

CITY OF KENYON, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2018

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YEAR ENDED DECEMBER 31, 2018**

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INTRODUCTORY SECTION

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**CITY OF KENYON, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2018**

Elected Officials

Term Expires

Mayor	Michael Engel	December 31, 2018
Council Member	Fred Barsness	December 31, 2018
Council Member	Doug Henke	December 31, 2018
Council Member	Richard Nielsen	December 31, 2020
Council Member	John Mortensen	December 31, 2020

Appointed Officials

Administrator Mark Vahlsing

Public Utilities Commission – Appointed

Chairperson	Richard Nielsen	December 31, 2020
Commissioner	Jim Malloy	December 31, 2018
Commissioner	Jerry Houghlum	December 31, 2019

Public Utilities Commission Administration – Appointed

Operations Superintendent Randy Eggert
Finance Clerk Susan Dodds

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FINANCIAL SECTION

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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, 2018, 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, 2018, 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 2017 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 4, 2018. The summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kenyon, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable Mayor and City Council
City of Kenyon, Minnesota

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2019, 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 24, 2019

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018. 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, 2018 (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) for the City of Kenyon was \$14,379,415. Of this amount, \$6,122,072 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the fiscal year, the City of Kenyon's governmental funds reported combined ending fund balances of \$2,059,030, of which 36% is unassigned.
- At the end of the fiscal year, unassigned fund balance of the general fund was \$736,977, or 61% of total general fund expenditures compared to 66% in 2017.
- The City of Kenyon decreased its existing debt principal by \$315,557 during the current fiscal year, leaving a remaining balance of \$5,374,465. The decrease is primarily due to the continued payment of principal on outstanding debt.

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, 2018**

The government-wide financial statements include the City of Kenyon itself (known as the primary government), as well as a legally separate economic development authority, which is reported as a governmental activity. The Economic Development Authority, although legally separate, functions for all practical purposes as a department of the City of Kenyon, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 16-18 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kenyon, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Kenyon can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Kenyon maintains nine individual governmental funds, including three major funds, General, Capital Projects, and Debt Service. The other six governmental funds include: Fire, Library, Economic Development Authority, Police Forfeiture, Special Purpose Donations, and 2004 Tax Abatement/Tax Increment Financing Sunset Home.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Capital Projects, and Debt Service funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

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

The basic governmental funds financial statements can be found on pages 19-26 of this report.

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

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

The proprietary fund financial statements can be found on pages 27-32 of this report.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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 68-87.

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 \$14,379,415 at the close of the fiscal year, with \$5,294,742 of this net position from governmental activities and \$9,084,673 from proprietary funds.

As noted in Table A-1, below, net position of \$7,867,788 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, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 7,111,983	\$ 7,210,097	\$ 5,592,076	\$ 5,227,248	\$ 12,704,059	\$ 12,437,345
Capital Assets	2,288,621	2,209,450	6,128,132	6,404,635	8,416,753	8,614,085
Total Assets	9,400,604	9,419,547	11,720,208	11,631,883	21,120,812	21,051,430
Deferred Outflows of Resources	329,044	439,447	58,967	99,968	388,011	539,415
Long-Term Liabilities	3,622,541	3,925,848	2,185,407	2,421,678	5,807,948	6,347,526
Other Liabilities	348,023	257,261	408,888	364,367	756,911	621,628
Total Liabilities	3,970,564	4,183,109	2,594,295	2,786,045	6,564,859	6,969,154
Deferred Inflows of Resources	464,342	474,852	100,207	79,254	564,549	554,106
Net Position:						
Net Investment in Capital Assets	3,757,576	3,713,274	4,110,212	4,215,547	7,867,788	7,928,821
Restricted	333,675	374,058	55,880	99,060	389,555	473,118
Unrestricted	1,203,491	1,113,701	4,918,581	4,551,945	6,122,072	5,665,646
Total Net Position	\$ 5,294,742	\$ 5,201,033	\$ 9,084,673	\$ 8,866,552	\$ 14,379,415	\$ 14,067,585

A portion \$(389,555) 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 \$(6,122,072) 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, 2018**

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

The total increase in net position for governmental activities is \$93,709 for the year ended December 31, 2018. The total revenues for governmental activities amounted to \$1,922,853 while total expenses were \$1,916,416 and Transfers in were \$87,272, which is illustrated in table A-2 below:

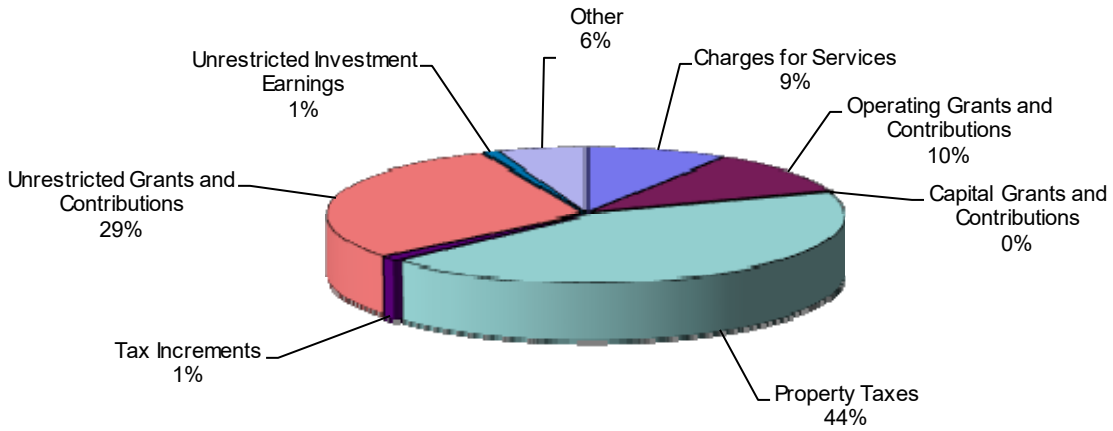
**Table A-2
Condensed Statement of Activities
Years Ended December 31, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program Revenues:						
Charges for Services	\$ 172,525	\$ 185,742	\$ 3,410,862	\$ 3,260,786	\$ 3,583,387	\$ 3,446,528
Operating Grants and Contributions	201,965	156,350	-	-	201,965	156,350
Capital Grants and Contributions	3,006	1,944	3,786	13,334	6,792	15,278
General Revenues:						
Property Taxes	836,611	754,731	60,000	103,050	896,611	857,781
Tax Increments	19,327	19,877	-	-	19,327	19,877
Grants and Contributions, Not Restricted	564,323	550,553	3,446	2,045	567,769	552,598
Unrestricted Investment Earnings	17,396	14,484	66,940	28,549	84,336	43,033
Gain on Disposal of Assets	100,610	88,567	-	-	100,610	88,567
Miscellaneous	7,090	14,483	39,728	44,029	46,818	58,512
Total Revenues	<u>1,922,853</u>	<u>1,786,731</u>	<u>3,584,762</u>	<u>3,451,793</u>	<u>5,507,615</u>	<u>5,238,524</u>
EXPENSES						
General Government	397,050	423,147	-	-	397,050	423,147
Public Safety	552,447	592,549	-	-	552,447	592,549
Public Works	385,481	468,043	-	-	385,481	468,043
Sanitation and Recycling	44,230	47,655	-	-	44,230	47,655
Culture and Recreation	316,611	263,889	-	-	316,611	263,889
Economic Development	114,715	60,551	-	-	114,715	60,551
Debt Service	105,882	76,336	-	-	105,882	76,336
Water	-	-	254,648	240,255	254,648	240,255
Sewer	-	-	473,266	401,880	473,266	401,880
Electric	-	-	1,727,253	1,734,319	1,727,253	1,734,319
Liquor	-	-	778,610	736,278	778,610	736,278
Storm Water	-	-	45,592	42,077	45,592	42,077
Total Expenses	<u>1,916,416</u>	<u>1,932,170</u>	<u>3,279,369</u>	<u>3,154,809</u>	<u>5,195,785</u>	<u>5,086,979</u>
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS	6,437	(145,439)	305,393	296,984	311,830	151,545
Transfers	<u>87,272</u>	<u>85,642</u>	<u>(87,272)</u>	<u>(85,642)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	93,709	(59,797)	218,121	211,342	311,830	151,545
Net Position - Beginning of Year	<u>5,201,033</u>	<u>5,260,830</u>	<u>8,866,552</u>	<u>8,655,210</u>	<u>14,067,585</u>	<u>13,916,040</u>
NET POSITION - END 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>

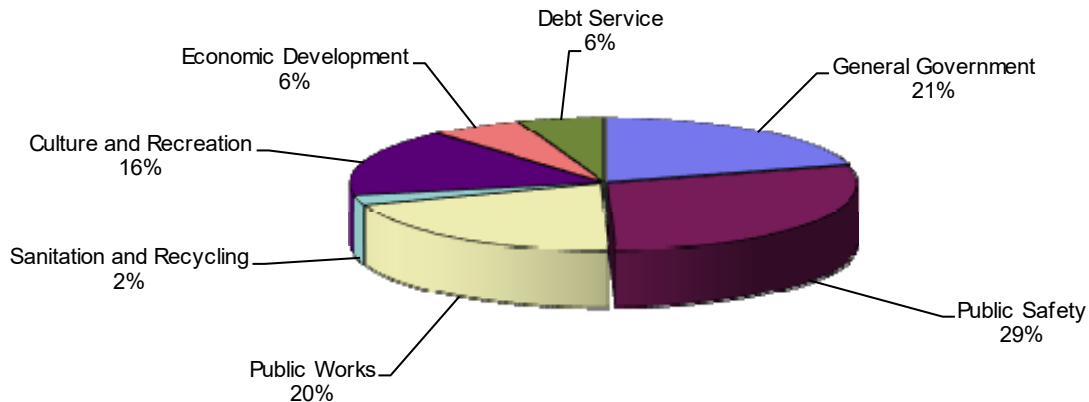
**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

The following graphs show 2018 program revenues and expenses for government activities.

**Graph A-1
Source of City's Revenue for Governmental Activities
Fiscal Year 2018**

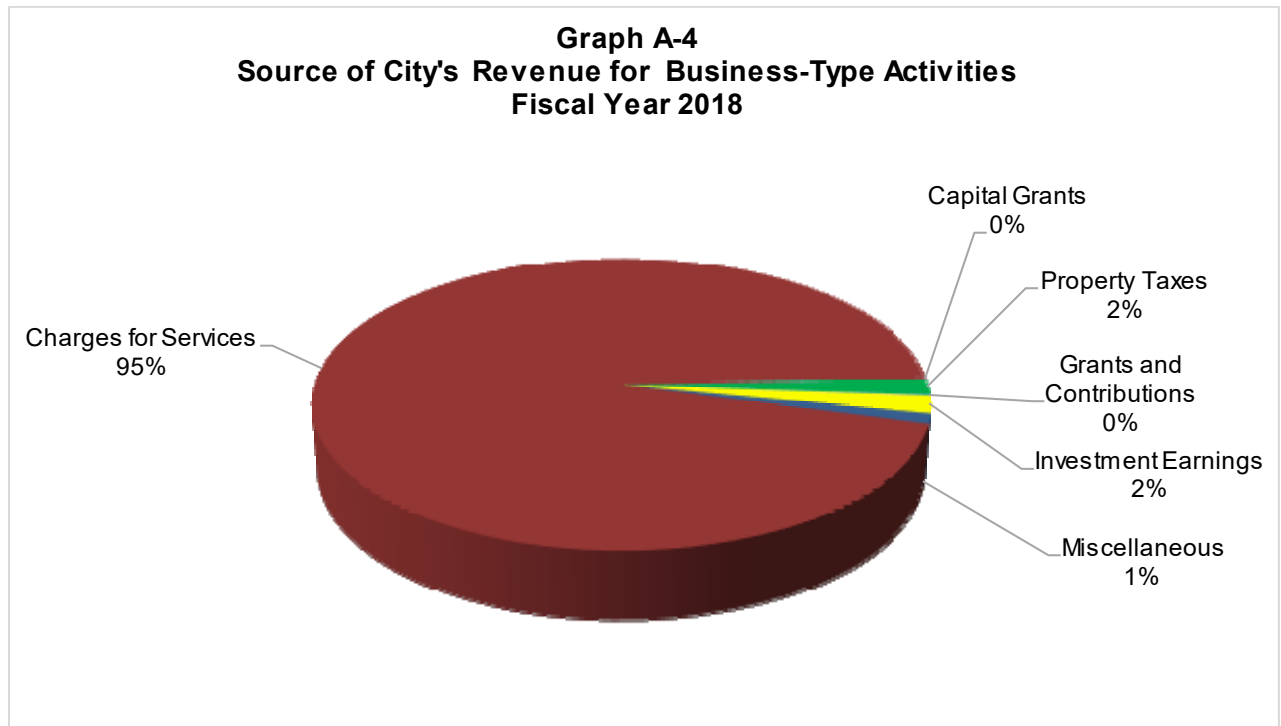
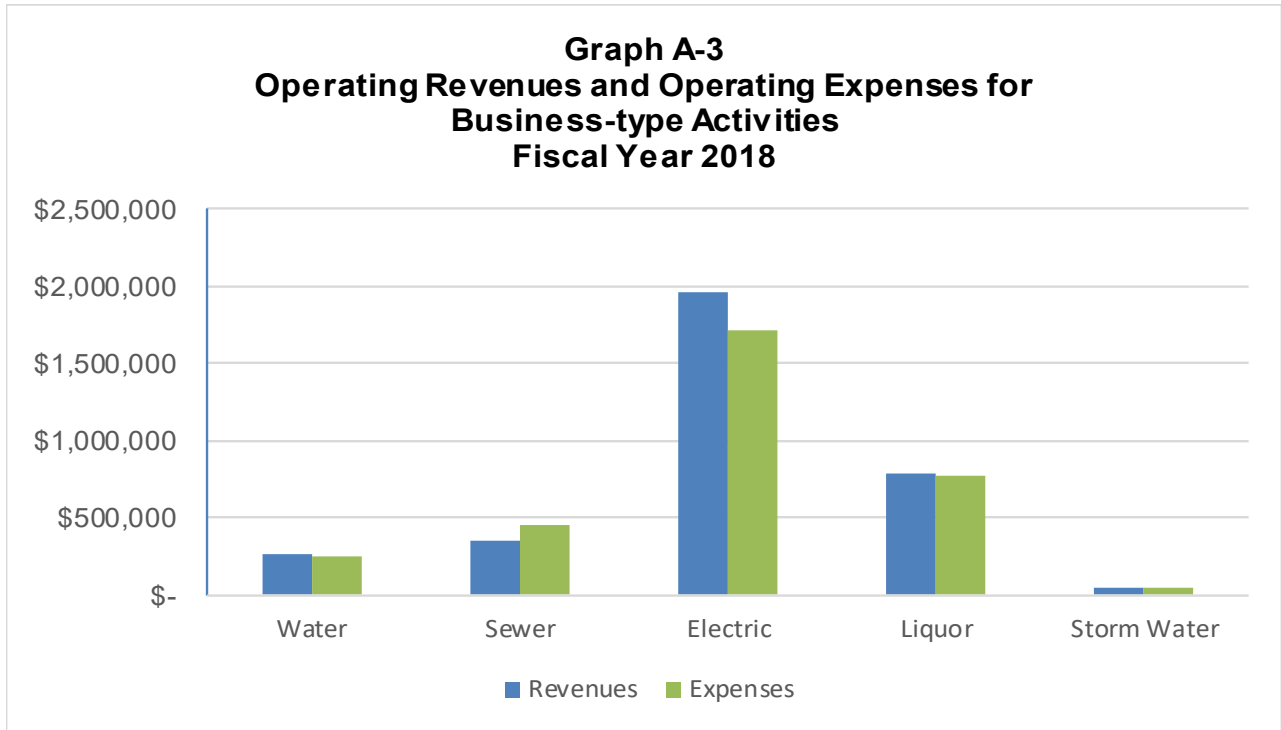


**Graph A-2
City's Expenses for Governmental Activities
Fiscal Year 2018**



**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Business-Type Activities. Business-type activities increased the City of Kenyon net position \$218,121 for the year ended December 31, 2018. 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, 2018**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

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

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

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

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

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

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

At the end of the current fiscal year, the City of Kenyon's governmental funds reported combined ending fund balances of \$2,059,030, which included an unassigned fund balance of \$736,977.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

General Fund

The fund balance of the City of Kenyon's general fund decreased by \$22,929, during the current year. Total revenues for the General Fund increased by \$61,530 as noted in Table A-3 below:

**Table A-3
General Fund Revenues**

	Year Ended December 31,		Change	
	2018	2017	Increase/ (Decrease)	Percent
GENERAL FUND				
Taxes	\$ 463,930	\$ 416,106	\$ 47,824	11.5 %
Special Assessments	93	2,918	(2,825)	(96.8)
Licenses and Permits	8,426	9,226	(800)	(8.7)
Intergovernmental	597,818	575,371	22,447	3.9
Charges for Services	92,673	93,468	(795)	(0.9)
Fines and Forfeits	5,619	6,563	(944)	(14.4)
Investment Earnings	6,046	4,426	1,620	36.6
Miscellaneous	45,587	50,584	(4,997)	(9.9)
Total	<u>\$ 1,220,192</u>	<u>\$ 1,158,662</u>	<u>\$ 61,530</u>	5.3

The following schedule presents a summary of General Fund expenditures:

**Table A-4
General Fund Expenditures**

	Year Ended December 31,		Change	
	2018	2017	Increase/ (Decrease)	Percent
GENERAL FUND				
General Government	\$ 391,683	\$ 390,406	\$ 1,277	0.3 %
Public Safety	375,886	361,081	14,805	4.1
Public Works	287,781	247,281	40,500	16.4
Sanitation and Recycling	44,230	47,655	(3,425)	(7.2)
Culture and Recreation	113,698	108,069	5,629	5.2
Total	<u>\$ 1,213,278</u>	<u>\$ 1,154,492</u>	<u>\$ 58,786</u>	5.1

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 \$1,427 more than expected.
- Actual expenditures were \$55,956 more than budgeted. This is primarily due to general government and public safety services related to repairs and maintenance projects, special purpose donations that weren't budgeted for but incurred to do complete the projects requested by donation proceeds. Public Works engineering costs surrounding the Red Wing Ave project were not budgeted for either.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Other Major Funds Analysis

The Capital Projects fund's fund balance increased \$88,061. This is primarily due to the City receiving \$99,975 in proceeds from the sale of a tractor prior to purchasing a replacement tractor.

The Debt Service Fund's fund balance decreased \$3,753 due primarily to the required debt service payments for the year exceeding the related current year tax levy and special assessment collections.

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

Unrestricted net position of the proprietary funds at year-end amounted to \$4,918,451 with a total increase in net position of \$218,121. Each of the following funds had net increases or decreases:

- Water (net increase of \$20,022) – the water rate increase in August 2015 resulted in similar net position increases in 2017 and 2018
- Sanitary Sewer (net decrease of \$41,861) – repair and maintenance projects in the current year had a significant increase compared to 2017 of roughly \$18,000 while utilities expense increased \$28,000
- Electric (net increase of \$219,487) – the Utility has experienced a decrease in the cost of energy each year since 2013
- Liquor (net increase of \$13,034) – this includes a transfer of \$20,000 to the general fund in 2018
- Storm Sewer (net increase of \$7,439) – due to an increase in interest earnings of about \$4,000 from 2017

CAPITAL ASSET ADMINISTRATION

The City of Kenyon's investment in capital assets for its governmental and business type activities as of December 31, 2018 amounts to \$13,240,115 (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
	2018	2017		2018	2017	
Land	\$ 1,317,957	\$ 1,317,957	-	\$ 57,185	\$ 57,185	-
Construction in Progress	21,932	-	-	7,112	-	-
Buildings and Building Improvements	4,323,586	4,304,908	0.4	7,066,413	6,983,165	1.2
Infrastructure and Infrastructure Improvements	2,962,303	2,857,311	3.7	5,570,167	5,546,202	0.4
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,863,937	1,895,245	(1.7)	1,277,343	1,231,043	3.8
Generators	-	-	-	2,532,286	2,532,286	-
Less: Accumulated Depreciation	(3,377,732)	(3,165,324)	6.7	(10,382,374)	(9,945,246)	4.4
Total	<u>\$ 7,111,983</u>	<u>\$ 7,210,097</u>	(1.4)	<u>\$ 6,128,132</u>	<u>\$ 6,404,635</u>	(4.3)

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

LONG-TERM DEBT

At the end of the fiscal year, the City of Kenyon had long-term debt of \$5,416,941 a decrease of \$314,915 from 2017 due to the City making regular debt service payments.

Governmental activities debt decreased \$140,699 and business-type activities decreased \$174,216.

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

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change
	2018	2017		2018	2017	
G.O. Improvement Bonds	\$ 589,875	\$ 688,535	(14.3)%	\$ 470,126	\$ 526,466	(10.7)%
G.O. Revenue Bonds	2,120,000	2,120,000	-	1,430,000	1,523,543	(6.1)
USDA Note	450,000	450,000	-	-	-	-
Capital Lease	196,670	242,399	(18.9)	117,794	139,079	(15.3)
Compensated Absences	28,278	26,561	6.5	16,336	19,384	(15.7)
Discount	(2,138)	(4,111)	(48.0)	-	-	-
Total	<u>\$ 3,382,685</u>	<u>\$ 3,523,384</u>	(4.0)	<u>\$ 2,034,256</u>	<u>\$ 2,208,472</u>	(7.9)

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

FACTORS OF THE CITY OF KENYON'S FUTURE

Potential Adjustments to the 2018 Expenditure Budget

- Reconstruction of Red Wing Avenue between 2nd and 8th Streets. The City Engineer has identified this work as needed in 2020. Utility work will also be needed and will include replacement of sanitary sewer, water, and storm sewer mains. The roadway will also need to be replaced. The estimated project cost may be \$650,000 to \$800,000 and the City is still exploring options to finance the project.

Potential Future Revenue Sources

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

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

- 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.

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.

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BASIC FINANCIAL STATEMENTS

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CITY OF KENYON, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	Governmental Activities	Business-Type Activities	Totals	
			2018	2017
ASSETS				
Cash and Investments	\$ 1,848,216	\$ 4,813,945	\$ 6,662,161	\$ 6,195,733
Receivables	177,623	479,774	657,397	669,662
Internal Balances	(13,329)	13,329	-	-
Inventories	-	209,447	209,447	191,337
Prepaid Items	31,811	75,581	107,392	116,797
Property Held for Resale	244,300	-	244,300	263,169
Capital Assets:				
Capital Assets, Not Being Depreciated	1,339,889	64,297	1,404,186	1,375,142
Capital Assets, Being Depreciated, Net	5,772,094	6,063,835	11,835,929	12,239,590
Total Assets	9,400,604	11,720,208	21,120,812	21,051,430
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Items	329,044	58,967	388,011	539,415
LIABILITIES				
Accounts Payable	82,958	184,690	267,648	184,693
Accrued Compensation	13,662	10,564	24,226	17,209
Deposits	500	16,842	17,342	14,052
Accrued Interest Payable	32,105	11,331	43,436	44,171
Noncurrent Liabilities:				
Net Pension Liability	458,654	336,612	795,266	977,173
Due within One Year	218,798	185,461	404,259	361,503
Due in More than One Year	3,163,887	1,848,795	5,012,682	5,370,353
Total Liabilities	3,970,564	2,594,295	6,564,859	6,969,154
DEFERRED INFLOWS OF RESOURCES				
Pension Related Items	464,342	100,207	564,549	554,106
NET POSITION				
Net Investment in Capital Assets	3,757,576	4,110,212	7,867,788	7,928,821
Restricted for:				
Police Forfeitures	1,269	-	1,269	1,269
Future Debt Retirement	332,406	55,880	388,286	471,849
Unrestricted	1,203,491	4,918,581	6,122,072	5,665,646
Total Net Position	\$ 5,294,742	\$ 9,084,673	\$ 14,379,415	\$ 14,067,585

See accompanying Notes to Financial Statements.

CITY OF KENYON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

Functions/Programs	Expenses	Program Revenues		
		Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 397,050	\$ 32,652	\$ 39,000	\$ -
Public Safety	552,447	79,591	2,000	-
Public Works	385,481	-	60,504	3,006
Sanitation and Recycling	44,230	45,982	-	-
Culture and Recreation	316,611	658	58,466	-
Economic Development	114,715	13,642	41,995	-
Debt Service	105,882	-	-	-
Total Governmental Activities	<u>1,916,416</u>	<u>172,525</u>	<u>201,965</u>	<u>3,006</u>
Business-Type Activities:				
Water	254,648	263,628	-	-
Sewer	473,266	349,190	-	3,786
Electric	1,727,253	1,960,010	-	-
Liquor	778,610	791,642	-	-
Storm Water	45,592	46,392	-	-
Total Business-Type Activities	<u>3,279,369</u>	<u>3,410,862</u>	<u>-</u>	<u>3,786</u>
Total	<u>\$ 5,195,785</u>	<u>\$ 3,583,387</u>	<u>\$ 201,965</u>	<u>\$ 6,792</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, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

Net Revenue (Expense) and Changes in Net Position			
Governmental Activities	Business-Type Activities	Totals	
		2018	2017
\$ (325,398)	\$ -	\$ (325,398)	\$ (351,324)
(470,856)	-	(470,856)	(500,256)
(321,971)	-	(321,971)	(402,287)
1,752	-	1,752	(1,927)
(257,487)	-	(257,487)	(209,491)
(59,078)	-	(59,078)	(46,513)
(105,882)	-	(105,882)	(76,336)
<u>(1,538,920)</u>	<u>-</u>	<u>(1,538,920)</u>	<u>(1,588,134)</u>
-	8,980	8,980	13,551
-	(120,290)	(120,290)	(107,626)
-	232,757	232,757	203,634
-	13,032	13,032	5,221
-	800	800	4,531
<u>-</u>	<u>135,279</u>	<u>135,279</u>	<u>119,311</u>
(1,538,920)	135,279	(1,403,641)	(1,468,823)
836,611	60,000	896,611	857,781
19,327	-	19,327	19,877
564,323	3,446	567,769	552,598
100,610	-	100,610	88,567
17,396	66,940	84,336	43,033
7,090	39,728	46,818	58,512
87,272	(87,272)	-	-
<u>1,632,629</u>	<u>82,842</u>	<u>1,715,471</u>	<u>1,620,368</u>
93,709	218,121	311,830	151,545
<u>5,201,033</u>	<u>8,866,552</u>	<u>14,067,585</u>	<u>13,916,040</u>
<u>\$ 5,294,742</u>	<u>\$ 9,084,673</u>	<u>\$ 14,379,415</u>	<u>\$ 14,067,585</u>

See accompanying Notes to Financial Statements.

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FUND FINANCIAL STATEMENTS

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**CITY OF KENYON, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)**

	2018				2017	
	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 560,981	\$ 833,531	\$ 296,584	\$ 156,472	\$ 1,847,568	\$ 1,781,920
Restricted Cash and Investments	-	-	648	-	648	648
Accounts Receivable	6,707	-	-	26,588	33,295	4,011
Developer Receivable - Deferred	7,644	-	-	-	7,644	7,644
Taxes Receivable	30,110	-	-	-	30,110	21,595
Special Assessments Receivable:						
Delinquent	134	-	-	-	134	171
Deferred	-	-	67,995	-	67,995	106,901
Accrued Interest Receivable	1,160	1,730	-	-	2,890	110
Due from Other Funds	204,201	-	-	-	204,201	190,078
Due from Other Governmental Units	10,495	-	-	25,060	35,555	12,714
Prepaid Items	24,364	-	-	7,447	31,811	31,026
Property Held for Resale	21,000	-	-	223,300	244,300	263,169
Total Assets	\$ 866,796	\$ 835,261	\$ 365,227	\$ 438,867	\$ 2,506,151	\$ 2,419,987
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ 31,291	\$ 10,660	\$ 716	\$ 40,291	\$ 82,958	\$ 41,693
Accrued Liabilities	11,826	-	-	1,836	13,662	10,303
Due to Other Funds	3,450	132,155	-	-	135,605	119,463
Advances from Other Funds	-	-	-	81,925	81,925	91,074
Deposits	-	-	-	500	500	500
Total Liabilities	46,567	142,815	716	124,552	314,650	263,033
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue:						
Property Taxes	30,110	-	-	-	30,110	21,029
Special Assessments	134	-	67,995	-	68,129	107,072
Other Receivables	7,644	-	-	26,588	34,232	7,644
Total Deferred Inflows of Resources	37,888	-	67,995	26,588	132,471	135,745
FUND BALANCE						
Nonspendable for Prepaid Items	24,364	-	-	7,447	31,811	31,026
Nonspendable for Property Held for Resale	21,000	-	-	-	21,000	26,300
Restricted:						
Police Forfeitures	-	-	-	1,269	1,269	1,269
Future Debt Retirement	-	-	296,516	-	296,516	300,269
Committed for Capital Projects	-	692,446	-	-	692,446	604,385
Assigned:						
Fire Department	-	-	-	31,644	31,644	30,631
Library Operations	-	-	-	52,530	52,530	52,787
Economic Development	-	-	-	147,562	147,562	176,119
Special Purpose Contributions	-	-	-	47,275	47,275	42,145
Unassigned	736,977	-	-	-	736,977	756,278
Total Fund Balance	782,341	692,446	296,516	287,727	2,059,030	2,021,209
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 866,796	\$ 835,261	\$ 365,227	\$ 438,867	\$ 2,506,151	\$ 2,419,987

See accompanying Notes to the Financial Statements.

**CITY OF KENYON, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018**

Total Fund Balance for Governmental Funds \$ 2,059,030

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	21,932	
Buildings and Building Improvements	4,323,586	
Infrastructure and Infrastructure Improvements	2,962,303	
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,863,937	
Less: Accumulated Depreciation	<u>(3,377,732)</u>	7,111,983

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	30,110	
Delinquent and Unavailable Special Assessments	68,129	
Developer Receivable	<u>34,232</u>	132,471

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	(458,654)	
Deferred Outflow of Resources - Pension	329,044	
Deferred Inflows of Resources - Pension	<u>(464,342)</u>	(593,952)

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	(3,159,875)	
Capital Lease Payable	(196,670)	
Bond Discounts	2,138	
Compensated Absences	(28,278)	
Accrued Interest Payable	<u>(32,105)</u>	<u>(3,414,790)</u>

Total Net Position of Governmental Activities		<u><u>\$ 5,294,742</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, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

	2018				2017	
	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 463,930	\$ -	\$ 150,110	\$ 213,490	\$ 827,530	\$ 755,825
Tax Increment	-	-	-	19,327	19,327	19,877
Special Assessments	93	-	41,949	-	42,042	73,341
Licenses and Permits	8,426	-	-	-	8,426	9,226
Intergovernmental	597,818	-	1,000	83,412	682,230	655,104
Charges for Services	92,673	-	-	60,942	153,615	170,984
Fines and Forfeits	5,619	-	-	658	6,277	7,395
Investment Earnings	6,046	9,135	700	1,515	17,396	14,484
Donations	-	-	-	29,995	29,995	20,159
Miscellaneous	45,587	644	-	15,035	61,266	69,648
Total Revenues	<u>1,220,192</u>	<u>9,779</u>	<u>193,759</u>	<u>424,374</u>	<u>1,848,104</u>	<u>1,796,043</u>
EXPENDITURES						
Current:						
General Government	391,683	-	-	-	391,683	387,602
Public Safety	374,986	-	-	67,908	442,894	473,245
Public Works	282,281	-	-	-	282,281	238,859
Sanitation and Recycling	44,230	-	-	-	44,230	47,655
Culture and Recreation	113,698	-	-	199,932	313,630	290,733
Economic Development	-	-	-	114,715	114,715	60,551
Capital Outlay	6,400	150,363	-	-	156,763	771,522
Debt Service:						
Principal	-	-	144,389	-	144,389	482,849
Interest and Fiscal Charges	-	-	105,553	2,277	107,830	60,984
Total Expenditures	<u>1,213,278</u>	<u>150,363</u>	<u>249,942</u>	<u>384,832</u>	<u>1,998,415</u>	<u>2,814,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,914	(140,584)	(56,183)	39,542	(150,311)	(1,017,957)
OTHER FINANCING SOURCES (USES)						
Transfers In	87,272	181,100	52,430	-	320,802	804,947
Transfers Out	(118,000)	(52,430)	-	(63,100)	(233,530)	(719,305)
Bond Proceeds	-	-	-	-	-	2,570,000
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	(2,544,117)
Proceeds on Capital Asset Disposal	885	99,975	-	-	100,860	88,567
Total Other Financing Sources (Uses)	<u>(29,843)</u>	<u>228,645</u>	<u>52,430</u>	<u>(63,100)</u>	<u>188,132</u>	<u>200,092</u>
NET CHANGE IN FUND BALANCE	(22,929)	88,061	(3,753)	(23,558)	37,821	(817,865)
Fund Balance - Beginning of Year	<u>805,270</u>	<u>604,385</u>	<u>300,269</u>	<u>311,285</u>	<u>2,021,209</u>	<u>2,839,074</u>
FUND BALANCE - END OF YEAR	<u>\$ 782,341</u>	<u>\$ 692,446</u>	<u>\$ 296,516</u>	<u>\$ 287,727</u>	<u>\$ 2,059,030</u>	<u>\$ 2,021,209</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, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$	37,821
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Capital Outlay		181,294
Depreciation Expense		(279,408)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		(3,274)
<p>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.</p>		
Compensated Absences		(1,717)
<p>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.</p>		
		14,867
<p>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:</p>		
Change in Bond Discounts		(1,973)
Repayment of Bond Principal		98,660
Repayment of Capital Lease		45,729
Change in Accrued Interest Expense for General Obligation Bonds		1,710
		1,710
Change in Net Position of Governmental Activities	\$	93,709

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			2017	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Property Taxes	\$ 497,290	\$ 497,290	\$ 463,930	\$ (33,360)	\$ 416,106
Special Assessments	20	20	93	73	2,918
Licenses and Permits	7,600	7,600	8,426	826	9,226
Intergovernmental:					
Local Government Aid	544,570	544,570	562,064	17,494	546,899
Market Value Credit	-	-	540	540	1,107
Police State Aid	16,000	16,000	26,100	10,100	23,093
Other State Aids	2,720	2,720	9,114	6,394	4,272
Total Intergovernmental	<u>563,290</u>	<u>563,290</u>	<u>597,818</u>	<u>34,528</u>	<u>575,371</u>
Charges for Services:					
General Government	19,430	19,430	22,854	3,424	21,545
Recycling	45,000	45,000	45,982	982	45,728
Culture and Recreation	25,700	25,700	23,837	(1,863)	26,170
Public Safety	300	300	-	(300)	25
Total Charges for Services	<u>90,430</u>	<u>90,430</u>	<u>92,673</u>	<u>2,243</u>	<u>93,468</u>
Fines and Forfeits	6,000	6,000	5,619	(381)	6,563
Investment Earnings	3,335	3,335	6,046	2,711	4,426
Miscellaneous:					
Refunds and Reimbursements	300	300	10	(290)	3,603
Dividends	8,500	8,500	1,250	(7,250)	3,266
Rents	2,800	2,800	2,783	(17)	2,783
Shared Facility Charge	39,000	39,000	39,000	-	39,000
Other	200	200	2,544	2,344	1,932
Total Miscellaneous	<u>50,800</u>	<u>50,800</u>	<u>45,587</u>	<u>(5,213)</u>	<u>50,584</u>
Total Revenues	<u>1,218,745</u>	<u>1,218,745</u>	<u>1,220,192</u>	<u>1,427</u>	<u>1,158,662</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, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			2017	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES					
General Government:					
Mayor and Council:					
Employee Services	\$ 12,655	\$ 12,655	\$ 12,116	\$ 539	\$ 11,922
Other Services and Charges	850	850	440	410	630
Total Mayor and Council	<u>13,505</u>	<u>13,505</u>	<u>12,556</u>	<u>949</u>	<u>12,552</u>
City Administration:					
Employee Services	224,710	224,710	227,183	(2,473)	227,558
Travel and Conferences	4,500	4,500	5,033	(533)	5,982
Other Services and Charges	2,000	2,000	2,737	(737)	2,843
Total City Administration	<u>231,210</u>	<u>231,210</u>	<u>234,953</u>	<u>(3,743)</u>	<u>236,383</u>
Elections	2,500	2,500	2,838	(338)	412
General Government Services:					
Employee Services	9,130	9,130	9,374	(244)	7,689
Supplies	12,500	12,500	12,429	71	17,803
Telephone	5,300	5,300	6,888	(1,588)	5,324
Insurance	7,365	7,365	5,550	1,815	6,772
Utilities	7,390	7,390	7,619	(229)	12,377
Other Services and Charges	36,410	36,410	46,033	(9,623)	41,384
Total General Government Services	<u>78,095</u>	<u>78,095</u>	<u>87,893</u>	<u>(9,798)</u>	<u>91,349</u>
Professional Services:					
Auditing and Accounting	16,700	16,700	15,095	1,605	14,995
Legal	25,000	25,000	25,947	(947)	23,928
Engineering	10,000	10,000	12,401	(2,401)	7,983
Total Professional Services	<u>51,700</u>	<u>51,700</u>	<u>53,443</u>	<u>(1,743)</u>	<u>46,906</u>
Total General Government	377,010	377,010	391,683	(14,673)	387,602

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, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			2017	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES (CONTINUED)					
Public Safety:					
Police Protection:					
Employee Services	\$ 299,602	\$ 299,602	\$ 305,844	\$ (6,242)	\$ 301,099
Supplies	14,100	14,100	19,188	(5,088)	16,306
Legal	12,000	12,000	12,784	(784)	12,180
Telephone	3,600	3,600	3,672	(72)	3,345
Insurance	12,140	12,140	10,238	1,902	11,324
Other Services and Charges	18,005	18,005	23,260	(5,255)	16,827
Total Police Protection	<u>359,447</u>	<u>359,447</u>	<u>374,986</u>	<u>(15,539)</u>	<u>361,081</u>
Total Public Safety	359,447	359,447	374,986	(15,539)	361,081
Public Works:					
Streets:					
Employee Services	128,825	128,825	123,325	5,500	126,827
Supplies	90,000	90,000	99,834	(9,834)	58,203
Insurance	4,875	4,875	6,089	(1,214)	5,477
Utilities	6,120	6,120	6,629	(509)	6,323
Other Services and Charges	11,020	11,020	18,649	(7,629)	18,071
Total Highways and Streets	<u>240,840</u>	<u>240,840</u>	<u>254,526</u>	<u>(13,686)</u>	<u>214,901</u>
Street Lighting	<u>23,865</u>	<u>23,865</u>	<u>27,755</u>	<u>(3,890)</u>	<u>23,958</u>
Total Public Works	264,705	264,705	282,281	(17,576)	238,859
Sanitation and Recycling:					
Recycling	44,040	44,040	44,230	(190)	47,655

See accompanying Notes to Financial Statements.

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**CITY OF KENYON, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			2017	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES (CONTINUED)					
Culture and Recreation:					
Gunderson House:					
Insurance	\$ 3,400	\$ 3,400	\$ 3,284	\$ 116	\$ 3,305
Management Fees	2,500	2,500	2,500	-	2,500
Other Services and Charges	-	-	-	-	80
Total Gunderson House	<u>5,900</u>	<u>5,900</u>	<u>5,784</u>	<u>116</u>	<u>5,885</u>
Parks and Recreation and Community Garden:					
Employee Services	28,460	28,460	31,818	(3,358)	28,436
Supplies	2,550	2,550	5,153	(2,603)	4,115
Insurance	4,230	4,230	4,107	123	4,130
Utilities	2,020	2,020	2,813	(793)	1,914
Other Services and Charges	1,000	1,000	2,030	(1,030)	2,183
Total Parks and Recreation and Community Garden	<u>38,260</u>	<u>38,260</u>	<u>45,921</u>	<u>(7,661)</u>	<u>40,778</u>
Swimming Pool:					
Employee Services	24,495	24,495	33,423	(8,928)	32,441
Supplies	9,000	9,000	5,864	3,136	7,604
Insurance	2,940	2,940	2,847	93	2,868
Utilities	12,065	12,065	12,919	(854)	12,342
Other Services and Charges	7,960	7,960	6,940	1,020	6,151
Total Swimming Pool	<u>56,460</u>	<u>56,460</u>	<u>61,993</u>	<u>(5,533)</u>	<u>61,406</u>
Total Culture and Recreation	100,620	100,620	113,698	(13,078)	108,069
Capital Outlay	<u>11,500</u>	<u>11,500</u>	<u>6,400</u>	<u>5,100</u>	<u>11,226</u>
Total Expenditures	<u>1,157,322</u>	<u>1,157,322</u>	<u>1,213,278</u>	<u>(55,956)</u>	<u>1,154,492</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	61,423	61,423	6,914	(54,529)	4,170
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	-	-	885	885	-
Transfers In	88,000	88,000	87,272	(728)	85,642
Transfers Out	(118,000)	(118,000)	(118,000)	-	(125,500)
Total Other Financing Uses	<u>(30,000)</u>	<u>(30,000)</u>	<u>(29,843)</u>	<u>157</u>	<u>(39,858)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 31,423</u>	<u>\$ 31,423</u>	<u>(22,929)</u>	<u>\$ (54,372)</u>	<u>(35,688)</u>
Fund Balance - Beginning of Year			<u>805,270</u>		<u>840,958</u>
FUND BALANCE - END OF YEAR			<u>\$ 782,341</u>		<u>\$ 805,270</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2018
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)**

	2018		
	Water	Sewer	Electric
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Investments	\$ 549,207	\$ 1,017,808	\$ 2,622,029
Accounts Receivable	32,820	13,345	327,408
Special Assessments Receivable	2,126	86,777	3,097
Accrued Interest Receivable	-	2,112	10,275
Due from Other Funds	1,688	31,946	2,269
Inventories	19,236	-	142,089
Prepaid Items	2,130	4,055	64,038
Total Current Assets	<u>607,207</u>	<u>1,156,043</u>	<u>3,171,205</u>
NONCURRENT ASSETS			
Advances to Other Funds	-	-	119,584
Capital Assets:			
Nondepreciable	-	7,112	14,372
Depreciable	2,196,842	7,685,673	5,437,724
Total Capital Assets	<u>2,196,842</u>	<u>7,692,785</u>	<u>5,452,096</u>
Less: Accumulated Depreciation	<u>(1,294,750)</u>	<u>(4,724,855)</u>	<u>(3,753,547)</u>
Total Net Capital Assets	<u>902,092</u>	<u>2,967,930</u>	<u>1,698,549</u>
Total Noncurrent Assets	902,092	2,967,930	1,818,133
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	<u>10,813</u>	<u>8,323</u>	<u>26,784</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,520,112</u>	<u>\$ 4,132,296</u>	<u>\$ 5,016,122</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Current Portion of Long-Term Debt	\$ 23,315	\$ 130,195	\$ 3,190
Accounts Payable	1,799	5,392	135,986
Accrued Compensation	1,937	1,532	4,620
Compensated Absences, Current Portion	3,187	660	9,560
Due to Other Funds	-	506	108,174
Deposits	5,060	-	11,782
Accrued Interest Payable	1,334	9,013	165
Total Current Liabilities	<u>36,632</u>	<u>147,298</u>	<u>273,477</u>
LONG-TERM LIABILITIES			
Long-Term Debt, Net of Current Portion	117,230	1,643,889	14,210
Net Pension Liability	60,628	48,997	150,180
Advances from Other Funds	-	-	-
Total Long-Term Liabilities	<u>177,858</u>	<u>1,692,886</u>	<u>164,390</u>
Total Liabilities	214,490	1,840,184	437,867
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	<u>16,908</u>	<u>16,130</u>	<u>41,884</u>
NET POSITION			
Net Investment in Capital Assets	761,547	1,193,846	1,681,149
Restricted	-	55,880	-
Unrestricted	<u>527,167</u>	<u>1,026,256</u>	<u>2,855,222</u>
Total Net Position	<u>1,288,714</u>	<u>2,275,982</u>	<u>4,536,371</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,520,112</u>	<u>\$ 4,132,296</u>	<u>\$ 5,016,122</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS (CONTINUED)
 STATEMENT OF NET POSITION
 DECEMBER 31, 2018
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)**

		2018			
Municipal Liquor	Storm Water	Total	2017 Total		
\$ 113,145	\$ 511,756	\$ 4,813,945	\$ 4,413,165		
729	-	374,302	400,798		
-	22	92,022	115,391		
-	1,063	13,450	327		
-	4,181	40,084	33,345		
48,122	-	209,447	191,337		
5,227	131	75,581	85,771		
<u>167,223</u>	<u>517,153</u>	<u>5,618,831</u>	<u>5,240,134</u>		
-	-	119,584	141,598		
42,813	-	64,297	57,185		
<u>380,715</u>	<u>745,255</u>	<u>16,446,209</u>	<u>16,292,696</u>		
423,528	745,255	16,510,506	16,349,881		
(262,336)	(346,886)	(10,382,374)	(9,945,246)		
<u>161,192</u>	<u>398,369</u>	<u>6,128,132</u>	<u>6,404,635</u>		
161,192	398,369	6,247,716	6,546,233		
12,339	708	58,967	99,968		
<u>\$ 340,754</u>	<u>\$ 916,230</u>	<u>\$ 11,925,514</u>	<u>\$ 11,886,335</u>		
\$ -	\$ 12,425	\$ 169,125	\$ 171,169		
41,513	-	184,690	143,000		
2,475	-	10,564	6,906		
2,929	-	16,336	19,384		
-	-	108,680	103,960		
-	-	16,842	13,552		
-	819	11,331	10,356		
<u>46,917</u>	<u>13,244</u>	<u>517,568</u>	<u>468,327</u>		
-	73,466	1,848,795	2,017,919		
72,641	4,166	336,612	403,759		
37,659	-	37,659	50,524		
<u>110,300</u>	<u>77,632</u>	<u>2,223,066</u>	<u>2,472,202</u>		
157,217	90,876	2,740,634	2,940,529		
23,914	1,371	100,207	79,254		
161,192	312,478	4,110,212	4,215,547		
-	-	55,880	99,060		
(1,569)	511,505	4,918,581	4,551,945		
<u>159,623</u>	<u>823,983</u>	<u>9,084,673</u>	<u>8,866,552</u>		
<u>\$ 340,754</u>	<u>\$ 916,230</u>	<u>\$ 11,925,514</u>	<u>\$ 11,886,335</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, 2018
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018		
	Water	Sewer	Electric
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ -
Costs of Goods Sold	-	-	-
Charges for Services	263,556	349,190	1,959,811
Total Gross Profit and Operating Revenues	<u>263,556</u>	<u>349,190</u>	<u>1,959,811</u>
OPERATING EXPENSES			
Power Costs	-	-	1,093,995
Conservation Improvement Program	-	-	13,765
Employee Services	111,327	89,814	286,450
Supplies	5,416	12,325	6,145
Professional Services	1,080	11,173	5,059
Insurance	2,216	6,439	51,038
Utilities	14,197	73,797	24,699
Repairs and Maintenance	20,656	43,654	17,475
Depreciation	69,973	203,918	116,709
Dues and Subscriptions	386	-	34,247
Other Services	11,777	102	2,270
Safety	700	-	9,448
Generator Expense	-	-	19,996
Shared Facility Charge	7,800	-	31,200
Other Operating Expenses	5,879	4,942	8,372
Total Operating Expenses	<u>251,407</u>	<u>446,164</u>	<u>1,720,868</u>
OPERATING INCOME (LOSS)	12,149	(96,974)	238,943
OTHER INCOME (EXPENSES)			
Miscellaneous Nonoperating Revenues	5,431	5,064	6,677
Dividend	161	280	3,709
Intergovernmental Revenues	647	373	1,841
Property Taxes	-	60,000	-
Special Assessments	72	3,786	199
Interest Revenue	4,803	12,712	41,775
Gain (Loss) on Disposal of Capital Assets	-	-	-
Miscellaneous Nonoperating Expenses	-	-	(5,730)
Interest Expense	(3,241)	(27,102)	(655)
Total Other Income	<u>7,873</u>	<u>55,113</u>	<u>47,816</u>
NET INCOME BEFORE TRANSFERS	20,022	(41,861)	286,759
TRANSFERS			
Transfers Out	-	-	(67,272)
CHANGE IN NET POSITION	20,022	(41,861)	219,487
Net Position - Beginning of Year	<u>1,268,692</u>	<u>2,317,843</u>	<u>4,316,884</u>
NET POSITION - END OF YEAR	<u>\$ 1,288,714</u>	<u>\$ 2,275,982</u>	<u>\$ 4,536,371</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, 2018
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

		2018			
Municipal Liquor	Storm Water	Total		2017 Totals	
\$ 791,642	\$ -	\$ 791,642	\$ 741,499	(517,499)	(482,627)
-	46,392	2,618,949	2,514,821	-	-
<u>274,143</u>	<u>46,392</u>	<u>2,893,092</u>	<u>2,773,693</u>		
-	-	1,093,995	1,048,164	-	-
-	-	13,765	11,263	153,689	7,243
153,689	7,243	648,523	640,857	5,832	-
5,832	-	29,718	26,764	-	-
-	-	17,312	17,806	8,987	405
8,987	405	69,085	69,540	18,034	-
18,034	-	130,727	95,020	14,901	5,226
14,901	5,226	101,912	65,804	15,797	30,731
15,797	30,731	437,128	458,666	1,436	-
1,436	-	36,069	36,527	21,952	-
21,952	-	36,101	22,897	-	-
-	-	10,148	7,884	-	-
-	-	19,996	41,619	-	-
-	-	39,000	39,000	19,916	-
19,916	-	39,109	41,934	<u>260,544</u>	<u>43,605</u>
<u>260,544</u>	<u>43,605</u>	<u>2,722,588</u>	<u>2,623,745</u>		
13,599	2,787	170,504	149,948		
18,205	-	35,377	34,377	197	4
197	4	4,351	9,652	553	32
553	32	3,446	2,045	-	-
-	-	60,000	103,050	-	-
-	-	4,057	17,800	1,047	6,603
1,047	6,603	66,940	28,549	-	-
-	-	-	(18,021)	-	-
-	-	(5,730)	(3,382)	(567)	(1,987)
(567)	(1,987)	(33,552)	(27,034)	<u>19,435</u>	<u>4,652</u>
<u>19,435</u>	<u>4,652</u>	<u>134,889</u>	<u>147,036</u>		
33,034	7,439	305,393	296,984		
(20,000)	-	(87,272)	(85,642)		
13,034	7,439	218,121	211,342		
<u>146,589</u>	<u>816,544</u>	<u>8,866,552</u>	<u>8,655,210</u>		
<u>\$ 159,623</u>	<u>\$ 823,983</u>	<u>\$ 9,084,673</u>	<u>\$ 8,866,552</u>		

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2018
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018		
	Water	Sewer	Electric
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	\$ 269,009	\$ 351,102	\$ 1,982,767
Cash Paid to Suppliers and Others	(67,251)	(156,642)	(1,300,142)
Cash Paid to Employees	(112,549)	(86,509)	(290,707)
Net Cash Provided by Operating Activities	<u>89,209</u>	<u>107,951</u>	<u>391,918</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other Noncapital Income	5,592	5,344	4,656
Transfers Out	-	-	(67,272)
Intergovernmental Revenues	647	373	1,841
Repayment of Advances from (to) Other Funds	-	-	22,014
Property Taxes	-	60,000	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>6,239</u>	<u>65,717</u>	<u>(38,761)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(34,040)	(50,668)	(44,853)
Special Assessment Collections	1,309	23,878	2,171
Proceeds of Long-Term Debt	-	-	-
Principal Payments on Long-Term Debt	(23,160)	(132,603)	(3,190)
Interest Paid on Long-Term Debt	(3,398)	(25,869)	(677)
Net Cash Used by Capital and Related Financing Activities	<u>(59,289)</u>	<u>(185,262)</u>	<u>(46,549)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	<u>4,803</u>	<u>10,680</u>	<u>31,706</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	40,962	(914)	338,314
Cash and Cash Equivalents - Beginning of Year	<u>508,245</u>	<u>1,018,722</u>	<u>2,283,715</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 549,207</u>	<u>\$ 1,017,808</u>	<u>\$ 2,622,029</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 12,149	\$ (96,974)	\$ 238,943
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	69,973	203,918	116,709
(Increase) Decrease in Assets:			
Accounts Receivable	4,468	1,912	20,845
Due from Other Funds	-	(3,188)	(2,269)
Inventories	3,097	-	(18,938)
Prepaid Items	(176)	14	11,519
(Increase) Decrease in Deferred Outflows:			
Pensions	7,113	5,091	17,917
Increase (Decrease) in Liabilities:			
Accounts Payable	1,623	(1,542)	23,041
Customer Deposits	985	-	2,111
Salaries and Benefits Payable	884	383	1,947
Due to Other Funds	(1,688)	506	4,214
Compensated Absences	(140)	(2,483)	(207)
Net Pension Liability	(11,775)	(5,181)	(30,360)
Increase (Decrease) in Deferred Inflows:			
Pensions	2,696	5,495	6,446
Net Cash Provided by Operating Activities	<u>\$ 89,209</u>	<u>\$ 107,951</u>	<u>\$ 391,918</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018		2017	
Municipal Liquor	Storm Water	Total	Totals	
\$ 273,608	\$ 46,392	\$ 2,922,878	\$ 2,736,889	
(75,934)	(5,217)	(1,605,186)	(1,589,254)	
<u>(156,556)</u>	<u>(6,785)</u>	<u>(653,106)</u>	<u>(624,953)</u>	
41,118	34,390	664,586	522,682	
18,402	4	33,998	40,647	
(20,000)	-	(87,272)	(85,642)	
553	32	3,446	2,045	
(12,865)	-	9,149	8,926	
-	-	60,000	103,050	
<u>(13,910)</u>	<u>36</u>	<u>19,321</u>	<u>69,026</u>	
-	(31,064)	(160,625)	(360,645)	
-	68	27,426	43,798	
-	-	-	165,064	
-	(12,215)	(171,168)	(172,049)	
<u>(567)</u>	<u>(2,066)</u>	<u>(32,577)</u>	<u>(30,680)</u>	
(567)	(45,277)	(336,944)	(354,512)	
1,047	5,581	53,817	32,013	
27,688	(5,270)	400,780	269,209	
<u>85,457</u>	<u>517,026</u>	<u>4,413,165</u>	<u>4,143,956</u>	
<u>\$ 113,145</u>	<u>\$ 511,756</u>	<u>\$ 4,813,945</u>	<u>\$ 4,413,165</u>	
\$ 13,599	\$ 2,787	\$ 170,504	\$ 149,948	
15,797	30,731	437,128	458,666	
(729)	-	26,496	(37,748)	
-	406	(5,051)	872	
(2,269)	-	(18,110)	558	
(1,175)	8	10,190	(47,519)	
10,447	433	41,001	124,145	
18,568	-	41,690	(15,931)	
194	-	3,290	944	
444	-	3,658	(2,191)	
-	-	3,032	(3,012)	
(218)	-	(3,048)	(1,907)	
(19,389)	(442)	(67,147)	(128,423)	
5,849	467	20,953	24,280	
<u>\$ 41,118</u>	<u>\$ 34,390</u>	<u>\$ 664,586</u>	<u>\$ 522,682</u>	

See accompanying Notes to Financial Statements.

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NOTES TO FINANCIAL STATEMENTS

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**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018**

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, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018**

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, 2018**

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, 2018**

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, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

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

Compensated Absences

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

Long-Term Obligations

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

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

Net Pension/Fund Balance

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

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

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

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension/Fund Balance (Continued)

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

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

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

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

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

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

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

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

Interfund Transactions

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

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

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

Allowance for Uncollectible Accounts

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources

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

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

Summarized Comparative Information

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

Change in Accounting Principles

In 2018, the City implemented Governmental Accounting Standards (GASB) Statement No. 75, *Accounting and Financial Reporting of Postemployment Benefits Other Than Pension*, in 2018. In addition, the City also implemented (GASB) Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. There were no significant effects on the financial statements as a result of implementing these statements.

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, 2018. 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, 2018**

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, 2018, all of the City's deposits were insured and/or collateralized in accordance with Minnesota Statute 118A.03, Subd. 1.

Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 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, 2018**

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, 2018, 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	\$ 208,157	\$ 208,157	\$ -	\$ -
Negotiable CDs	NR	1,589,168	498,608	1,090,560	-
4M Fund Investment Pool	NR	2,185,150	2,185,150	-	-
		<u>3,982,475</u>	<u>\$ 2,891,915</u>	<u>\$ 1,090,560</u>	<u>\$ -</u>
Cash and Deposits		<u>2,679,686</u>			
Total Cash and Investments		<u>\$ 6,662,161</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, 2018, 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, 2018**

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	\$ 1,589,168	\$ -	\$ 1,589,168	\$ -
Investments at Amortized Cost	2,393,307			
Cash and Deposits	<u>2,679,686</u>			
Total Cash and Investments	<u>\$ 6,662,161</u>			

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CAPITAL ASSETS

Capital asset activity for Governmental Activities for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,317,957	\$ -	\$ -	\$ 1,317,957
Construction in Progress	-	21,932	-	21,932
Total Capital Assets, Not Being Depreciated	<u>1,317,957</u>	<u>21,932</u>	<u>-</u>	<u>1,339,889</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	4,304,908	18,678	-	4,323,586
Infrastructure and Infrastructure Improvements	2,857,311	104,992	-	2,962,303
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,895,245	35,692	67,000	1,863,937
Total Capital Assets, Being Depreciated	<u>9,057,464</u>	<u>159,362</u>	<u>67,000</u>	<u>9,149,826</u>
Accumulated Depreciation for:				
Buildings and Building Improvements	927,257	113,596	-	1,040,853
Infrastructure and Infrastructure Improvements	1,058,043	83,187	-	1,141,230
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,180,024	82,625	67,000	1,195,649
Total Accumulated Depreciation	<u>3,165,324</u>	<u>279,408</u>	<u>67,000</u>	<u>3,377,732</u>
Total Capital Assets, Being Depreciated, Net	<u>5,892,140</u>	<u>(120,046)</u>	<u>-</u>	<u>5,772,094</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,210,097</u>	<u>\$ (98,114)</u>	<u>\$ -</u>	<u>\$ 7,111,983</u>

CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 CAPITAL ASSETS (CONTINUED)

Capital asset activity for Business-Type Activities for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 57,185	\$ -	\$ -	\$ 57,185
Construction in Progress	-	7,112	-	7,112
Total Capital Assets, Not Being Depreciated	<u>57,185</u>	<u>7,112</u>	<u>-</u>	<u>64,297</u>
Capital Assets, Being Depreciated:				
Machinery and Equipment	877,442	12,260	-	889,702
Buildings and Building Improvements	6,983,165	83,248	-	7,066,413
Infrastructure and Infrastructure Improvements	5,546,202	23,965	-	5,570,167
Transportation Equipment	303,969	34,040	-	338,009
Office Furniture	49,632	-	-	49,632
Generators	2,532,286	-	-	2,532,286
Total Capital Assets, Being Depreciated	<u>16,292,696</u>	<u>153,513</u>	<u>-</u>	<u>16,446,209</u>
Accumulated Depreciation for:				
Machinery and Equipment	379,510	45,364	-	424,874
Buildings and Building Improvements	4,746,064	174,645	-	4,920,709
Infrastructure and Infrastructure Improvements	2,927,824	149,757	-	3,077,581
Transportation Equipment	243,695	18,917	-	262,612
Office Furniture	44,748	2,517	-	47,265
Generators	1,603,405	45,928	-	1,649,333
Total Accumulated Depreciation	<u>9,945,246</u>	<u>437,128</u>	<u>-</u>	<u>10,382,374</u>
Total Capital Assets, Being Depreciated, Net	<u>6,347,450</u>	<u>(283,615)</u>	<u>-</u>	<u>6,063,835</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,404,635</u>	<u>\$ (276,503)</u>	<u>\$ -</u>	<u>\$ 6,128,132</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 21,924
Public Safety	112,236
Public Works	116,543
Culture and Recreation	28,705
Total Depreciation Expense, Governmental Activities	<u>\$ 279,408</u>
Business-Type Activities:	
Water	\$ 69,973
Sewer	203,918
Electric	116,709
Liquor	15,797
Storm Water	30,731
Total Depreciation Expense, Business-Type Activities	<u>\$ 437,128</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 CITY INDEBTEDNESS

The following is a schedule of changes in City indebtedness for the year ended December 31, 2018:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
G.O. Improvement Bonds	\$ 688,535	\$ -	\$ 98,660	\$ 589,875	\$ 106,885
G.O. USDA Bond	2,120,000	-	-	2,120,000	30,166
USDA Note	450,000	-	-	450,000	6,404
Discount on Bonds	(4,111)	-	(1,973)	(2,138)	-
Capital Lease	242,399	-	45,729	196,670	47,065
Compensated Absences	26,561	1,717	-	28,278	28,278
Total Governmental Activities	<u>3,523,384</u>	<u>1,717</u>	<u>142,416</u>	<u>3,382,685</u>	<u>218,798</u>
Business-Type Activities:					
G.O. Revenue	1,523,543	-	93,543	1,430,000	89,000
G.O. Improvement Bonds	526,466	-	56,340	470,126	58,115
Capital Lease	139,079	-	21,285	117,794	22,010
Compensated Absences	19,384	-	3,048	16,336	16,336
Total Business-Type Activities	<u>2,208,472</u>	<u>-</u>	<u>174,216</u>	<u>2,034,256</u>	<u>185,461</u>
Total Debt	<u>\$ 5,731,856</u>	<u>\$ 1,717</u>	<u>\$ 316,632</u>	<u>\$ 5,416,941</u>	<u>\$ 404,259</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.

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

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

General Obligation Revenue Bonds

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

Summary of City Indebtedness

The long-term debt obligations outstanding and related maturities and interest rates at December 31, 2018 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%	\$ 165,000
Series 2012A	78,775	2/1/2023	0.85 - 2.75%	41,100
Series 2016A	399,900	2/1/2036	1.15 - 3.00%	383,775
2017 USDA Bond	2,120,000	8/28/2057	0.90%	2,120,000
Less: Unamortized Discount				<u>(2,138)</u>
Net Bonded Debt				2,707,737
2017 USDA Note	450,000	8/28/2057	0.90%	450,000
Capital Lease - Fire Truck	330,000	12/15/2022	2.60%	196,670
Compensated Absences				<u>28,278</u>
Total Governmental Activities				<u><u>\$ 3,382,685</u></u>
Business-Type Activities:				
G.O. Revenue Bonds:				
Series 2013 Sewer (PFA)	1,828,630	2/1/1933	1.00%	\$ 1,430,000
G.O. Improvement Bonds:				
Series 2012A	496,225	2/1/2023	0.85 - 2.75%	258,901
Series 2016A	220,100	2/1/1936	1.15 - 3.00%	211,225
Net Bonded Debt				<u>1,900,126</u>
Capital Lease - Vactor Truck	165,064	8/1/2023		117,794
Compensated Absences				<u>16,336</u>
Total Business-Type Activities				<u><u>\$ 2,034,256</u></u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	
2019	\$ 137,051	\$ 75,922	\$ 212,973
2020	142,918	71,227	214,146
2021	59,495	68,170	127,666
2022	61,098	66,767	127,865
2023	62,043	65,239	127,282
2024 - 2028	280,830	304,976	585,806
2029 - 2033	324,982	263,295	588,277
2034 - 2038	321,802	214,661	536,463
2039 - 2043	281,563	173,967	455,530
2044 - 2048	324,491	131,089	455,580
2049 - 2053	373,897	81,683	455,580
2054 - 2058	339,705	24,756	364,462
Totals	<u>\$ 2,709,875</u>	<u>\$ 1,541,753</u>	<u>\$ 4,251,628</u>

<u>Year Ended December 31,</u>	Governmental Activities USDA Note		Totals
	Principal	Interest	
2019	\$ 6,404	\$ 12,938	\$ 19,341
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 - 2028	39,076	57,629	96,705
2029 - 2033	45,025	51,680	96,705
2034 - 2038	51,880	44,825	96,705
2039 - 2043	59,780	36,925	96,705
2044 - 2048	68,881	27,824	96,705
2049 - 2053	79,369	17,336	96,705
2054 - 2058	72,076	5,252	77,329
Totals	<u>\$ 450,000</u>	<u>\$ 304,264</u>	<u>\$ 754,264</u>

<u>Year Ended December 31,</u>	Business-Type Activities Bonded Debt		Totals
	Principal	Interest	
2019	\$ 147,115	\$ 24,646	\$ 171,761
2020	148,115	22,755	170,870
2021	153,430	20,740	174,170
2022	158,745	18,387	177,132
2023	159,745	15,738	175,483
2024 - 2028	528,250	57,775	586,025
2029 - 2033	562,125	26,010	588,135
2034 - 2038	42,601	1,917	44,517
Totals	<u>\$ 1,900,126</u>	<u>\$ 187,968</u>	<u>\$ 2,088,093</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018, the City did not exceed the statutory limitation.

NOTE 5 CAPITAL LEASE

In October 2014, the City entered into a lease agreement for financing the acquisition of a fire truck. This agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. The capital asset related to the lease has a cost of \$384,834 with related accumulated depreciation of \$51,311 as of December 31, 2018.

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 52,430
2020	52,430
2021	52,430
2022	52,430
Total Minimum Lease Payments	<u>209,720</u>
Less: Interest	<u>(13,050)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 196,670</u></u>

In July 2017, the City entered into a lease agreement for financing the acquisition of a vector truck. This agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. The capital asset related to the lease has a cost of \$195,602 with related accumulated depreciation of \$18,474 as of December 31, 2018.

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 26,016
2020	26,016
2021	26,016
2022	26,016
2023	26,016
Total Minimum Lease Payments	<u>130,080</u>
Less: Interest	<u>(12,286)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 117,794</u></u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a 1% increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100 percent after twenty 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.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0% increase. An annual adjustment will equal 2.5% any time the plan exceeds a 90% funded ratio for two consecutive years. If the adjustment is increased to 2.5% and the funded ratio falls below 80% for one year or 85% for two consecutive years, the post-retirement benefit increase will be lowered to 1%. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

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 2018 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, 2018, were \$55,672. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary and the City was required to contribute 16.20% of pay for members in fiscal year 2018. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$31,225. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2018, the City reported a liability of \$599,141 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, 2018. 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 \$19,577. The net pension liability was measured as of June 30, 2018 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018 the City's proportion share was 0.0108% which was a decrease of 0.0007% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$42,244 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$4,560 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, 2018.

At December 31, 2018, 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	\$ 15,860	\$ 17,474
Changes in Actuarial Assumptions	57,233	67,319
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	61,222
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	2,477	40,618
City Contributions Subsequent to the Measurement Date	27,992	-
Total	<u>\$ 103,562</u>	<u>\$ 186,633</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

\$27,992 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, 2019. 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>
2019	\$ 8,125
2020	(47,353)
2021	(59,330)
2022	(12,505)
2022	-
Thereafter	-

2. Police and Fire Fund Pension Costs

At December 31, 2018, the City reported a liability of \$196,125 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.0184% which was an increase of 0.0004% to its proportion measured as of June 30, 2017. The City also recognized \$1,656 for the year ended December 31, 2018 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2018, the City recognized pension expense of \$27,039 for its proportionate share of the Police and Fire Plan's pension expense.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2018, 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	\$ 7,904	\$ 48,115
Changes in Actuarial Assumptions	243,832	288,722
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	41,079
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	17,263	-
City Contributions Subsequent to the Measurement Date	15,450	-
Total	<u>\$ 284,449</u>	<u>\$ 377,916</u>

\$15,450 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, 2019. 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>
2019	\$ 190
2020	(8,918)
2021	(23,478)
2022	(77,272)
2023	561
Thereafter	-

The City recognized total pension expense of \$75,499 for all of the pension plans in which it participates. This includes \$42,244 for the General Employees Fund and \$27,039 for the Police and Fire Fund as well as the \$4,560 in special funding for the General Employees Fund and \$1,656 in special funding for the Police and Fire Fund.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2018 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, 2018 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 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Police and Fire Fund

- The morality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year, thereafter, to 1.0% for all years, with no trigger.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36.00 %	5.10%
International Equity	17.00	5.30%
Bonds	20.00	0.75%
Alternative Assets	25.00	5.90%
Cash	2.00	0.00%
Totals	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability in 2018 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	\$ 973,679	\$ 599,141	\$ 289,969

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Liability Sensitivity (Continued)

<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 Police & Fire Plan Net Pension Liability	\$ 420,504	\$ 196,125	\$ 10,573

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.

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 \$-0- were received by the Fire Relief from the State (through the City), in accordance with Minnesota Statute requirements for the year ended December 31, 2018.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 INTERFUND TRANSACTIONS

Transfers

Transfers during the year ended December 31, 2018 were as follows:

	<u>Amount</u>	<u>Description</u>
Major Funds:		
Transfers to General Fund from:		
Liquor Fund	\$ 20,000	Budgeted Transfer
Electric Fund	67,272	Payment in Lieu of Taxes
Total Transfers to General Fund	<u>87,272</u>	
Transfer to Debt Service Fund from:		
Capital Projects Fund	52,430	Budgeted Transfer
Transfers to Capital Projects from:		
General Fund	118,000	Budgeted Transfer
Other Governmental Funds	63,100	Budgeted Transfer
Total Transfers to Capital Projects Fund	<u>181,100</u>	
Total Transfers to Major Funds	<u>\$ 320,802</u>	

Interfund Receivables and Payables

The amounts due to and from other funds as of December 31, 2018 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	\$ 204,201	\$ 3,450
Capital Projects Funds	-	132,155
Enterprise Funds:		
Water	1,688	-
Sewer	31,946	506
Electric	2,269	108,174
Storm Sewer	4,181	-
Total Due to/from	<u>\$ 244,285</u>	<u>\$ 244,285</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 INTERFUND TRANSACTIONS (CONTINUED)

Interfund Receivables and Payables

Advances to and from other funds as of December 31, 2018 were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Economic Development Authority	\$ -	\$ 81,925
Enterprise Funds:		
Electric	119,584	-
Liquor	-	37,659
Total Advances	<u>\$ 119,584</u>	<u>\$ 119,584</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.

NOTE 9 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Excess of expenditures over appropriations as of December 31, 2018

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 1,157,322	\$ 1,213,278	\$ 55,956
Nonmajor Governmental Fund - Library	184,300	185,298	998

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 FUND BALANCE

As of December 31, 2018, the City has portions of its fund balance in nonspendable form, restricted, committed, and assigned. The table below summarizes these amounts:

	General Fund	Capital Projects	Debt Service	Nonmajor Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$ 24,364	\$ -	\$ -	\$ 7,447	\$ 31,811
Property Held for Sale	21,000	-	-	-	21,000
Restricted:					
Police Forfeitures	-	-	-	1,269	1,269
Future Debt Retirement	-	-	296,516	-	296,516
Committed:					
Capital Projects	-	692,446	-	-	692,446
Assigned:					
Fire Department	-	-	-	31,644	31,644
Library Operations	-	-	-	52,530	52,530
Economic Development	-	-	-	147,562	147,562
Special Purpose Contributions	-	-	-	47,275	47,275
Unassigned	736,977	-	-	-	736,977
Total Fund Balance	<u>\$ 782,341</u>	<u>\$ 692,446</u>	<u>\$ 296,516</u>	<u>\$ 287,727</u>	<u>\$ 2,059,030</u>

NOTE 11 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

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.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

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.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2018, the City has one agreement in place under Minnesota Statute 439.174 to 469.179 (The Tax Increment Act) which resulted in property taxes totaling \$17,394 being abated through a pay as you go note to finance a housing project.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Measurement Date				
	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	0.0108%	0.0115%	0.0118%	0.0116%	0.0125%
City's Proportionate Share of the Net Pension Liability	\$ 599,141	\$ 734,152	\$ 958,101	\$ 601,172	\$ 587,187
State's Proportionate Share of the Net Pension Liability Associated with the City	19,557	9,229	-	-	-
Total	<u>\$ 618,698</u>	<u>\$ 743,381</u>	<u>\$ 958,101</u>	<u>\$ 601,172</u>	<u>\$ 587,187</u>
City's Covered Payroll	\$ 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	83.25%	98.63%	134.37%	86.59%	88.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.53%	75.90%	68.90%	78.20%	78.70%
Police and Fire Fund					
City's Proportion of the Net Pension Liability	0.0184%	0.0180%	0.0180%	0.0160%	0.0160%
City's Proportionate Share of the Net Pension Liability	\$ 196,125	\$ 243,021	\$ 722,371	\$ 181,797	\$ 172,807
City's Covered Payroll	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	100.93%	132.09%	425.35%	118.05%	125.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 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 morality 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.

**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

- 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%.
- 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Employees Fund:					
Statutorily Required Contribution	\$ 55,672	\$ 53,376	\$ 54,277	\$ 50,223	\$ 47,633
Contributions in Relation to the Statutorily Required Contribution	<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>
City's Covered Payroll	\$ 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%	7.25%
Police and Fire Fund:					
Statutorily Required Contribution	\$ 31,225	\$ 32,304	\$ 28,092	\$ 23,482	\$ 21,152
Contributions in Relation to the Statutorily Required Contribution	<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>
City's Covered Payroll	\$ 192,747	\$ 199,407	\$ 173,407	\$ 154,001	\$ 137,426
Contributions as a Percentage of Covered Employee Payroll	16.20%	16.20%	16.20%	16.20%	15.30%

*Additional information will be added as it becomes available.

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)**

	2018		
	Fire Fund	Library Fund	Economic Development Authority
ASSETS			
Cash and Investments	\$ 40,115	\$ 55,777	\$ 11,409
Receivables:			
Accounts Receivable	26,588	-	-
Due from Other Governmental Units	-	-	25,060
Prepaid Items	5,159	1,326	962
Property Held for Resale	-	-	223,300
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 71,862</u>	<u>\$ 57,103</u>	<u>\$ 260,731</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 8,471	\$ 1,411	\$ 29,782
Accrued Compensation	-	1,836	-
Advances from Other Funds	-	-	81,925
Customer Deposits	-	-	500
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	8,471	3,247	112,207
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue:	26,588	-	-
FUND BALANCE			
Nonspendable for Prepaid Items	5,159	1,326	962
Restricted:			
Police Forfeitures	-	-	-
Assigned:			
Fire Department	31,644	-	-
Library Operations	-	52,530	-
Economic Development	-	-	147,562
Special Purpose Contributions	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	36,803	53,856	148,524
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 71,862</u>	<u>\$ 57,103</u>	<u>\$ 260,731</u>

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)**

2018				2017	
Police Forfeiture	Special Purpose Donations	2004 Tax Abatement TIF/Sun Home	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds	
\$ 1,269	\$ 47,902	\$ -	\$ 156,472	\$ 166,964	
-	-	-	26,588	579	
-	-	-	25,060	-	
-	-	-	7,447	8,334	
-	-	-	223,300	236,869	
<u>\$ 1,269</u>	<u>\$ 47,902</u>	<u>\$ -</u>	<u>\$ 438,867</u>	<u>\$ 412,746</u>	
\$ -	\$ 627	\$ -	\$ 40,291	\$ 8,422	
-	-	-	1,836	1,465	
-	-	-	81,925	91,074	
-	-	-	500	500	
-	627	-	124,552	101,461	
-	-	-	26,588	-	
-	-	-	7,447	8,334	
1,269	-	-	1,269	1,269	
-	-	-	31,644	30,631	
-	-	-	52,530	52,787	
-	-	-	147,562	176,119	
-	47,275	-	47,275	42,145	
<u>1,269</u>	<u>47,275</u>	<u>-</u>	<u>287,727</u>	<u>311,285</u>	
<u>\$ 1,269</u>	<u>\$ 47,902</u>	<u>\$ -</u>	<u>\$ 438,867</u>	<u>\$ 412,746</u>	

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018		
	Fire Fund	Library Fund	Economic Development Authority
REVENUES			
Taxes	\$ 55,630	\$ 142,865	\$ 14,995
Tax Increment	-	-	-
Intergovernmental	2,878	38,539	41,995
Charges for Services	60,942	-	-
Investment Earnings	513	269	256
Fines and Forfeitures	-	658	-
Donations	-	-	-
Miscellaneous	337	2,808	11,890
Total Revenues	<u>120,300</u>	<u>185,139</u>	<u>69,136</u>
EXPENDITURES			
Current:			
Public Safety	57,200	-	-
Culture and Recreation	-	185,298	-
Economic Development	-	-	95,388
Debt Service:			
Interest and Fiscal Charges	-	-	2,277
Total Expenditures	<u>57,200</u>	<u>185,298</u>	<u>97,665</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	63,100	(159)	(28,529)
OTHER FINANCING SOURCES (USES)			
Transfers Out	(63,100)	-	-
Proceeds on Capital Asset Disposal	-	-	-
Total Other Financing Sources (Uses)	<u>(63,100)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(159)	(28,529)
Fund Balance - Beginning of Year	<u>36,803</u>	<u>54,015</u>	<u>177,053</u>
FUND BALANCE - END OF YEAR	<u>\$ 36,803</u>	<u>\$ 53,856</u>	<u>\$ 148,524</u>

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			2017	
Police Forfeiture	Special Purpose Donations	2004 Tax Abatement TIF/Sun Home	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ 213,490	\$ 190,724	
-	-	19,327	19,327	19,877	
-	-	-	83,412	79,733	
-	-	-	60,942	77,516	
-	477	-	1,515	945	
-	-	-	658	832	
-	29,995	-	29,995	20,159	
-	-	-	15,035	14,564	
-	30,472	19,327	424,374	404,350	
-	10,708	-	67,908	112,164	
-	14,634	-	199,932	182,664	
-	-	19,327	114,715	60,551	
-	-	-	2,277	2,500	
-	25,342	19,327	384,832	357,879	
-	5,130	-	39,542	46,471	
-	-	-	(63,100)	(136,062)	
-	-	-	-	88,567	
-	-	-	(63,100)	(47,495)	
-	5,130	-	(23,558)	(1,024)	
1,269	42,145	-	311,285	312,309	
\$ 1,269	\$ 47,275	\$ -	\$ 287,727	\$ 311,285	

**CITY OF KENYON, MINNESOTA
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018				2017
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Property Taxes	\$ 55,630	\$ 55,630	\$ 55,630	\$ -	\$ 42,534
Intergovernmental:					
Fire State Aid	26,000	26,000	-	(26,000)	26,732
Other State Aid	4,000	4,000	2,878	(1,122)	13,132
Total Intergovernmental Revenue	<u>30,000</u>	<u>30,000</u>	<u>2,878</u>	<u>(27,122)</u>	<u>39,864</u>
Charges for Services:					
Fire Contracts	62,940	62,940	60,942	(1,998)	77,516
Investment Income	220	220	513	293	371
Miscellaneous Revenues:					
Dividends	1,500	1,500	337	(1,163)	466
Other	-	-	-	-	287
Total Miscellaneous Revenues	<u>1,500</u>	<u>1,500</u>	<u>337</u>	<u>(1,163)</u>	<u>753</u>
Total Revenues	150,290	150,290	120,300	(29,990)	161,038
EXPENDITURES					
Public Safety:					
Employee Services	4,770	4,770	4,711	59	4,953
Supplies	16,500	16,500	3,660	12,840	18,805
Repairs and Miscellaneous	12,100	12,100	14,514	(2,414)	11,464
Professional Services	3,000	3,000	3,294	(294)	3,000
Training	10,850	10,850	5,887	4,963	7,828
Insurance	4,750	4,750	6,622	(1,872)	6,479
Utilities	6,970	6,970	13,458	(6,488)	11,778
Fire State Aid	26,000	26,000	-	26,000	26,732
Capital Outlay	-	-	-	-	8,053
Other Services and Charges	10,350	10,350	5,054	5,296	8,118
Total Public Safety	<u>95,290</u>	<u>95,290</u>	<u>57,200</u>	<u>38,090</u>	<u>107,210</u>
Total Expenditures	95,290	95,290	57,200	38,090	107,210
EXCESS OF REVENUES OVER EXPENDITURES	55,000	55,000	63,100	(68,080)	53,828
OTHER FINANCING USES					
Transfers Out	<u>(55,000)</u>	<u>(55,000)</u>	<u>(63,100)</u>	<u>(8,100)</u>	<u>(55,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ (76,180)</u>	<u>(1,172)</u>
Fund Balance - Beginning of Year			36,803		37,975
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, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018			Variance from Final Budget	2017
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Property Taxes	\$ 142,865	\$ 142,865	\$ 142,865	\$ -	\$ 130,160
Intergovernmental:					
County Aid	38,540	38,540	38,539	(1)	39,869
Fines and Forfeitures	1,100	1,100	658	(442)	783
Investment Income	95	95	269	174	104
Miscellaneous Revenues:					
Dividends	600	600	855	255	203
Other	1,100	1,100	1,953	853	1,377
Total Miscellaneous Revenues	<u>1,700</u>	<u>1,700</u>	<u>2,808</u>	<u>1,108</u>	<u>1,580</u>
Total Revenues	184,300	184,300	185,139	839	172,496
EXPENDITURES					
Culture and Recreation:					
Employee Services	140,040	140,040	141,262	(1,222)	126,368
Books and Other Materials	23,750	23,750	23,469	281	23,177
Repairs and Miscellaneous	250	250	717	(467)	-
Training	650	650	370	280	455
Insurance	2,220	2,220	2,200	20	2,186
Utilities	5,940	5,940	6,144	(204)	5,981
Automation	7,700	7,700	7,571	129	7,151
Capital Outlay	1,500	1,500	1,187	313	879
Other Services and Charges	2,250	2,250	2,378	(128)	2,457
Total Culture and Recreation	<u>184,300</u>	<u>184,300</u>	<u>185,298</u>	<u>(998)</u>	<u>168,654</u>
Total Expenditures	184,300	184,300	185,298	(998)	168,654
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(159)	<u>\$ 1,837</u>	3,842
Fund Balance - Beginning of Year			<u>54,015</u>		<u>50,173</u>
FUND BALANCE - END OF YEAR			<u>\$ 53,856</u>		<u>\$ 54,015</u>

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY DEBT ISSUANCE
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	2018			
	Trondheim Road Extension	2012 G.O. Improvement Bonds	2007 G.O. Refunding Bonds	Fire Truck Capital Lease
ASSETS				
Cash and Investments	\$ 100,222	\$ 29,634	\$ 147,586	\$ -
Restricted Cash and Investments	-	-	-	-
Special Assessments Receivable Deferred	-	-	-	-
Total Assets	<u>\$ 100,222</u>	<u>\$ 29,634</u>	<u>\$ 147,586</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>29,634</u>	<u>147,586</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and fund Balance	<u>\$ 100,222</u>	<u>\$ 29,634</u>	<u>\$ 147,586</u>	<u>\$ -</u>

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY DEBT ISSUANCE (CONTINUED)
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

		2018			
2016 G.O. Improvement Bonds	2017 USDA Note	2017 G.O. USDA Bonds	Total Debt Service Fund	2017 Total Debt Service Fund	
\$ 17,386	\$ 1,186	\$ 570	\$ 296,584	\$ 299,621	
-	648	-	648	648	
<u>67,995</u>	<u>-</u>	<u>-</u>	<u>67,995</u>	<u>106,335</u>	
<u>\$ 85,381</u>	<u>\$ 1,834</u>	<u>\$ 570</u>	<u>\$ 365,227</u>	<u>\$ 406,604</u>	
\$ 716	\$ -	\$ -	\$ 716	\$ -	
67,995	-	-	67,995	106,335	
<u>16,670</u>	<u>1,834</u>	<u>570</u>	<u>296,516</u>	<u>300,269</u>	
<u>\$ 85,381</u>	<u>\$ 1,834</u>	<u>\$ 570</u>	<u>\$ 365,227</u>	<u>\$ 406,604</u>	

CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY DEBT ISSUANCE
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

	2018			
	Trondheim Road Extension	2012 G.O. Improvement Bonds	2007 G.O. Refunding Bonds	Fire Truck Capital Lease
REVENUES				
Taxes	\$ -	\$ 9,335	\$ 127,185	\$ -
Special Assessments	27,928	-	-	-
Intergovernmental	-	-	-	-
Investment Earnings	-	137	166	-
Total Revenues	<u>27,928</u>	<u>9,472</u>	<u>127,351</u>	<u>-</u>
EXPENDITURES				
Principal	-	7,535	75,000	45,729
Interest and Fiscal Charges	-	5,697	9,000	6,701
Total Expenditures	<u>-</u>	<u>13,232</u>	<u>84,000</u>	<u>52,430</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	27,928	(3,760)	43,351	(52,430)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	52,430
Payment to Refunded Bond Escrow Agent	-	-	-	-
Bond Proceeds	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,430</u>
NET CHANGE IN FUND BALANCE	27,928	(3,760)	43,351	-
Fund Balance - Beginning of Year	<u>72,294</u>	<u>33,394</u>	<u>104,235</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 100,222</u>	<u>\$ 29,634</u>	<u>\$ 147,586</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, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

		2018			2017	
2016 G.O. Improvement Bonds	2017 USDA Note	2017 G.O. USDA Bonds	Total Debt Service Fund	Total Debt Service Fund		
\$ 13,590	\$ -	\$ -	\$ 150,110	\$ 148,995		
14,021	-	-	41,949	70,423		
-	1,000	-	1,000	-		
-	327	70	700	395		
<u>27,611</u>	<u>1,327</u>	<u>70</u>	<u>193,759</u>	<u>219,813</u>		
16,125	-	-	144,389	482,849		
10,267	60,950	12,938	105,553	58,267		
<u>26,392</u>	<u>60,950</u>	<u>12,938</u>	<u>249,942</u>	<u>541,116</u>		
1,219	(59,623)	(12,868)	(56,183)	(321,303)		
-	-	-	52,430	430,778		
-	-	-	-	(2,544,117)		
-	-	-	-	2,570,000		
<u>-</u>	<u>-</u>	<u>-</u>	<u>52,430</u>	<u>456,661</u>		
1,219	(59,623)	(12,868)	(3,753)	135,358		
15,451	61,457	13,438	300,269	164,911		
<u>\$ 16,670</u>	<u>\$ 1,834</u>	<u>\$ 570</u>	<u>\$ 296,516</u>	<u>\$ 300,269</u>		

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY PROJECT
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	2018		
ASSETS	Capital Outlay	Fire Hall Capital	Red Wing Ave Project
Cash and Investments	\$ 833,531	\$ -	\$ -
Accrued Interest Receivable	1,730	-	-
Total Assets	\$ 835,261	\$ -	\$ -
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 1,420	\$ -	\$ 9,240
Due to Other Funds	-	59,787	12,692
Total Liabilities	1,420	59,787	21,932
FUND BALANCE (DEFICIT)			
Committed	833,841	-	-
Unassigned	-	(59,787)	(21,932)
Total Fund Balance (Deficit)	833,841	(59,787)	(21,932)
Total Liabilities and Fund Balance (Deficit)	\$ 835,261	\$ -	\$ -

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY PROJECT (CONTINUED)
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

2018		2017	
2016 First Street	Total Capital Projects Fund	Total Capital Projects Fund	Total Capital Projects Fund
\$ -	\$ 833,531	\$ 723,933	
-	1,730	59	
<u>\$ -</u>	<u>\$ 835,261</u>	<u>\$ 723,992</u>	
\$ -	\$ 10,660	\$ 144	
59,676	132,155	119,463	
<u>59,676</u>	<u>142,815</u>	<u>119,607</u>	
-	833,841	723,992	
(59,676)	(141,395)	(119,607)	
<u>(59,676)</u>	<u>692,446</u>	<u>604,385</u>	
<u>\$ -</u>	<u>\$ 835,261</u>	<u>\$ 723,992</u>	

CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY PROJECT
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

	2018		
	Capital Outlay	Fire Hall Capital	Red Wing Ave Project
REVENUES			
Investment Earnings	\$ 9,135	\$ -	\$ -
Miscellaneous	500	144	-
Total Revenues	<u>9,635</u>	<u>144</u>	<u>-</u>
EXPENDITURES			
Capital Outlay	128,431	-	21,932
Debt Services			
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>128,431</u>	<u>-</u>	<u>21,932</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(118,796)	144	(21,932)
OTHER FINANCING SOURCES (USES)			
Transfers In	181,100	-	-
Transfers Out	(52,430)	-	-
Proceeds on Capital Asset Disposal	99,975	-	-
Total Other Financing Sources (Uses)	<u>228,645</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	109,849	144	(21,932)
Fund Balance (Deficit) - Beginning of Year	<u>723,992</u>	<u>(59,931)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 833,841</u>	<u>\$ (59,787)</u>	<u>\$ (21,932)</u>

**CITY OF KENYON, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE – BY PROJECT (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

2018		2017	
2016 First Street	Total Capital Projects Fund	Total Capital Projects Fund	Total Capital Projects Fund
\$ -	\$ 9,135	8,718	4,500
-	644	-	-
-	9,779	13,218	-
-	150,363	760,296	-
-	-	217	-
-	150,363	760,513	-
-	(140,584)	(747,295)	-
-	181,100	288,527	-
-	(52,430)	(457,743)	-
-	99,975	-	-
-	228,645	(169,216)	-
-	88,061	(916,511)	-
(59,676)	604,385	1,520,896	-
\$ (59,676)	\$ 692,446	\$ 604,385	-

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WATER FUND
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

	2018	2017
OPERATING REVENUES		
Charges for Services	\$ 263,556	\$ 252,835
OPERATING EXPENSES		
Employee Services	111,327	112,366
Supplies	5,416	3,122
Professional Services	1,080	1,080
Insurance	2,216	2,082
Utilities	14,197	13,173
Repairs and Maintenance	20,656	19,769
Depreciation	69,973	68,710
Dues and Subscriptions	386	978
Other Services	11,777	-
Safety	700	779
Shared Facility Charge	7,800	7,800
Other Operating Expenses	5,879	6,969
Total Operating Expenses	251,407	236,828
OPERATING INCOME	12,149	16,007
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	5,431	6,921
Dividend	161	325
Intergovernmental Revenues	647	392
Special Assessments	72	971
Interest Revenue	4,803	3,114
Interest Expense	(3,241)	(3,427)
Total Other Income	7,873	8,296
CHANGE IN NET POSITION	20,022	24,303
Net Position - Beginning of Year	1,268,692	1,244,389
NET POSITION - END OF YEAR	\$ 1,288,714	\$ 1,268,692

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEWER FUND
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

	2018	2017
OPERATING REVENUES		
Charges for Services	\$ 349,190	\$ 280,920
OPERATING EXPENSES		
Employee Services	89,814	83,569
Supplies	12,325	10,883
Professional Services	11,173	11,023
Insurance	6,439	7,594
Utilities	73,797	45,051
Repairs and Maintenance	43,654	7,428
Depreciation	203,918	192,830
Other Services	102	585
Other Operating Expenses	4,942	4,538
Total Operating Expenses	446,164	363,501
OPERATING LOSS	(96,974)	(82,581)
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	5,064	5,064
Dividend	280	688
Intergovernmental Revenues	373	156
Property Taxes	60,000	103,050
Special Assessments	3,786	13,334
Interest Revenue	12,712	5,324
Gain (Loss) on Disposal of Capital Assets	-	(18,021)
Interest Expense	(27,102)	(20,358)
Total Other Income	55,113	89,237
CHANGE IN NET POSITION	(41,861)	6,656
Net Position - Beginning of Year	2,317,843	2,311,187
NET POSITION - END OF YEAR	\$ 2,275,982	\$ 2,317,843

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ELECTRIC FUND
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for Services	\$ 1,959,811	\$ 1,934,487
OPERATING EXPENSES		
Power Costs	1,093,995	1,048,164
Conservation Improvement Program	13,765	11,263
Employee Services	286,450	285,651
Supplies	6,145	8,213
Professional Services	5,059	5,703
Insurance	51,038	50,767
Utilities	24,699	20,950
Repairs and Maintenance	17,475	23,809
Depreciation	116,709	152,490
Dues and Subscriptions	34,247	34,079
Other Services	2,270	1,145
Safety	9,448	7,105
Generator Expense	19,996	41,619
Shared Facility Charge	31,200	31,200
Other Operating Expenses	8,372	8,343
Total Operating Expenses	<u>1,720,868</u>	<u>1,730,501</u>
OPERATING INCOME	238,943	203,986
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	6,677	7,200
Dividend	3,709	8,157
Intergovernmental Revenues	1,841	1,219
Special Assessments	199	3,466
Interest Revenue	41,775	16,966
Miscellaneous Nonoperating Expenses	(5,730)	(3,357)
Interest Expense	(655)	(461)
Total Other Income	<u>47,816</u>	<u>33,190</u>
NET INCOME BEFORE TRANSFERS	286,759	237,176
TRANSFERS		
Transfers Out	<u>(67,272)</u>	<u>(65,642)</u>
CHANGE IN NET POSITION	219,487	171,534
Net Position - Beginning of Year	<u>4,316,884</u>	<u>4,145,350</u>
NET POSITION - END OF YEAR	<u>\$ 4,536,371</u>	<u>\$ 4,316,884</u>

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
LIQUOR FUND
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTAL FOR YEAR ENDED DECEMBER 31, 2017)

	2018	2017
OPERATING REVENUES		
Sales	\$ 791,642	\$ 741,499
Costs of Goods Sold	(517,499)	(482,627)
Total Gross Profit and Operating Revenues	274,143	258,872
OPERATING EXPENSES		
Employee Services	153,689	154,880
Supplies	5,832	4,546
Insurance	8,987	8,710
Utilities	18,034	15,846
Repairs and Maintenance	14,901	8,858
Depreciation	15,797	15,198
Dues and Subscriptions	1,436	1,470
Other Services	21,952	21,167
Other Operating Expenses	19,916	22,084
Total Operating Expenses	260,544	252,759
OPERATING INCOME	13,599	6,113
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	18,205	15,141
Dividend	197	421
Intergovernmental Revenues	553	264
Interest Revenue	1,047	485
Miscellaneous Nonoperating Expenses	-	(25)
Interest Expense	(567)	(867)
Total Other Income	19,435	15,419
NET INCOME BEFORE TRANSFERS	33,034	21,532
TRANSFERS		
Transfers Out	(20,000)	(20,000)
CHANGE IN NET POSITION	13,034	1,532
Net Position - Beginning of Year	146,589	145,057
NET POSITION - END OF YEAR	\$ 159,623	\$ 146,589

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
STORM WATER FUND
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)

	2018	2017
OPERATING REVENUES		
Charges for Services	\$ 46,392	\$ 46,579
OPERATING EXPENSES		
Employee Services	7,243	4,391
Insurance	405	387
Repairs and Maintenance	5,226	5,940
Depreciation	30,731	29,438
Total Operating Expenses	43,605	40,156
OPERATING INCOME	2,787	6,423
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	-	51
Dividend	4	61
Intergovernmental Revenues	32	14
Special Assessments	-	29
Interest Revenue	6,603	2,660
Interest Expense	(1,987)	(1,921)
Total Other Income	4,652	894
CHANGE IN NET POSITION	7,439	7,317
Net Position - Beginning of Year	816,544	809,227
NET POSITION - END OF YEAR	\$ 823,983	\$ 816,544

**CITY OF KENYON, MINNESOTA
PFA SEWER FUND LOAN OF 2013
LOAN RETIREMENT DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2017)**

	2018	2017
REVENUES		
Property Taxes	\$ 60,000	\$ 103,050
EXPENDITURES		
Principal	88,000	87,000
Interest	15,180	16,050
Total Operating Expenses	103,180	103,050
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(43,180)	-
Fund Balance - Beginning of Year	99,060	99,060
FUND BALANCE - END OF YEAR	\$ 55,880	\$ 99,060

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

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