

CITY OF KENYON, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2016

**CITY OF KENYON, MINNESOTA
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YEAR ENDED DECEMBER 31, 2016**

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CITY OF KENYON, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2016

**CITY OF KENYON, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2016**

Elected Officials

		<u>Term Expires</u>
Mayor	Michael Engel	December 31, 2016
Council Member	Fred Barsness	December 31, 2018
Council Member	Doug Henke	December 31, 2018
Council Member	Richard Nielsen	December 31, 2016
Council Member	John Mortensen	December 31, 2016

Appointed Officials

Administrator Mark Vahlsing

Public Utilities Commission – Appointed

Acting Chairperson	Richard Nielsen	December 31, 2017
Commissioner	Jim Malloy	December 31, 2018
Commissioner	Jerry Houglum	December 31, 2016

Public Utilities Commission Administration – Appointed

Operations Superintendent Randy Eggert
Bookkeeper Susan Dodds

CITY OF KENYON, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2016



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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits 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, 2016, 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

Other auditors have previously audited the City of Kenyon's 2015 financial statements and expressed an unmodified opinion on the respective financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information in their report dated March 14, 2016. The summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Honorable Mayor and City Council
City of Kenyon, Minnesota

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017, 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 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 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
June 27, 2017

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

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, 2016. 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, 2016 (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) for the City of Kenyon was \$13,916,040. Of this amount, \$5,496,926 (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 \$2,839,074, of which 29% is available for use within the City's designations.
- At the end of the fiscal year, unassigned fund balance of the general fund was \$815,793, or 75% of total general fund expenditures compared to 79% in 2015.
- The City of Kenyon increased its existing debt principal by \$3,239,230 during the current fiscal year, leaving a remaining balance of \$6,153,973. The increase is primarily due to the issuance of the Series 2016A and 2016B bonds to provide temporary funding for the new fire station and street improvements.

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, 2016**

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 9 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, 2016**

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

The notes to the financial statements can be found on pages 33-64 of this report.

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

Government-Wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a city's financial position. In the case of the City of Kenyon, assets exceeded liabilities by \$13,916,040 at the close of the fiscal year, with \$5,260,830 of this net position from governmental activities and \$8,655,210 from proprietary funds.

As noted in Table A-1, below, net position \$7,973,214 or 57% 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
as of December 31, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 6,764,013	\$ 1,866,497	\$ 4,909,578	\$ 4,563,334	\$ 11,673,591	\$ 6,429,831
Capital Assets	3,799,522	4,711,900	6,520,677	6,514,601	10,320,199	11,226,501
Total Assets	10,563,535	6,578,397	11,430,255	11,077,935	21,993,790	17,656,332
Deferred Outflows of Resources	721,393	84,420	224,113	46,284	945,506	130,704
Long-Term Liabilities	2,073,139	1,230,771	2,582,190	2,458,883	4,655,329	3,689,654
Other Liabilities	3,824,093	130,745	361,994	278,672	4,186,087	409,417
Total Liabilities	5,897,232	1,361,516	2,944,184	2,737,555	8,841,416	4,099,071
Deferred Inflows of Resources	126,866	50,408	54,974	41,090	181,840	91,498
Net Position:						
Net Investment in Capital Assets	3,648,610	3,936,252	4,324,604	4,383,563	7,973,214	8,319,815
Restricted	346,840	167,583	99,060	102,910	445,900	270,493
Unrestricted	1,265,380	1,147,058	4,231,546	3,859,101	5,496,926	5,006,159
Total Net Position	\$ 5,260,830	\$ 5,250,893	\$ 8,655,210	\$ 8,345,574	\$ 13,916,040	\$ 13,596,467

A portion (445,900) of the City of Kenyon's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance (5,496,926) 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, 2016**

Governmental Activities. Governmental activities account for 36% of the City of Kenyon's net position.

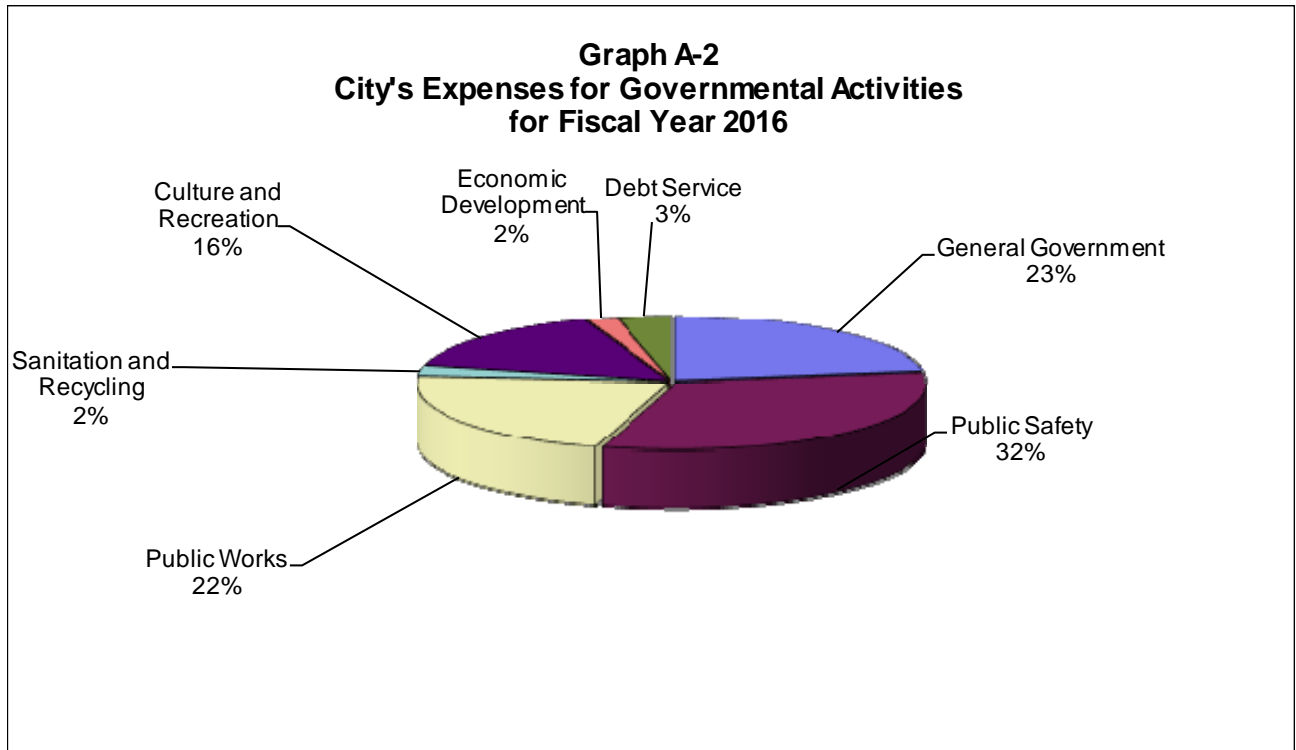
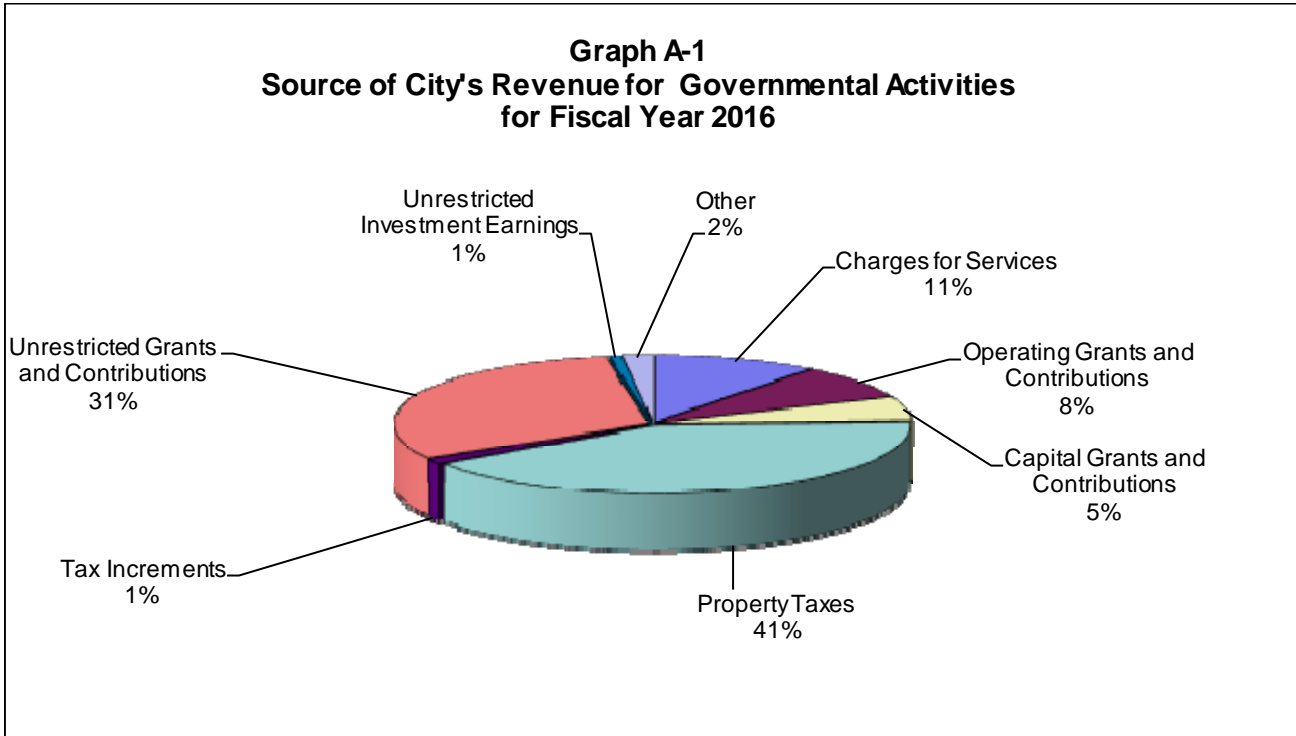
The total increase in net position for governmental activities is \$9,937 for the year ended December 31, 2016. The total revenues for governmental activities amounted to \$1,732,951 while total expenses were \$1,811,157 and Transfers in were \$88,142, which is illustrated in table A-2 below:

Table A-2
Condensed Statement of Activities
Years Ended December 31, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues:						
Charges for Services	\$ 183,123	\$ 201,571	\$ 3,316,443	\$ 3,285,902	\$ 3,499,566	\$ 3,487,473
Operating Grants and Contributions	142,620	156,035	-	-	142,620	156,035
Capital Grants and Contributions	95,364	29,270	61,112	6,365	156,476	35,635
General Revenues:						
Property Taxes	712,381	661,948	99,060	103,125	811,441	765,073
Tax Increments	19,839	20,096	-	-	19,839	20,096
Grants and Contributions, Not Restricted	532,856	528,626	2,949	886	535,805	529,512
Unrestricted Investment Earnings	14,234	6,827	22,988	21,884	37,222	28,711
Rental Income	-	-	-	-	-	-
Contributed Capital	-	-	-	-	-	-
Loss on Disposal of Assets	15,000	-	-	-	15,000	-
Miscellaneous	17,535	10,792	63,290	50,467	80,825	61,259
Total Revenues	<u>1,732,952</u>	<u>1,615,165</u>	<u>3,565,842</u>	<u>3,468,629</u>	<u>5,298,794</u>	<u>5,083,794</u>
EXPENSES						
General Government	410,613	375,854	-	-	410,613	375,854
Public Safety	579,544	467,874	-	-	579,544	467,874
Public Works	392,391	359,783	-	-	392,391	359,783
Sanitation and Recycling	43,920	43,920	-	-	43,920	43,920
Culture and Recreation	285,893	297,037	-	-	285,893	297,037
Economic Development	35,824	33,978	-	-	35,824	33,978
Debt Service	62,972	22,567	-	-	62,972	22,567
Water	-	-	236,657	237,854	236,657	237,854
Sewer	-	-	411,098	395,856	411,098	395,856
Electric	-	-	1,737,582	1,794,825	1,737,582	1,794,825
Liquor	-	-	722,501	718,671	722,501	718,671
Storm Water	-	-	60,226	42,424	60,226	42,424
Total Expenses	<u>1,811,157</u>	<u>1,601,013</u>	<u>3,168,064</u>	<u>3,189,630</u>	<u>4,979,221</u>	<u>4,790,643</u>
Increase in Net Position before Transfers	(78,205)	14,152	397,778	278,999	319,573	293,151
Transfers	88,142	87,835	(88,142)	(87,835)	-	-
CHANGE IN NET POSITION	9,937	101,987	309,636	191,164	319,573	293,151
Net Position - Beginning of Year	<u>5,250,893</u>	<u>5,148,906</u>	<u>8,345,574</u>	<u>8,154,410</u>	<u>13,596,467</u>	<u>13,303,316</u>
NET POSITION - END OF YEAR	<u>\$ 5,260,830</u>	<u>\$ 5,250,893</u>	<u>\$ 8,655,210</u>	<u>\$ 8,345,574</u>	<u>\$ 13,916,040</u>	<u>\$ 13,596,467</u>

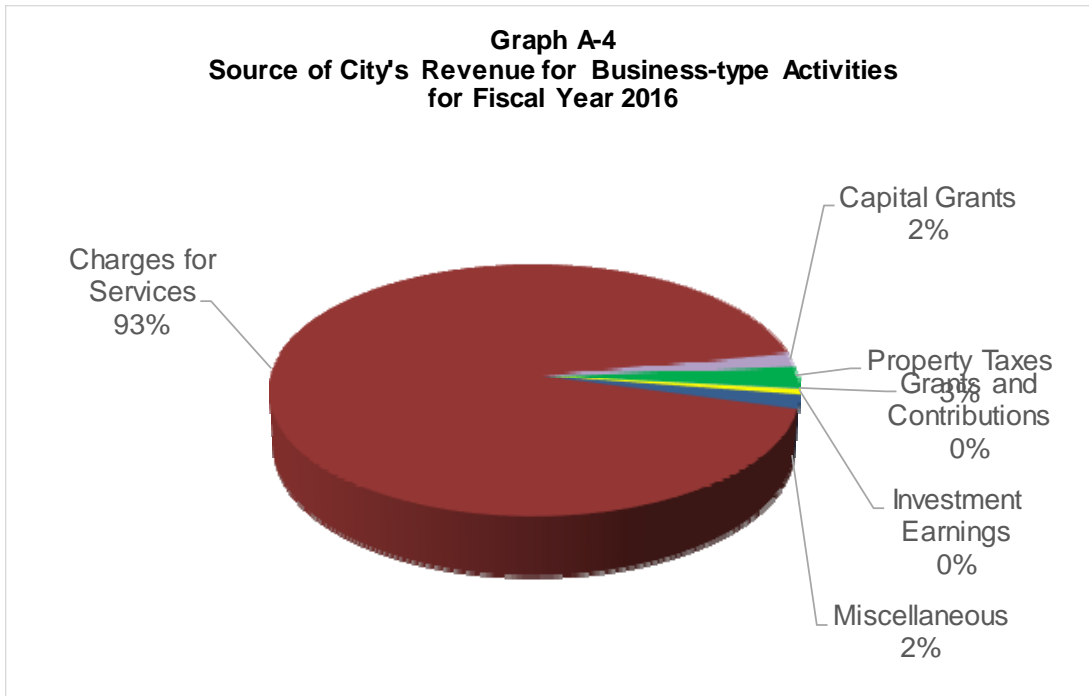
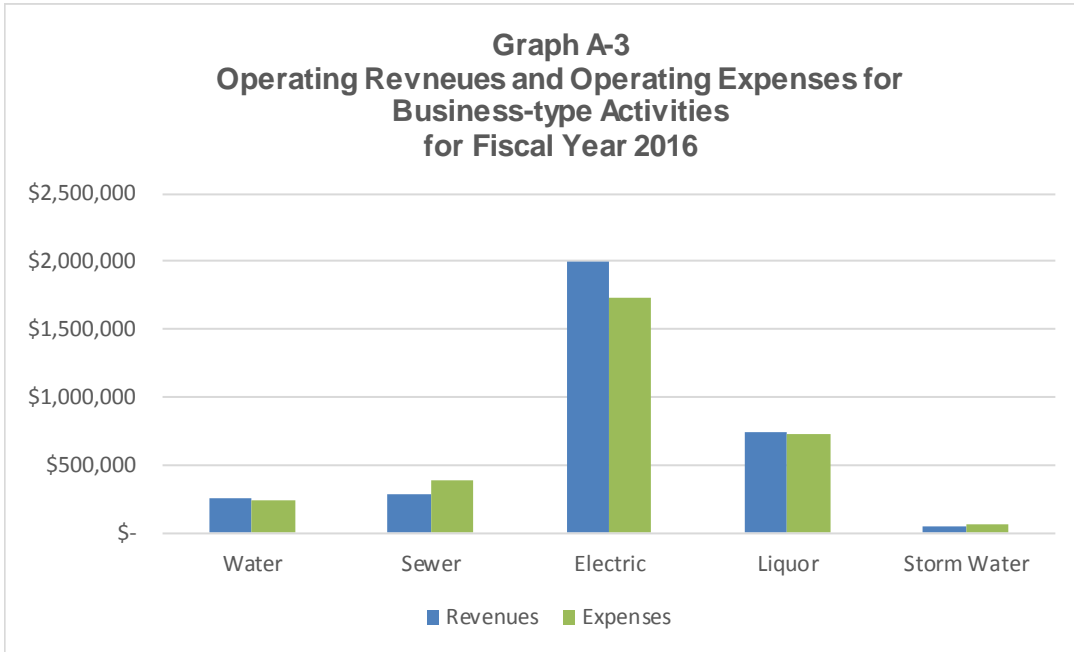
**CITY OF KENYON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2016**

The following graphs show 2016 expenses and program revenues for government activities.



**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Business-type activities. Business-type activities increased the City of Kenyon net position \$309,636 for the year ended December 31, 2016. 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, 2016**

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 \$2,839,074, which included an unassigned fund balance of the general fund of \$815,793.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

General Fund

The fund balance of the City of Kenyon's general fund increased by \$21,094 during the current year. Total revenues for the General Fund increased by \$104,468 as noted in Table A-4 below:

Table A-4
General Fund Revenues

	Year Ended December 31,		Change	
	2016	2015	Increase/ (Decrease)	Percent
GENERAL FUND				
Taxes	\$ 427,867	\$ 344,432	\$ 83,435	24.2 %
Special Assessments	19,923	2,796	17,127	612.6
Licenses and Permits	7,795	6,490	1,305	20.1
Intergovernmental	557,733	551,983	5,750	1.0
Charges for Services	79,611	81,598	(1,987)	(2.4)
Fines and Forfeits	5,413	7,094	(1,681)	(23.7)
Investment Earnings	5,030	1,715	3,315	193.3
Miscellaneous	60,534	63,329	(2,795)	(4.4)
Total	<u>\$ 1,163,906</u>	<u>\$ 1,059,437</u>	<u>\$ 104,469</u>	9.9

The following schedule presents a summary of General Fund expenditures:

Table A-5
General Fund Expenditures

	Year Ended December 31,		Change	
	2016	2015	Increase/ (Decrease)	Percent
GENERAL FUND				
General Government	\$ 378,532	\$ 321,632	\$ 56,900	17.7 %
Public Safety	341,575	322,882	18,693	5.8
Public Works	227,365	217,039	10,326	4.8
Sanitation and Recycling	43,920	43,920	-	-
Culture and Recreation	101,562	101,031	531	0.5
Total	<u>\$ 1,092,954</u>	<u>\$ 1,006,504</u>	<u>\$ 86,450</u>	8.6

General Fund Budgetary Highlights

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

- Actual revenues were \$1,245 less than expected.
- Actual expenditures were \$26,774 more than budget. This is primarily due to general government services related to repairs and maintenance projects.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Other Major Funds Analysis

The Capital Projects fund's fund balance increased \$1,121,937, this is primarily due to the City having unspent proceeds related to the City's 2016A and 2016B debt issuances for the City's new fire hall and street improvement projects.

The Debt Service Fund's fund balance increase \$52,096 due primarily a transfer into the fund from the Capital Projects fund, to close out old project accounts.

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 \$4,231,546 with a total increase in net position of \$309,636. Each of the following funds had net increases or decreases:

- Water (net increase of \$23,158) – rates were increased for these services in August 2015
- Sanitary Sewer (net increase of \$33,965) – there has not been an increase in sanitary sewer rates since October 2011
- Electric (net increase of \$260,018) – there was an increase in revenues while reducing expense as the City switched one of the vendors for purchased power.
- Liquor (net increase of \$9,781) – this includes a transfer of \$20,000 to the general fund in 2016
- Storm Sewer (net decrease of \$17,286) – employee services increased due to reallocation of salaries and benefits to better reflect actual employee hours

Capital Asset Administration. The City of Kenyon's investment in capital assets for its governmental and business type activities as of December 31, 2016 amounts to \$13,284,690 (capital assets less accumulated depreciation). This investment in capital assets includes land, buildings, equipment, furniture, and infrastructure.

Table A-6
The City's Capital Assets

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change
	2016	2015		2016	2015	
Land	\$ 1,317,957	\$ 1,317,957	-	\$ 57,185	\$ 57,185	-
Construction in Progress	1,952,762	198,917	881.7	12,400	-	100.0
Buildings and Building Improvements	1,789,528	1,758,167	1.8	6,940,972	6,940,972	-
Infrastructure and Infrastructure Improvements	2,857,311	2,408,843	18.6	5,485,261	5,182,609	5.8
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,760,351	1,760,351	-	1,033,135	1,033,135	-
Generators	-	-	-	2,532,286	2,395,536	5.7
Less: Accumulated Depreciation	(2,913,896)	(2,732,335)	6.6	(9,540,562)	(9,094,836)	4.9
Total	\$ 6,764,013	\$ 4,711,900	43.6	\$ 6,520,677	\$ 6,514,601	0.1

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Long-Term Debt. At the end of the fiscal year, the City of Kenyon had long-term debt of \$6,193,492 an increase of \$3,250,907 over 2015 due to the issuance of the 2016 Series A and B bonds for the first street project and the construction of the new fire hall. These two bonds total \$3,299,900 in new bond issuance.

Governmental activities debt increased \$3,179,786 while business-type activities increased \$71,121.

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

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change
	2016	2015		2016	2015	
G.O. Improvement Bonds	\$ 771,070	\$ 453,705	69.9 %	\$ 573,930	\$ 401,295	43.0 %
G.O. Loan Anticipation Notes	2,900,000	-	100.0	-	-	-
G.O. Revenue Bonds	-	-	-	1,622,143	1,729,743	(6.2)
Capital Lease	286,830	330,000	(13.1)	-	-	-
Compensated Absences	24,312	20,694	17.5	21,291	15,205	40.0
Discount	(6,084)	(8,057)	(24.5)	-	-	-
Total	\$ 3,976,128	\$ 796,342	399.3	\$ 2,217,364	\$ 2,146,243	3.3

Additional information on the City of Kenyon's long-term debt can be found in the Notes to the Financial Statements on pages 43-45.

**Factors on the City of Kenyon's Future
Potential adjustments to the 2017 expenditure budget**

- Kenyon Fire Station – Construction on the new 12,000 square foot Fire Department Facility is nearly completed. The estimated cost of the project is \$2,500,000. The City is schedule to close on permanent financing with the USDA Rural Development through the Community Facilities program in late 2017.
- Reconstruction of Red Wing Avenue between 2nd and 8th Streets. The City Engineer has identified this work as needed in either 2018 or 2019. 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 an retain employment opportunities in the City.
- The City is also working on a possible down payment assistance program for new owner occupied housing. The goal is to help the community grow, as well as increase the tax-base.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

- Institute Cable and/or Gas Franchise Fee – a franchise fee is paid to a local authority for the privilege of using the public rights-of-way and to compensate for the costs of regulation. The City of Kenyon received a Cable Franchise Fee until 1999 when an agreement was reached to provide free services to all government offices was reached. These franchise fees are typically passed on to the end users.

Requests for Information

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

CITY OF KENYON, MINNESOTA
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

CITY OF KENYON, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	Governmental	Business-Type	Totals	
	Activities	Activities	2016	2015
ASSETS				
Cash and Investments	\$ 3,570,131	\$ 4,143,956	\$ 7,714,087	\$ 5,473,117
Receivables	224,710	508,230	732,940	660,673
Internal Balances	(27,245)	27,245	-	-
Inventories	-	191,895	191,895	212,250
Prepaid Items	31,926	38,252	70,178	83,791
Capital Assets:				
Capital Assets, Not Being Depreciated	3,270,719	69,585	3,340,304	1,574,059
Capital Assets, Being Depreciated, Net	3,493,294	6,451,092	9,944,386	9,652,442
Total Assets	10,563,535	11,430,255	21,993,790	17,656,332
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Items	721,393	224,113	945,506	130,704
LIABILITIES				
Accounts Payable	740,122	158,931	899,053	324,599
Accrued Compensation	12,252	9,097	21,349	14,346
Deposits	500	12,608	13,108	16,184
Unearned Revenue	-	-	-	1,500
Accrued Interest Payable	19,941	14,002	33,943	16,889
Noncurrent Liabilities:				
Net Pension Liability	1,148,289	532,182	1,680,471	782,968
Due within One Year	3,051,278	167,356	3,218,634	316,669
Due in More than One Year	924,850	2,050,008	2,974,858	2,625,916
Total Liabilities	5,897,232	2,944,184	8,841,416	4,099,071
DEFERRED INFLOWS OF RESOURCES				
Pension Related Items	126,866	54,974	181,840	91,498
NET POSITION				
Net Investment in Capital Assets	3,648,610	4,324,604	7,973,214	8,319,815
Restricted for:				
Police Forfeitures	1,269	-	1,269	1,269
Future Debt Retirement	317,265	99,060	416,325	239,905
Special Purpose Contributions	28,306	-	28,306	29,319
Unrestricted	1,265,380	4,231,546	5,496,926	5,006,159
Total Net Position	\$ 5,260,830	\$ 8,655,210	\$ 13,916,040	\$ 13,596,467

See accompanying Notes to Financial Statements.

CITY OF KENYON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

Functions/Programs	Expenses	Program Revenues		
		Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 410,613	\$ 29,421	\$ 39,000	\$ -
Public Safety	579,544	97,144	-	-
Public Works	392,391	-	53,511	95,364
Sanitation and Recycling	43,920	45,343	-	-
Culture and Recreation	285,893	1,231	50,109	-
Economic Development	35,824	9,984	-	-
Debt Service	62,972	-	-	-
Total Governmental Activities	<u>1,811,157</u>	<u>183,123</u>	<u>142,620</u>	<u>95,364</u>
Business-Type Activities:				
Water	236,657	252,112	-	-
Sewer	411,098	275,767	-	61,112
Electric	1,737,582	2,005,859	-	-
Liquor	722,501	742,287	-	-
Storm Water	60,226	40,418	-	-
Total Business-Type Activities	<u>3,168,064</u>	<u>3,316,443</u>	<u>-</u>	<u>61,112</u>
Total	<u>\$ 4,979,221</u>	<u>\$ 3,499,566</u>	<u>\$ 142,620</u>	<u>\$ 156,476</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.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2016	2015
\$ (342,192)	\$ -	\$ (342,192)	\$ (318,102)
(482,400)	-	(482,400)	(308,794)
(243,516)	-	(243,516)	(330,513)
1,423	-	1,423	1,618
(234,553)	-	(234,553)	(212,811)
(25,840)	-	(25,840)	(22,968)
(62,972)	-	(62,972)	(22,567)
<u>(1,390,050)</u>	<u>-</u>	<u>(1,390,050)</u>	<u>(1,214,137)</u>
-	15,455	15,455	4,379
-	(74,219)	(74,219)	(117,582)
-	268,277	268,277	190,449
-	19,786	19,786	31,322
<u>-</u>	<u>(19,808)</u>	<u>(19,808)</u>	<u>(5,931)</u>
<u>-</u>	<u>209,491</u>	<u>209,491</u>	<u>102,637</u>
(1,390,050)	209,491	(1,180,559)	(1,111,500)
712,381	99,060	811,441	765,073
19,839	-	19,839	20,096
532,856	2,949	535,805	529,512
15,000	-	15,000	-
14,234	22,988	37,222	28,711
17,535	63,290	80,825	61,259
88,142	(88,142)	-	-
<u>1,399,987</u>	<u>100,145</u>	<u>1,500,132</u>	<u>1,404,651</u>
9,937	309,636	319,573	293,151
<u>5,250,893</u>	<u>8,345,574</u>	<u>13,596,467</u>	<u>13,303,316</u>
<u>\$ 5,260,830</u>	<u>\$ 8,655,210</u>	<u>\$ 13,916,040</u>	<u>\$ 13,596,467</u>

CITY OF KENYON, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2016

**CITY OF KENYON, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)**

	2016				2015	
	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 769,257	\$ 2,221,226	\$ 165,630	\$ 414,034	\$ 3,570,147	\$ 1,594,983
Accounts Receivable	3,601	-	-	2,100	5,701	8,037
Developer Receivable - Deferred	7,644	-	-	-	7,644	7,644
Taxes Receivable	22,281	-	-	-	22,281	32,349
Special Assessments Receivable						
Delinquent	5,354	-	1,404	-	6,758	10,011
Deferred	158	-	170,891	-	171,049	115,261
Accrued Interest Receivable	378	1,112	81	207	1,778	1,515
Due from Other Funds	72,755	-	-	-	72,755	237,126
Due from Other Governmental Units	9,483	-	-	-	9,483	15,669
Prepaid Items	25,165	-	-	6,761	31,926	34,412
Total Assets	\$ 916,076	\$ 2,222,338	\$ 338,006	\$ 423,102	\$ 3,899,522	\$ 2,057,007
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
LIABILITIES						
Accounts Payable	29,062	\$ 701,442	\$ 800	\$ 8,818	\$ 740,122	\$ 92,461
Accrued Liabilities	10,777	-	-	1,475	12,252	8,031
Due to Other Funds	-	-	-	-	-	164,715
Advances from Other Funds	-	-	-	100,000	100,000	25,795
Deposits	-	-	-	500	500	800
Unearned Revenue	-	-	-	-	-	1,500
Total Liabilities	39,839	701,442	800	110,793	852,874	293,302
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue						
Property Taxes	22,123	-	-	-	22,123	32,349
Special Assessments	5,512	-	172,295	-	177,807	125,272
Loans Receivable	7,644	-	-	-	7,644	7,644
Total Deferred Inflows of Resources	35,279	-	172,295	-	207,574	165,265
FUND BALANCE						
Nonspendable for Prepaid Items	25,165	-	-	6,761	31,926	34,412
Restricted:						
Police Forfeitures	-	-	-	1,269	1,269	1,269
Future Debt Retirement	-	-	164,911	-	164,911	112,815
Special Purpose Contributions	-	-	-	28,306	28,306	29,319
Fire Building	-	837,168	-	-	837,168	-
Committed for Capital Projects	-	683,728	-	-	683,728	398,959
Assigned:						
Fire Department	-	-	-	32,952	32,952	33,892
Library Operations	-	-	-	48,882	48,882	49,375
Economic Development	-	-	-	181,710	181,710	135,087
Special Purpose Contributions	-	-	-	12,429	12,429	12,369
Unassigned	815,793	-	-	-	815,793	790,943
Total Fund Balance	840,958	1,520,896	164,911	312,309	2,839,074	1,598,440
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 916,076	\$ 2,222,338	\$ 338,006	\$ 423,102	\$ 3,899,522	\$ 2,057,007

See accompanying Notes to the Financial Statements.

**CITY OF KENYON, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE TO
THE STATEMENT OF NET POSITION
DECEMBER 31, 2016**

Total Fund Balance for Governmental Funds \$ 2,839,074

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	1,952,762	
Buildings and Building Improvements	1,789,528	
Infrastructure and Infrastructure Improvements	2,857,311	
Furniture, Fixtures, Vehicles, Equipment and Machinery	1,760,351	
Less: Accumulated Depreciation	<u>(2,913,896)</u>	6,764,013

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

Delinquent Property Taxes	22,123	
Delinquent and Unavailable Special Assessments	177,807	
Developer Receivable	<u>7,644</u>	207,574

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	(1,148,289)	
Deferred Outflow of Resources - Pension	721,393	
Deferred Inflows of Resources - Pension	<u>(126,866)</u>	(553,762)

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	(3,671,070)	
Capital Lease Payable	(286,830)	
Bond Discounts	6,084	
Compensated Absences	(24,312)	
Accrued Interest Payable	<u>(19,941)</u>	(3,996,069)

Total Net Position of Governmental Activities \$ 5,260,830

CITY OF KENYON, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016				2015	
	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 427,867	\$ -	\$ 122,400	\$ 172,340	\$ 722,607	\$ 655,331
Tax Increment	-	-	-	19,839	19,839	20,096
Special Assessments	19,923	-	29,178	-	49,101	4,696
Licenses and Permits	7,795	-	-	-	7,795	6,490
Intergovernmental	557,733	-	-	70,344	628,077	652,855
Charges for Services	79,611	-	-	85,438	165,049	169,499
Fines and Forfeits	5,413	-	-	1,138	6,551	8,591
Investment Earnings	5,030	7,130	770	1,304	14,234	6,827
Donations	-	-	-	12,767	12,767	17,895
Miscellaneous	60,534	1,000	-	12,084	73,618	77,283
Total Revenues	<u>1,163,906</u>	<u>8,130</u>	<u>152,348</u>	<u>375,254</u>	<u>1,699,638</u>	<u>1,619,563</u>
EXPENDITURES						
Current:						
General Government	378,532	-	-	-	378,532	321,632
Public Safety	341,575	-	-	92,077	433,652	416,445
Public Works	227,365	-	-	-	227,365	217,039
Sanitation and Recycling	43,920	-	-	-	43,920	43,920
Culture and Recreation	101,562	-	-	176,013	277,575	267,559
Economic Development	-	-	-	29,657	29,657	33,978
Capital Outlay	-	2,261,891	-	-	2,261,891	825,739
Debt Service:						
Principal	-	-	125,705	-	125,705	107,535
Interest and Fiscal Charges	-	-	26,977	-	26,977	22,282
Bond Issuance Costs	-	56,772	-	-	56,772	-
Total Expenditures	<u>1,092,954</u>	<u>2,318,663</u>	<u>152,682</u>	<u>297,747</u>	<u>3,862,046</u>	<u>2,256,129</u>
Excess (Deficiency) of Revenue Over Expenditures	70,952	(2,310,533)	(334)	77,507	(2,162,408)	(636,566)
OTHER FINANCING SOURCES (USES)						
Transfers In	88,142	311,643	52,430	36,000	488,215	303,499
Transfers Out	(153,000)	(179,073)	-	(68,000)	(400,073)	(215,664)
Bond Proceeds	-	3,299,900	-	-	3,299,900	-
Capital Lease Proceeds	-	-	-	-	-	330,000
Proceeds on Capital Asset Disposal	15,000	-	-	-	15,000	-
Total Other Financing Sources (Uses)	<u>(49,858)</u>	<u>3,432,470</u>	<u>52,430</u>	<u>(32,000)</u>	<u>3,403,042</u>	<u>417,835</u>
NET CHANGE IN FUND BALANCE	21,094	1,121,937	52,096	45,507	1,240,634	(218,731)
Fund Balance - Beginning of Year	<u>819,864</u>	<u>398,959</u>	<u>112,815</u>	<u>266,802</u>	<u>1,598,440</u>	<u>1,817,171</u>
FUND BALANCE - END OF YEAR	<u>\$ 840,958</u>	<u>\$ 1,520,896</u>	<u>\$ 164,911</u>	<u>\$ 312,309</u>	<u>\$ 2,839,074</u>	<u>\$ 1,598,440</u>

See accompanying Notes to the Financial Statements.

**CITY OF KENYON, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

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

Net Change in Fund Balances - Total Governmental Funds	\$	1,240,634
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Outlay		2,233,674
Depreciation Expense		(181,561)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		42,309
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Certain expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences		(3,618)
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Pension expenses in the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in the net pension liability and the related deferred outflows and inflows of resources.		(132,651)
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Bond Proceeds		(3,299,900)
Change in Bond Discounts		(1,973)
Repayment of Bond Principal		82,535
Repayment of Capital Lease		43,170
Change in Accrued Interest Expense for General Obligation Bonds		(12,682)

Change in Net Position of Governmental Activities	\$	<u>9,937</u>
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CITY OF KENYON, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016				2015
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Property Taxes	\$ 442,040	\$ 442,040	\$ 427,867	\$ (14,173)	\$ 344,432
Special Assessments	-	-	19,923	19,923	2,796
Licenses and Permits:	11,800	11,800	7,795	(4,005)	6,490
Intergovernmental:					
Local Government Aid	547,290	547,290	528,405	(18,885)	525,604
Market Value Credit	-	-	1,081	1,081	1,303
Police State Aid	15,000	15,000	23,428	8,428	18,610
Other State Aids	2,720	2,720	4,819	2,099	6,466
Total Intergovernmental	<u>565,010</u>	<u>565,010</u>	<u>557,733</u>	<u>(7,277)</u>	<u>551,983</u>
Charges for Services:					
General Government	13,400	13,400	10,273	(3,127)	10,082
Recycling	45,000	45,000	45,343	343	45,538
Culture and Recreation	24,500	24,500	23,995	(505)	25,978
Public Safety	300	300	-	(300)	-
Total Charges for Services	<u>83,200</u>	<u>83,200</u>	<u>79,611</u>	<u>(3,589)</u>	<u>81,598</u>
Fines and Forfeits	6,000	6,000	5,413	(587)	7,094
Investment Earnings	2,900	2,900	5,030	2,130	1,715
Miscellaneous:					
Refunds and Reimbursements	10,000	10,000	6,577	(3,423)	12,950
Dividends	2,300	2,300	11,166	8,866	7,805
Rents	2,800	2,800	2,783	(17)	2,757
Shared Facility Charge	39,000	39,000	39,000	-	39,000
Other	100	100	1,008	908	817
Total Miscellaneous	<u>54,200</u>	<u>54,200</u>	<u>60,534</u>	<u>6,334</u>	<u>63,329</u>
Total Revenues	<u>1,165,150</u>	<u>1,165,150</u>	<u>1,163,906</u>	<u>(1,244)</u>	<u>1,059,437</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)
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016			Variance from Final Budget	2015
	Original Budget	Final Budget	Actual		2015 Actual
EXPENDITURES					
General Government:					
Mayor and Council					
Employee Services	\$ 13,785	\$ 13,785	\$ 12,571	\$ 1,214	\$ 12,749
Other Services and Charges	950	950	1,320	(370)	1,313
Total Mayor and Council	<u>14,735</u>	<u>14,735</u>	<u>13,891</u>	<u>844</u>	<u>14,062</u>
City Administration					
Employee Services	209,280	209,280	208,892	388	200,147
Travel and Conferences	4,000	4,000	4,234	(234)	6,308
SHIP Grant	-	-	-	-	-
Other Services and Charges	2,350	2,350	2,680	(330)	2,431
Total City Administration	<u>215,630</u>	<u>215,630</u>	<u>215,806</u>	<u>(176)</u>	<u>208,886</u>
Elections	2,500	2,500	2,519	(19)	399
General Government Services					
Employee Services	3,350	3,350	1,922	1,428	4,546
Supplies	12,500	12,500	12,753	(253)	11,710
Telephone	4,940	4,940	6,322	(1,382)	4,477
Insurance	6,140	6,140	6,955	(815)	6,841
Utilities	7,330	7,330	6,798	532	6,822
Other Services and Charges	18,950	18,950	35,869	(16,919)	19,656
Total General Government Services	<u>53,210</u>	<u>53,210</u>	<u>70,619</u>	<u>(17,409)</u>	<u>54,052</u>
Professional Services					
Auditing and Accounting	18,090	18,090	18,740	(650)	14,435
Legal	25,000	25,000	43,558	(18,558)	23,801
Engineering	10,000	10,000	13,399	(3,399)	5,997
Total Professional Services	<u>53,090</u>	<u>53,090</u>	<u>75,697</u>	<u>(22,607)</u>	<u>44,233</u>
Total General Government	339,165	339,165	378,532	(39,367)	321,632

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)
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016			2015	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES (CONTINUED)					
Public Safety:					
Police Protection					
Employee Services	277,550	277,550	279,704	(2,154)	259,438
Supplies	16,500	16,500	15,477	1,023	20,047
Legal	12,500	12,500	12,180	320	11,809
Telephone	3,500	3,500	4,739	(1,239)	3,107
Insurance	12,715	12,715	12,333	382	8,436
Other Services and Charges	16,690	16,690	17,142	(452)	20,045
Total Police Protection	<u>339,455</u>	<u>339,455</u>	<u>341,575</u>	<u>(2,120)</u>	<u>322,882</u>
Total Public Safety	339,455	339,455	341,575	(2,120)	322,882
Public Works					
Streets					
Employee Services	151,355	151,355	146,384	4,971	139,899
Supplies	35,450	35,450	34,044	1,406	25,345
Insurance	4,705	4,705	4,818	(113)	5,123
Utilities	7,460	7,460	5,799	1,661	6,411
Other Services and Charges	9,235	9,235	9,783	(548)	10,366
Total Highways and Streets	<u>208,205</u>	<u>208,205</u>	<u>200,828</u>	<u>7,377</u>	<u>187,144</u>
Street Lighting	<u>29,900</u>	<u>29,900</u>	<u>26,537</u>	<u>3,363</u>	<u>29,895</u>
Total Public Works	238,105	238,105	227,365	10,740	217,039
Sanitation and Recycling					
Recycling	<u>43,900</u>	<u>43,900</u>	<u>43,920</u>	<u>(20)</u>	<u>43,920</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)
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016			2015	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES (CONTINUED)					
Culture and Recreation					
Gunderson House					
Insurance	3,485	3,485	3,430	55	3,599
Management Fees	2,500	2,500	2,500	-	2,500
Other Services and Charges	1,000	1,000	245	755	-
Total Gunderson House	<u>6,985</u>	<u>6,985</u>	<u>6,175</u>	<u>810</u>	<u>6,099</u>
Parks and Recreation and Community Garden					
Employee Services	24,985	24,985	25,329	(344)	23,193
Supplies	2,200	2,200	3,631	(1,431)	5,431
Insurance	4,300	4,300	4,254	46	4,434
Utilities	1,515	1,515	1,778	(263)	1,709
Other Services and Charges	750	750	1,506	(756)	589
Total Parks and Recreation and Community Garden	<u>33,750</u>	<u>33,750</u>	<u>36,498</u>	<u>(2,748)</u>	<u>35,356</u>
Swimming Pool					
Employee Services	27,585	27,585	28,855	(1,270)	28,624
Supplies	6,350	6,350	7,893	(1,543)	9,628
Insurance	2,940	2,940	2,937	3	3,063
Utilities	11,775	11,775	12,232	(457)	11,788
Other Services and Charges	6,170	6,170	6,972	(802)	6,473
Total Swimming Pool	<u>54,820</u>	<u>54,820</u>	<u>58,889</u>	<u>(4,069)</u>	<u>59,576</u>
Total Culture and Recreation	95,555	95,555	101,562	(6,007)	101,031
Capital Outlay	10,000	10,000	-	10,000	-
Total Expenditures	<u>1,066,180</u>	<u>1,066,180</u>	<u>1,092,954</u>	<u>(26,774)</u>	<u>1,006,504</u>
Excess of Revenues over Expenditures	98,970	98,970	70,952	(28,018)	52,933
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	-	-	15,000	15,000	-
Transfers In	87,000	87,000	88,142	1,142	87,974
Transfers Out	(153,000)	(153,000)	(153,000)	-	(92,380)
Total Other Financing Sources (Uses)	<u>(66,000)</u>	<u>(66,000)</u>	<u>(49,858)</u>	<u>16,142</u>	<u>(4,406)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 32,970</u>	<u>\$ 32,970</u>	21,094	<u>\$ (11,876)</u>	48,527
Fund Balance - Beginning of Year			819,864		771,337
FUND BALANCE - END OF YEAR			<u>\$ 840,958</u>		<u>\$ 819,864</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2016
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)**

	2016		
	Water	Sewer	Electric
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Investments	\$ 454,304	\$ 1,066,130	\$ 2,018,301
Accounts Receivable	31,884	14,599	316,567
Special Assessments Receivable	4,098	133,719	3,452
Accrued Interest Receivable	389	474	2,630
Due from Other Funds	-	27,060	3,430
Inventories	16,983	-	126,818
Prepaid Items	2,018	4,668	27,174
Total Current Assets	<u>509,676</u>	<u>1,246,650</u>	<u>2,498,372</u>
NONCURRENT ASSETS			
Advances to Other Funds	-	-	163,088
Capital Assets:			
Nondepreciable	-	12,400	14,372
Depreciable	2,155,791	7,390,279	5,380,647
Total Capital Assets	<u>2,155,791</u>	<u>7,402,679</u>	<u>5,395,019</u>
Less: Accumulated Depreciation	(1,156,067)	(4,382,089)	(3,484,348)
Total Net Capital Assets	<u>999,724</u>	<u>3,020,590</u>	<u>1,910,671</u>
Total Noncurrent Assets	999,724	3,020,590	2,073,759
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	40,294	30,532	100,261
Total Assets and Deferred Outflows of Resources	<u>\$ 1,549,694</u>	<u>\$ 4,297,772</u>	<u>\$ 4,672,392</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Current Portion of Long-Term Debt	\$ 22,385	\$ 109,325	\$ 3,190
Accounts Payable	2,476	11,188	112,358
Accrued Compensation	1,605	1,523	3,997
Compensated Absences, Current Portion	3,962	2,912	11,631
Due to Other Funds	-	3,430	103,542
Deposits	3,725	-	8,854
Accrued Interest Payable	1,879	10,609	204
Total Current Liabilities	<u>36,032</u>	<u>138,987</u>	<u>243,776</u>
LONG-TERM LIABILITIES			
Long-Term Debt, Net of Current Portion	163,705	1,767,608	20,590
Net Pension Liability	95,684	72,501	238,082
Advances from Other Funds	-	-	-
Total Long-Term Liabilities	<u>259,389</u>	<u>1,840,109</u>	<u>258,672</u>
Total Liabilities	295,421	1,979,096	502,448
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	9,884	7,489	24,594
NET POSITION			
Net Investment in Capital Assets	813,634	1,143,657	1,886,891
Restricted	-	99,060	-
Unrestricted	430,755	1,068,470	2,258,459
Total Net Position	<u>1,244,389</u>	<u>2,311,187</u>	<u>4,145,350</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,549,694</u>	<u>\$ 4,297,772</u>	<u>\$ 4,672,392</u>

See accompanying Notes to Financial Statements.

Municipal Liquor	Storm Water	Total	2015 Total
\$ 102,122	\$ 503,099	\$ 4,143,956	\$ 3,878,134
-	-	363,050	357,562
-	120	141,389	109,860
50	248	3,791	2,765
-	3,727	34,217	37,582
48,094	-	191,895	212,250
2,120	2,272	38,252	49,379
<u>152,386</u>	<u>509,466</u>	<u>4,916,550</u>	<u>4,647,532</u>
-	-	163,088	101,093
42,813	-	69,585	57,185
<u>350,746</u>	<u>714,191</u>	<u>15,991,654</u>	<u>15,552,252</u>
393,559	714,191	16,061,239	15,609,437
(231,341)	(286,717)	(9,540,562)	(9,094,836)
<u>162,218</u>	<u>427,474</u>	<u>6,520,677</u>	<u>6,514,601</u>
162,218	427,474	6,683,765	6,615,694
48,156	4,870	224,113	46,284
<u>\$ 362,760</u>	<u>\$ 941,810</u>	<u>\$ 11,824,428</u>	<u>\$ 11,309,510</u>
\$ -	\$ 11,165	\$ 146,065	\$ 155,065
23,665	9,244	158,931	232,138
1,972	-	9,097	6,315
2,786	-	21,291	15,205
-	-	106,972	109,993
29	-	12,608	15,384
-	1,310	14,002	9,630
<u>28,452</u>	<u>21,719</u>	<u>468,966</u>	<u>543,730</u>
-	98,105	2,050,008	1,975,973
114,351	11,564	532,182	327,845
63,088	-	63,088	75,298
<u>177,439</u>	<u>109,669</u>	<u>2,645,278</u>	<u>2,379,116</u>
205,891	131,388	3,114,244	2,922,846
11,812	1,195	54,974	41,090
162,218	318,204	4,324,604	4,383,563
-	-	99,060	102,910
(17,161)	491,023	4,231,546	3,859,101
<u>145,057</u>	<u>809,227</u>	<u>8,655,210</u>	<u>8,345,574</u>
<u>\$ 362,760</u>	<u>\$ 941,810</u>	<u>\$ 11,824,428</u>	<u>\$ 11,309,510</u>

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2016
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016		
	Water	Sewer	Electric
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ -
Costs of Goods Sold	-	-	-
Charges for Services	251,960	275,767	2,004,381
Total Gross Profit and Operating Revenues	<u>251,960</u>	<u>275,767</u>	<u>2,004,381</u>
OPERATING EXPENSES			
Power Costs	-	-	1,032,479
Conservation Improvement Program	-	-	14,921
Employee Services	115,587	92,931	299,197
Supplies	5,536	5,931	4,923
Professional Services	1,160	1,520	4,630
Insurance	2,452	6,748	52,395
Utilities	13,376	47,584	23,644
Repairs and Maintenance	11,522	40,010	36,155
Depreciation	59,513	188,100	153,378
Dues and Subscriptions	448	-	33,935
Other Services	6,907	39	2,893
Safety	686	-	8,257
Generator Expense	-	-	25,214
Shared Facility Charge	7,800	-	31,200
Other Operating Expenses	7,533	4,792	12,275
Total Operating Expenses	<u>232,520</u>	<u>387,655</u>	<u>1,735,496</u>
OPERATING INCOME (LOSS)	19,440	(111,888)	268,885
OTHER INCOME (EXPENSES)			
Miscellaneous Nonoperating Revenues	2,742	2,532	11,580
CapX 2020 Transmission Revenue	-	-	-
Dividend	1,803	2,090	33,194
Connection Fees	-	-	-
Intergovernmental Revenues	541	281	1,639
Property Taxes	-	99,060	-
Special Assessments	152	61,112	1,478
Interest Revenue	2,617	4,221	13,470
Miscellaneous Nonoperating Expenses	-	-	(1,507)
Interest Expense	(4,137)	(23,443)	(579)
Total Other Income (Expense)	<u>3,718</u>	<u>145,853</u>	<u>59,275</u>
NET INCOME (LOSS) BEFORE TRANSFERS	23,158	33,965	328,160
OTHER FINANCING USES			
Transfers Out	-	-	(68,142)
CHANGE IN NET POSITION	23,158	33,965	260,018
Net Position - Beginning of Year	<u>1,221,231</u>	<u>2,277,222</u>	<u>3,885,332</u>
NET POSITION - END OF YEAR	<u>\$ 1,244,389</u>	<u>\$ 2,311,187</u>	<u>\$ 4,145,350</u>

See accompanying Notes to Financial Statements.

Municipal Liquor	Storm Water	Total	2015 Totals
\$ 742,287	\$ -	\$ 742,287	\$ 719,681
(475,084)	-	(475,084)	(467,272)
-	40,378	2,572,486	2,539,409
<u>267,203</u>	<u>40,378</u>	<u>2,839,689</u>	<u>2,791,818</u>
-	-	1,032,479	1,131,811
-	-	14,921	10,957
145,248	15,223	668,186	610,255
4,423	-	20,813	17,876
-	-	7,310	20,971
8,340	687	70,622	78,257
16,675	-	101,279	104,926
10,328	13,028	111,043	66,631
15,770	28,965	445,726	441,697
2,089	-	36,472	35,644
20,744	-	30,583	28,902
-	-	8,943	10,010
-	-	25,214	45,334
-	-	39,000	39,000
22,079	-	46,679	51,174
<u>245,696</u>	<u>57,903</u>	<u>2,659,270</u>	<u>2,693,445</u>
21,507	(17,525)	180,419	98,373
7,587	-	24,441	42,280
-	-	-	8,905
1,515	247	38,849	25,718
-	-	-	3,876
443	45	2,949	886
-	-	99,060	103,125
-	40	62,782	6,365
450	2,230	22,988	21,884
(500)	-	(2,007)	(751)
(1,221)	(2,323)	(31,703)	(31,662)
<u>8,274</u>	<u>239</u>	<u>217,359</u>	<u>180,626</u>
29,781	(17,286)	397,778	278,999
(20,000)	-	(88,142)	(87,835)
9,781	(17,286)	309,636	191,164
135,276	826,513	8,345,574	8,154,410
<u>\$ 145,057</u>	<u>\$ 809,227</u>	<u>\$ 8,655,210</u>	<u>\$ 8,345,574</u>

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2016
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016		
	Water	Sewer	Electric
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	\$ 252,332	\$ 274,513	\$ 1,997,221
Cash Paid to Suppliers and Others	(55,495)	(150,139)	(1,281,661)
Cash Paid to Employees	(106,094)	(84,754)	(274,261)
Net Cash Provided by Operating Activities	<u>90,743</u>	<u>39,620</u>	<u>441,299</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other Non-Capital Income	4,545	4,622	43,267
Transfers Out	-	-	(68,142)
Intergovernmental Revenues	541	281	1,639
Repayment of Advances from Other Funds	-	-	(61,995)
Property Taxes	-	99,060	-
Net Cash Provided by Noncapital Financing Activities	<u>5,086</u>	<u>103,963</u>	<u>(85,231)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(79,566)	(187,240)	(158,956)
Special Assessment Collections	2,767	28,086	381
Availability Charges	-	-	-
Proceeds of Long-Term Debt	19,220	174,840	-
Principal Payments on Long-Term Debt	(33,385)	(107,325)	(3,190)
Interest Paid on Long-Term Debt	(3,929)	(19,805)	(594)
Net Cash Used by Capital and Related Financing Activities	<u>(94,893)</u>	<u>(111,444)</u>	<u>(162,359)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	2,616	4,582	11,866
Net Cash Provided by Investing Activities	<u>2,616</u>	<u>4,582</u>	<u>11,866</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,552	36,721	205,575
Cash and Cash Equivalents - Beginning of Year	<u>450,752</u>	<u>1,029,409</u>	<u>1,812,726</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 454,304</u>	<u>\$ 1,066,130</u>	<u>\$ 2,018,301</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 19,440	\$ (111,888)	\$ 268,885
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	59,513	188,100	153,378
(Increase) Decrease in Assets:			
Accounts Receivable	372	(1,254)	(4,705)
Due from Other Funds	-	(2,023)	3,973
Inventories	(985)	-	18,163
Prepaid Items	401	(1,318)	11,788
(Increase) Decrease in Deferred Outflows:			
Pensions	(32,264)	(24,171)	(80,225)
Increase (Decrease) in Liabilities:			
Accounts Payable	1,005	(34,697)	(35,120)
Customer Deposits	-	-	(2,455)
Salaries and Benefits Payable	593	509	1,472
Due to Other Funds	1,504	(5,477)	2,456
Compensated Absences	820	1,202	3,792
Net Pension Liability	39,347	26,658	97,484
Increase (Decrease) in Deferred Inflows:			
Pensions	997	3,979	2,413
Net Cash Provided by Operating Activities	<u>\$ 90,743</u>	<u>\$ 39,620</u>	<u>\$ 441,299</u>

See accompanying Notes to Financial Statements.

Municipal Liquor	Storm Water	Total	2015 Totals
\$ 266,981	\$ 40,378	\$ 2,831,425	\$ 3,290,707
(93,354)	(6,090)	(1,586,739)	(2,066,838)
(139,625)	(14,192)	(618,926)	(579,659)
<u>34,002</u>	<u>20,096</u>	<u>625,760</u>	<u>644,210</u>
8,602	247	61,283	77,038
(20,000)	-	(88,142)	(87,835)
443	45	2,949	-
(12,210)	-	(74,205)	26,133
-	-	99,060	104,935
<u>(23,165)</u>	<u>292</u>	<u>945</u>	<u>120,271</u>
-	(26,040)	(451,802)	(22,551)
-	19	31,253	56,943
-	-	-	3,876
-	26,040	220,100	61,785
-	(11,165)	(155,065)	(184,066)
(1,221)	(1,782)	(27,331)	(31,653)
<u>(1,221)</u>	<u>(12,928)</u>	<u>(382,845)</u>	<u>(115,666)</u>
477	2,421	21,962	19,863
<u>477</u>	<u>2,421</u>	<u>21,962</u>	<u>19,863</u>
10,093	9,881	265,822	668,678
<u>92,029</u>	<u>493,218</u>	<u>3,878,134</u>	<u>3,209,456</u>
<u>\$ 102,122</u>	<u>\$ 503,099</u>	<u>\$ 4,143,956</u>	<u>\$ 3,878,134</u>
\$ 21,507	\$ (17,525)	\$ 180,419	\$ 98,373
15,770	28,965	445,726	441,697
99	-	(5,488)	31,617
-	(89)	1,861	-
3,177	-	20,355	(8,383)
1,786	(1,530)	11,127	14,617
(37,319)	(3,850)	(177,829)	-
(13,639)	9,244	(73,207)	40,679
(321)	-	(2,776)	(644)
208	-	2,782	6,032
-	-	(1,517)	-
272	-	6,086	-
36,602	4,246	204,337	20,222
5,860	635	13,884	-
<u>\$ 34,002</u>	<u>\$ 20,096</u>	<u>\$ 625,760</u>	<u>\$ 644,210</u>

See accompanying Notes to Financial Statements.

CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government.

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

Financial Reporting Entity

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

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

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

The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the Council. The EDA board consists of two council members and three representatives from local business. The EDA activities are blended and reported in a separate special revenue fund.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the primary government and its blended component unit. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

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

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

Fund Financial Statements

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

CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016**

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 U.S. generally accepted accounting principles. 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, 2016**

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 U.S. generally accepted accounting principles. 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 with a maturity of three months or less when purchased 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, 2016**

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 one to ten years with interest charges of 2.0% to 6.4%. Revenue from these assessments is recognized when the City certifies the assessment in the government wide financial statements and as the annual installments become collectible in the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are fully offset by deferred inflow of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

Utility Billing

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

Inventories

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables/Payables

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

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

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

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 and the FRA’s fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA. 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.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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."

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 – portion of fund balances related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.

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

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension/Fund Balance (Continued)

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

Unassigned – 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.

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.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

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 generally accepted accounting principles. 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' presentation.

NOTE 2 DEPOSITS AND INVESTMENTS

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value based on market prices or amortized cost at December 31, 2016. Investment earnings on cash and pooled investments are credited to the General fund. In addition, other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

Deposits

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

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

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, 2016, \$74,199 of the City's deposits were not insured and/or collateralized in accordance with Minnesota Statute 118A.03, Subd. 1.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

As of December 31, 2016, the City had the following investments in its pool:

	Credit Rating	Fair Value	Maturity		
			Less than 1 Year	1 to 5 Years	More than 5 Years
Money Market Accounts	NR	\$ 200,075	\$ 200,075	\$ -	\$ -
Non-Negotiable CDs	NR	827,647	598,949	228,698	-
Negotiable CDs	NR	1,874,207	1,151,303	722,904	-
4M fund Investment Pool	NR	3,245,938	3,245,938	-	-
		<u>6,147,867</u>	<u>\$ 5,196,265</u>	<u>\$ 951,602</u>	<u>\$ -</u>
Cash and Deposits		<u>1,566,220</u>			
Total Cash and Investments		<u>\$ 7,714,087</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, 2016, 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, 2016**

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	\$ 1,324,302	<u>\$ -</u>	<u>\$ 1,324,302</u>	<u>\$ -</u>
Investments at Amortized Cost	<u>3,995,917</u>			
Total Investments	<u>\$ 5,320,219</u>			

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,317,957	\$ -	\$ -	\$ -	\$ 1,317,957
Construction in Progress	198,917	1,844,488	-	(90,643)	1,952,762
Total Capital Assets, Not Being Depreciated	1,516,874	1,844,488	-	(90,643)	3,270,719
Capital Assets, Being Depreciated:					
Buildings and Building Improvements	1,758,167	31,361	-	-	1,789,528
Infrastructure and Infrastructure Improvements	2,408,843	357,825	-	90,643	2,857,311
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,760,351	-	-	-	1,760,351
Leasehold Improvements	-	-	-	-	-
Total Capital Assets, Being Depreciated	5,927,361	389,186	-	90,643	6,407,190
Accumulated Depreciation for:					
Buildings and Building Improvements	832,800	46,960	-	-	879,760
Infrastructure and Infrastructure Improvements	907,253	67,895	-	-	975,148
Furniture, Fixtures, Vehicles, Equipment, and Machinery	992,282	66,706	-	-	1,058,988
Leasehold Improvements	-	-	-	-	-
Total Accumulated Depreciation	2,732,335	181,561	-	-	2,913,896
Total Capital Assets, Being Depreciated, Net	3,195,026	207,625	-	90,643	3,493,294
Governmental Activities Capital Assets, Net	\$ 4,711,900	\$ 2,052,113	\$ -	\$ -	\$ 6,764,013

CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 57,185	\$ -	\$ -	\$ -	\$ 57,185
Construction in Progress	-	12,400	-	-	12,400
Total Capital Assets, Not Being Depreciated	<u>57,185</u>	<u>12,400</u>	<u>-</u>	<u>-</u>	<u>69,585</u>
Capital Assets, Being Depreciated:					
Machinery and Equipment	679,534	-	-	-	679,534
Buildings and Building Improvements	6,940,972	-	-	-	6,940,972
Infrastructure and Infrastructure Improvements	5,182,609	302,652	-	-	5,485,261
Transportation Equipment	303,969	-	-	-	303,969
Office Furniture	49,632	-	-	-	49,632
Generators	2,395,536	136,750	-	-	2,532,286
Total Capital Assets, Being Depreciated	<u>15,552,252</u>	<u>439,402</u>	<u>-</u>	<u>-</u>	<u>15,991,654</u>
Accumulated Depreciation for:					
Machinery and Equipment	364,266	34,262	-	-	398,528
Buildings and Building Improvements	4,400,257	173,142	-	-	4,573,399
Infrastructure and Infrastructure Improvements	2,642,795	136,770	-	-	2,779,565
Transportation Equipment	208,129	17,783	-	-	225,912
Office Furniture	41,784	1,486	-	-	43,270
Generators	1,437,605	82,283	-	-	1,519,888
Total Accumulated Depreciation	<u>9,094,836</u>	<u>445,726</u>	<u>-</u>	<u>-</u>	<u>9,540,562</u>
Total Capital Assets, Being Depreciated, Net	<u>6,457,416</u>	<u>(6,324)</u>	<u>-</u>	<u>-</u>	<u>6,451,092</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,514,601</u>	<u>\$ 6,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,520,677</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 15,346
Public Safety	46,489
Public Works	97,261
Culture and Recreation	22,465
Total Depreciation Expense, Governmental Activities	<u>\$ 181,561</u>
Business-Type Activities:	
Water	\$ 59,513
Sewer	188,100
Electric	153,378
Liquor	15,770
Storm Water	28,965
Total Depreciation Expense, Business-Type Activities	<u>\$ 445,726</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 CITY INDEBTEDNESS

The following is a schedule of changes in City indebtedness for the year ended December 31, 2016:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
G.O. Improvement Bonds	\$ 453,705	\$ 399,900	\$ 82,535	\$ 771,070	\$ 82,535
G.O. Loan Anticipation Notes	-	2,900,000	-	2,900,000	2,900,000
Discount on Bonds	(8,057)	-	(1,973)	(6,084)	-
Capital Lease	330,000	-	43,170	286,830	44,431
Compensated Absences	20,694	3,618	-	24,312	24,312
Total Governmental Activities	<u>796,342</u>	<u>3,303,518</u>	<u>123,732</u>	<u>3,976,128</u>	<u>3,051,278</u>
Business-Type Activities:					
G.O. Revenue	1,729,743	-	107,600	1,622,143	98,600
G.O. Improvement Bonds	401,295	220,100	47,465	573,930	47,465
Compensated Absences	15,205	6,086	-	21,291	21,291
Total Business-Type Activities	<u>2,146,243</u>	<u>226,186</u>	<u>155,065</u>	<u>2,217,364</u>	<u>167,356</u>
Total Debt	<u>\$ 2,942,585</u>	<u>\$ 3,529,704</u>	<u>\$ 278,797</u>	<u>\$ 6,193,492</u>	<u>\$ 3,218,634</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 2016B G.O. Anticipation Bonds were issued to provide temporary funding for the construction of the City's new Fire Hall. This bond matures during 2017 and is reflected as a current liability at December 31, 2016. The City has secured financing through the U.S. Department of Agriculture to provide funds to repay this bond.

General Obligation Revenue Bonds

The 2003 G.O. Water (PFA) Revenue Bonds were issued to finance improvements to the water treatment plant and distribution system. The 2010 G.O. Utility Revenue Bonds were issued to finance improvements to the water and sewer system. These bonds are payable primarily from user fees and special assessments and are backed by the full faith and credit of the City. The 2013 G.O. Sewer (PFA) Revenue Bonds were issued to finance the 2013 Sanitary Sewer Project and the Waste Water Treatment Plant Project.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

The long-term debt obligations outstanding and related maturities and interest rates at December 31, 2016 are summarized in the schedule of bonds payable 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%	\$ 315,000
Series 2012A	78,775	2/1/2023	0.85 - 2.75%	56,170
Series 2016A	399,900	2/1/2036	1.15 - 3.00%	399,900
Series 2016B Anticipation Notes	2,900,000	9/1/2017	0.90%	2,900,000
Less: Unamortized Discount				(6,084)
Net Bonded Debt				<u>3,664,986</u>
Capital Lease - Fire Truck	330,000	12/15/2022	2.60%	286,830
Compensated Absences				24,312
Net Pension Liability				<u>1,148,289</u>
Total Governmental Activities				<u>\$ 5,124,417</u>
Business-Type Activities:				
G.O. Revenue Bonds:				
Series 2010 Utility	\$ 58,000	2/1/2018	2.90%	\$ 17,143
Series 2013 Sewer (PFA)	1,828,630	2/1/1933	1.00%	1,605,000
G.O. Improvement Bonds				
Series 2012A	496,225	2/1/2023	0.85 - 2.75%	353,830
Series 2016A	220,100	2/1/1936	1.15 - 3.00%	220,100
Net Bonded Debt				<u>2,196,073</u>
Compensated Absences				21,291
Net Pension Liability				<u>532,182</u>
Total Business-Type Activities				<u>\$ 2,749,546</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

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	
2017	\$ 2,982,535	\$ 49,500	\$ 3,032,035
2018	98,660	18,559	117,219
2019	106,885	14,972	121,857
2020	111,885	11,145	123,030
2021	27,570	8,980	36,550
2022 - 2026	114,560	37,739	152,299
2027 - 2031	106,425	25,965	132,390
2032 - 2036	122,550	9,482	132,032
Totals	<u>\$ 3,671,070</u>	<u>\$ 176,342</u>	<u>\$ 3,847,412</u>

<u>Year Ended December 31.</u>	Business-Type Activities Bonded Debt		Totals
	Principal	Interest	
2017	\$ 146,065	\$ 29,319	\$ 175,384
2018	149,883	26,525	176,408
2019	147,115	24,646	171,761
2020	148,115	22,755	170,870
2021	153,430	20,740	174,170
2022 - 2026	632,440	72,316	704,756
2027 - 2031	548,575	39,241	587,816
2032 - 2036	270,450	8,269	278,719
Totals	<u>\$ 2,196,073</u>	<u>\$ 243,811</u>	<u>\$ 2,439,884</u>

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes, net of debt service cash and investments available to pay these bonds. The limitation is 2% of the City's estimated market valuation. At December 31, 2016 the City did not exceed the statutory limitation.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 \$20,524 as of December 31, 2016.

<u>Year Ended December 31,</u>	<u>Amount</u>
2017	\$ 52,430
2018	52,430
2019	52,430
2020	52,430
2021	52,430
2022	52,430
Total Minimum Lease Payments	<u>314,580</u>
Less Interest	(27,750)
Present Value of Minimum Lease Payments	<u><u>\$ 286,830</u></u>

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

A. 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). All full-time and certain part-time employees of the City of Kenyon are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.
2. Public Employees Police and Fire Plan (Police and Fire Plan) 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.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Contributions

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

1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City's contributions to the General Employees Fund for the year ended December 31, 2016 were \$54,277. 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 in calendar year 2016. The City was required to contribute 16.20% of pay for members in calendar year 2016. The City's contributions to the Police and Fire Fund for the year ended December 31, 2016 were \$28,092. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2016, the City reported a liability of \$958,101 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$12,513. The net pension liability was measured as of June 30, 2016 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 [entity's] contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016 the City's proportion share was 0.0118% which was an increase of 0.0002% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016 the City recognized pension expense of \$128,899 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$3,731 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2016, 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	\$ -	\$ 77,832
Changes in Actuarial Assumptions	187,597	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	181,852	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	7,428	21,138
City Contributions Subsequent to the Measurement Date	26,597	-
Total	<u>\$ 403,474</u>	<u>\$ 98,970</u>

\$26,597 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, 2017. 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>
2016	\$ 74,151
2017	74,151
2018	94,998
2019	34,607
2020	-
Thereafter	-

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2016 the City reported a liability of \$722,371 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016 the City's proportion was 0.0180% which was an increase of 0.0020% from its proportion measured as of June 30, 2015. The City also recognized \$1,620 for the year ended December 31, 2016 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, 2016 the City recognized pension expense of \$128,849 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2015 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	\$ -	\$ 82,870
Changes in Actuarial Assumptions	397,553	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	110,239	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	18,709	-
City Contributions Subsequent to the Measurement Date	15,531	-
Total	<u>\$ 542,032</u>	<u>\$ 82,870</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

\$15,531 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, 2017. 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>
2016	\$ 95,139
2017	95,139
2018	95,139
2019	86,230
2020	71,984
Thereafter	-

Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>
Inflation	2.75% 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 the General Employees Plan and RP-2000 tables for the Police and Fire Plan and Correctional Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1% per year for all future years for the General Employees Plan and Police and Fire Plan, and 2.5% for all years for the Correctional Plan.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004 through June 30, 2009. Experience studies have not been prepared for the Correctional Plan, but assumptions are reviewed annually.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Actuarial Assumptions (CONTINUED)

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- 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.

Police and Fire Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- 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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45.00%	5.50%
International Equity	15.00%	6.00%
Bonds	18.00%	1.45%
Alternative Assets	20.00%	6.40%
Cash	2.00%	0.50%
Totals	<u>100.00%</u>	

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. 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 position of the General Employees 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.

In the Police and Fire Fund the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date, An equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

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 GERF Net Pension Liability	\$ 1,360,788	\$ 958,101	\$ 626,397

<u>Description</u>	<u>1% Decrease in Discount Rate (4.60%)</u>	<u>Current Discount Rate (5.60%)</u>	<u>1% Increase in Discount Rate (6.60%)</u>
City's Proportionate Share of the PEPFF Net Pension Liability	\$ 1,011,224	\$ 722,371	\$ 486,357

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

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 \$27,048 were received by the Fire Relief from the State (through the City), in accordance with Minnesota statute requirements for the year ended December 31, 2016.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8 INTERFUND TRANSACTIONS

Transfers

Transfers during the year ended December 31, 2016 were as follows:

	<u>Amount</u>	<u>Description</u>
Major Funds		
Transfers to General Fund from:		
Liquor Fund	\$ 20,000	Budgeted Transfer
Electric Fund	68,142	Payment in Lieu of Taxes
Total Transfers to General Fund	<u>88,142</u>	
Transfer to Debt Service Fund from:		
Capital Projects Fund	52,430	Closeout of Funds
Transfers to Capital Projects from:		
General Fund	153,000	Budgeted Transfer
Debt Service Fund	90,643	Closeout of Fund
Other Governmental Funds	68,000	Budgeted Transfer
Total Transfers to Capital Projects Fund	<u>311,643</u>	
Total Transfers to Major Funds	452,215	
Nonmajor Funds		
Transfer to Economic Development Authority		
Special Revenue Fund from:		
Capital Projects Fund	36,000	Transfer of funds for asset acquisition
Total Interfund Transfers	<u>\$ 488,215</u>	

The amounts due to and from other funds as of December 31, 2016, 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	\$ 72,755	\$ -
Enterprise Funds:		
Sewer	27,060	3,430
Electric	3,430	103,542
Storm Sewer	3,727	-
Total Due to/from	<u>\$ 106,972</u>	<u>\$ 106,972</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8 INTERFUND TRANSACTIONS (CONTINUED)

Advances to and from other funds as of December 31, 2016 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	\$ -	\$ 100,000
Enterprise Funds:		
Electric	163,088	-
Liquor	-	63,088
Total Advances	<u>\$ 163,088</u>	<u>\$ 163,088</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 first payment is due in 2017.

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, 2016

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 1,066,180	\$ 1,092,954	\$ 26,774
Nonmajor Governmental Fund - Fire	86,150	87,803	1,653
Nonmajor Governmental Fund - Library	164,885	166,361	1,476

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, 2016**

NOTE 10 FUND BALANCE

As of December 31, 2016, 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	\$ 25,165	\$ -	\$ -	\$ 6,761	\$ 31,926
Restricted					
Police Forfeitures	-	-	-	1,269	1,269
Future Debt Retirement	-	-	164,911	-	164,911
Special Purpose Contributions	-	-	-	28,306	28,306
Fire Building	-	837,168	-	-	837,168
Committed					
Capital Projects	-	683,728	-	-	683,728
Assigned					
Fire Department	-	-	-	32,952	32,952
Library Operations	-	-	-	48,882	48,882
Economic Development	-	-	-	181,710	181,710
Special Purpose Contributions	-	-	-	12,429	12,429
Unassigned	815,793	-	-	-	815,793
Total Fund Balance	<u>\$ 840,958</u>	<u>\$ 1,520,896</u>	<u>\$ 164,911</u>	<u>\$ 312,309</u>	<u>\$ 2,839,074</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, 2016**

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.

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.

**CITY OF KENYON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Commitments

The City entered into construction contracts for various projects started during the year.

The following contract has been entered into and not completed at December 31, 2016:

<u>Project</u>	<u>Contract Cost</u>	<u>Estimated Project Costs Incurred to Date*</u>	<u>Remaining Committed</u>
Fire Hall	\$ 2,113,900	\$ 1,844,488	\$ 269,412

* includes contract payable amounts

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, 2016 the City has one agreement in place under Minnesota Statute 439.174 to 469.179 (The Tax Increment Act) which resulted in property taxes totaling \$17,855 being abated through a pay as you go note to finance a housing project.

CITY OF KENYON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

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

	<u>Measurement Date 6/30/2016</u>	<u>Measurement Date 6/30/2015</u>	<u>Measurement Date 6/30/2014</u>
General Employees Fund			
City's Proportion of the Net Pension Liability	0.0118%	0.0116%	0.0125%
City's Proportionate Share of the Net Pension Liability	\$ 958,101	\$ 601,172	\$ 587,187
City's Covered-Employee Payroll	723,693	694,281	662,407
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	132.39%	86.59%	88.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.90%	78.20%	78.70%
Police and Fire Fund			
City's Proportion of the Net Pension Liability	0.0180%	0.0160%	0.0160%
City's Proportionate Share of the Net Pension Liability	\$ 722,371	\$ 181,797	\$ 172,807
City's Covered-Employee Payroll	173,407	154,001	137,426
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	416.57%	118.05%	125.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.90%	86.60%	87.10%

*Additional information will be added as it becomes available.

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

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

*Additional information will be added as it becomes available.

CITY OF KENYON, MINNESOTA
COMBINING AND INDIVIDUAL FUND STATEMENTS
DECEMBER 31, 2016

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)**

	2016		
	Fire Fund	Library Fund	Economic Development Authority
ASSETS			
Cash and Investments	\$ 33,731	\$ 51,132	\$ 285,383
Receivables:			
Accounts Receivable	2,100	-	-
Accrued Interest Receivable	23	25	138
Prepaid Items	5,023	1,291	447
	<u>\$ 40,877</u>	<u>\$ 52,448</u>	<u>\$ 285,968</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 2,902	\$ 800	\$ 3,311
Accrued Compensation	-	1,475	-
Advances from Other Funds	-	-	100,000
Customer Deposits	-	-	500
Unearned Revenue	-	-	-
Total Liabilities	<u>2,902</u>	<u>2,275</u>	<u>103,811</u>
FUND BALANCE (DEFICIT)			
Nonspendable for Prepaid Items	5,023	1,291	447
Restricted:			
Police Forfeitures	-	-	-
Special Purpose Contributions	-	-	-
Assigned:			
Fire Department	32,952	-	-
Library Operations	-	48,882	-
Economic Development	-	-	181,710
Special Purpose Contributions	-	-	-
Total Fund Balance (Deficit)	<u>37,975</u>	<u>50,173</u>	<u>182,157</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	<u>\$ 40,877</u>	<u>\$ 52,448</u>	<u>\$ 285,968</u>

				2015
Police Forfeiture	Special Purpose Donations	2004 Tax Abatement TIF/Sun Home	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
\$ 1,269	\$ 42,519	\$ -	\$ 414,034	\$ 292,223
-	-	-	2,100	4,825
-	21	-	207	247
-	-	-	6,761	5,491
<u>\$ 1,269</u>	<u>\$ 42,540</u>	<u>\$ -</u>	<u>\$ 423,102</u>	<u>\$ 302,786</u>
\$ -	\$ 1,805	\$ -	\$ 8,818	\$ 32,613
-	-	-	1,475	1,071
-	-	-	100,000	-
-	-	-	500	800
-	-	-	-	1,500
<u>-</u>	<u>1,805</u>	<u>-</u>	<u>110,793</u>	<u>35,984</u>
-	-	-	6,761	5,491
1,269	-	-	1,269	1,269
-	28,306	-	28,306	29,319
-	-	-	32,952	33,892
-	-	-	48,882	49,375
-	-	-	181,710	135,087
-	12,429	-	12,429	12,369
<u>1,269</u>	<u>40,735</u>	<u>-</u>	<u>312,309</u>	<u>266,802</u>
<u>\$ 1,269</u>	<u>\$ 42,540</u>	<u>\$ -</u>	<u>\$ 423,102</u>	<u>\$ 302,786</u>

CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016		
	Fire Fund	Library Fund	Economic Development Authority
REVENUES			
Taxes	\$ 39,790	\$ 121,675	\$ 10,875
Tax Increment	-	-	-
Intergovernmental	29,149	41,195	-
Charges for Services	85,438	-	-
Investment Earnings	257	91	750
Fines and Forfeitures	-	738	400
Donations	-	-	-
Miscellaneous	1,373	2,289	8,422
Total Revenues	<u>156,007</u>	<u>165,988</u>	<u>20,447</u>
EXPENDITURES			
Current:			
Public Safety	87,803	-	-
Culture and Recreation	-	166,361	-
Economic Development	-	-	9,818
Total Expenditures	<u>87,803</u>	<u>166,361</u>	<u>9,818</u>
Excess (Deficiency) of Revenues Over Expenditures	68,204	(373)	10,629
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	36,000
Transfers Out	(68,000)	-	-
Total Other Financing Sources	<u>(68,000)</u>	<u>-</u>	<u>36,000</u>
NET CHANGE IN FUND BALANCE	204	(373)	46,629
Fund Balance (Deficit) - Beginning of Year	<u>37,771</u>	<u>50,546</u>	<u>135,528</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 37,975</u>	<u>\$ 50,173</u>	<u>\$ 182,157</u>

				2015	
Police Forfeiture	Special Purpose Donations	2004 Tax Abatement TIF/Sun Home	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 172,340	\$ 160,140	
-	-	19,839	19,839	20,096	
-	-	-	70,344	73,843	
-	-	-	85,438	87,901	
-	206	-	1,304	1,350	
-	-	-	1,138	1,497	
-	12,767	-	12,767	17,895	
-	-	-	12,084	13,954	
-	12,973	19,839	375,254	376,676	
-	4,274	-	92,077	93,563	
-	9,652	-	176,013	166,528	
-	-	19,839	29,657	33,978	
-	13,926	19,839	297,747	294,069	
-	(953)	-	77,507	82,607	
-	-	-	36,000	-	
-	-	-	(68,000)	(68,450)	
-	-	-	(32,000)	(68,450)	
-	(953)	-	45,507	14,157	
1,269	41,688	-	266,802	252,645	
\$ 1,269	\$ 40,735	\$ -	\$ 312,309	\$ 266,802	

**CITY OF KENYON, MINNESOTA
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016			Variance from Final Budget	2015
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Property Taxes	\$ 39,790	\$ 39,790	\$ 39,790	\$ -	\$ 36,180
Intergovernmental					
Fire State Aid	17,000	17,000	27,049	10,049	27,220
Other State Aid	3,000	3,000	2,100	(900)	4,931
Total Intergovernmental Revenue	<u>20,000</u>	<u>20,000</u>	<u>29,149</u>		<u>32,151</u>
Charges for Services					
Fire Contracts	80,750	80,750	85,438	4,688	87,901
Investment Income	110	110	257	147	247
Miscellaneous Revenues					
Dividends	500	500	1,273	773	945
Other	-	-	100	100	1,680
Total Miscellaneous Revenues	<u>500</u>	<u>500</u>	<u>1,373</u>		<u>2,625</u>
Total Revenues	141,150	141,150	156,007	4,835	159,104
EXPENDITURES					
Public Safety:					
Employee Services	5,475	5,475	4,555	920	5,619
Supplies	14,850	14,850	7,923	6,927	17,416
Repairs and Miscellaneous	13,040	13,040	14,788	(1,748)	10,843
Professional Services	3,000	3,000	3,000	-	3,076
Training	11,650	11,650	9,882	1,768	5,583
Insurance	3,605	3,605	4,366	(761)	3,930
Utilities	7,260	7,260	6,691	569	5,610
Fire State Aid	17,000	17,000	27,049	(10,049)	30,220
Capital Outlay	-	-	-	-	-
Other Services and Charges	10,270	10,270	9,549	721	8,165
Total Public Safety	<u>86,150</u>	<u>86,150</u>	<u>87,803</u>	<u>(1,653)</u>	<u>90,462</u>
Total Expenditures	<u>86,150</u>	<u>86,150</u>	<u>87,803</u>	<u>(1,653)</u>	<u>90,462</u>
Excess (Deficiency) of Revenues Over Expenditures	55,000	55,000	68,204	6,488	68,642
OTHER FINANCING SOURCES (USES)					
Transfers Out	<u>(55,000)</u>	<u>(55,000)</u>	<u>(68,000)</u>	<u>(13,000)</u>	<u>(68,311)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	204	<u>\$ (6,512)</u>	331
Fund Balance - Beginning of Year			<u>37,771</u>		<u>37,440</u>
FUND BALANCE - END OF YEAR			<u>\$ 37,975</u>		<u>\$ 37,771</u>

**CITY OF KENYON, MINNESOTA
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016			Variance from Final Budget	2015
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Property Taxes	\$ 121,675	\$ 121,675	\$ 121,675	\$ -	\$ 111,350
Intergovernmental					
County Aid	41,200	41,200	41,195	(5)	41,692
Fines and Forfeitures	1,000	1,000	738	(262)	1,018
Investment Income	160	160	91	(69)	131
Miscellaneous Revenues					
Dividends	100	100	813	713	555
Other	750	750	1,476	726	1,448
Total Miscellaneous Revenues	<u>850</u>	<u>850</u>	<u>2,289</u>	<u>1,439</u>	<u>2,003</u>
Total Revenues	164,885	164,885	165,988	1,103	156,194
EXPENDITURES					
Culture and Recreation:					
Employee Services	122,000	122,000	122,095	(95)	116,340
Books and Other Materials	23,250	23,250	23,218	32	23,047
Repairs and Miscellaneous	250	250	2,297	(2,047)	444
Training	650	650	290	360	316
Insurance	2,155	2,155	2,195	(40)	2,309
Utilities	6,130	6,130	6,399	(269)	5,339
Automation	7,000	7,000	7,026	(26)	6,438
Capital Outlay	1,200	1,200	979	221	1,166
Other Services and Charges	2,250	2,250	1,862	388	1,704
Total Culture and Recreation	<u>164,885</u>	<u>164,885</u>	<u>166,361</u>	<u>(1,476)</u>	<u>157,103</u>
Total Expenditures	<u>164,885</u>	<u>164,885</u>	<u>166,361</u>	<u>(1,476)</u>	<u>157,103</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	(373)	<u>\$ 2,579</u>	(909)
Fund Balance - Beginning of Year			<u>50,546</u>		<u>51,455</u>
FUND BALANCE - END OF YEAR			<u>\$ 50,173</u>		<u>\$ 50,546</u>

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY DEBT ISSUANCE
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	2016		
	Trondheim Road Extension	2012 G.O. Improvement Bonds	2007 G.O. Refunding Bonds
ASSETS			
Cash and Investments	\$ 20,818	\$ 33,281	\$ 103,907
Special Assessments Receivable			
Delinquent	1,404	-	-
Deferred	78,552	-	-
Accrued Interest Receivable	-	-	51
Total Assets	\$ 100,774	\$ 33,281	\$ 103,958
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ -	\$ 800	\$ -
Advance from Other Funds	-	-	-
Total Liabilities	-	800	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	79,956	-	-
FUND BALANCE			
Restricted for Debt Service	20,818	32,481	103,958
Unassigned	-	-	-
Total Fund Balance (Deficit)	20,818	32,481	103,958
Total Liabilities, Deferred Inflows of Resources and fund Balance	\$ 100,774	\$ 33,281	\$ 103,958

				2015
Fire Truck Capital Lease	2016 G.O. Improvement Bonds	Total Debt Service Fund	Total Debt Service Fund	Total Debt Service Fund
\$ -	\$ 7,624	\$ 165,630	\$ 139,410	
-	-	1,404	1,445	
-	92,339	170,891	100,264	
-	30	81	-	
<u>\$ -</u>	<u>\$ 99,993</u>	<u>\$ 338,006</u>	<u>\$ 241,119</u>	
\$ -	\$ -	\$ 800	800	
-	-	-	25,795	
-	-	800	26,595	
-	92,339	172,295	101,709	
-	7,654	164,911	136,995	
-	-	-	(24,180)	
<u>-</u>	<u>7,654</u>	<u>164,911</u>	<u>112,815</u>	
<u>\$ -</u>	<u>\$ 99,993</u>	<u>\$ 338,006</u>	<u>\$ 241,119</u>	

CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY DEBT ISSUANCE
FOR YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016		
	Trondheim Road Extension	2012 G.O. Improvement Bonds	2007 G.O. Refunding Bonds
REVENUES			
Taxes	\$ 23,475	\$ 8,735	\$ 90,190
Special Assessments	22,050	-	-
Investment Earnings	-	49	195
Total Revenues	<u>45,525</u>	<u>8,784</u>	<u>90,385</u>
EXPENDITURES			
Principal	-	7,535	75,000
Interest and Fiscal Charges	527	2,003	15,187
Total Expenditures	<u>527</u>	<u>9,538</u>	<u>90,187</u>
Excess (Deficiency) of Revenues Over Expenditures	44,998	(754)	198
OTHER FINANCING SOURCES			
Transfers In	-	-	-
NET CHANGE IN FUND BALANCE	44,998	(754)	198
Fund Balance - Beginning of Year	<u>(24,180)</u>	<u>33,235</u>	<u>103,760</u>
FUND BALANCE - END OF YEAR	<u>\$ 20,818</u>	<u>\$ 32,481</u>	<u>\$ 103,958</u>

			2015
Fire Truck Capital Lease	2016 G.O. Improvement Bonds	Total Debt Service Fund	Total Debt Service Fund
\$ -	\$ -	\$ 122,400	\$ 150,759
-	7,128	29,178	1,900
-	526	770	15
-	7,654	152,348	152,674
43,170	-	125,705	107,535
9,260	-	26,977	22,282
52,430	-	152,682	129,817
(52,430)	7,654	(334)	22,857
52,430	-	52,430	-
-	7,654	52,096	22,857
-	-	112,815	89,958
\$ -	\$ 7,654	\$ 164,911	\$ 112,815

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY PROJECT
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	2016		
	Capital Outlay	Fire Hall Capital	2016 First Street
ASSETS			
Cash and Investments	\$ 737,887	\$ 1,535,710	\$ (48,104)
Due from Other Funds	-	-	-
Accrued Interest Receivable	357	755	-
	<u>\$ 738,244</u>	<u>\$ 1,536,465</u>	<u>\$ (48,104)</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ -	\$ 699,297	\$ 245
Due to Other Funds	-	-	-
Total Liabilities	<u>-</u>	<u>699,297</u>	<u>245</u>
FUND BALANCE (DEFICIT)			
Restricted:			
Fire Hall	-	837,168	-
Committed	738,244	-	-
Unassigned	-	-	(48,349)
Total Fund Balance (Deficit)	<u>738,244</u>	<u>837,168</u>	<u>(48,349)</u>
Total Liabilities, Deferred Inflows or Resources, and Fund Balance (Deficit)	<u>\$ 738,244</u>	<u>\$ 1,536,465</u>	<u>\$ (48,104)</u>

		2015
Industrial Park	Total Capital Projects Fund	Total Capital Projects Fund
\$ (4,267)	\$ 2,221,226	\$ 436,819
-	-	164,715
-	1,112	620
<u>\$ (4,267)</u>	<u>\$ 2,222,338</u>	<u>\$ 602,154</u>
\$ 1,900	\$ 701,442	\$ 38,480
-	-	164,715
<u>1,900</u>	<u>701,442</u>	<u>203,195</u>
-	837,168	-
(6,167)	738,244	601,579
<u>(6,167)</u>	<u>(54,516)</u>	<u>(202,620)</u>
<u>(6,167)</u>	<u>1,520,896</u>	<u>398,959</u>
<u>\$ (4,267)</u>	<u>\$ 2,222,338</u>	<u>\$ 602,154</u>

CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY PROJECT
FOR YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016		
	Capital Outlay	Fire Hall Capital	2016 First Street
REVENUES			
Investment Earnings	\$ 2,514	\$ 4,616	\$ -
Intergovernmental	-	-	-
Miscellaneous	-	1,000	-
Total Revenues	<u>2,514</u>	<u>5,616</u>	<u>-</u>
EXPENDITURES			
Capital Outlay	89,062	1,844,488	322,174
Debt Services			
Bond Issue Costs	-	21,340	35,432
Total Expenditures	<u>89,062</u>	<u>1,865,828</u>	<u>357,606</u>
Excess (Deficiency) of Revenues Over Expenditures	(86,548)	(1,860,212)	(357,606)
OTHER FINANCING SOURCES (USES)			
Transfers In	311,643	-	-
Transfers Out	(88,430)	-	(90,643)
Bond Proceeds	-	2,900,000	399,900
Total Other Financing Sources	<u>223,213</u>	<u>2,900,000</u>	<u>309,257</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	136,665	1,039,788	(48,349)
Fund Balance (Deficit) - Beginning of Year	<u>601,579</u>	<u>(202,620)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 738,244</u>	<u>\$ 837,168</u>	<u>\$ (48,349)</u>

			2015
Industrial Park	Total Capital Projects Fund	Total Capital Projects Fund	Total Capital Projects Fund
\$ -	\$ 7,130		3,747
-	-		27,029
-	1,000		-
-	8,130		30,776
6,167	2,261,891		825,739
-	56,772		-
6,167	2,318,663		825,739
(6,167)	(2,310,533)		(794,963)
-	311,643		215,525
-	(179,073)		(54,834)
-	3,299,900		330,000
-	3,432,470		490,691
(6,167)	1,121,937		(304,272)
-	398,959		703,231
\$ (6,167)	\$ 1,520,896	\$	398,959

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVNEUES, EXPENSES AND CHANGES IN NET POSITION
WATER FUND
FOR YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for Services	\$ 251,960	\$ 241,345
OPERATING EXPENSES		
Employee Services	115,587	107,038
Supplies	5,536	3,667
Professional Services	1,160	1,125
Insurance	2,452	2,942
Utilities	13,376	13,204
Repairs and Maintenance	11,522	29,428
Depreciation	59,513	57,256
Dues and Subscriptions	448	809
Other Services	6,907	561
Safety	686	631
Shared Facility Charge	7,800	7,800
Other Operating Expenses	7,533	8,291
Total Operating Expenses	<u>232,520</u>	<u>232,752</u>
OPERATING INCOME (LOSS)	19,440	8,593
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	2,742	9,825
Dividend	1,803	1,172
Intergovernmental Revenues	541	173
Special Assessments	152	888
Interest Revenue	2,617	1,662
Interest Expense	(4,137)	(5,101)
Total Other Income (Expense)	<u>3,718</u>	<u>8,618</u>
CHANGE IN NET POSITION	23,158	17,211
Net Position - Beginning of Year	<u>1,221,231</u>	<u>1,204,020</u>
NET POSITION - END OF YEAR	<u>\$ 1,244,389</u>	<u>\$ 1,221,231</u>

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVNEUES, EXPENSES AND CHANGES IN NET POSITION
SEWER FUND
FOR YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)

	2016	2015
OPERATING REVENUES		
Charges for Services	\$ 275,767	\$ 273,340
OPERATING EXPENSES		
Employee Services	92,931	87,387
Supplies	5,931	7,519
Professional Services	1,520	15,356
Insurance	6,748	9,325
Utilities	47,584	48,479
Repairs and Maintenance	40,010	13,690
Depreciation	188,100	185,142
Other Services	39	104
Other Operating Expenses	4,792	6,313
Total Operating Expenses	387,655	373,315
OPERATING INCOME (LOSS)	(111,888)	(99,975)
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	2,532	2,494
Dividend	2,090	1,641
Intergovernmental Revenues	281	-
Property Taxes	99,060	103,125
Special Assessments	61,112	4,934
Interest Revenue	4,221	5,714
Interest Expense	(23,443)	(22,541)
Total Other Income (Expense)	145,853	95,367
CHANGE IN NET POSITION	33,965	(4,608)
Net Position - Beginning of Year	2,277,222	2,281,830
NET POSITION - END OF YEAR	\$ 2,311,187	\$ 2,277,222

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVNEUES, EXPENSES AND CHANGES IN NET POSITION
ELECTRIC FUND
FOR YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for Services	\$ 2,004,381	\$ 1,984,731
OPERATING EXPENSES		
Power Costs	1,032,479	1,131,811
Conservation Improvement Program	14,921	10,957
Employee Services	299,197	264,516
Supplies	4,923	2,240
Professional Services	4,630	4,490
Insurance	52,395	54,723
Utilities	23,644	27,032
Repairs and Maintenance	36,155	14,593
Depreciation	153,378	149,362
Dues and Subscriptions	33,935	33,585
Other Services	2,893	829
Safety	8,257	9,379
Generator Expense	25,214	45,334
Shared Facility Charge	31,200	31,200
Other Operating Expenses	12,275	13,489
Total Operating Expenses	<u>1,735,496</u>	<u>1,793,540</u>
OPERATING INCOME (LOSS)	268,885	191,191
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	11,580	12,430
Dividend	33,194	21,620
Intergovernmental Revenues	1,639	713
Special Assessments	1,478	543
Interest Revenue	13,470	11,347
Miscellaneous Nonoperating Expenses	(1,507)	(750)
Interest Expense	(579)	(535)
Total Other Income (Expense)	<u>59,275</u>	<u>45,368</u>
NET INCOME (LOSS) BEFORE TRANSFERS	328,160	236,559
OTHER FINANCING USES		
Transfers Out	<u>(68,142)</u>	<u>(67,835)</u>
CHANGE IN NET POSITION	260,018	168,724
Net Position - Beginning of Year	<u>3,885,332</u>	<u>3,716,608</u>
NET POSITION - END OF YEAR	<u>\$ 4,145,350</u>	<u>\$ 3,885,332</u>

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVNEUES, EXPENSES AND CHANGES IN NET POSITION
LIQUOR FUND
FOR YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTAL FOR YEAR ENDED DECEMBER 31, 2015)

	2016	2015
OPERATING REVENUES		
Sales	\$ 742,287	\$ 719,681
Costs of Goods Sold	<u>(475,084)</u>	<u>(467,272)</u>
Total Gross Profit and Operating Revenues	267,203	252,409
OPERATING EXPENSES		
Employee Services	145,248	137,497
Supplies	4,423	4,450
Insurance	8,340	11,267
Utilities	16,675	16,211
Repairs and Maintenance	10,328	7,465
Depreciation	15,770	21,145
Dues and Subscriptions	2,089	1,250
Other Services	20,744	27,408
Other Operating Expenses	<u>22,079</u>	<u>23,081</u>
Total Operating Expenses	<u>245,696</u>	<u>249,774</u>
OPERATING INCOME (LOSS)	21,507	2,635
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	7,587	30,312
Dividend	1,515	1,106
Intergovernmental Revenues	443	-
Interest Revenue	450	438
Miscellaneous Nonoperating Expenses	(500)	-
Interest Expense	<u>(1,221)</u>	<u>(1,625)</u>
Total Other Income (Expense)	<u>8,274</u>	<u>30,231</u>
NET INCOME (LOSS) BEFORE TRANSFERS	29,781	32,866
OTHER FINANCING USES		
Transfers Out	<u>(20,000)</u>	<u>(20,000)</u>
CHANGE IN NET POSITION	9,781	12,866
Net Position - Beginning of Year	<u>135,276</u>	<u>122,410</u>
NET POSITION - END OF YEAR	<u>\$ 145,057</u>	<u>\$ 135,276</u>

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
STORM WATER FUND
FOR YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for Services	\$ 40,378	\$ 39,993
OPERATING EXPENSES		
Employee Services	15,223	13,817
Insurance	687	745
Repairs and Maintenance	13,028	710
Depreciation	28,965	28,792
Total Operating Expenses	<u>57,903</u>	<u>44,064</u>
OPERATING INCOME (LOSS)	(17,525)	(4,071)
OTHER INCOME (EXPENSES)		
Dividend	247	179
Intergovernmental Revenues	45	-
Special Assessments	40	-
Interest Revenue	2,230	2,723
Interest Expense	(2,323)	(1,860)
Total Other Income (Expense)	<u>239</u>	<u>1,042</u>
CHANGE IN NET POSITION	(17,286)	(3,029)
Net Position - Beginning of Year	<u>826,513</u>	<u>829,542</u>
NET POSITION - END OF YEAR	<u>\$ 809,227</u>	<u>\$ 826,513</u>

**CITY OF KENYON, MINNESOTA
PFA SEWER FUND LOAN OF 2013
LOAN RETIREMENT DEBT SERVICE FUND
FOR YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016	2015
REVENUES		
Property Taxes	\$ 99,060	\$ 98,069
EXPENDITURES		
Principal	86,000	85,344
Interest	16,910	17,375
Total Operating Expenses	102,910	102,719
EXCESS (DEFICIT) REVENUES	(3,850)	(4,650)
Fund Balance - Beginning of Year	102,910	107,560
Fund Balance - End of Year	\$ 99,060	\$ 102,910