Houglum	December 31, 2019

Public Utilities Commission Administration – Appointed

Operations Superintendent Randy Eggert
Finance Clerk Susan Dodds

FINANCIAL SECTION



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, 2019, 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.

Auditors' 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, 2019, 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 2018 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 our report dated April 24, 2019. The summarized comparative information presented herein as of and for the year ended December 31, 2018 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 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 schedules 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 schedules 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.

Honorable Mayor and City Council
City of Kenyon, Minnesota


In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2019.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Kenyon as of and for the year ended December 31, 2018 (not presented herein), and have issued our report thereon dated April 24, 2019, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The combining and individual nonmajor fund financial statements and schedules for the year ended December 31, 2018 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2018 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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 schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2018.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020, 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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, 2019. 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, 2019 (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) for the City of Kenyon was \$14,903,061. Of this amount, \$6,395,163 (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 \$1,725,056, of which 44% is unassigned.
- At the end of the fiscal year, unassigned fund balance of the general fund was \$764,429, or 62% of total general fund expenditures compared to 61% in 2018.
- The City of Kenyon decreased its existing debt principal by \$104,749 during the current fiscal year, leaving a remaining balance of \$5,269,716. The decrease is primarily due to the continued payment of principal on outstanding debt, which was partially offset by the issuance of two new capital leases.

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, 2019**

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 four major funds, General, Capital Projects, Debt Service, and Economic Development Authority. The other five governmental funds include: Fire, Library, 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, Debt Service funds, and Economic Development Authority. Data from the other five 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, 2019**

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 69-88.

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 \$14,903,061 at the close of the fiscal year, with \$5,107,341 of this net position from governmental activities and \$9,795,720 from proprietary funds.

As noted in Table A-1, below, net position of \$8,257,658 or 55% 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, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 7,365,996	\$ 7,111,983	\$ 6,084,873	\$ 5,592,076	\$ 13,450,869	\$ 12,704,059
Capital Assets	2,064,859	2,288,621	6,161,213	6,128,132	8,226,072	8,416,753
Total Assets	<u>9,430,855</u>	<u>9,400,604</u>	<u>12,246,086</u>	<u>11,720,208</u>	<u>21,676,941</u>	<u>21,120,812</u>
Deferred Outflows of Resources	226,668	329,044	31,973	58,967	258,641	388,011
Long-Term Liabilities	3,652,223	3,622,541	2,017,018	2,185,407	5,669,241	5,807,948
Other Liabilities	544,499	348,023	388,188	408,888	932,687	756,911
Total Liabilities	<u>4,196,722</u>	<u>3,970,564</u>	<u>2,405,206</u>	<u>2,594,295</u>	<u>6,601,928</u>	<u>6,564,859</u>
Deferred Inflows of Resources	<u>353,460</u>	<u>464,342</u>	<u>77,133</u>	<u>100,207</u>	<u>430,593</u>	<u>564,549</u>
Net Position:						
Net Investment in Capital Assets	3,945,239	3,757,576	4,312,419	4,110,212	8,257,658	7,867,788
Restricted	250,240	333,675	-	55,880	250,240	389,555
Unrestricted	<u>911,862</u>	<u>1,203,491</u>	<u>5,483,301</u>	<u>4,918,581</u>	<u>6,395,163</u>	<u>6,122,072</u>
Total Net Position	<u>\$ 5,107,341</u>	<u>\$ 5,294,742</u>	<u>\$ 9,795,720</u>	<u>\$ 9,084,673</u>	<u>\$ 14,903,061</u>	<u>\$ 14,379,415</u>

A portion \$(250,240) 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 \$(6,395,163) 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, 2019**

Governmental Activities. Governmental activities account for 34% of the City of Kenyon's net position.

The total decrease in net position for governmental activities is \$187,401 for the year ended December 31, 2019. The total revenues for governmental activities amounted to \$2,263,950 while total expenses were \$2,458,378 and Transfers in were \$7,027, which is illustrated in table A-2 below:

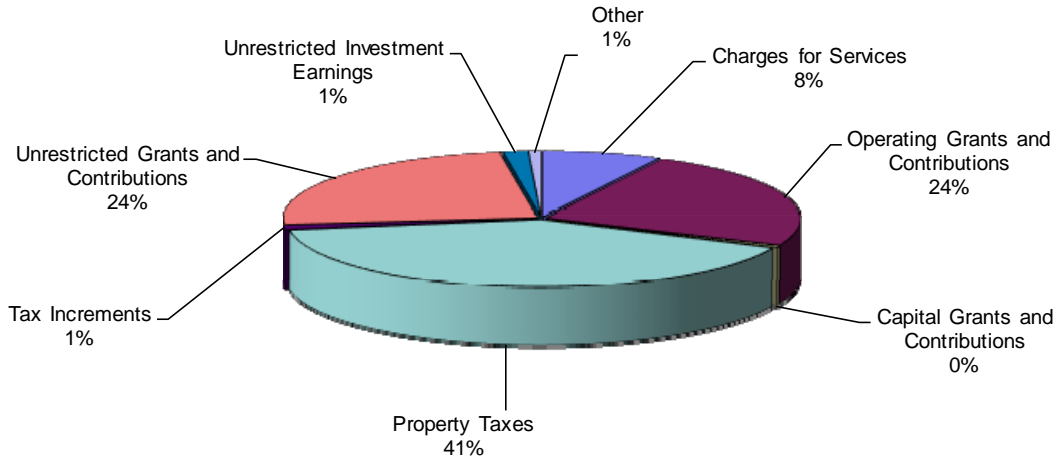
**Table A-2
Condensed Statement of Activities
Years Ended December 31, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Charges for Services	\$ 172,069	\$ 172,525	\$ 3,502,667	\$ 3,410,862	\$ 3,674,736	\$ 3,583,387
Operating Grants and Contributions	541,475	201,965	-	-	541,475	201,965
Capital Grants and Contributions	7,166	3,006	10,485	3,786	17,651	6,792
General Revenues:						
Property Taxes	921,294	836,611	30,000	60,000	951,294	896,611
Tax Increments	19,606	19,327	-	-	19,606	19,327
Grants and Contributions, Not Restricted	548,354	564,323	1,745	3,446	550,099	567,769
Unrestricted Investment Earnings	35,973	17,396	118,149	66,940	154,122	84,336
Gain on Disposal of Assets	1,049	100,610	-	-	1,049	100,610
Miscellaneous	16,964	7,090	286,150	39,728	303,114	46,818
Total Revenues	<u>2,263,950</u>	<u>1,922,853</u>	<u>3,949,196</u>	<u>3,584,762</u>	<u>6,213,146</u>	<u>5,507,615</u>
EXPENSES						
General Government	430,715	397,050	-	-	430,715	397,050
Public Safety	589,430	552,447	-	-	589,430	552,447
Public Works	477,313	385,481	-	-	477,313	385,481
Sanitation and Recycling	44,615	44,230	-	-	44,615	44,230
Culture and Recreation	256,838	316,611	-	-	256,838	316,611
Economic Development	560,761	114,715	-	-	560,761	114,715
Debt Service	98,706	105,882	-	-	98,706	105,882
Water	-	-	229,848	254,648	229,848	254,648
Sewer	-	-	468,385	473,266	468,385	473,266
Electric	-	-	1,641,275	1,727,253	1,641,275	1,727,253
Liquor	-	-	826,385	778,610	826,385	778,610
Storm Water	-	-	65,229	45,592	65,229	45,592
Total Expenses	<u>2,458,378</u>	<u>1,916,416</u>	<u>3,231,122</u>	<u>3,279,369</u>	<u>5,689,500</u>	<u>5,195,785</u>
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS	(194,428)	6,437	718,074	305,393	523,646	311,830
Transfers	<u>7,027</u>	<u>87,272</u>	<u>(7,027)</u>	<u>(87,272)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(187,401)	93,709	711,047	218,121	523,646	311,830
Net Position - Beginning of Year	<u>5,294,742</u>	<u>5,201,033</u>	<u>9,084,673</u>	<u>8,866,552</u>	<u>14,379,415</u>	<u>14,067,585</u>
NET POSITION - END OF YEAR	<u>\$ 5,107,341</u>	<u>\$ 5,294,742</u>	<u>\$ 9,795,720</u>	<u>\$ 9,084,673</u>	<u>\$ 14,903,061</u>	<u>\$ 14,379,415</u>

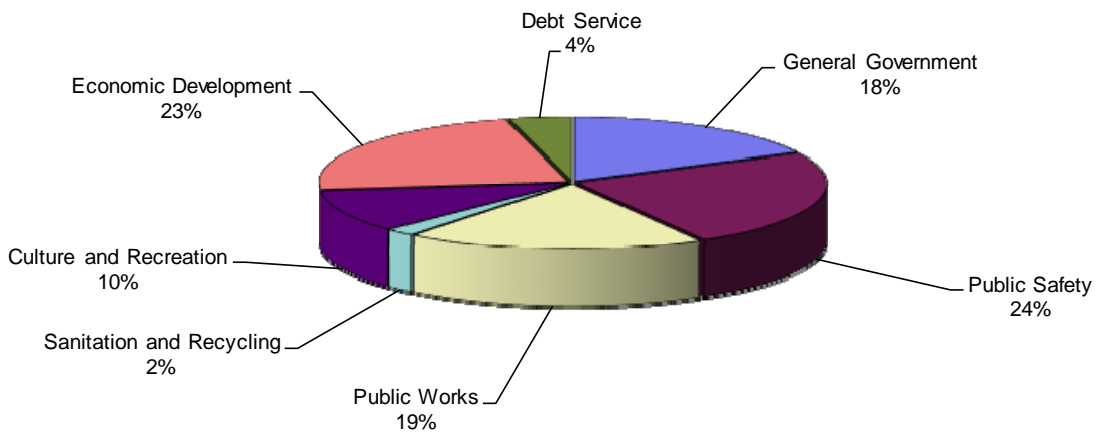
**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

The following graphs show 2019 program revenues and expenses for government activities.

**Graph A-1
Source of City's Revenue for Governmental Activities
Fiscal Year 2019**

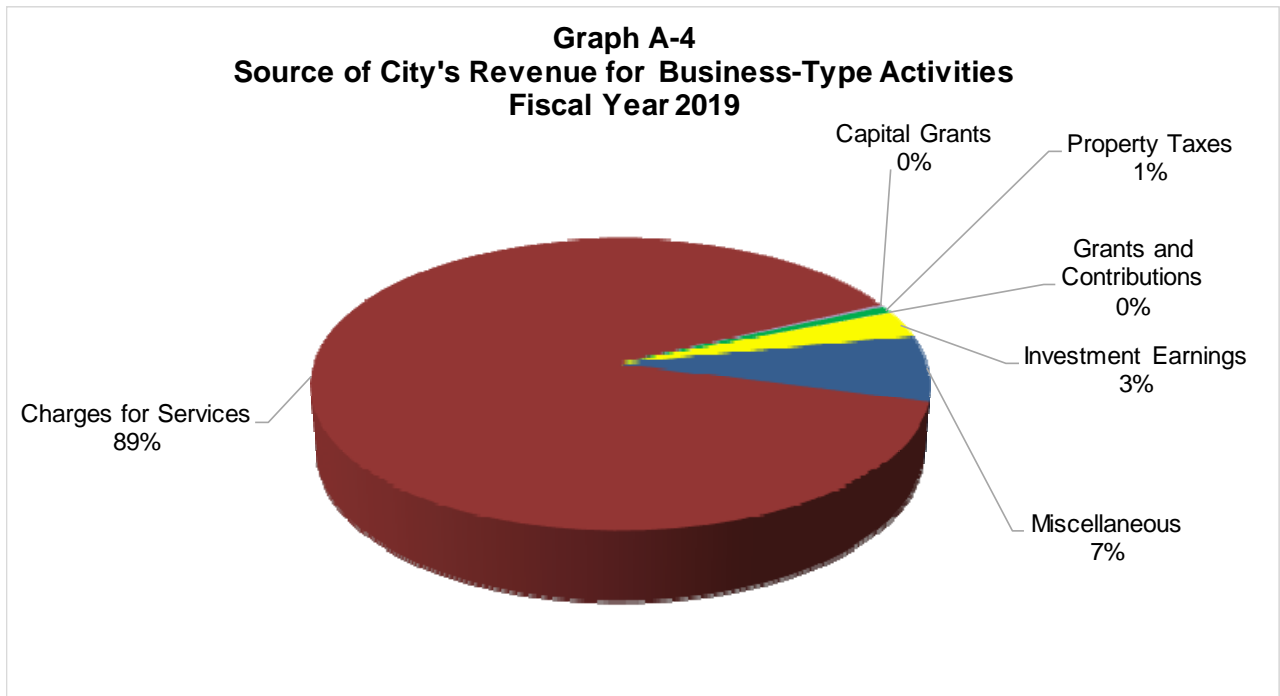
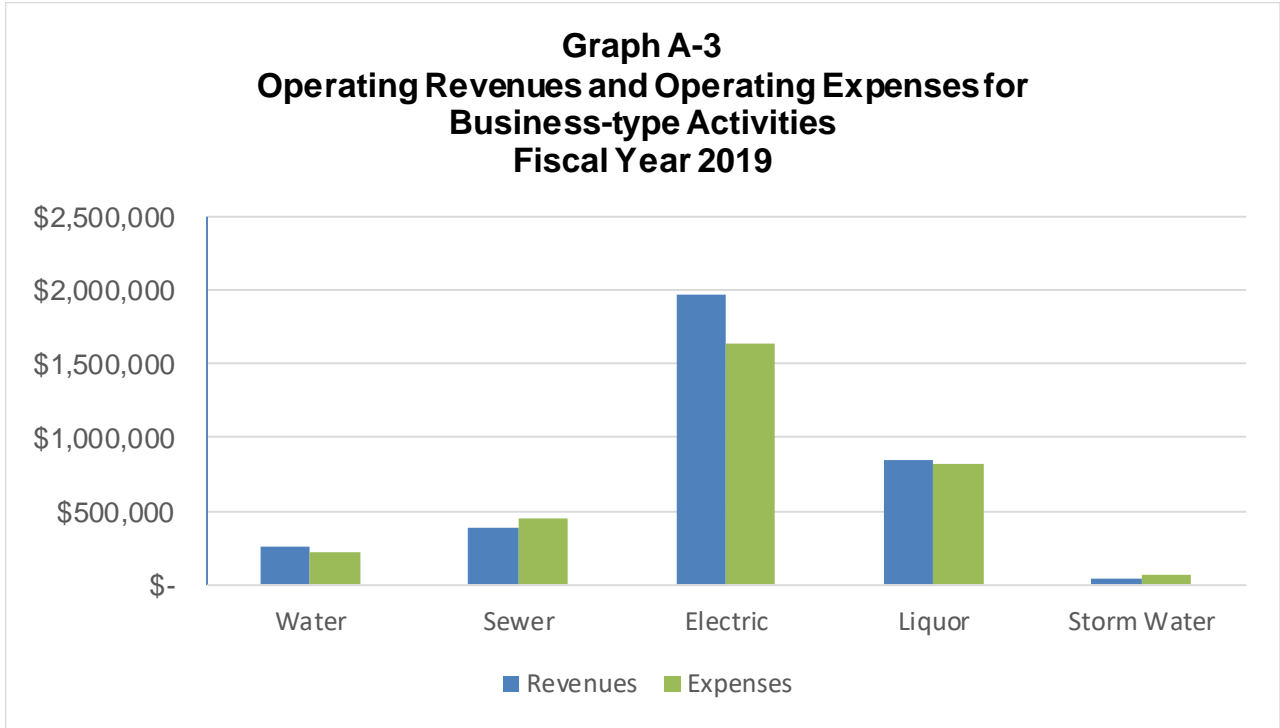


**Graph A-2
City's Expenses for Governmental Activities
Fiscal Year 2019**



**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Business-Type Activities. Business-type activities increased the City of Kenyon net position \$711,047 for the year ended December 31, 2019. 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, 2019**

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.

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 Special Purpose Donations, 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 \$1,725,056, which included an unassigned fund balance of \$764,429.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

General Fund

The fund balance of the City of Kenyon's general fund increased by \$8,192, during the current year. Total revenues for the General Fund increased by \$89,511 as noted in Table A-3 below:

**Table A-3
General Fund Revenues**

	Year Ended December 31,		Change	
	2019	2018	Increase/ (Decrease)	Percent
GENERAL FUND				
Taxes	\$ 557,199	\$ 463,930	\$ 93,269	20.1 %
Special Assessments	172	93	79	84.9
Licenses and Permits	6,330	8,426	(2,096)	(24.9)
Intergovernmental	579,161	597,818	(18,657)	(3.1)
Charges for Services	95,637	92,673	2,964	3.2
Fines and Forfeits	5,249	5,619	(370)	(6.6)
Investment Earnings	15,760	6,046	9,714	160.7
Miscellaneous	50,195	45,587	4,608	10.1
Total	<u>\$ 1,309,703</u>	<u>\$ 1,220,192</u>	<u>\$ 89,511</u>	7.3

The following schedule presents a summary of General Fund expenditures:

**Table A-4
General Fund Expenditures**

	Year Ended December 31,		Change	
	2019	2018	Increase/ (Decrease)	Percent
GENERAL FUND				
General Government	\$ 407,515	\$ 391,683	\$ 15,832	4.0 %
Public Safety	382,854	375,886	6,968	1.9
Public Works	278,825	287,781	(8,956)	(3.1)
Sanitation and Recycling	44,615	44,230	385	0.9
Culture and Recreation	128,066	113,698	14,368	12.6
Total	<u>\$ 1,241,875</u>	<u>\$ 1,213,278</u>	<u>\$ 28,597</u>	2.4

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 \$26,773 more than expected.
- Actual expenditures were \$8,225 more than budgeted. This is primarily due to higher than budgeted expenditures for general governmental legal services, public safety employee services due to employee turnover, public works vehicle and equipment repairs, public works streets capital outlay for the purchase of security camera at the public works shop, and swimming pool capital outlay. These were partially offset with lower than expected expenditures for public works streets employee services and supplies and swimming pool current operating expenditures.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Other Major Funds Analysis

The Capital Projects fund's fund balance for the Red wing Avenue project decreased \$187,303. This is primarily due to the City incurring expenditures for the Red Wing Avenue project and the wading pool project.

The Debt Service Fund's fund balance decreased \$66,923 due primarily to the required debt service payments for the year exceeding the related current year tax levy and special assessment collections due to reserve funds.

The Economic Development Authority's fund balance decreased \$100,139 to \$48,385 as of December 31, 2019. This is primarily due to the City incurring expenditures for its industrial park project.

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 \$5,483,301 with a total increase in net position of \$711,047. Each of the following funds had net increases or decreases:

- Water (net increase of \$47,611) – the water rate increase in August 2015 resulted in similar net position increases in 2018 and 2019.
- Sanitary Sewer (net increase of \$43,599) – this includes \$63,925 in a budgeted transfer in from the capital projects fund from the proceeds of the sale of a tractor for the purchase of a skid loader. The fund's loss before transfers of \$20,326 compares to the 2018 loss of \$41,861. Sanitary sewer rates were increased in February of 2019, and the property tax levy was decreased \$30,000.
- Electric (net increase of \$582,414) – although the utility experienced an increase of about 5% in the cost of energy in 2019, it received income from Central Municipal Power Agency/Services (CMPAS) for regulatory asset distribution and the sale of Utilities Plus Energy Service.
- Liquor (net increase of \$29,439) – this includes a transfer of \$20,000 to the general fund in 2019.
- Storm Sewer (net increase of \$7,984) – this includes a \$15,000 budgeted transfer in from the capital projects fund. The fund's loss before transfers of \$7,016 was primarily due to sweeper repairs expense in 2019.

CAPITAL ASSET ADMINISTRATION

The City of Kenyon's investment in capital assets for its governmental and business type activities as of December 31, 2019 amounts to \$13,527,209 (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
	2019	2018		2019	2018	
Land	\$ 1,317,957	\$ 1,317,957	-	\$ 57,185	\$ 57,185	-
Construction in Progress	435,724	21,932	-	9,379	7,112	-
Buildings and Building Improvements	4,383,086	4,323,586	1.4	7,080,553	7,066,413	0.2
Infrastructure and Infrastructure Improvements	2,962,303	2,962,303	-	5,902,521	5,570,167	6.0
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,892,941	1,863,937	1.6	1,392,592	1,277,343	9.0
Generators	-	-	-	2,532,286	2,532,286	-
Less: Accumulated Depreciation	(3,626,015)	(3,377,732)	7.4	(10,813,303)	(10,382,374)	4.2
Total	<u>\$ 7,365,996</u>	<u>\$ 7,111,983</u>	3.6	<u>\$ 6,161,213</u>	<u>\$ 6,128,132</u>	0.5

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

LONG-TERM DEBT

At the end of the fiscal year, the City of Kenyon had long-term debt of \$5,313,942 a decrease of \$102,999 from 2018 due to the City making regular debt service payments.

Governmental activities debt increased \$63,755 and business-type activities decreased \$166,754.

**Table A-6
The City's Long-Term Liabilities**

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change
	2019	2018		2019	2018	
G.O. Improvement Bonds	\$ 482,990	\$ 589,875	(18.1)%	\$ 412,010	\$ 470,126	(12.4)%
G.O. Revenue Bonds	2,089,834	2,120,000	(1.4)	1,341,000	1,430,000	(6.2)
USDA Note	443,596	450,000	(1.4)	-	-	-
Capital Lease	404,502	196,670	105.7	95,784	117,794	(18.7)
Compensated Absences	25,683	28,278	(9.2)	18,708	16,336	14.5
Discount	(165)	(2,138)	(92.3)	-	-	-
Total	<u>\$ 3,446,440</u>	<u>\$ 3,382,685</u>	1.9	<u>\$ 1,867,502</u>	<u>\$ 2,034,256</u>	(8.2)

Additional information on the City of Kenyon's long-term debt can be found in the Notes to the Financial Statements on pages 48-52.

FACTORS OF THE CITY OF KENYON'S FUTURE

Potential Adjustments to the 2019 Expenditure Budget

- Reconstruction of Red Wing Avenue between 2nd and 8th Streets. The project construction will occur in 2020. The roadway will be reconstructed. The project will also include installation of new sewer, water and storm sewer mains. The estimated project cost is \$3,250,000.

Potential Future Revenue Sources

- The Kenyon Economic Development Authority is currently in the process of developing 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 implemented an incentive for new owner occupied housing. The goal is to help the community grow, as well as increase the tax-base.
- 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 is being used for single-family housing, multi-family housing, and commercial building rehabilitation. The project is ongoing.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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.

BASIC FINANCIAL STATEMENTS

CITY OF KENYON, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	Governmental	Business-Type	Totals	
	Activities	Activities	2019	2018
ASSETS				
Cash and Investments	\$ 2,202,872	\$ 4,762,173	\$ 6,965,045	\$ 6,662,161
Receivables	118,589	550,739	669,328	657,397
Internal Balances	(503,310)	503,310	-	-
Inventories	-	205,915	205,915	209,447
Prepaid Items	33,708	62,736	96,444	107,392
Property Held for Resale	213,000	-	213,000	244,300
Capital Assets:				
Capital Assets, Not Being Depreciated	1,753,681	66,564	1,820,245	1,404,186
Capital Assets, Being Depreciated, Net	<u>5,612,315</u>	<u>6,094,649</u>	<u>11,706,964</u>	<u>11,835,929</u>
Total Assets	9,430,855	12,246,086	21,676,941	21,120,812
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Items	226,668	31,973	258,641	388,011
LIABILITIES				
Accounts Payable	240,384	152,780	393,164	267,648
Accrued Compensation	14,426	12,165	26,591	24,226
Due to Other Governmental Units	-	4,554	4,554	-
Deposits	500	18,797	19,297	17,342
Accrued Interest Payable	30,875	10,311	41,186	43,436
Noncurrent Liabilities:				
Net Pension Liability	464,097	339,097	803,194	795,266
Due within One Year	258,314	189,581	447,895	404,259
Due in More than One Year	<u>3,188,126</u>	<u>1,677,921</u>	<u>4,866,047</u>	<u>5,012,682</u>
Total Liabilities	4,196,722	2,405,206	6,601,928	6,564,859
DEFERRED INFLOWS OF RESOURCES				
Pension Related Items	<u>353,460</u>	<u>77,133</u>	<u>430,593</u>	<u>564,549</u>
NET POSITION				
Net Investment in Capital Assets	3,945,239	4,312,419	8,257,658	7,867,788
Restricted for:				
Police Forfeitures	1,269	-	1,269	1,269
Future Debt Retirement	248,971	-	248,971	388,286
Unrestricted	<u>911,862</u>	<u>5,483,301</u>	<u>6,395,163</u>	<u>6,122,072</u>
Total Net Position	<u>\$ 5,107,341</u>	<u>\$ 9,795,720</u>	<u>\$ 14,903,061</u>	<u>\$ 14,379,415</u>

See accompanying Notes to Financial Statements.

CITY OF KENYON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

Functions/Programs	Expenses	Program Revenues		
		Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 430,715	\$ 32,192	\$ 39,000	\$ -
Public Safety	589,430	79,702	-	-
Public Works	477,313	-	42,807	7,166
Sanitation and Recycling	44,615	46,522	-	-
Culture and Recreation	256,838	548	49,000	-
Economic Development	560,761	13,105	410,668	-
Debt Service	98,706	-	-	-
Total Governmental Activities	<u>2,458,378</u>	<u>172,069</u>	<u>541,475</u>	<u>7,166</u>
Business-Type Activities:				
Water	229,848	259,235	-	-
Sewer	468,385	389,936	-	3,585
Electric	1,641,275	1,962,156	-	6,900
Liquor	826,385	844,711	-	-
Storm Water	65,229	46,629	-	-
Total Business-Type Activities	<u>3,231,122</u>	<u>3,502,667</u>	<u>-</u>	<u>10,485</u>
Total	<u>\$ 5,689,500</u>	<u>\$ 3,674,736</u>	<u>\$ 541,475</u>	<u>\$ 17,651</u>

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.

CITY OF KENYON, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

Net Revenue (Expense) and Changes in Net Position			
Governmental Activities	Business-Type Activities	Totals	
		2019	2018
\$ (359,523)	\$ -	\$ (359,523)	\$ (325,398)
(509,728)	-	(509,728)	(470,856)
(427,340)	-	(427,340)	(321,971)
1,907	-	1,907	1,752
(207,290)	-	(207,290)	(257,487)
(136,988)	-	(136,988)	(59,078)
(98,706)	-	(98,706)	(105,882)
(1,737,668)	-	(1,737,668)	(1,538,920)
-	29,387	29,387	8,980
-	(74,864)	(74,864)	(120,290)
-	327,781	327,781	232,757
-	18,326	18,326	13,032
-	(18,600)	(18,600)	800
-	282,030	282,030	135,279
(1,737,668)	282,030	(1,455,638)	(1,403,641)
921,294	30,000	951,294	896,611
19,606	-	19,606	19,327
548,354	1,745	550,099	567,769
1,049	-	1,049	100,610
35,973	118,149	154,122	84,336
16,964	286,150	303,114	46,818
7,027	(7,027)	-	-
1,550,267	429,017	1,979,284	1,715,471
(187,401)	711,047	523,646	311,830
5,294,742	9,084,673	14,379,415	14,067,585
<u>\$ 5,107,341</u>	<u>\$ 9,795,720</u>	<u>\$ 14,903,061</u>	<u>\$ 14,379,415</u>

See accompanying Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

**CITY OF KENYON, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)**

	2019					2018	
	General	Capital Projects Fund	Debt Service Fund	Economic Development Authority	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Investments	\$ 583,610	\$ 1,051,823	\$ 228,937	\$ 181,680	\$ 156,822	\$ 2,202,872	\$ 1,847,568
Restricted Cash and Investments	-	-	-	-	-	-	648
Accounts Receivable	3,505	-	-	-	-	3,505	33,295
Developer Receivable - Deferred	7,644	-	-	-	-	7,644	7,644
Taxes Receivable	22,723	-	-	-	-	22,723	30,110
Special Assessments Receivable:							
Delinquent	2,923	-	-	-	-	2,923	134
Deferred	-	-	50,909	-	950	51,859	67,995
Accrued Interest Receivable	6,667	8,747	-	-	1,388	16,802	2,890
Due from Other Funds	202,766	-	-	-	-	202,766	204,201
Due from Other Governmental Units	13,133	-	-	-	-	13,133	35,555
Prepaid Items	26,104	-	-	904	6,700	33,708	31,811
Property Held for Resale	-	-	-	213,000	-	213,000	244,300
Total Assets	\$ 869,075	\$ 1,060,570	\$ 279,846	\$ 395,584	\$ 165,860	\$ 2,770,935	\$ 2,506,151
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
LIABILITIES							
Accounts Payable	\$ 33,027	\$ 122,505	\$ -	\$ 73,545	\$ 11,307	\$ 240,384	\$ 82,958
Accrued Liabilities	12,225	-	-	-	2,201	14,426	13,662
Due to Other Funds	-	132,155	-	-	-	132,155	135,605
Advances from Other Funds	-	300,767	-	273,154	-	573,921	81,925
Deposits	-	-	-	500	-	500	500
Total Liabilities	45,252	555,427	-	347,199	13,508	961,386	314,650
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue:							
Property Taxes	22,723	-	-	-	-	22,723	30,110
Special Assessments	2,923	-	50,253	-	-	53,176	68,129
Other Receivables	7,644	-	-	-	950	8,594	34,232
Total Deferred Inflows of Resources	33,290	-	50,253	-	950	84,493	132,471
FUND BALANCE							
Nonspendable for Prepaid Items	26,104	-	-	904	6,700	33,708	31,811
Nonspendable for Property Held for Resale	-	-	-	-	-	-	21,000
Restricted:							
Police Forfeitures	-	-	-	-	1,269	1,269	1,269
Future Debt Retirement	-	-	229,593	-	-	229,593	296,516
Committed for Capital Projects	-	505,143	-	-	-	505,143	692,446
Assigned:							
Fire Department	-	-	-	-	31,423	31,423	31,644
Library Operations	-	-	-	-	58,231	58,231	52,530
Economic Development	-	-	-	47,481	-	47,481	147,562
Special Purpose Contributions	-	-	-	-	53,779	53,779	47,275
Unassigned	764,429	-	-	-	-	764,429	736,977
Total Fund Balance	790,533	505,143	229,593	48,385	151,402	1,725,056	2,059,030
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 869,075	\$ 1,060,570	\$ 279,846	\$ 395,584	\$ 165,860	\$ 2,770,935	\$ 2,506,151

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total Fund Balance for Governmental Funds \$ 1,725,056

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	
Construction in Progress	435,724	
Buildings and Building Improvements	4,383,086	
Infrastructure and Infrastructure Improvements	2,962,303	
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,892,941	
Less: Accumulated Depreciation	<u>(3,626,015)</u>	7,365,996

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	22,723	
Delinquent and Unavailable Special Assessments	53,176	
Developer Receivable	<u>8,594</u>	84,493

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	(464,097)	
Deferred Outflow of Resources - Pension	226,668	
Deferred Inflows of Resources - Pension	<u>(353,460)</u>	(590,889)

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	(3,016,420)	
Capital Lease Payable	(404,502)	
Bond Discounts	165	
Compensated Absences	(25,683)	
Accrued Interest Payable	<u>(30,875)</u>	<u>(3,477,315)</u>

Total Net Position of Governmental Activities		<u><u>\$ 5,107,341</u></u>
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**CITY OF KENYON, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019					2018	
	General	Capital Projects Fund	Debt Service Fund	Economic Development Authority	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 557,199	\$ -	\$ 128,092	\$ 21,030	\$ 221,365	\$ 927,686	\$ 827,530
Tax Increment	-	-	-	-	19,606	19,606	19,327
Special Assessments	172	-	21,164	-	-	21,336	42,042
Licenses and Permits	6,330	-	-	-	-	6,330	8,426
Intergovernmental	579,161	-	-	410,668	74,887	1,064,716	682,230
Charges for Services	95,637	-	-	-	65,309	160,946	153,615
Fines and Forfeits	5,249	-	-	-	540	5,789	6,277
Investment Earnings	15,760	17,013	-	44	3,156	35,973	17,396
Donations	-	-	-	-	21,149	21,149	29,995
Miscellaneous	50,195	-	-	11,322	2,374	63,891	61,266
Total Revenues	<u>1,309,703</u>	<u>17,013</u>	<u>149,256</u>	<u>443,064</u>	<u>408,386</u>	<u>2,327,422</u>	<u>1,848,104</u>
EXPENDITURES							
Current:							
General Government	407,065	-	-	-	-	407,065	391,683
Public Safety	382,854	-	-	-	108,813	491,667	442,894
Public Works	268,793	-	-	-	-	268,793	282,281
Sanitation and Recycling	44,615	-	-	-	-	44,615	44,230
Culture and Recreation	111,486	-	-	-	201,813	313,299	313,630
Economic Development	-	-	-	530,855	19,606	550,461	114,715
Capital Outlay	27,062	531,367	-	10,300	-	568,729	156,763
Debt Service:							
Principal	-	-	193,889	-	-	193,889	144,389
Interest and Fiscal Charges	-	-	96,417	2,048	-	98,465	107,830
Total Expenditures	<u>1,241,875</u>	<u>531,367</u>	<u>290,306</u>	<u>543,203</u>	<u>330,232</u>	<u>2,936,983</u>	<u>1,998,415</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	67,828	(514,354)	(141,050)	(100,139)	78,154	(609,561)	(150,311)
OTHER FINANCING SOURCES (USES)							
Transfers In	85,952	221,831	74,775	-	-	382,558	320,802
Transfers Out	(155,876)	(153,052)	(648)	-	(65,955)	(375,531)	(233,530)
Proceeds from Capital Leases	-	258,272	-	-	-	258,272	-
Proceeds on Capital Asset Disposal	10,288	-	-	-	-	10,288	100,860
Total Other Financing Sources (Uses)	<u>(59,636)</u>	<u>327,051</u>	<u>74,127</u>	<u>-</u>	<u>(65,955)</u>	<u>275,587</u>	<u>188,132</u>
NET CHANGE IN FUND BALANCE	8,192	(187,303)	(66,923)	(100,139)	12,199	(333,974)	37,821
Fund Balance - Beginning of Year	782,341	692,446	296,516	148,524	139,203	2,059,030	2,021,209
FUND BALANCE - END OF YEAR	<u>\$ 790,533</u>	<u>\$ 505,143</u>	<u>\$ 229,593</u>	<u>\$ 48,385</u>	<u>\$ 151,402</u>	<u>\$ 1,725,056</u>	<u>\$ 2,059,030</u>

See accompanying Notes to 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, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ (333,974)

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	535,720
Depreciation Expense	(281,337)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) to decrease net position.

Book Value of Disposal of Capital Assets	(370)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(47,978)
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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	2,595
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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.

	3,063
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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:

Proceeds from Capital Leases	(258,272)
Change in Bond Discounts	(1,973)
Repayment of Bond Principal	143,455
Repayment of Capital Lease	50,440
Change in Accrued Interest Expense for General Obligation Bonds	1,230
	1,230

Change in Net Position of Governmental Activities	\$ (187,401)
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**CITY OF KENYON, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019				2018
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Property Taxes	\$ 564,090	\$ 564,090	\$ 557,199	\$ (6,891)	\$ 463,930
Special Assessments	20	20	172	152	93
Licenses and Permits	6,900	6,900	6,330	(570)	8,426
Intergovernmental:					
Local Government Aid	545,500	545,500	545,516	16	562,064
Market Value Credit	-	-	1,119	1,119	540
Police State Aid	16,000	16,000	27,479	11,479	26,100
Other State Aids	2,720	2,720	5,047	2,327	9,114
Total Intergovernmental	<u>564,220</u>	<u>564,220</u>	<u>579,161</u>	<u>14,941</u>	<u>597,818</u>
Charges for Services:					
General Government	19,400	19,400	22,708	3,308	22,854
Recycling	45,000	45,000	46,522	1,522	45,982
Culture and Recreation	25,700	25,700	26,407	707	23,837
Total Charges for Services	<u>90,100</u>	<u>90,100</u>	<u>95,637</u>	<u>5,537</u>	<u>92,673</u>
Fines and Forfeits	6,000	6,000	5,249	(751)	5,619
Investment Earnings	5,900	5,900	15,760	9,860	6,046
Miscellaneous:					
Refunds and Reimbursements	-	-	5,369	5,369	10
Dividends	3,700	3,700	1,352	(2,348)	1,250
Rents	2,800	2,800	2,300	(500)	2,783
Shared Facility Charge	39,000	39,000	39,000	-	39,000
Other	200	200	2,174	1,974	2,544
Total Miscellaneous	<u>45,700</u>	<u>45,700</u>	<u>50,195</u>	<u>4,495</u>	<u>45,587</u>
Total Revenues	<u>1,282,910</u>	<u>1,282,910</u>	<u>1,309,703</u>	<u>26,773</u>	<u>1,220,192</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, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019				2018
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES					
General Government:					
Mayor and Council:					
Employee Services	\$ 14,400	\$ 14,400	\$ 13,301	\$ 1,099	\$ 12,116
Other Services and Charges	850	850	301	549	440
Total Mayor and Council	<u>15,250</u>	<u>15,250</u>	<u>13,602</u>	<u>1,648</u>	<u>12,556</u>
City Administration:					
Employee Services	238,570	238,570	236,176	2,394	227,183
Travel and Conferences	5,500	5,500	4,173	1,327	5,033
Other Services and Charges	<u>2,020</u>	<u>2,020</u>	<u>3,190</u>	<u>(1,170)</u>	<u>2,737</u>
Total City Administration	<u>246,090</u>	<u>246,090</u>	<u>243,539</u>	<u>2,551</u>	<u>234,953</u>
Elections	-	-	3,482	(3,482)	2,838
General Government Services:					
Employee Services	9,750	9,750	9,279	471	9,374
Supplies	12,800	12,800	12,852	(52)	12,429
Telephone	5,300	5,300	8,010	(2,710)	6,888
Insurance	5,330	5,330	5,133	197	5,550
Utilities	8,020	8,020	7,744	276	7,619
Other Services and Charges	<u>42,810</u>	<u>42,810</u>	<u>47,722</u>	<u>(4,912)</u>	<u>46,033</u>
Total General Government Services	<u>84,010</u>	<u>84,010</u>	<u>90,740</u>	<u>(6,730)</u>	<u>87,893</u>
Professional Services:					
Auditing and Accounting	14,560	14,560	12,060	2,500	15,095
Legal	25,000	25,000	37,687	(12,687)	25,947
Engineering	<u>12,000</u>	<u>12,000</u>	<u>5,955</u>	<u>6,045</u>	<u>12,401</u>
Total Professional Services	<u>51,560</u>	<u>51,560</u>	<u>55,702</u>	<u>(4,142)</u>	<u>53,443</u>
Total General Government	396,910	396,910	407,065	(10,155)	391,683

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, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019			2018	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES (CONTINUED)					
Public Safety:					
Police Protection:					
Employee Services	\$ 314,320	\$ 314,320	\$ 321,475	\$ (7,155)	\$ 305,844
Supplies	13,100	13,100	14,416	(1,316)	19,188
Legal	12,000	12,000	12,222	(222)	12,784
Telephone	3,600	3,600	4,222	(622)	3,672
Insurance	10,710	10,710	11,675	(965)	10,238
Other Services and Charges	18,450	18,450	18,844	(394)	23,260
Total Police Protection	<u>372,180</u>	<u>372,180</u>	<u>382,854</u>	<u>(10,674)</u>	<u>374,986</u>
Total Public Safety	372,180	372,180	382,854	(10,674)	374,986
Public Works:					
Streets:					
Employee Services	148,550	148,550	135,464	13,086	123,325
Supplies	95,100	95,100	65,179	29,921	99,834
Insurance	6,160	6,160	6,096	64	6,089
Utilities	7,380	7,380	6,111	1,269	6,629
Other Services and Charges	12,800	12,800	28,646	(15,846)	18,649
Total Highways and Streets	<u>269,990</u>	<u>269,990</u>	<u>241,496</u>	<u>28,494</u>	<u>254,526</u>
Street Lighting	<u>24,000</u>	<u>24,000</u>	<u>27,297</u>	<u>(3,297)</u>	<u>27,755</u>
Total Public Works	293,990	293,990	268,793	25,197	282,281
Sanitation and Recycling:					
Recycling	44,220	44,220	44,615	(395)	44,230

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, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019			2018	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES (CONTINUED)					
Culture and Recreation:					
Gunderson House:					
Insurance	\$ 3,330	\$ 3,330	\$ 3,261	\$ 69	\$ 3,284
Management Fees	2,500	2,500	2,500	-	2,500
Other Services and Charges	400	400	2,853	(2,453)	-
Total Gunderson House	<u>6,230</u>	<u>6,230</u>	<u>8,614</u>	<u>(2,384)</u>	<u>5,784</u>
Parks and Recreation and Community Garden:					
Employee Services	27,930	27,930	29,282	(1,352)	31,818
Supplies	2,550	2,550	3,647	(1,097)	5,153
Insurance	4,170	4,170	4,080	90	4,107
Utilities	1,820	1,820	3,274	(1,454)	2,813
Other Services and Charges	<u>5,520</u>	<u>5,520</u>	<u>4,436</u>	<u>1,084</u>	<u>2,030</u>
Total Parks and Recreation and Community Garden	41,990	41,990	44,719	(2,729)	45,921
Swimming Pool:					
Employee Services	37,330	37,330	34,592	2,738	33,423
Supplies	7,600	7,600	6,592	1,008	5,864
Insurance	2,890	2,890	2,836	54	2,847
Utilities	12,790	12,790	9,602	3,188	12,919
Other Services and Charges	<u>8,020</u>	<u>8,020</u>	<u>4,531</u>	<u>3,489</u>	<u>6,940</u>
Total Swimming Pool	<u>68,630</u>	<u>68,630</u>	<u>58,153</u>	<u>10,477</u>	<u>61,993</u>
Total Culture and Recreation	116,850	116,850	111,486	5,364	113,698
Capital Outlay	<u>9,500</u>	<u>9,500</u>	<u>27,062</u>	<u>(17,562)</u>	<u>6,400</u>
Total Expenditures	<u>1,233,650</u>	<u>1,233,650</u>	<u>1,241,875</u>	<u>(8,225)</u>	<u>1,213,278</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	49,260	49,260	67,828	18,548	6,914
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	-	-	10,288	10,288	885
Transfers In	88,000	88,000	85,952	(2,048)	87,272
Transfers Out	<u>(120,500)</u>	<u>(120,500)</u>	<u>(155,876)</u>	<u>(35,376)</u>	<u>(118,000)</u>
Total Other Financing Sources (Uses)	<u>(32,500)</u>	<u>(32,500)</u>	<u>(59,636)</u>	<u>(27,136)</u>	<u>(29,843)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 16,760</u>	<u>\$ 16,760</u>	8,192	<u>\$ (8,588)</u>	(22,929)
Fund Balance - Beginning of Year			<u>782,341</u>		<u>805,270</u>
FUND BALANCE - END OF YEAR			<u>\$ 790,533</u>		<u>\$ 782,341</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2019
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)**

	2019		
	Water	Sewer	Electric
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Investments	\$ 609,131	\$ 785,287	\$ 2,716,029
Accounts Receivable	33,555	13,345	392,376
Special Assessments Receivable	2,113	63,583	4,033
Accrued Interest Receivable	3,936	8,450	22,075
Due from Other Funds	1,336	35,815	506
Inventories	24,028	-	136,055
Prepaid Items	2,071	3,985	52,503
Total Current Assets	<u>676,170</u>	<u>910,465</u>	<u>3,323,577</u>
NONCURRENT ASSETS			
Advances to Other Funds	-	-	598,471
Capital Assets:			
Nondepreciable	9,379	-	14,372
Depreciable	<u>2,216,303</u>	<u>8,078,857</u>	<u>5,472,682</u>
Total Capital Assets	2,225,682	8,078,857	5,487,054
Less: Accumulated Depreciation	<u>(1,374,167)</u>	<u>(4,936,893)</u>	<u>(3,845,964)</u>
Total Net Capital Assets	<u>851,515</u>	<u>3,141,964</u>	<u>1,641,090</u>
Total Noncurrent Assets	851,515	3,141,964	2,239,561
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	<u>3,863</u>	<u>6,103</u>	<u>12,147</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,531,548</u>	<u>\$ 4,058,532</u>	<u>\$ 5,575,285</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Current Portion of Long-Term Debt	\$ 23,315	\$ 131,943	\$ 3,190
Accounts Payable	7,023	17,411	112,911
Accrued Compensation	2,004	1,584	5,892
Compensated Absences	2,833	2,604	8,326
Due to Other Funds	-	1,843	110,664
Due to Other Governmental Units	-	-	-
Deposits	4,512	-	14,285
Accrued Interest Payable	1,172	8,263	142
Total Current Liabilities	<u>40,859</u>	<u>163,648</u>	<u>255,410</u>
LONG-TERM LIABILITIES			
Long-Term Debt, Net of Current Portion	93,915	1,511,945	11,020
Net Pension Liability	49,361	51,437	155,204
Advances from Other Funds	-	-	-
Total Long-Term Liabilities	<u>143,276</u>	<u>1,563,382</u>	<u>166,224</u>
Total Liabilities	184,135	1,727,030	421,634
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	<u>11,088</u>	<u>11,921</u>	<u>34,866</u>
NET POSITION			
Net Investment in Capital Assets	734,285	1,498,076	1,626,880
Restricted	-	-	-
Unrestricted	<u>602,040</u>	<u>821,505</u>	<u>3,491,905</u>
Total Net Position	<u>1,336,325</u>	<u>2,319,581</u>	<u>5,118,785</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,531,548</u>	<u>\$ 4,058,532</u>	<u>\$ 5,575,285</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS (CONTINUED)
 STATEMENT OF NET POSITION
 DECEMBER 31, 2019
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)**

		2019			
Municipal Liquor	Storm Water	Total	2018 Total		
\$ 115,068	\$ 536,658	\$ 4,762,173	\$ 4,813,945		
751	-	440,027	374,302		
-	100	69,829	92,022		
909	5,513	40,883	13,450		
-	4,239	41,896	40,084		
45,832	-	205,915	209,447		
3,978	199	62,736	75,581		
<u>166,538</u>	<u>546,709</u>	<u>5,623,459</u>	<u>5,618,831</u>		
-	-	598,471	119,584		
42,813	-	66,564	64,297		
<u>394,855</u>	<u>745,255</u>	<u>16,907,952</u>	<u>16,446,209</u>		
437,668	745,255	16,974,516	16,510,506		
<u>(276,985)</u>	<u>(379,294)</u>	<u>(10,813,303)</u>	<u>(10,382,374)</u>		
<u>160,683</u>	<u>365,961</u>	<u>6,161,213</u>	<u>6,128,132</u>		
160,683	365,961	6,759,684	6,247,716		
9,229	631	31,973	58,967		
<u>\$ 336,450</u>	<u>\$ 913,301</u>	<u>\$ 12,415,116</u>	<u>\$ 11,925,514</u>		
\$ -	\$ 12,425	\$ 170,873	\$ 169,125		
15,297	138	152,780	184,690		
2,514	171	12,165	10,564		
4,665	280	18,708	16,336		
-	-	112,507	108,680		
4,554	-	4,554	-		
-	-	18,797	16,842		
-	734	10,311	11,331		
<u>27,030</u>	<u>13,748</u>	<u>500,695</u>	<u>517,568</u>		
-	61,041	1,677,921	1,848,795		
77,781	5,314	339,097	336,612		
<u>24,550</u>	<u>-</u>	<u>24,550</u>	<u>37,659</u>		
<u>102,331</u>	<u>66,355</u>	<u>2,041,568</u>	<u>2,223,066</u>		
129,361	80,103	2,542,263	2,740,634		
18,027	1,231	77,133	100,207		
160,683	292,495	4,312,419	4,110,212		
-	-	-	55,880		
<u>28,379</u>	<u>539,472</u>	<u>5,483,301</u>	<u>4,918,581</u>		
<u>189,062</u>	<u>831,967</u>	<u>9,795,720</u>	<u>9,084,673</u>		
<u>\$ 336,450</u>	<u>\$ 913,301</u>	<u>\$ 12,415,116</u>	<u>\$ 11,925,514</u>		

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2019
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019		
	Water	Sewer	Electric
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ -
Costs of Goods Sold	-	-	-
Charges for Services	258,668	389,936	1,960,739
Total Gross Profit and Operating Revenues	<u>258,668</u>	<u>389,936</u>	<u>1,960,739</u>
OPERATING EXPENSES			
Power Costs	-	-	966,295
Conservation Improvement Program	-	-	17,217
Employee Services	89,730	94,687	341,718
Supplies	5,891	13,725	4,176
Professional Services	1,135	8,418	5,328
Insurance	2,192	6,144	52,115
Utilities	14,303	70,607	24,728
Repairs and Maintenance	15,452	26,158	23,742
Depreciation	79,317	222,518	121,348
Dues and Subscriptions	2,047	-	4,522
Other Services	-	302	205
Safety	728	-	8,421
Generator Expense	-	-	18,012
Shared Facility Charge	7,800	-	31,200
Other Operating Expenses	8,402	4,762	11,459
Total Operating Expenses	<u>226,997</u>	<u>447,321</u>	<u>1,630,486</u>
OPERATING INCOME (LOSS)	31,671	(57,385)	330,253
OTHER INCOME (EXPENSES)			
Miscellaneous Nonoperating Revenues	7,115	5,939	240,866
Dividend	64	260	3,482
Intergovernmental Revenues	303	118	1,069
Property Taxes	-	30,000	-
Special Assessments	567	3,585	1,417
Interest Revenue	10,742	18,221	75,168
Gain (Loss) on Disposal of Capital Assets	-	2,100	6,900
Miscellaneous Nonoperating Expenses	-	-	(10,002)
Interest Expense	(2,851)	(23,164)	(787)
Total Other Income	<u>15,940</u>	<u>37,059</u>	<u>318,113</u>
NET INCOME BEFORE TRANSFERS	47,611	(20,326)	648,366
TRANSFERS			
Transfers In	-	63,925	-
Transfers Out	-	-	(65,952)
Net Transfers	<u>-</u>	<u>63,925</u>	<u>(65,952)</u>
CHANGE IN NET POSITION	47,611	43,599	582,414
Net Position - Beginning of Year	<u>1,288,714</u>	<u>2,275,982</u>	<u>4,536,371</u>
NET POSITION - END OF YEAR	<u>\$ 1,336,325</u>	<u>\$ 2,319,581</u>	<u>\$ 5,118,785</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS (CONTINUED)
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2019
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

		2019			
Municipal Liquor	Storm Water	Total		2018 Totals	
\$ 844,711	\$ -	\$ 844,711	\$ 791,642		
(556,222)	-	(556,222)	(517,499)		
-	46,522	2,655,865	2,618,949		
<u>288,489</u>	<u>46,522</u>	<u>2,944,354</u>	<u>2,893,092</u>		
		966,295	1,093,995		
		17,217	13,765		
165,995	14,241	706,371	648,523		
5,829	-	29,621	29,718		
-	-	14,881	17,312		
9,146	96	69,693	69,085		
17,701	-	127,339	130,727		
12,945	16,708	95,005	101,912		
14,649	32,408	470,240	437,128		
1,105	-	7,674	36,069		
22,333	-	22,840	36,101		
-	-	9,149	10,148		
-	-	18,012	19,996		
-	-	39,000	39,000		
20,137	-	44,760	39,109		
<u>269,840</u>	<u>63,453</u>	<u>2,638,097</u>	<u>2,722,588</u>		
18,649	(16,931)	306,257	170,504		
		282,153	35,377		
28,233	-	3,997	4,351		
187	4	1,745	3,446		
218	37	30,000	60,000		
-	-	5,676	4,057		
-	107	118,149	66,940		
2,475	11,543	9,000	-		
-	-	(10,002)	(5,730)		
-	-	(28,901)	(33,552)		
<u>(323)</u>	<u>(1,776)</u>	<u>(28,901)</u>	<u>(33,552)</u>		
<u>30,790</u>	<u>9,915</u>	<u>411,817</u>	<u>134,889</u>		
49,439	(7,016)	718,074	305,393		
		78,925	-		
-	15,000	(85,952)	(87,272)		
<u>(20,000)</u>	<u>-</u>	<u>(85,952)</u>	<u>(87,272)</u>		
<u>(20,000)</u>	<u>15,000</u>	<u>(7,027)</u>	<u>(87,272)</u>		
29,439	7,984	711,047	218,121		
<u>159,623</u>	<u>823,983</u>	<u>9,084,673</u>	<u>8,866,552</u>		
<u>\$ 189,062</u>	<u>\$ 831,967</u>	<u>\$ 9,795,720</u>	<u>\$ 9,084,673</u>		

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2019
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019		
	Water	Sewer	Electric
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	\$ 257,385	\$ 389,936	\$ 1,898,274
Cash Paid to Suppliers and Others	(57,107)	(120,559)	(1,168,673)
Cash Paid to Employees	(100,154)	(92,240)	(287,153)
Net Cash Provided by Operating Activities	<u>100,124</u>	<u>177,137</u>	<u>442,448</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other Noncapital Income	7,179	6,199	234,346
Transfers Out	-	-	(65,952)
Intergovernmental Revenues	303	118	1,069
Repayment of Advances from (to) Other Funds	-	-	(478,887)
Property Taxes	-	30,000	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>7,482</u>	<u>100,242</u>	<u>(309,424)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(28,740)	(394,452)	(56,989)
Special Assessment Collections	580	26,779	481
Proceeds of Long-Term Debt	-	-	-
Principal Payments on Long-Term Debt	(23,315)	(130,196)	(3,190)
Interest Paid on Long-Term Debt	(3,013)	(23,914)	(42,694)
Net Cash Used by Capital and Related Financing Activities	<u>(54,488)</u>	<u>(521,783)</u>	<u>(102,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	<u>6,806</u>	<u>11,883</u>	<u>63,368</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	59,924	(232,521)	94,000
Cash and Cash Equivalents - Beginning of Year	<u>549,207</u>	<u>1,017,808</u>	<u>2,622,029</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 609,131</u>	<u>\$ 785,287</u>	<u>\$ 2,716,029</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 31,671	\$ (57,385)	\$ 330,253
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	79,317	222,518	121,348
(Increase) Decrease in Assets:			
Accounts Receivable	(735)	-	(64,968)
Due from Other Funds	-	(3,869)	1,763
Inventories	(4,792)	-	6,034
Prepaid Items	59	70	11,535
(Increase) Decrease in Deferred Outflows:			
Pensions	6,950	2,220	14,637
Increase (Decrease) in Liabilities:			
Accounts Payable	5,224	12,019	(23,075)
Customer Deposits	(548)	-	2,503
Salaries and Benefits Payable	67	52	1,272
Due to Other Funds	352	1,337	2,490
Compensated Absences	(354)	1,944	(1,234)
Net Pension Liability	(11,267)	2,440	155,204
Increase (Decrease) in Deferred Inflows:			
Pensions	(5,820)	(4,209)	(115,314)
Net Cash Provided by Operating Activities	<u>\$ 100,124</u>	<u>\$ 177,137</u>	<u>\$ 442,448</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

		2019			
Municipal Liquor	Storm Water	Total	2018 Totals		
\$ 288,467	\$ 46,522	\$ 2,880,584	\$ 2,922,878		
(107,319)	(16,792)	(1,470,450)	(1,605,186)		
<u>(161,857)</u>	<u>(12,705)</u>	<u>(654,109)</u>	<u>(653,106)</u>		
19,291	17,025	756,025	664,586		
28,420	4	276,148	33,998		
(20,000)	-	(85,952)	(87,272)		
218	37	1,745	3,446		
(13,109)	-	(491,996)	9,149		
-	-	30,000	60,000		
<u>(4,471)</u>	<u>15,041</u>	<u>(191,130)</u>	<u>19,321</u>		
(14,140)	-	(494,321)	(160,625)		
-	29	27,869	27,426		
-	-	-	-		
-	(12,425)	(169,126)	(171,168)		
<u>(323)</u>	<u>(1,861)</u>	<u>(71,805)</u>	<u>(32,577)</u>		
(14,463)	(14,257)	(707,383)	(336,944)		
<u>1,566</u>	<u>7,093</u>	<u>90,716</u>	<u>53,817</u>		
1,923	24,902	(51,772)	400,780		
<u>113,145</u>	<u>511,756</u>	<u>4,813,945</u>	<u>4,413,165</u>		
<u>\$ 115,068</u>	<u>\$ 536,658</u>	<u>\$ 4,762,173</u>	<u>\$ 4,813,945</u>		
\$ 18,649	\$ (16,931)	\$ 306,257	\$ 170,504		
14,649	32,408	470,240	437,128		
(22)	-	(65,725)	26,496		
-	(58)	(2,164)	(5,051)		
2,290	-	3,532	(18,110)		
1,249	(68)	12,845	10,190		
3,110	77	26,994	41,001		
(26,216)	138	(31,910)	41,690		
-	-	1,955	3,290		
39	171	1,601	3,658		
4,554	-	8,733	3,032		
1,736	280	2,372	(3,048)		
5,140	1,148	152,665	(67,147)		
<u>(5,887)</u>	<u>(140)</u>	<u>(131,370)</u>	<u>20,953</u>		
<u>\$ 19,291</u>	<u>\$ 17,025</u>	<u>\$ 756,025</u>	<u>\$ 664,586</u>		

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 included with the proprietary funds in this report.

Financial Reporting Entity

In accordance with GASB Statement Nos. 14 and 80, 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, 2019**

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 nonmajor funds. The City reports all proprietary funds as major funds.

CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 **Economic Development Authority fund** accounts for the accumulation of resources and payment of expenditures to carry out economic and industrial development and redevelopment consistent with policies established by the Council.

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, 2019**

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, 2019**

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, 2019**

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, refuse, sewer, water, and storm water utility services. The City bills and recognizes the electric, refuse, sewer, water, and storm water services revenues on a monthly basis. In addition the City bills customers monthly for 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, 2019**

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 acquisition 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.

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 to 30
Buildings and Structures	7 to 40
Infrastructure	25 to 50
Equipment and Machinery	5 to 40
Transportation Equipment	3 to 50
Roads and Highways	20 to 50

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 Position/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, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/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, 2019**

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 government-wide statements and 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, 2019. Investment earnings on cash and pooled investments are to each fund based average cash and investment balances on a monthly basis. 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.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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.

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, 2019, all of the City's deposits were insured and/or collateralized in accordance with Minnesota Statute 118A.03, Subd. 1 except for one depository account of Kenyon Public Utilities Commission, which had deposits of \$4,646 over FDIC coverage amounts.

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 13 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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- 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

As of December 31, 2019, 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	\$ 2,610,891	\$ 2,610,891	\$ -	\$ -
Negotiable CDs	NR	1,099,635	-	1,099,635	-
		3,710,526	<u>\$ 2,610,891</u>	<u>\$ 1,099,635</u>	<u>\$ -</u>
Cash and Deposits		<u>3,254,519</u>			
Total Cash and Investments		<u>\$ 6,965,045</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, 2019, 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, 2019**

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	\$ 1,099,635	<u>\$ -</u>	<u>\$ 1,099,635</u>	<u>\$ -</u>
Investments at Amortized Cost	2,610,891			
Cash and Deposits	<u>3,254,519</u>			
Total Cash and Investments	<u>\$ 6,965,045</u>			

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CAPITAL ASSETS

Capital asset activity for Governmental Activities for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,317,957	\$ -	\$ -	\$ 1,317,957
Construction in Progress	21,932	413,792	-	435,724
Total Capital Assets, Not Being Depreciated	<u>1,339,889</u>	<u>413,792</u>	<u>-</u>	<u>1,753,681</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	4,323,586	65,315	5,815	4,383,086
Infrastructure and Infrastructure Improvements	2,962,303	-	-	2,962,303
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,863,937	56,613	27,609	1,892,941
Total Capital Assets, Being Depreciated	<u>9,149,826</u>	<u>121,928</u>	<u>33,424</u>	<u>9,238,330</u>
Accumulated Depreciation for:				
Buildings and Building Improvements	1,040,853	112,501	5,815	1,147,539
Infrastructure and Infrastructure Improvements	1,141,230	86,103	-	1,227,333
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,195,649	82,733	27,239	1,251,143
Total Accumulated Depreciation	<u>3,377,732</u>	<u>281,337</u>	<u>33,054</u>	<u>3,626,015</u>
Total Capital Assets, Being Depreciated, Net	<u>5,772,094</u>	<u>(159,409)</u>	<u>370</u>	<u>5,612,315</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,111,983</u>	<u>\$ 254,383</u>	<u>\$ 370</u>	<u>\$ 7,365,996</u>

CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 CAPITAL ASSETS (CONTINUED)

Capital asset activity for Business-Type Activities for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 57,185	\$ -	\$ -	\$ 57,185
Construction in Progress	7,112	9,379	7,112	9,379
Total Capital Assets, Not Being Depreciated	<u>64,297</u>	<u>9,379</u>	<u>7,112</u>	<u>66,564</u>
Capital Assets, Being Depreciated:				
Machinery and Equipment	889,702	154,560	10,380	1,033,882
Buildings and Building Improvements	7,066,413	14,140	-	7,080,553
Infrastructure and Infrastructure Improvements	5,570,167	332,354	-	5,902,521
Transportation Equipment	338,009	-	28,931	309,078
Office Furniture	49,632	-	-	49,632
Generators	2,532,286	-	-	2,532,286
Total Capital Assets, Being Depreciated	<u>16,446,209</u>	<u>501,054</u>	<u>39,311</u>	<u>16,907,952</u>
Accumulated Depreciation for:				
Machinery and Equipment	424,874	60,673	10,380	475,167
Buildings and Building Improvements	4,920,709	179,275	-	5,099,984
Infrastructure and Infrastructure Improvements	3,077,581	161,105	-	3,238,686
Transportation Equipment	262,612	21,581	28,931	255,262
Office Furniture	47,265	2,343	-	49,608
Generators	1,649,333	45,263	-	1,694,596
Total Accumulated Depreciation	<u>10,382,374</u>	<u>470,240</u>	<u>39,311</u>	<u>10,813,303</u>
Total Capital Assets, Being Depreciated, Net	<u>6,063,835</u>	<u>30,814</u>	<u>-</u>	<u>6,094,649</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,128,132</u>	<u>\$ 40,193</u>	<u>\$ 7,112</u>	<u>\$ 6,161,213</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 22,273
Public Safety	112,839
Public Works	119,609
Culture and Recreation	26,616
Total Depreciation Expense, Governmental Activities	<u>\$ 281,337</u>
Business-Type Activities:	
Water	\$ 79,317
Sewer	222,518
Electric	121,348
Liquor	14,649
Storm Water	32,408
Total Depreciation Expense, Business-Type Activities	<u>\$ 470,240</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 CITY INDEBTEDNESS

The following is a schedule of changes in City indebtedness for the year ended December 31, 2019:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
G.O. Improvement Bonds	\$ 589,875	\$ -	\$ 106,885	\$ 482,990	\$ 111,885
G.O. USDA Bond	2,120,000	-	30,166	2,089,834	31,033
USDA Note	450,000	-	6,404	443,596	6,588
Discount on Bonds	(2,138)	-	(1,973)	(165)	-
Capital Lease	196,670	258,272	50,440	404,502	83,125
Compensated Absences	28,278	-	2,595	25,683	25,683
Total Governmental Activities	<u>3,382,685</u>	<u>258,272</u>	<u>194,517</u>	<u>3,446,440</u>	<u>258,314</u>
Business-Type Activities:					
G.O. Revenue	1,430,000	-	89,000	1,341,000	90,000
G.O. Improvement Bonds	470,126	-	58,116	412,010	58,115
Capital Lease	117,794	-	22,010	95,784	22,758
Compensated Absences	16,336	2,372	-	18,708	18,708
Total Business-Type Activities	<u>2,034,256</u>	<u>2,372</u>	<u>169,126</u>	<u>1,867,502</u>	<u>189,581</u>
Total Debt	<u>\$ 5,416,941</u>	<u>\$ 260,644</u>	<u>\$ 363,643</u>	<u>\$ 5,313,942</u>	<u>\$ 447,895</u>

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.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

General Obligation Improvement Bonds – Direct Borrowings

The City has an outstanding notes from direct borrowings related to its governmental activities of \$2,089,834 and \$443,596, they contain (1) a provision that if the City is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised (a) withhold approval of any disbursement request (b) reject any pending application by the City for financial assistance (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount of the note will be immediately due and payable with interest accrued thereon to the date of payment (d) exercise any other remedy available under law and (2) a provision that if the City fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised. These borrowings include and were used as follows:

- 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. As of December 31, 2019 the outstanding balance of \$2,089,834 and 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. As of December 31, 2019 the outstanding balance of \$443,596 and will mature in 2057.

General Obligation Revenue Bonds – Direct Borrowing

The City has an outstanding note from a direct borrowing related to its sewer proprietary fund of \$1,341,000 and contains (1) a provision that if the City is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised (a) withhold approval of any disbursement request (b) reject any pending application by the City for financial assistance (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount of the note will be immediately due and payable with interest accrued thereon to the date of payment (d) exercise any other remedy available under law and (2) a provision that if the City fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised. This loan was used to finance the City 2013 sanitary sewer project and waste water treatment plant project.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

Summary of City Indebtedness

The long-term debt obligations outstanding and related maturities and interest rates at December 31, 2019 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%	\$ 85,000
Series 2012A	78,775	2/1/2023	0.85 - 2.75%	33,565
Series 2016A	399,900	2/1/2036	1.15 - 3.00%	364,425
2017 USDA Bond (Direct Borrowing)	2,120,000	8/28/2057	0.90%	2,089,834
Less: Unamortized Discount				(165)
Net Bonded Debt				<u>2,572,659</u>
2017 USDA Note (Direct Borrowing)	450,000	8/28/2057	0.90%	443,596
Capital Leases:				
Fire Truck	330,000	12/15/2022	2.60%	149,605
Plow Truck	228,860	7/20/2026	3.20%	228,860
Ford F150	29,412	7/1/2023	3.00%	26,037
Total Capital Leases				<u>404,502</u>
Compensated Absences				<u>25,683</u>
Total Governmental Activities				<u><u>\$ 3,446,440</u></u>
Business-Type Activities:				
G.O. Revenue Bonds:				
Series 2013 Sewer (PFA) (Direct Borrowing)	1,828,630	2/1/1933	1.00%	\$ 1,341,000
G.O. Improvement Bonds:				
Series 2012A	496,225	2/1/2023	0.85 - 2.75%	211,435
Series 2016A	220,100	2/1/1936	1.15 - 3.00%	200,575
Net Bonded Debt				<u>1,753,010</u>
Capital Lease - Vactor Truck	165,064	8/1/2023		95,784
Compensated Absences				<u>18,708</u>
Total Business-Type Activities				<u><u>\$ 1,867,502</u></u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

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:

<u>Year Ended December 31,</u>	Governmental Activities Bonded Debt		Totals
	Principal	Interest	
2020	\$ 142,918	\$ 71,277	\$ 214,195
2021	59,495	68,170	127,665
2022	61,098	66,767	127,865
2023	62,043	65,239	127,282
2024	54,109	63,807	117,916
2025 - 2029	289,347	297,462	586,809
2030 - 2034	334,305	253,903	588,208
2035 - 2039	303,028	205,700	508,728
2039 - 2043	289,660	165,870	455,530
2044 - 2048	333,820	121,760	455,580
2049 - 2053	384,646	70,934	455,580
2054 - 2058	258,355	14,991	273,346
Totals	\$ 2,572,824	\$ 1,465,880	\$ 4,038,704

<u>Year Ended December 31,</u>	Governmental Activities USDA Note		Totals
	Principal	Interest	
2020	\$ 6,588	\$ 12,753	\$ 19,341
2021	6,777	12,564	19,341
2022	6,972	12,369	19,341
2023	7,172	12,169	19,341
2024	7,378	11,963	19,341
2025 - 2029	40,199	56,506	96,705
2030 - 2034	46,320	50,385	96,705
2035 - 2039	53,372	43,333	96,705
2040 - 2044	61,498	35,207	96,705
2045 - 2049	70,862	25,843	96,705
2050 - 2054	81,651	15,054	96,705
2055 - 2059	54,807	3,180	57,987
Totals	\$ 443,596	\$ 291,326	\$ 734,922

<u>Year Ended December 31,</u>	Business-Type Activities Bonded Debt		Totals
	Principal	Interest	
2020	\$ 148,115	\$ 22,755	\$ 170,870
2021	153,430	20,740	174,170
2022	158,745	18,387	177,132
2023	159,745	15,738	175,483
2024	103,650	13,850	117,500
2025 - 2029	535,025	51,802	586,827
2030 - 2034	465,900	19,197	485,097
2035 - 2039	28,400	852	29,252
Totals	\$ 1,753,010	\$ 163,321	\$ 1,916,331

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, 2019, the City did not exceed the statutory limitation.

NOTE 5 CAPITAL LEASES

Governmental Activities

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 \$66,705 as of December 31, 2019.

In July of 2019, the City entered into a lease agreement for financing the acquisition of a Ford F150 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 \$29,412 with related accumulated depreciation of \$2,101 as of December 31, 2019.

In October of 2019, the City entered into a lease agreement for financing the acquisition of a Freightliner plow 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 \$228,806 with related accumulated depreciation of \$-0- as of December 31, 2019.

The future minimum lease payments of the capital leases recorded in governmental activities are presented below.

<u>Year Ended December 31,</u>	<u>Amount</u>
2020	\$ 93,026
2021	97,068
2022	97,098
2023	44,668
2024	36,522
2025 - 2026	83,145
Total Minimum Lease Payments	<u>451,527</u>
Less: Interest	<u>(47,025)</u>
Present Value of Minimum Lease Payments	<u>\$ 404,502</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 CAPITAL LEASES (CONTINUED)

Business-Type Activities

In July 2017, the City entered into a lease agreement for financing the acquisition of a vactor truck for use in the sewer fund. 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 \$31,514 as of December 31, 2019.

<u>Year Ended December 31,</u>	<u>Amount</u>
2020	\$ 26,016
2021	26,016
2022	26,016
2023	26,016
Total Minimum Lease Payments	104,064
Less: Interest	(8,280)
Present Value of Minimum Lease Payments	<u>\$ 95,784</u>

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. Coordinated Plan members are covered by Social Security.
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.

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, 2019**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7 % of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50.0% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 50.0% after five years up to 100.0% 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 50.0% after 10 years up to 100.0% after 20 years of credited service. The annuity accrual rate is 3 % of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1.0%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$59,950. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$32,088. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$613,695 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund during PERA's fiscal year ending June 30, 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$19,166. The net pension liability was measured as of June 30, 2019 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the City's proportion share was 0.0111% which was an increase of 0.0003% from its proportion measured as of June 30, 2018.

City's Proportionate Share of the Net Pension Liability	\$	613,695
State's Proportionate Share of the Net Pension Liability Associated with the City		19,166
Total	\$	632,861

For the year ended December 31, 2019, the City recognized pension expense of \$67,577 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,436 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 ended December 31, 2019.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2019, 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	\$ 17,007	\$ -
Changes in Actuarial Assumptions	-	48,237
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	62,205
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	18,668	30,333
City Contributions Subsequent to the Measurement Date	28,879	-
Total	<u>\$ 64,554</u>	<u>\$ 140,775</u>

\$28,879 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 ending December 31, 2020. 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>
2020	\$ (43,023)
2021	(55,447)
2022	(7,619)
2023	989
2022	-
Thereafter	-

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$189,499 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0178% which was a decrease of 0.0006% to its proportion measured as of June 30, 2018. The City also recognized \$2,403 for the year ended December 31, 2019 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 until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$30,185 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, 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	\$ 8,046	\$ 28,844
Changes in Actuarial Assumptions	157,254	212,749
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	39,468
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	12,314	8,757
City Contributions Subsequent to the Measurement Date	16,473	-
Total	<u>\$ 194,087</u>	<u>\$ 289,818</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

\$16,473 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, 2020. 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>
2020	\$ (9,751)
2021	(23,838)
2022	(76,000)
2023	(705)
2023	(1,910)
Thereafter	-

The City recognized total pension expense of \$99,198 for all of the pension plans in which it participates. This includes \$67,577 for the General Employees Fund and \$30,185 for the Police and Fire Fund as well as the \$1,436 in special funding for the General Employees Fund.

Actuarial Assumptions

The total pension liability in the June 30, 2019 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 after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Actuarial Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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	35.50 %	5.10%
International Equity	17.50	5.90%
Bonds	20.00	0.75%
Alternative Assets	25.00	5.90%
Cash	2.00	0.00%
Totals	<u>100.00 %</u>	

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability in 2019 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	\$ 1,008,880	\$ 613,695	\$ 287,390
	<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 Police & Fire Plan Net Pension Liability	\$ 414,210	\$ 189,499	\$ 4

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, 2019**

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, Minnesota 55946

Contributions totaling \$29,536 were received by the Fire Relief from the State (through the City), in accordance with Minnesota Statute requirements for the year ended December 31, 2019.

NOTE 8 INTERFUND TRANSACTIONS

Transfers

Transfers during the year ended December 31, 2019 were as follows:

	Amount	Description
Major Governmental Funds:		
Transfers to General Fund from:		
Liquor Fund	\$ 20,000	Budgeted Transfer
Electric Fund	65,952	Payment in Lieu of Taxes
Total Transfers to General Fund	85,952	
Transfer to Debt Service Fund from:		
Capital Projects Fund	74,775	Budgeted Transfer
Transfers to Capital Projects from:		
General Fund	155,876	Budgeted Transfer
Other Governmental Funds	65,955	Budgeted Transfer
Total Transfers to Capital Projects Fund	221,831	
Total Transfers to Major Governmental Funds	382,558	
Proprietary Funds:		
Transfers to Sewer Fund from:		
Capital Projects Fund	63,277	Budgeted Transfer
Debt Service Fund	648	Budgeted Transfer
Total Transfers to Sewer Fund	63,925	
Transfers to Storm Water Fund from:		
Capital Projects Fund	15,000	Budgeted Transfer
Total Transfers to Proprietary Funds	78,925	
Total Interfund Transfers	\$ 461,483	

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 INTERFUND TRANSACTIONS (CONTINUED)

Interfund Receivables and Payables

The amounts due to and from other funds as of December 31, 2019 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	\$ 202,766	\$ -
Capital Projects Funds	-	132,155
Enterprise Funds:		
Water	1,336	-
Sewer	35,815	1,843
Electric	506	110,664
Storm Sewer	4,239	-
Total Due to/from	<u>\$ 244,662</u>	<u>\$ 244,662</u>

Advances to and from other funds as of December 31, 2019 were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Major Governmental Funds:		
Capital Projects Funds	\$ -	\$ 300,767
Economic Development Authority		273,154
Enterprise Funds:		
Electric	598,471	-
Liquor	-	24,550
Total Advances	<u>\$ 598,471</u>	<u>\$ 598,471</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 final payment is due to be paid in August 2026.

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, 2019**

NOTE 9 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Excess of expenditures over appropriations as of December 31, 2019:

	Appropriations	Expenditures	Excess
General Fund	\$ 1,233,650	\$ 1,241,875	\$ 8,225

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, 2019, 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	Economic Development Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:						
Prepaid Items	\$ 26,104	\$ -	\$ -	\$ 904	\$ 6,700	\$ 33,708
Restricted:						
Police Forfeitures	-	-	-	-	1,269	1,269
Future Debt Retirement	-	-	229,593	-	-	229,593
Committed:						
Capital Projects	-	505,143	-	-	-	505,143
Assigned:						
Fire Department	-	-	-	-	31,423	31,423
Library Operations	-	-	-	-	58,231	58,231
Economic Development	-	-	-	47,481	-	47,481
Special Purpose Contributions	-	-	-	-	53,779	53,779
Unassigned	764,429	-	-	-	-	764,429
Total Fund Balance	\$ 790,533	\$ 505,143	\$ 229,593	\$ 48,385	\$ 151,402	\$ 1,725,056

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, 2019**

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, 2019**

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 is an ongoing annual subscription unless cancelled by the Commission. The current agreement extends to June 30, 2020.

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, 2019, 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 \$19,606 being abated through a pay as you go note to finance a housing project.

NOTE 14 SUBSEQUENT EVENT

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness, shortages of personnel, and loss of liquor revenues due to the temporary closure of the on-sale portion of the City's liquor store. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Measurement Date					
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
General Employees Fund						
City's Proportion of the Net Pension Liability	0.0111%	0.0108%	0.0115%	0.0118%	0.0116%	0.0125%
City's Proportionate Share of the Net Pension Liability	\$ 613,695	\$ 599,141	\$ 734,152	\$ 958,101	\$ 601,172	\$ 587,187
State's Proportionate Share of the Net Pension Liability Associated with the City	19,166	19,557	9,229	-	-	-
Total	<u>\$ 632,861</u>	<u>\$ 618,698</u>	<u>\$ 743,381</u>	<u>\$ 958,101</u>	<u>\$ 601,172</u>	<u>\$ 587,187</u>
City's Covered Payroll	\$ 787,509	\$ 719,718	\$ 744,384	\$ 713,035	\$ 694,281	\$ 662,407
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	77.93%	83.25%	98.63%	134.37%	86.59%	88.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.53%	75.90%	68.90%	78.20%	78.70%
Police and Fire Fund						
City's Proportion of the Net Pension Liability	0.0178%	0.0184%	0.0180%	0.0180%	0.0160%	0.0160%
City's Proportionate Share of the Net Pension Liability	\$ 189,499	\$ 196,125	\$ 243,021	\$ 722,371	\$ 181,797	\$ 172,807
City's Covered Payroll	187,488	194,311	183,987	169,831	154,001	137,426
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	101.07%	100.93%	132.09%	425.35%	118.05%	125.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.26%	88.84%	85.43%	63.90%	86.60%	87.10%

*Additional information will be added as it becomes available.

NOTES TO SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

The following changes in plan provisions and actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

NOTES TO SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Police and Fire Fund

- The mortality projection scale was changed from MP-2016 to MP-2017.

The following changes in plan provisions and actuarial assumptions occurred in 2017:

General Employees Fund

- The State's special funding contribution increased from \$6 million to \$16 million.
- The Combined Service Annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA loads are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.

The assumed postretirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% 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 nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- 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%.

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

NOTES TO SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

Police and Fire Fund (Continued)

- 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 postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The Single Discount Rate was changed from 5.60% per annum to 7.50% per annum.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Employees Fund:						
Statutorily Required Contribution	\$ 59,950	\$ 55,672	\$ 53,376	\$ 54,277	\$ 50,223	\$ 47,633
Contributions in Relation to the Statutorily Required Contribution	<u>(59,950)</u>	<u>(55,672)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 799,333	\$ 742,293	\$ 711,680	\$ 723,693	\$ 694,281	\$ 662,407
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
Police and Fire Fund:						
Statutorily Required Contribution	\$ 32,088	\$ 31,225	\$ 32,304	\$ 28,092	\$ 23,482	\$ 21,152
Contributions in Relation to the Statutorily Required Contribution	<u>(32,088)</u>	<u>(31,225)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 189,310	\$ 192,747	\$ 199,407	\$ 173,407	\$ 154,001	\$ 137,426
Contributions as a Percentage of Covered Employee Payroll	16.95%	16.20%	16.20%	16.20%	16.20%	15.30%

*Additional information will be added as it becomes available.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)**

	2019	
	Fire Fund	Library Fund
ASSETS		
Cash and Investments	\$ 39,699	\$ 61,755
Receivables:		
Accounts Receivable	-	-
Special Assessments Receivable	950	-
Accrued Interest Receivable	422	515
Due from Other Governmental Units	-	-
Prepaid Items	5,380	1,320
Property Held for Resale	-	-
	\$ 46,451	\$ 63,590
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 8,698	\$ 1,838
Accrued Compensation	-	2,201
Advances from Other Funds	-	-
Customer Deposits	-	-
	8,698	4,039
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue:	950	-
FUND BALANCE		
Nonspendable for Prepaid Items	5,380	1,320
Restricted:		
Police Forfeitures	-	-
Assigned:		
Fire Department	31,423	-
Library Operations	-	58,231
Economic Development	-	-
Special Purpose Contributions	-	-
	36,803	59,551
Total Liabilities and Fund Balance (Deficit)	\$ 46,451	\$ 63,590

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)**

2019				2018	
Police Forfeiture	Special Purpose Donations	2004 Tax Abatement TIF/Sun Home	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
\$ 1,269	\$ 54,099	\$ -	\$ 156,822	\$ 156,472	
-	-	-	-	26,588	
-	-	-	950	-	
-	451	-	1,388	-	
-	-	-	-	25,060	
-	-	-	6,700	7,447	
-	-	-	-	223,300	
<u>\$ 1,269</u>	<u>\$ 54,550</u>	<u>\$ -</u>	<u>\$ 165,860</u>	<u>\$ 438,867</u>	
\$ -	\$ 771	\$ -	\$ 11,307	\$ 40,291	
-	-	-	2,201	1,836	
-	-	-	-	81,925	
-	-	-	-	500	
-	771	-	13,508	124,552	
-	-	-	950	26,588	
-	-	-	6,700	7,447	
1,269	-	-	1,269	1,269	
-	-	-	31,423	31,644	
-	-	-	58,231	52,530	
-	-	-	-	147,562	
-	53,779	-	53,779	47,275	
<u>1,269</u>	<u>53,779</u>	<u>-</u>	<u>151,402</u>	<u>287,727</u>	
<u>\$ 1,269</u>	<u>\$ 54,550</u>	<u>\$ -</u>	<u>\$ 165,860</u>	<u>\$ 438,867</u>	

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019	
	Fire Fund	Library Fund
REVENUES		
Taxes	\$ 64,660	\$ 157,700
Tax Increment	-	-
Intergovernmental	38,588	36,299
Charges for Services	65,309	-
Investment Earnings	1,234	808
Fines and Forfeitures	-	540
Donations	-	-
Miscellaneous	219	2,155
Total Revenues	<u>170,010</u>	<u>197,502</u>
EXPENDITURES		
Current:		
Public Safety	104,055	-
Culture and Recreation	-	191,807
Economic Development	-	-
Debt Service:		
Interest and Fiscal Charges	-	-
Total Expenditures	<u>104,055</u>	<u>191,807</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	65,955	5,695
OTHER FINANCING SOURCES (USES)		
Transfers Out	<u>(65,955)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	5,695
Fund Balance - Beginning of Year	<u>36,803</u>	<u>53,856</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 36,803</u></u>	<u><u>\$ 59,551</u></u>

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019			2018	
Police Forfeiture	Special Purpose Donations	2004 Tax Abatement TIF/Sun Home	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds	
\$ -	\$ (995)	\$ -	\$ 221,365	\$ 213,490	
-	-	19,606	19,606	19,327	
-	-	-	74,887	83,412	
-	-	-	65,309	60,942	
-	1,114	-	3,156	1,515	
-	-	-	540	658	
-	21,149	-	21,149	29,995	
-	-	-	2,374	15,035	
-	21,268	19,606	408,386	424,374	
-	4,758	-	108,813	67,908	
-	10,006	-	201,813	199,932	
-	-	19,606	19,606	114,715	
-	-	-	-	2,277	
-	14,764	19,606	330,232	384,832	
-	6,504	-	78,154	39,542	
-	-	-	(65,955)	(63,100)	
-	6,504	-	12,199	(23,558)	
1,269	47,275	-	139,203	311,285	
<u>\$ 1,269</u>	<u>\$ 53,779</u>	<u>\$ -</u>	<u>\$ 151,402</u>	<u>\$ 287,727</u>	

**CITY OF KENYON, MINNESOTA
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019				2018
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Property Taxes	\$ 64,660	\$ 64,660	\$ 64,660	\$ -	\$ 55,630
Intergovernmental:					
Fire State Aid	26,000	26,000	27,588	1,588	-
Other State Aid	4,000	4,000	11,000	7,000	2,878
Total Intergovernmental Revenue	<u>30,000</u>	<u>30,000</u>	<u>38,588</u>	<u>8,588</u>	<u>2,878</u>
Charges for Services:					
Fire Contracts	67,260	67,260	65,309	(1,951)	60,942
Investment Income	480	480	1,234	754	513
Miscellaneous Revenues:					
Dividends	700	700	219	(481)	337
Total Revenues	<u>163,100</u>	<u>163,100</u>	<u>170,010</u>	<u>6,910</u>	<u>120,300</u>
EXPENDITURES					
Public Safety:					
Employee Services	5,150	5,150	5,763	(613)	4,711
Supplies	26,500	26,500	5,429	21,071	3,660
Repairs and Miscellaneous	12,600	12,600	13,820	(1,220)	14,514
Professional Services	3,000	3,000	3,000	-	3,294
Training	10,850	10,850	20,845	(9,995)	5,887
Insurance	5,420	5,420	5,409	11	6,622
Utilities	10,430	10,430	11,947	(1,517)	13,458
Fire State Aid	26,000	26,000	29,536	(3,536)	-
Capital Outlay	-	-	-	-	-
Other Services and Charges	8,150	8,150	8,306	(156)	5,054
Total Public Safety	<u>108,100</u>	<u>108,100</u>	<u>104,055</u>	<u>4,045</u>	<u>57,200</u>
Total Expenditures	<u>108,100</u>	<u>108,100</u>	<u>104,055</u>	<u>4,045</u>	<u>57,200</u>
EXCESS OF REVENUES OVER EXPENDITURES	55,000	55,000	65,955	2,865	63,100
OTHER FINANCING USES					
Transfers Out	<u>(55,000)</u>	<u>(55,000)</u>	<u>(65,955)</u>	<u>(10,955)</u>	<u>(63,100)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ (8,090)</u>	<u>-</u>
Fund Balance - Beginning of Year			<u>36,803</u>		<u>36,803</u>
FUND BALANCE - END OF YEAR			<u>\$ 36,803</u>		<u>\$ 36,803</u>

**CITY OF KENYON, MINNESOTA
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019			Variance from Final Budget	2018
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Property Taxes	\$ 157,700	\$ 157,700	\$ 157,700	\$ -	\$ 142,865
Intergovernmental:					
County Aid	36,240	36,240	36,299	59	38,539
Fines and Forfeitures	800	800	540	(260)	658
Investment Income	200	200	808	608	269
Miscellaneous Revenues:					
Dividends	600	600	949	349	855
Other	900	900	1,206	306	1,953
Total Miscellaneous Revenues	<u>1,500</u>	<u>1,500</u>	<u>2,155</u>	<u>655</u>	<u>2,808</u>
Total Revenues	196,440	196,440	197,502	1,062	185,139
EXPENDITURES					
Culture and Recreation:					
Employee Services	152,010	152,010	148,920	3,090	141,262
Books and Other Materials	23,750	23,750	22,486	1,264	23,469
Repairs and Miscellaneous	250	250	-	250	717
Training	650	650	312	338	370
Insurance	2,270	2,270	2,252	18	2,200
Utilities	6,210	6,210	6,094	116	6,144
Automation	7,700	7,700	7,564	136	7,571
Capital Outlay	1,300	1,300	1,834	(534)	1,187
Other Services and Charges	2,300	2,300	2,345	(45)	2,378
Total Culture and Recreation	<u>196,440</u>	<u>196,440</u>	<u>191,807</u>	<u>4,633</u>	<u>185,298</u>
Total Expenditures	196,440	196,440	191,807	4,633	185,298
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	5,695	<u>\$ (3,571)</u>	(159)
Fund Balance - Beginning of Year			53,856		54,015
FUND BALANCE - END OF YEAR			<u>\$ 59,551</u>		<u>\$ 53,856</u>

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY DEBT ISSUANCE
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	2019			
	Trondheim Road Extension	2012 G.O. Improvement Bonds	2007 G.O. Refunding Bonds	Fire Truck Capital Lease
ASSETS				
Cash and Investments	\$ 100,222	\$ 21,231	\$ 61,841	\$ -
Restricted Cash and Investments	-	-	-	-
Special Assessments Receivable Deferred	-	-	-	-
Total Assets	<u>\$ 100,222</u>	<u>\$ 21,231</u>	<u>\$ 61,841</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:	-	-	-	-
FUND BALANCE				
Restricted for Debt Service	<u>100,222</u>	<u>21,231</u>	<u>61,841</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 100,222</u>	<u>\$ 21,231</u>	<u>\$ 61,841</u>	<u>\$ -</u>

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY DEBT ISSUANCE (CONTINUED)
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

		2019				2018	
2016 G.O. Improvement Bonds	2020 Freightliner 114SD Capital Lease	2019 Ford F150 Capital Lease	2017 USDA Note	2017 G.O. USDA Bonds	Total Debt Service Fund	Total Debt Service Fund	
\$ 25,106	\$ (500)	\$ -	\$ 1,695	\$ 19,342	\$ 228,937	\$ 296,584	
-	-	-	-	-	-	648	
50,909	-	-	-	-	50,909	67,995	
<u>\$ 76,015</u>	<u>\$ (500)</u>	<u>\$ -</u>	<u>\$ 1,695</u>	<u>\$ 19,342</u>	<u>\$ 279,846</u>	<u>\$ 365,227</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 716	
50,253	-	-	-	-	50,253	67,995	
25,762	(500)	-	1,695	19,342	229,593	296,516	
<u>\$ 76,015</u>	<u>\$ (500)</u>	<u>\$ -</u>	<u>\$ 1,695</u>	<u>\$ 19,342</u>	<u>\$ 279,846</u>	<u>\$ 365,227</u>	

CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY DEBT ISSUANCE
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

	2019			
	Trondheim Road Extension	2012 G.O. Improvement Bonds	2007 G.O. Refunding Bonds	Fire Truck Capital Lease
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-
Intergovernmental	-	-	-	-
Investment Earnings	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Principal	-	7,535	80,000	47,065
Interest and Fiscal Charges	-	868	5,745	5,365
Total Expenditures	<u>-</u>	<u>8,403</u>	<u>85,745</u>	<u>52,430</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(8,403)	(85,745)	(52,430)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	52,430
Transfers Out	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,430</u>
NET CHANGE IN FUND BALANCE	-	(8,403)	(85,745)	-
Fund Balance - Beginning of Year	<u>100,222</u>	<u>29,634</u>	<u>147,586</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 100,222</u>	<u>\$ 21,231</u>	<u>\$ 61,841</u>	<u>\$ -</u>

CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY DEBT ISSUANCE (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

		2019				2018	
2016 G.O. Improvement Bonds	2020 Freightliner 114SD Capital Lease	2017 USDA Note	2017 USDA Note	2017 G.O. USDA Bonds	Total Debt Service Fund	Total Debt Service Fund	
\$ 16,625	\$ -	\$ -	\$ 91,625	\$ 19,842	\$ 128,092	\$ 150,110	
21,164	-	-	-	-	21,164	41,949	
-	-	-	-	-	-	1,000	
-	-	-	-	-	-	700	
<u>37,789</u>	<u>-</u>	<u>-</u>	<u>91,625</u>	<u>19,842</u>	<u>149,256</u>	<u>193,759</u>	
19,350	-	3,375	30,160	6,404	193,889	144,389	
9,347	500	698	60,956	12,938	96,417	105,553	
<u>28,697</u>	<u>500</u>	<u>4,073</u>	<u>91,116</u>	<u>19,342</u>	<u>290,306</u>	<u>249,942</u>	
9,092	(500)	(4,073)	509	500	(141,050)	(56,183)	
-	-	4,073	-	18,272	74,775	52,430	
-	-	-	(648)	-	(648)	-	
<u>-</u>	<u>-</u>	<u>4,073</u>	<u>(648)</u>	<u>18,272</u>	<u>74,127</u>	<u>52,430</u>	
9,092	(500)	-	(139)	18,772	(66,923)	(3,753)	
16,670	-	-	1,834	570	296,516	300,269	
<u>\$ 25,762</u>	<u>\$ (500)</u>	<u>\$ -</u>	<u>\$ 1,695</u>	<u>\$ 19,342</u>	<u>\$ 229,593</u>	<u>\$ 296,516</u>	

**CITY OF KENYON, MINNESOTA
 COMBINING BALANCE SHEET – BY PROJECT
 DECEMBER 31, 2019
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)**

	2019		
	Capital Outlay	Fire Hall Capital	Red Wing Ave Project
ASSETS			
Cash and Investments	\$ 840,745	\$ -	\$ 211,078
Accrued Interest Receivable	8,747	-	-
	<u>\$ 849,492</u>	<u>\$ -</u>	<u>\$ 211,078</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 18,023	\$ -	\$ 104,482
Due to Other Funds	-	59,787	12,692
Advances from Other Funds	-	-	300,767
Total Liabilities	<u>18,023</u>	<u>59,787</u>	<u>417,941</u>
FUND BALANCE (DEFICIT)			
Committed	831,469	-	-
Unassigned	-	(59,787)	(206,863)
Total Fund Balance (Deficit)	<u>831,469</u>	<u>(59,787)</u>	<u>(206,863)</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 849,492</u>	<u>\$ -</u>	<u>\$ 211,078</u>

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY PROJECT (CONTINUED)
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

2019		2018	
2016 First Street	Total Capital Projects Fund	Total Capital Projects Fund	Total Capital Projects Fund
\$ -	\$ 1,051,823	\$ 833,531	\$ 833,531
-	8,747	1,730	1,730
<u>\$ -</u>	<u>\$ 1,060,570</u>	<u>\$ 835,261</u>	<u>\$ 835,261</u>
\$ -	\$ 122,505	\$ 10,660	\$ 10,660
59,676	132,155	132,155	132,155
-	300,767	-	-
<u>59,676</u>	<u>555,427</u>	<u>142,815</u>	<u>142,815</u>
-	831,469	833,841	833,841
(59,676)	(326,326)	(141,395)	(141,395)
<u>(59,676)</u>	<u>505,143</u>	<u>692,446</u>	<u>692,446</u>
<u>\$ -</u>	<u>\$ 1,060,570</u>	<u>\$ 835,261</u>	<u>\$ 835,261</u>

**CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY PROJECT
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019		
	Capital Outlay	Fire Hall Capital	Red Wing Ave Project
REVENUES			
Investment Earnings	\$ 17,013	\$ -	\$ -
Miscellaneous	-	-	-
Total Revenues	<u>17,013</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Capital Outlay	<u>346,436</u>	<u>-</u>	<u>184,931</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(329,423)	-	(184,931)
OTHER FINANCING SOURCES (USES)			
Transfers In	221,831	-	-
Transfers Out	(153,052)	-	-
Proceeds on Capital Asset Disposal	-	-	-
Proceeds from Capital Leases	258,272	-	-
Total Other Financing Sources (Uses)	<u>327,051</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	(2,372)	-	(184,931)
Fund Balance (Deficit) - Beginning of Year	<u>833,841</u>	<u>(59,787)</u>	<u>(21,932)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ 831,469</u></u>	<u><u>\$ (59,787)</u></u>	<u><u>\$ (206,863)</u></u>

**CITY OF KENYON, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE – BY PROJECT (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

2019		2018	
2016 First Street	Total Capital Projects Fund	Total Capital Projects Fund	Total Capital Projects Fund
\$ -	\$ 17,013	9,135	644
-	-	-	-
-	17,013	9,779	-
-	531,367	150,363	-
-	(514,354)	(140,584)	-
-	221,831	181,100	-
-	(153,052)	(52,430)	-
-	-	99,975	-
-	258,272	-	-
-	327,051	228,645	-
-	(187,303)	88,061	-
(59,676)	692,446	604,385	-
\$ (59,676)	\$ 505,143	\$ 692,446	-

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WATER FUND
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

	2019	2018
OPERATING REVENUES		
Charges for Services	\$ 258,668	\$ 263,556
OPERATING EXPENSES		
Employee Services	89,730	111,327
Supplies	5,891	5,416
Professional Services	1,135	1,080
Insurance	2,192	2,216
Utilities	14,303	14,197
Repairs and Maintenance	15,452	20,656
Depreciation	79,317	69,973
Dues and Subscriptions	2,047	386
Other Services	-	11,777
Safety	728	700
Shared Facility Charge	7,800	7,800
Other Operating Expenses	8,402	5,879
Total Operating Expenses	226,997	251,407
OPERATING INCOME	31,671	12,149
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	7,115	5,431
Dividend	64	161
Intergovernmental Revenues	303	647
Special Assessments	567	72
Interest Revenue	10,742	4,803
Interest Expense	(2,851)	(3,241)
Total Other Income	15,940	7,873
CHANGE IN NET POSITION	47,611	20,022
Net Position - Beginning of Year	1,288,714	1,268,692
NET POSITION - END OF YEAR	\$ 1,336,325	\$ 1,288,714

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEWER FUND
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

	2019	2018
OPERATING REVENUES		
Charges for Services	\$ 389,936	\$ 349,190
OPERATING EXPENSES		
Employee Services	94,687	89,814
Supplies	13,725	12,325
Professional Services	8,418	11,173
Insurance	6,144	6,439
Utilities	70,607	73,797
Repairs and Maintenance	26,158	43,654
Depreciation	222,518	203,918
Other Services	302	102
Other Operating Expenses	4,762	4,942
Total Operating Expenses	447,321	446,164
OPERATING LOSS	(57,385)	(96,974)
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	5,939	5,064
Dividend	260	280
Intergovernmental Revenues	118	373
Property Taxes	30,000	60,000
Special Assessments	3,585	3,786
Interest Revenue	18,221	12,712
Gain (Loss) on Disposal of Capital Assets	2,100	-
Interest Expense	(23,164)	(27,102)
Total Other Income	37,059	55,113
NET INCOME (LOSS) BEFORE TRANSFERS	(20,326)	(41,861)
TRANSFERS		
Transfers In	63,925	-
CHANGE IN NET POSITION	43,599	(41,861)
Net Position - Beginning of Year	2,275,982	2,317,843
NET POSITION - END OF YEAR	\$ 2,319,581	\$ 2,275,982

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ELECTRIC FUND
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

	2019	2018
OPERATING REVENUES		
Charges for Services	\$ 1,960,739	\$ 1,959,811
OPERATING EXPENSES		
Power Costs	966,295	1,093,995
Conservation Improvement Program	17,217	13,765
Employee Services	341,718	286,450
Supplies	4,176	6,145
Professional Services	5,328	5,059
Insurance	52,115	51,038
Utilities	24,728	24,699
Repairs and Maintenance	23,742	17,475
Depreciation	121,348	116,709
Dues and Subscriptions	4,522	34,247
Other Services	205	2,270
Safety	8,421	9,448
Generator Expense	18,012	19,996
Shared Facility Charge	31,200	31,200
Other Operating Expenses	11,459	8,372
Total Operating Expenses	1,630,486	1,720,868
OPERATING INCOME	330,253	238,943
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	240,866	6,677
Dividend	3,482	3,709
Intergovernmental Revenues	1,069	1,841
Special Assessments	1,417	199
Interest Revenue	75,168	41,775
Gain (Loss) on Disposal of Capital Assets	6,900	-
Miscellaneous Nonoperating Expenses	(10,002)	(5,730)
Interest Expense	(787)	(655)
Total Other Income	318,113	47,816
NET INCOME BEFORE TRANSFERS	648,366	286,759
TRANSFERS		
Transfers Out	(65,952)	(67,272)
CHANGE IN NET POSITION	582,414	219,487
Net Position - Beginning of Year	4,536,371	4,316,884
NET POSITION - END OF YEAR	\$ 5,118,785	\$ 4,536,371

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
LIQUOR FUND
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTAL FOR YEAR ENDED DECEMBER 31, 2018)

	2019	2018
OPERATING REVENUES		
Sales	\$ 844,711	\$ 791,642
Costs of Goods Sold	(556,222)	(517,499)
Total Gross Profit and Operating Revenues	288,489	274,143
OPERATING EXPENSES		
Employee Services	165,995	153,689
Supplies	5,829	5,832
Insurance	9,146	8,987
Utilities	17,701	18,034
Repairs and Maintenance	12,945	14,901
Depreciation	14,649	15,797
Dues and Subscriptions	1,105	1,436
Other Services	22,333	21,952
Other Operating Expenses	20,137	19,916
Total Operating Expenses	269,840	260,544
OPERATING INCOME	18,649	13,599
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	28,233	18,205
Dividend	187	197
Intergovernmental Revenues	218	553
Interest Revenue	2,475	1,047
Interest Expense	(323)	(567)
Total Other Income	30,790	19,435
NET INCOME BEFORE TRANSFERS	49,439	33,034
TRANSFERS		
Transfers Out	(20,000)	(20,000)
CHANGE IN NET POSITION	29,439	13,034
Net Position - Beginning of Year	159,623	146,589
NET POSITION - END OF YEAR	\$ 189,062	\$ 159,623

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
STORM WATER FUND
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

	2019	2018
OPERATING REVENUES		
Charges for Services	\$ 46,522	\$ 46,392
OPERATING EXPENSES		
Employee Services	14,241	7,243
Insurance	96	405
Repairs and Maintenance	16,708	5,226
Depreciation	32,408	30,731
Total Operating Expenses	63,453	43,605
OPERATING INCOME	(16,931)	2,787
OTHER INCOME (EXPENSES)		
Dividend	4	4
Intergovernmental Revenues	37	32
Special Assessments	107	-
Interest Revenue	11,543	6,603
Interest Expense	(1,776)	(1,987)
Total Other Income	9,915	4,652
NET INCOME (LOSS) BEFORE TRANSFERS	(7,016)	7,439
Transfers In	15,000	-
CHANGE IN NET POSITION	7,984	7,439
Net Position - Beginning of Year	823,983	816,544
NET POSITION - END OF YEAR	\$ 831,967	\$ 823,983

**CITY OF KENYON, MINNESOTA
PFA SEWER FUND LOAN OF 2013
LOAN RETIREMENT DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)**

	2019	2018
REVENUES		
Property Taxes	\$ 30,000	\$ 60,000
EXPENDITURES		
Principal	89,000	88,000
Interest	13,979	15,180
Total Operating Expenses	102,979	103,180
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(72,979)	(43,180)
Fund Balance - Beginning of Year	55,880	99,060
FUND BALANCE - END OF YEAR	\$ (17,099)	\$ 55,880

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.