

CITY OF KENYON, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020



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**CITY OF KENYON, MINNESOTA
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YEAR ENDED DECEMBER 31, 2020**

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INTRODUCTORY SECTION

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**CITY OF KENYON, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2020**

Elected Officials

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

Appointed Officials

Administrator Mark Vahlsing

Public Utilities Commission – Appointed

Chairperson	Richard Nielsen	December 31, 2020
Commissioner	Jim Malloy	December 31, 2021

Public Utilities Commission Administration – Appointed

Operations Superintendent	Randy Eggert
Finance Clerk	Susan Dodds

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Kenyon, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kenyon, Minnesota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the City of Kenyon's 2019 financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated April 30, 2020. The summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Other Information

Our audit for the year ended December 31, 2020 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kenyon, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and schedules as of and for the year ended December 31, 2020 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Honorable Mayor and City Council
City of Kenyon, Minnesota

In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2020.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Kenyon as of and for the year ended December 31, 2019 (not presented herein), and have issued our report thereon dated April 30, 2020, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The combining and individual nonmajor fund financial statements and schedules for the year ended December 31, 2019 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2019.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, on our consideration of the City of Kenyon’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Kenyon’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kenyon’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 29, 2021

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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, 2020. 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, 2020 (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) for the City of Kenyon was \$16,697,532. Of this amount, \$7,186,533 (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 \$2,874,354, of which 30% is unassigned.
- At the end of the fiscal year, unassigned fund balance of the general fund was \$856,818, or 68% of total general fund expenditures compared to 62% in 2019.
- The City of Kenyon increased its existing debt principal by \$4,943,122 during the current fiscal year, leaving a remaining balance of \$10,212,838. The increase is primarily due the issuance of the Series 2020A GO Improvement Bonds.

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, 2020**

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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 33-67 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 72-91.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a city's financial position. In the case of the City of Kenyon, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16,697,532 at the close of the fiscal year, with \$6,493,989 of this net position from governmental activities and \$10,203,543 from proprietary funds.

As noted in Table A-1, below, net position of \$8,967,961 or 54% is attributed to its investment in capital assets (e.g. land, buildings, streets, vehicles, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Kenyon uses these capital assets to provide services; consequently, these assets are not available for future spending. Although the City of Kenyon's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table A-1
Condensed Statements of Net Position
December 31, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 9,438,268	\$ 7,365,996	\$ 7,148,667	\$ 6,084,873	\$ 16,586,935	\$ 13,450,869
Capital Assets	4,294,192	2,064,859	8,512,349	6,161,213	12,806,541	8,226,072
Total Assets	<u>13,732,460</u>	<u>9,430,855</u>	<u>15,661,016</u>	<u>12,246,086</u>	<u>29,393,476</u>	<u>21,676,941</u>
Deferred Outflows of Resources	151,317	226,668	43,834	31,973	195,151	258,641
Long-Term Liabilities	6,129,656	3,652,223	4,905,487	2,017,018	11,035,143	5,669,241
Other Liabilities	1,066,072	544,499	569,510	388,188	1,635,582	932,687
Total Liabilities	<u>7,195,728</u>	<u>4,196,722</u>	<u>5,474,997</u>	<u>2,405,206</u>	<u>12,670,725</u>	<u>6,601,928</u>
Deferred Inflows of Resources	<u>194,060</u>	<u>353,460</u>	<u>26,310</u>	<u>77,133</u>	<u>220,370</u>	<u>430,593</u>
Net Position:						
Net Investment in Capital Assets	4,025,940	3,945,239	4,942,021	4,312,419	8,967,961	8,257,658
Restricted	543,038	250,240	-	-	543,038	250,240
Unrestricted	<u>1,925,011</u>	<u>911,862</u>	<u>5,261,522</u>	<u>5,483,301</u>	<u>7,186,533</u>	<u>6,395,163</u>
Total Net Position	<u>\$ 6,493,989</u>	<u>\$ 5,107,341</u>	<u>\$ 10,203,543</u>	<u>\$ 9,795,720</u>	<u>\$ 16,697,532</u>	<u>\$ 14,903,061</u>

A portion \$(543,038) 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 \$(7,186,533) 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, 2020**

Governmental Activities. Governmental activities account for 39% of the City of Kenyon's net position.

The total increase in net position for governmental activities is \$1,386,648 for the year ended December 31, 2020. The total revenues for governmental activities amounted to \$3,049,252 while total expenses were \$2,463,232 and Transfers in were \$800,628, which is illustrated in table A-2 below:

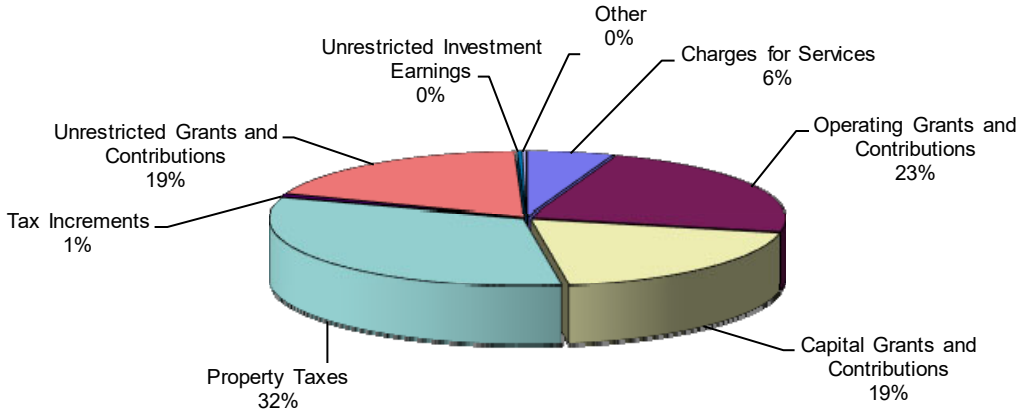
**Table A-2
Condensed Statement of Activities
Years Ended December 31, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program Revenues:						
Charges for Services	\$ 167,887	\$ 172,069	\$ 3,530,203	\$ 3,502,667	\$ 3,698,090	\$ 3,674,736
Operating Grants and Contributions	696,178	541,475	-	-	696,178	541,475
Capital Grants and Contributions	586,727	7,166	351,889	10,485	938,616	17,651
General Revenues:						
Property Taxes	989,816	921,294	30,000	30,000	1,019,816	951,294
Tax Increments	18,605	19,606	-	-	18,605	19,606
Grants and Contributions, Not Restricted	572,473	548,354	114,966	1,745	687,439	550,099
Unrestricted Investment Earnings	9,584	35,973	37,488	118,149	47,072	154,122
Gain on Disposal of Assets	350	1,049	-	-	350	1,049
Miscellaneous	7,632	16,964	478,544	286,150	486,176	303,114
Total Revenues	<u>3,049,252</u>	<u>2,263,950</u>	<u>4,543,090</u>	<u>3,949,196</u>	<u>7,592,342</u>	<u>6,213,146</u>
EXPENSES						
General Government	428,790	430,715	-	-	428,790	430,715
Public Safety	707,139	589,430	-	-	707,139	589,430
Public Works	77,301	477,313	-	-	77,301	477,313
Sanitation and Recycling	52,735	44,615	-	-	52,735	44,615
Culture and Recreation	305,996	256,838	-	-	305,996	256,838
Economic Development	709,410	560,761	-	-	709,410	560,761
Debt Service	181,861	98,706	-	-	181,861	98,706
Water	-	-	291,983	229,848	291,983	229,848
Sewer	-	-	488,405	468,385	488,405	468,385
Electric	-	-	1,691,687	1,641,275	1,691,687	1,641,275
Liquor	-	-	792,645	826,385	792,645	826,385
Storm Water	-	-	69,919	65,229	69,919	65,229
Total Expenses	<u>2,463,232</u>	<u>2,458,378</u>	<u>3,334,639</u>	<u>3,231,122</u>	<u>5,797,871</u>	<u>5,689,500</u>
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS	586,020	(194,428)	1,208,451	718,074	1,794,471	523,646
Transfers	800,628	7,027	(800,628)	(7,027)	-	-
CHANGE IN NET POSITION	1,386,648	(187,401)	407,823	711,047	1,794,471	523,646
Net Position - Beginning of Year	5,107,341	5,294,742	9,795,720	9,084,673	14,903,061	14,379,415
NET POSITION - END OF YEAR	<u>\$ 6,493,989</u>	<u>\$ 5,107,341</u>	<u>\$ 10,203,543</u>	<u>\$ 9,795,720</u>	<u>\$ 16,697,532</u>	<u>\$ 14,903,061</u>

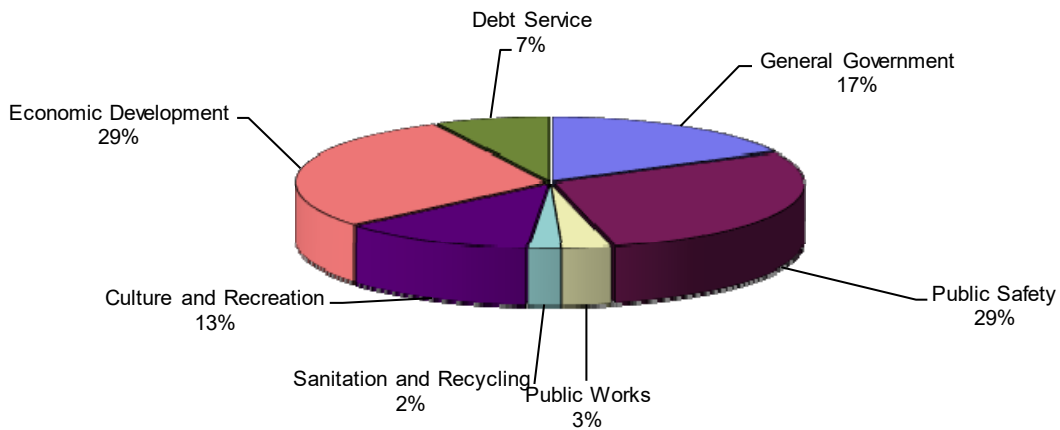
**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

The following graphs show 2020 program revenues and expenses for government activities.

**Graph A-1
Source of City's Revenue for Governmental Activities
Fiscal Year 2020**

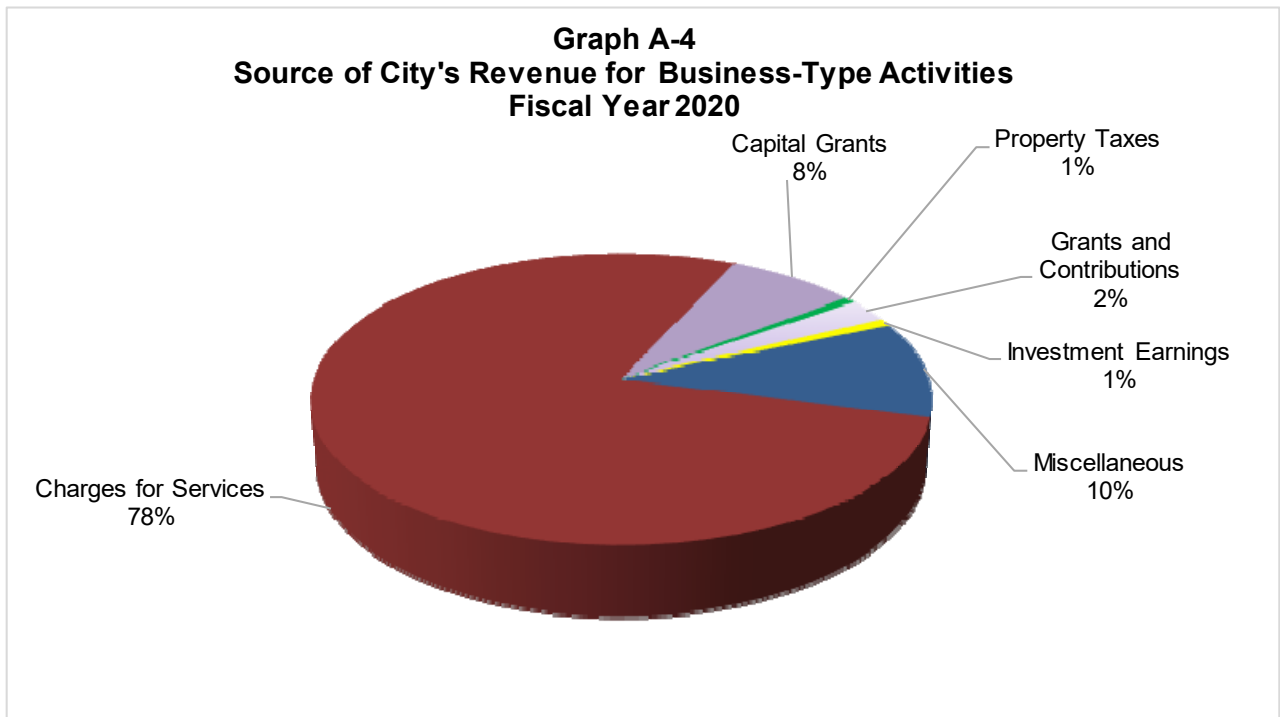
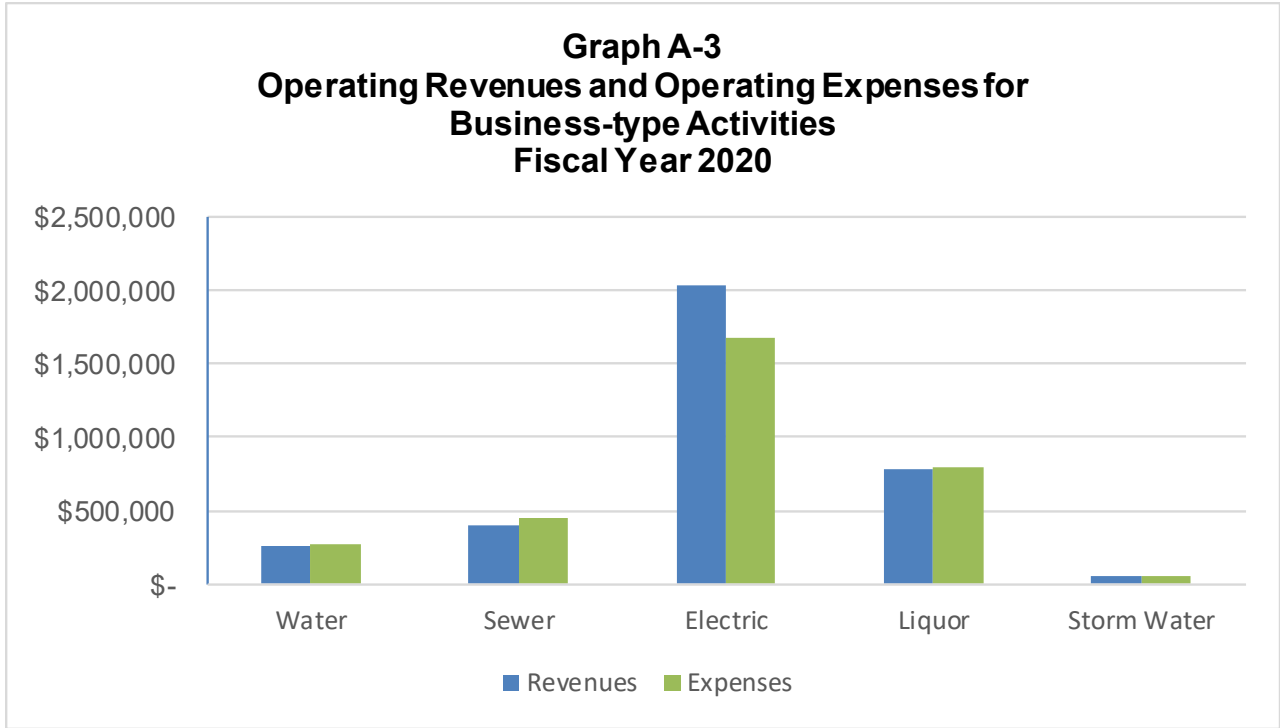


**Graph A-2
City's Expenses for Governmental Activities
Fiscal Year 2020**



**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Business-Type Activities. Business-type activities increased the City of Kenyon net position \$407,823 for the year ended December 31, 2020. 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, 2020**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

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

Restricted – Amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

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

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

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

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

At the end of the current fiscal year, the City of Kenyon's governmental funds reported combined ending fund balances of \$2,874,354, which included an unassigned fund balance of \$856,818.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

General Fund

The fund balance of the City of Kenyon's general fund increased by \$95,641, during the current year. Total revenues for the General Fund increased by \$111,665 as noted in Table A-3 below:

**Table A-3
General Fund Revenues**

	Year Ended December 31,		Change	
	2020	2019	Increase/ (Decrease)	Percent
GENERAL FUND				
Taxes	\$ 588,457	\$ 557,199	\$ 31,258	5.6 %
Special Assessments	957	172	785	456.4
Licenses and Permits	3,202	6,330	(3,128)	(49.4)
Intergovernmental	680,624	579,161	101,463	17.5
Charges for Services	83,794	95,637	(11,843)	(12.4)
Fines and Forfeits	4,265	5,249	(984)	(18.7)
Investment Earnings	3,177	15,760	(12,583)	(79.8)
Miscellaneous	56,892	50,195	6,697	13.3
Total	<u>\$ 1,421,368</u>	<u>\$ 1,309,703</u>	<u>\$ 111,665</u>	8.5

The following schedule presents a summary of General Fund expenditures:

**Table A-4
General Fund Expenditures**

	Year Ended December 31,		Change	
	2020	2019	Increase/ (Decrease)	Percent
GENERAL FUND				
General Government	\$ 436,396	\$ 407,515	\$ 28,881	7.1 %
Public Safety	394,113	382,854	11,259	2.9
Public Works	261,478	278,825	(17,347)	(6.2)
Sanitation and Recycling	52,735	44,615	8,120	18.2
Culture and Recreation	116,738	128,066	(11,328)	(8.8)
Total	<u>\$ 1,261,460</u>	<u>\$ 1,241,875</u>	<u>\$ 19,585</u>	1.6

General Fund Budgetary Highlights

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

- Actual revenues were \$79,308 more than expected, due to the City receiving \$87,674 in federal Coronavirus Relief Funding during 2020.
- Actual expenditures were \$40,600 less than budgeted. This is primarily related to public works expenditures, due to incurring less employee services and supplies expenditures than expected, and public safety also came in significantly lower than budgeted due to less employee services expenditures being incurred than expected.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Other Major Funds Analysis

The Capital Projects fund's fund balance increased \$1,119,128. This is primarily due to the City incurring less in expenditures for the Red Wing Avenue project and industrial park project than received from the related bond proceeds and reimbursed via transfers from the water, sewer, and storm water funds.

The Debt Service Fund's fund balance decreased \$199,655 due primarily to the required debt service payments for the year exceeding the related current year tax levy and special assessment collections due to reserve funds.

The Economic Development Authority's fund balance increased \$117,659 to \$166,044 as of December 31, 2020. This is primarily due to the City incurring expenditures for its industrial park project in prior years that were reimbursed by the related capital project and proprietary funds from bond proceeds in 2020.

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

Unrestricted net position of the proprietary funds at year-end amounted to \$5,261,522 with a total increase in net position of \$407,823. Each of the following funds had net increases or decreases:

- Water (net decrease of \$406,435) – the reduction in the water fund was due to a transfer of \$623,051 out of the fund.
- Sanitary Sewer (net increase of \$110,421) – this includes property taxes of \$30,000 and new special assessments of \$124,069.
- Electric (net increase of \$659,212) – although there was a slight increase in purchase power costs and operating costs during 2020, the City also received income from Central Municipal Power Agency/Services (CMPAS) for regulatory asset distribution and the sale of Utilities Plus Energy Service.
- Liquor (net increase of \$22,893) – the City did not transfer any resources to the General fund during 2020 as revenues were down 6.8% due to the City's onsale liquor store being closed for a portion of the year due to the COVID-19 Pandemic.
- Storm Sewer (net increase of \$21,732) – this is due primarily to an increase in usage as well as the City receiving \$47,766 in state grant revenue during 2020, which offset an increase in depreciation expense as well as other miscellaneous costs.

CAPITAL ASSET ADMINISTRATION

The City of Kenyon's investment in capital assets for its governmental and business type activities as of December 31, 2020 amounts to \$17,950,617 (capital assets less accumulated depreciation). This investment in capital assets includes land, buildings, equipment, furniture, and infrastructure.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change
	2020	2019		2020	2019	
Land	\$ 1,317,957	\$ 1,317,957	- %	\$ 57,185	\$ 57,185	- %
Construction in Progress	2,479,413	435,724	469.0	2,612,247	9,379	27752.1
Buildings and Building Improvements	4,399,987	4,383,086	0.4	7,080,553	7,080,553	-
Infrastructure and Infrastructure Improvements	2,962,303	2,962,303	-	5,961,721	5,902,521	1.0
Furniture, Fixtures, Vehicles, Equipment, and Machinery	2,017,609	1,892,941	6.6	1,539,834	1,392,592	10.6
Generators	-	-	-	2,532,286	2,532,286	-
Less: Accumulated Depreciation	(3,739,001)	(3,626,015)	3.1	(11,271,477)	(10,813,303)	4.2
Total	<u>\$ 9,438,268</u>	<u>\$ 7,365,996</u>	28.1	<u>\$ 8,512,349</u>	<u>\$ 6,161,213</u>	38.2

LONG-TERM LIABILITIES

At the end of the fiscal year, the City of Kenyon had long-term liabilities of \$10,543,321 an increase of \$5,229,379 from 2019 due to the City issue the Series 2020A GO Improvement bonds.

Governmental activities debt increased \$2,336,515 and business-type activities increased \$2,892,864.

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

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change
	2020	2019		2020	2019	
G.O. Improvement Bonds	\$ 2,810,356	\$ 482,990	481.9 %	\$ 3,154,645	\$ 412,010	665.7 %
G.O. Revenue Bonds	2,058,801	2,089,834	(1.5)	1,251,000	1,341,000	(6.7)
USDA Note	437,008	443,596	(1.5)	-	-	-
Capital Lease	318,003	404,502	(21.4)	183,025	95,784	91.1
Compensated Absences	35,134	25,683	36.8	24,186	18,708	29.3
Premium	123,653	-	-	147,510	-	-
Discount	-	(165)	(100.0)	-	-	-
Total	<u>\$ 5,782,955</u>	<u>\$ 3,446,440</u>	67.8	<u>\$ 4,760,366</u>	<u>\$ 1,867,502</u>	154.9

Additional information on the City of Kenyon's long-term debt can be found in the Notes to Financial Statements on pages 48-53.

**CITY OF KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

FACTORS OF THE CITY OF KENYON'S FUTURE

Potential Future Revenue Sources

- The Kenyon Economic Development Authority is completing the development of 30 acres of land for a business park. The EDA also continues working to help improve the downtown area with the goal of making it more attractive to residents and visitors. The overall goals of the EDA are to increase the City's tax capacity and create and retain employment opportunities in the City.
- Institute Cable and/or Gas Franchise Fee – a franchise fee is paid to a local authority for the privilege of using the public rights-of-way and to compensate for the costs of regulation. The City of Kenyon received a Cable Franchise Fee until 1999 when an agreement was reached to provide free services to all government offices was reached. These franchise fees are typically passed on to the end users.
- In 2017, the City of Kenyon was awarded a \$655,000 grant through the Minnesota Department of Employment and Economic Development Small Cities Development program. Funding is being used for single-family housing, multi-family housing, and commercial building rehabilitation. The project was completed in 2020.
- The City will continue to seek grants and other funding sources to provide incentives for future downtown and other commercial development. It will also utilize Tax Increment Financing and Tax Abatement for future commercial development where appropriate.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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CITY OF KENYON, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	Governmental	Business-Type	Totals	
	Activities	Activities	2020	2019
ASSETS				
Cash and Investments	\$ 2,459,950	\$ 6,956,986	\$ 9,416,936	\$ 6,965,045
Receivables	755,364	673,571	1,428,935	669,328
Internal Balances	842,253	(842,253)	-	-
Due from Other Governmental Units	-	88,973	88,973	-
Inventories	-	50,092	50,092	45,832
Prepaid Items and Supplies	37,625	221,298	258,923	256,527
Property Held for Resale	199,000	-	199,000	213,000
Capital Assets:				
Capital Assets, Not Being Depreciated	3,797,370	2,669,432	6,466,802	1,820,245
Capital Assets, Being Depreciated, Net	5,640,898	5,842,917	11,483,815	11,706,964
Total Assets	13,732,460	15,661,016	29,393,476	21,676,941
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Items	151,317	43,834	195,151	258,641
LIABILITIES				
Accounts Payable	810,293	299,353	1,109,646	393,164
Accrued Compensation	20,660	14,831	35,491	26,591
Due to Other Governmental Units	-	-	-	4,554
Deposits	500	20,155	20,655	19,297
Accrued Interest Payable	45,834	16,977	62,811	41,186
Noncurrent Liabilities:				
Net Pension Liability	535,486	363,315	898,801	803,194
Due within One Year	188,785	218,194	406,979	447,895
Due in More than One Year	5,594,170	4,542,172	10,136,342	4,866,047
Total Liabilities	7,195,728	5,474,997	12,670,725	6,601,928
DEFERRED INFLOWS OF RESOURCES				
Pension Related Items	194,060	26,310	220,370	430,593
NET POSITION				
Net Investment in Capital Assets	4,025,940	4,942,021	8,967,961	8,257,658
Restricted for:				
Other Public Safety	1,269	-	1,269	1,269
Future Debt Retirement	512,235	-	512,235	248,971
Fire Department	29,534	-	29,534	-
Unrestricted	1,925,011	5,261,522	7,186,533	6,395,163
Total Net Position	\$ 6,493,989	\$ 10,203,543	\$ 16,697,532	\$ 14,903,061

See accompanying Notes to Financial Statements.

CITY OF KENYON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

Functions/Programs	Expenses	Program Revenues		
		Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 428,790	\$ 19,766	\$ 50,388	\$ -
Public Safety	707,139	92,918	229,099	216
Public Works	77,301	-	82,564	586,511
Sanitation and Recycling	52,735	46,723	-	-
Culture and Recreation	305,996	831	48,602	-
Economic Development	709,410	7,649	285,525	-
Debt Service	181,861	-	-	-
Total Governmental Activities	<u>2,463,232</u>	<u>167,887</u>	<u>696,178</u>	<u>586,727</u>
Business-Type Activities:				
Water	291,983	260,374	-	166,355
Sewer	488,405	403,752	-	163,294
Electric	1,691,687	2,026,025	-	-
Liquor	792,645	787,063	-	-
Storm Water	69,919	52,989	-	22,240
Total Business-Type Activities	<u>3,334,639</u>	<u>3,530,203</u>	<u>-</u>	<u>351,889</u>
Total	<u>\$ 5,797,871</u>	<u>\$ 3,698,090</u>	<u>\$ 696,178</u>	<u>\$ 938,616</u>

General Revenues:

Taxes:

Property Taxes

Tax Increment

Grants and Contributions Not Restricted to Specific Programs

Gain on Disposal of Assets

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

CITY OF KENYON, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

Net Revenue (Expense) and Changes in Net Position			
Governmental Activities	Business-Type Activities	Totals	
		2020	2019
\$ (358,636)	\$ -	\$ (358,636)	\$ (359,523)
(384,906)	-	(384,906)	(509,728)
591,774	-	591,774	(427,340)
(6,012)	-	(6,012)	1,907
(256,563)	-	(256,563)	(207,290)
(416,236)	-	(416,236)	(136,988)
(181,861)	-	(181,861)	(98,706)
(1,012,440)	-	(1,012,440)	(1,737,668)
-	134,746	134,746	29,387
-	78,641	78,641	(74,864)
-	334,338	334,338	327,781
-	(5,582)	(5,582)	18,326
-	5,310	5,310	(18,600)
-	547,453	547,453	282,030
(1,012,440)	547,453	(464,987)	(1,455,638)
989,816	30,000	1,019,816	951,294
18,605	-	18,605	19,606
572,473	114,966	687,439	550,099
350	-	350	1,049
9,584	37,488	47,072	154,122
7,632	478,544	486,176	303,114
800,628	(800,628)	-	-
2,399,088	(139,630)	2,259,458	1,979,284
1,386,648	407,823	1,794,471	523,646
5,107,341	9,795,720	14,903,061	14,379,415
<u>\$ 6,493,989</u>	<u>\$ 10,203,543</u>	<u>\$ 16,697,532</u>	<u>\$ 14,903,061</u>

See accompanying Notes to Financial Statements.

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FUND FINANCIAL STATEMENTS

**CITY OF KENYON, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)**

	2020					2019	
	General	Capital Projects Fund	Debt Service Fund	Economic Development Authority	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Investments	\$ 847,933	\$ 1,721,018	\$ 29,524	\$ (312,413)	\$ 173,888	\$ 2,459,950	\$ 2,202,872
Accounts Receivable	764	-	-	-	-	764	3,505
Developer Receivable - Deferred	7,644	-	-	-	-	7,644	7,644
Taxes Receivable	20,222	-	-	-	-	20,222	22,723
Special Assessments Receivable:							
Delinquent	2,854	-	415	-	-	3,269	2,923
Deferred	-	-	528,130	-	774	528,904	51,859
Accrued Interest Receivable	269	268	-	-	-	537	16,802
Due from Other Funds	72,926	1,091,749	-	341,876	-	1,506,551	202,766
Due from Other Governmental Units	13,182	152,081	-	-	28,761	194,024	13,133
Prepaid Items	29,356	-	-	1,016	7,253	37,625	33,708
Property Held for Resale	-	-	-	199,000	-	199,000	213,000
Total Assets	\$ 995,150	\$ 2,965,116	\$ 558,069	\$ 229,479	\$ 210,676	\$ 4,958,490	\$ 2,770,935
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
LIABILITIES							
Accounts Payable	\$ 32,371	\$ 767,835	\$ -	\$ -	\$ 10,087	\$ 810,293	\$ 240,384
Accrued Liabilities	17,532	-	-	-	3,128	20,660	14,426
Due to Other Funds	28,353	273,007	-	-	-	301,360	132,155
Advances from Other Funds	-	300,003	-	62,935	-	362,938	573,921
Deposits	-	-	-	500	-	500	500
Total Liabilities	78,256	1,340,845	-	63,435	13,215	1,495,751	961,386
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue:							
Property Taxes	20,222	-	-	-	-	20,222	22,723
Special Assessments	2,854	-	528,131	-	-	530,985	54,126
Other Receivables	7,644	-	-	-	29,534	37,178	7,644
Total Deferred Inflows of Resources	30,720	-	528,131	-	29,534	588,385	84,493
FUND BALANCE							
Nonspendable for Prepaid Items	29,356	-	-	1,016	7,253	37,625	33,708
Restricted:							
Other Public Safety	-	-	-	-	1,269	1,269	1,269
Future Debt Retirement	-	-	29,938	-	-	29,938	229,593
Committed for Capital Projects	-	1,624,271	-	-	-	1,624,271	505,143
Assigned:							
Fire Department	-	-	-	-	31,051	31,051	31,423
Library Operations	-	-	-	-	58,029	58,029	58,231
Economic Development	-	-	-	165,028	-	165,028	47,481
Public Safety	-	-	-	-	70,325	70,325	53,779
Unassigned	856,818	-	-	-	-	856,818	764,429
Total Fund Balance	886,174	1,624,271	29,938	166,044	167,927	2,874,354	1,725,056
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 995,150	\$ 2,965,116	\$ 558,069	\$ 229,479	\$ 210,676	\$ 4,958,490	\$ 2,770,935

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Total Fund Balance for Governmental Funds \$ 2,874,354

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	2,479,413	
Buildings and Building Improvements	4,399,987	
Infrastructure and Infrastructure Improvements	2,962,303	
Furniture, Fixtures, Vehicles, Equipment, and Machinery	2,017,609	
Less: Accumulated Depreciation	<u>(3,739,001)</u>	9,438,268

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	20,222	
Delinquent and Unavailable Special Assessments	530,985	
Developer Receivable	<u>37,178</u>	588,385

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	(535,486)	
Deferred Outflow of Resources - Pension	151,317	
Deferred Inflows of Resources - Pension	<u>(194,060)</u>	(578,229)

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	(5,429,818)	
Capital Lease Payable	(318,003)	
Bond Discounts	-	
Compensated Absences	(35,134)	
Accrued Interest Payable	<u>(45,834)</u>	<u>(5,828,789)</u>

Total Net Position of Governmental Activities		<u><u>\$ 6,493,989</u></u>
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CITY OF KENYON, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

	2020					2019	
	General	Capital Projects Fund	Debt Service Fund	Economic Development Authority	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 588,457	\$ -	\$ 154,760	\$ 21,480	\$ 227,620	\$ 992,317	\$ 927,686
Tax Increment	-	-	-	-	18,605	18,605	19,606
Special Assessments	957	99,197	10,455	-	-	110,609	21,336
Licenses and Permits	3,202	-	-	-	-	3,202	6,330
Intergovernmental	680,624	91,528	-	200,644	70,253	1,043,049	1,064,716
Charges for Services	83,794	-	-	-	71,807	155,601	160,946
Fines and Forfeits	4,265	-	-	-	483	4,748	5,789
Investment Earnings	3,177	5,539	-	-	868	9,584	35,973
Donations	-	-	-	-	21,849	21,849	21,149
Miscellaneous	56,892	791	-	6,063	143,599	207,345	63,891
Total Revenues	<u>1,421,368</u>	<u>197,055</u>	<u>165,215</u>	<u>228,187</u>	<u>555,084</u>	<u>2,566,909</u>	<u>2,327,422</u>
EXPENDITURES							
Current:							
General Government	436,396	-	-	-	1,688	438,084	407,065
Public Safety	379,113	-	-	-	256,803	635,916	491,667
Public Works	261,478	-	-	-	-	261,478	268,793
Sanitation and Recycling	52,735	-	-	-	-	52,735	44,615
Culture and Recreation	116,738	-	-	-	201,063	317,801	313,299
Economic Development	-	-	-	211,366	18,605	229,971	550,461
Capital Outlay	15,000	2,413,273	-	14,000	-	2,442,273	568,729
Debt Service:							
Principal	-	-	236,434	-	-	236,434	193,889
Interest and Fiscal Charges	-	68,638	98,905	1,814	-	169,357	98,465
Total Expenditures	<u>1,261,460</u>	<u>2,481,911</u>	<u>335,339</u>	<u>227,180</u>	<u>478,159</u>	<u>4,784,049</u>	<u>2,936,983</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	159,908	(2,284,856)	(170,124)	1,007	76,925	(2,217,140)	(609,561)
OTHER FINANCING SOURCES (USES)							
Transfers In	68,703	947,527	70,691	116,652	-	1,203,573	382,558
Transfers Out	(133,320)	(109,003)	(100,222)	-	(60,400)	(402,945)	(375,531)
Premium on Bonds	-	126,209	-	-	-	126,209	-
Proceeds from Bonds	-	2,439,251	-	-	-	2,439,251	-
Capital Lease Proceeds	-	-	-	-	-	-	258,272
Proceeds on Capital Asset Disposal	350	-	-	-	-	350	10,288
Total Other Financing Sources (Uses)	<u>(64,267)</u>	<u>3,403,984</u>	<u>(29,531)</u>	<u>116,652</u>	<u>(60,400)</u>	<u>3,366,438</u>	<u>275,587</u>
NET CHANGE IN FUND BALANCE	95,641	1,119,128	(199,655)	117,659	16,525	1,149,298	(333,974)
Fund Balance - Beginning of Year	790,533	505,143	229,593	48,385	151,402	1,725,056	2,059,030
FUND BALANCE - END OF YEAR	<u>\$ 886,174</u>	<u>\$ 1,624,271</u>	<u>\$ 29,938</u>	<u>\$ 166,044</u>	<u>\$ 167,927</u>	<u>\$ 2,874,354</u>	<u>\$ 1,725,056</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 1,149,298

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	2,598,689
Depreciation Expense	(297,557)

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

Book Value of Disposal of Capital Assets	(228,860)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	503,892
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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	(9,451)
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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.

	12,660
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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 and Note Proceeds, Net	(2,565,460)
Proceeds from Capital Leases	-
Change in Bond Discounts and Premiums	2,391
Repayment of Bond Principal	149,506
Repayment of Capital Lease	86,499
Change in Accrued Interest Expense for General Obligation Bonds	(14,959)
	(14,959)

Change in Net Position of Governmental Activities	\$ 1,386,648
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See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	2020			2019	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Property Taxes	\$ 593,760	\$ 593,760	\$ 588,457	\$ (5,303)	\$ 557,199
Special Assessments	60	60	957	897	172
Licenses and Permits	6,900	6,900	3,202	(3,698)	6,330
Intergovernmental:					
Local Government Aid	568,600	568,600	569,436	836	545,516
Market Value Credit	-	-	1,068	1,068	1,119
Federal Grants	-	-	87,674	87,674	-
Police State Aid	26,000	26,000	20,477	(5,523)	27,479
Other State Aids	2,720	2,720	1,969	(751)	5,047
Total Intergovernmental	<u>597,320</u>	<u>597,320</u>	<u>680,624</u>	<u>83,304</u>	<u>579,161</u>
Charges for Services:					
General Government	19,400	19,400	15,034	(4,366)	22,708
Recycling	45,000	45,000	46,723	1,723	46,522
Culture and Recreation	25,700	25,700	22,037	(3,663)	26,407
Total Charges for Services	<u>90,100</u>	<u>90,100</u>	<u>83,794</u>	<u>(6,306)</u>	<u>95,637</u>
Fines and Forfeits	6,000	6,000	4,265	(1,735)	5,249
Investment Earnings	2,600	2,600	3,177	577	15,760
Miscellaneous:					
Refunds and Reimbursements	-	-	1,323	1,323	5,369
Dividends	3,700	3,700	3,484	(216)	1,352
Rents	2,420	2,420	1,600	(820)	2,300
Shared Facility Charge	39,000	39,000	48,700	9,700	39,000
Other	200	200	1,785	1,585	2,174
Total Miscellaneous	<u>45,320</u>	<u>45,320</u>	<u>56,892</u>	<u>11,572</u>	<u>50,195</u>
Total Revenues	1,342,000	1,342,000	1,421,368	79,308	1,309,703

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	2020			2019	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES					
General Government:					
Mayor and Council:					
Employee Services	\$ 32,540	\$ 32,540	\$ 33,101	\$ (561)	\$ 13,301
Other Services and Charges	850	850	380	470	301
Total Mayor and Council	<u>33,390</u>	<u>33,390</u>	<u>33,481</u>	<u>(91)</u>	<u>13,602</u>
City Administration:					
Employee Services	243,990	243,990	245,498	(1,508)	236,176
Travel and Conferences	6,000	6,000	1,789	4,211	4,173
Other Services and Charges	9,040	9,040	1,553	7,487	3,190
Total City Administration	<u>259,030</u>	<u>259,030</u>	<u>248,840</u>	<u>10,190</u>	<u>243,539</u>
Elections	1,500	1,500	3,766	(2,266)	3,482
General Government Services:					
Employee Services	9,990	9,990	10,408	(418)	9,279
Supplies	12,800	12,800	10,624	2,176	12,852
Telephone	5,670	5,670	9,691	(4,021)	8,010
Insurance	6,230	6,230	5,176	1,054	5,133
Utilities	7,220	7,220	7,393	(173)	7,744
Other Services and Charges	45,800	45,800	47,030	(1,230)	47,722
Total General Government Services	<u>87,710</u>	<u>87,710</u>	<u>90,322</u>	<u>(2,612)</u>	<u>90,740</u>
Professional Services:					
Auditing and Accounting	12,500	12,500	16,050	(3,550)	12,060
Legal	20,000	20,000	29,791	(9,791)	37,687
Engineering	10,000	10,000	14,146	(4,146)	5,955
Total Professional Services	<u>42,500</u>	<u>42,500</u>	<u>59,987</u>	<u>(17,487)</u>	<u>55,702</u>
Total General Government	424,130	424,130	436,396	(12,266)	407,065

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	2020			2019	
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES (CONTINUED)					
Public Safety:					
Police Protection:					
Employee Services	\$ 330,120	\$ 330,120	\$ 307,027	\$ 23,093	\$ 321,475
Supplies	13,100	13,100	17,767	(4,667)	14,416
Legal	12,000	12,000	12,043	(43)	12,222
Telephone	3,630	3,630	3,805	(175)	4,222
Insurance	12,570	12,570	13,922	(1,352)	11,675
Other Services and Charges	18,770	18,770	24,549	(5,779)	18,844
Total Police Protection	<u>390,190</u>	<u>390,190</u>	<u>379,113</u>	<u>11,077</u>	<u>382,854</u>
Total Public Safety	390,190	390,190	379,113	11,077	382,854
Public Works:					
Streets:					
Employee Services	159,990	159,990	146,654	13,336	135,464
Supplies	84,200	84,200	59,701	24,499	65,179
Insurance	5,410	5,410	6,482	(1,072)	6,096
Utilities	7,410	7,410	6,609	801	6,111
Other Services and Charges	14,930	14,930	13,912	1,018	28,646
Total Highways and Streets	<u>271,940</u>	<u>271,940</u>	<u>233,358</u>	<u>38,582</u>	<u>241,496</u>
Street Lighting	<u>28,060</u>	<u>28,060</u>	<u>28,120</u>	<u>(60)</u>	<u>27,297</u>
Total Public Works	300,000	300,000	261,478	38,522	268,793
Sanitation and Recycling:					
Recycling	44,500	44,500	52,735	(8,235)	44,615

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	2020				2019
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
EXPENDITURES (CONTINUED)					
Culture and Recreation:					
Gunderson House:					
Insurance	\$ 3,390	\$ 3,390	\$ 3,291	\$ 99	\$ 3,261
Management Fees	2,500	2,500	2,500	-	2,500
Other Services and Charges	500	500	514	(14)	2,853
Total Gunderson House	<u>6,390</u>	<u>6,390</u>	<u>6,305</u>	<u>85</u>	<u>8,614</u>
Parks and Recreation and Community Garden:					
Employee Services	29,950	29,950	33,988	(4,038)	29,282
Supplies	2,500	2,500	3,521	(1,021)	3,647
Insurance	4,230	4,230	4,081	149	4,080
Utilities	2,290	2,290	2,211	79	3,274
Other Services and Charges	3,020	3,020	2,221	799	4,436
Total Parks and Recreation and Community Garden	<u>41,990</u>	<u>41,990</u>	<u>46,022</u>	<u>(4,032)</u>	<u>44,719</u>
Swimming Pool:					
Employee Services	39,790	39,790	38,275	1,515	34,592
Supplies	7,270	7,270	7,307	(37)	6,592
Insurance	2,950	2,950	2,935	15	2,836
Utilities	13,440	13,440	10,666	2,774	9,602
Other Services and Charges	7,910	7,910	5,228	2,682	4,531
Total Swimming Pool	<u>71,360</u>	<u>71,360</u>	<u>64,411</u>	<u>6,949</u>	<u>58,153</u>
Total Culture and Recreation	119,740	119,740	116,738	3,002	111,486
Capital Outlay	<u>23,500</u>	<u>23,500</u>	<u>15,000</u>	<u>8,500</u>	<u>27,062</u>
Total Expenditures	<u>1,302,060</u>	<u>1,302,060</u>	<u>1,261,460</u>	<u>40,600</u>	<u>1,241,875</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	39,940	39,940	159,908	119,908	67,828
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	-	-	350	350	10,288
Transfers In	88,000	88,000	68,703	(19,297)	85,952
Transfers Out	(111,500)	(111,500)	(133,320)	(21,820)	(155,876)
Total Other Financing Sources (Uses)	<u>(23,500)</u>	<u>(23,500)</u>	<u>(64,267)</u>	<u>(40,767)</u>	<u>(59,636)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 16,440</u>	<u>\$ 16,440</u>	95,641	<u>\$ 79,141</u>	8,192
Fund Balance - Beginning of Year			<u>790,533</u>		<u>782,341</u>
FUND BALANCE - END OF YEAR			<u>\$ 886,174</u>		<u>\$ 790,533</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2020
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)**

	2020		
	Water	Sewer	Electric
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Investments	\$ 844,869	\$ 1,485,894	\$ 3,678,691
Accounts Receivable	35,752	13,345	395,457
Special Assessments Receivable	89,565	133,543	3,075
Accrued Interest Receivable	-	501	1,891
Due from Other Funds	85,054	31,022	750
Due from Other Governmental Units	-	51,214	-
Inventories	-	-	-
Prepaid Items and Supplies	24,761	4,221	187,703
Total Current Assets	<u>1,080,001</u>	<u>1,719,740</u>	<u>4,267,567</u>
NONCURRENT ASSETS			
Advances to Other Funds	-	-	374,199
Capital Assets:			
Nondepreciable	1,309,568	817,533	14,372
Depreciable	<u>2,291,742</u>	<u>8,077,732</u>	<u>5,527,810</u>
Total Capital Assets	3,601,310	8,895,265	5,542,182
Less: Accumulated Depreciation	<u>(1,451,161)</u>	<u>(5,177,754)</u>	<u>(3,960,833)</u>
Total Net Capital Assets	<u>2,150,149</u>	<u>3,717,511</u>	<u>1,581,349</u>
Total Noncurrent Assets	2,150,149	3,717,511	1,955,548
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	<u>7,105</u>	<u>4,584</u>	<u>24,224</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,237,255</u>	<u>\$ 5,441,835</u>	<u>\$ 6,247,339</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Current Portion of Long-Term Debt	\$ 25,350	\$ 134,692	\$ 3,480
Accounts Payable	23,672	88,087	117,823
Accrued Compensation	2,627	1,722	7,561
Compensated Absences	2,909	3,084	11,635
Due to Other Funds	772,870	244,383	108,041
Due to Other Governmental Units	-	-	-
Deposits	4,608	-	16,526
Accrued Interest Payable	<u>3,126</u>	<u>9,140</u>	<u>142</u>
Total Current Liabilities	835,162	481,108	265,208
LONG-TERM LIABILITIES			
Long-Term Debt, Net of Current Portion	1,414,538	2,481,103	7,540
Net Pension Liability	54,390	45,271	185,428
Advances from Other Funds	-	-	-
Total Long-Term Liabilities	<u>1,468,928</u>	<u>2,526,374</u>	<u>192,968</u>
Total Liabilities	2,304,090	3,007,482	458,176
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	<u>3,275</u>	<u>4,351</u>	<u>11,166</u>
NET POSITION			
Net Investment in Capital Assets	957,468	1,799,148	1,570,329
Unrestricted	<u>(27,578)</u>	<u>630,854</u>	<u>4,207,668</u>
Total Net Position	<u>929,890</u>	<u>2,430,002</u>	<u>5,777,997</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,237,255</u>	<u>\$ 5,441,835</u>	<u>\$ 6,247,339</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION (CONTINUED)
 DECEMBER 31, 2020
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)**

		2020			
Municipal Liquor	Storm Water	Total		2019 Total	
\$ 109,979	\$ 837,553	\$ 6,956,986	\$ 4,762,173		
-	-	444,554	440,027		
-	150	226,333	69,829		
-	292	2,684	40,883		
-	4,178	121,004	41,896		
-	37,759	88,973	-		
50,092	-	50,092	45,832		
4,413	200	221,298	222,819		
164,484	880,132	8,111,924	5,623,459		
-	-	374,199	598,471		
42,813	485,146	2,669,432	66,564		
394,855	822,255	17,114,394	16,907,952		
437,668	1,307,401	19,783,826	16,974,516		
(290,650)	(391,079)	(11,271,477)	(10,813,303)		
147,018	916,322	8,512,349	6,161,213		
147,018	916,322	8,886,548	6,759,684		
7,383	538	43,834	31,973		
\$ 318,885	\$ 1,796,992	\$ 17,042,306	\$ 12,415,116		
\$ -	\$ 30,486	\$ 194,008	\$ 170,873		
8,060	61,711	299,353	152,780		
2,673	248	14,831	12,165		
5,992	566	24,186	18,708		
-	200,901	1,326,195	112,507		
-	-	-	4,554		
(979)	-	20,155	18,797		
-	4,569	16,977	10,311		
15,746	298,481	1,895,705	500,695		
-	638,991	4,542,172	1,677,921		
72,915	5,311	363,315	339,097		
11,261	-	11,261	24,550		
84,176	644,302	4,916,748	2,041,568		
99,922	942,783	6,812,453	2,542,263		
7,008	510	26,310	77,133		
147,018	468,058	4,942,021	4,312,419		
64,937	385,641	5,261,522	5,483,301		
211,955	853,699	10,203,543	9,795,720		
\$ 318,885	\$ 1,796,992	\$ 17,042,306	\$ 12,415,116		

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2020
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	2020		
	Water	Sewer	Electric
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ -
Costs of Goods Sold	-	-	-
Charges for Services	259,086	403,752	2,026,025
Total Gross Profit and Operating Revenues	<u>259,086</u>	<u>403,752</u>	<u>2,026,025</u>
OPERATING EXPENSES			
Power Costs	-	-	966,120
Conservation Improvement Program	-	-	33,885
Employee Services	94,301	72,620	341,958
Supplies	4,058	12,834	6,459
Professional Services	1,140	4,170	5,440
Insurance	2,249	6,010	55,244
Utilities	18,109	57,910	24,005
Repairs and Maintenance	40,414	53,730	18,969
Depreciation	76,994	240,861	114,869
Dues and Subscriptions	2,428	-	4,616
Other Services	6,713	431	4,339
Safety	741	-	9,059
Generator Expense	-	-	40,648
Shared Facility Charge	9,740	-	38,960
Other Operating Expenses	9,772	1,712	10,131
Total Operating Expenses	<u>266,659</u>	<u>450,278</u>	<u>1,674,702</u>
OPERATING INCOME (LOSS)	(7,573)	(46,526)	351,323
OTHER INCOME (EXPENSES)			
Miscellaneous Nonoperating Revenues	12,129	14,927	364,660
Dividend	313	51,214	7,680
Intergovernmental Revenues	67,200	-	-
Property Taxes	-	30,000	-
Special Assessments	102,529	124,069	-
Interest Revenue	2,228	8,082	21,237
Gain (Loss) on Disposal of Capital Assets	1,288	-	-
Miscellaneous Nonoperating Expenses	(22,161)	(16,481)	(16,367)
Interest Expense	(3,163)	(21,646)	(618)
Total Other Income	<u>160,363</u>	<u>190,165</u>	<u>376,592</u>
NET INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	152,790	143,639	727,915
Capital Contributions	63,826	39,225	-
TRANSFERS			
Transfers In	-	-	-
Transfers Out	(623,051)	(72,443)	(68,703)
Net Transfers	<u>(623,051)</u>	<u>(72,443)</u>	<u>(68,703)</u>
CHANGE IN NET POSITION	(406,435)	110,421	659,212
Net Position - Beginning of Year	<u>1,336,325</u>	<u>2,319,581</u>	<u>5,118,785</u>
NET POSITION - END OF YEAR	<u>\$ 929,890</u>	<u>\$ 2,430,002</u>	<u>\$ 5,777,997</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

		2020			
Municipal Liquor	Storm Water	Total		2019 Totals	
\$ 787,063	\$ -	\$ 787,063	\$ 844,711		
(557,396)	-	(557,396)	(556,222)		
-	53,542	2,742,405	2,655,865		
<u>229,667</u>	<u>53,542</u>	<u>2,972,072</u>	<u>2,944,354</u>		
-	-	966,120	966,295		
-	-	33,885	17,217		
138,880	10,112	657,871	706,371		
5,940	-	29,291	29,621		
-	-	10,750	14,881		
10,286	106	73,895	69,693		
16,644	-	116,668	127,339		
14,701	2,862	130,676	95,005		
13,665	44,168	490,557	470,240		
1,190	-	8,234	7,674		
14,170	-	25,653	22,840		
-	-	9,800	9,149		
-	-	40,648	18,012		
-	-	48,700	39,000		
19,630	-	41,245	44,760		
<u>235,106</u>	<u>57,248</u>	<u>2,683,993</u>	<u>2,638,097</u>		
(5,439)	(3,706)	288,079	306,257		
27,142	-	418,858	282,153		
470	9	59,686	3,997		
-	47,766	114,966	1,745		
-	-	30,000	30,000		
-	64	226,662	5,676		
863	5,078	37,488	118,149		
-	(617)	671	9,000		
-	(7,704)	(62,713)	(10,002)		
(143)	(4,967)	(30,537)	(28,901)		
<u>28,332</u>	<u>39,629</u>	<u>795,081</u>	<u>411,817</u>		
22,893	35,923	1,083,160	718,074		
-	22,240	125,291	-		
-	-	-	78,925		
-	(36,431)	(800,628)	(85,952)		
<u>-</u>	<u>(36,431)</u>	<u>(800,628)</u>	<u>(7,027)</u>		
22,893	21,732	407,823	711,047		
<u>189,062</u>	<u>831,967</u>	<u>9,795,720</u>	<u>9,084,673</u>		
<u>\$ 211,955</u>	<u>\$ 853,699</u>	<u>\$ 10,203,543</u>	<u>\$ 9,795,720</u>		

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2020
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	2020		
	Water	Sewer	Electric
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	\$ 256,985	\$ 403,752	\$ 2,025,185
Cash Paid to Suppliers and Others	611,775	129,762	(1,214,975)
Cash Paid to Employees	(99,628)	(84,219)	(342,533)
Net Cash Provided by Operating Activities	<u>769,132</u>	<u>449,295</u>	<u>467,677</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other Noncapital Income	(9,719)	49,660	355,973
Transfers Out	(623,051)	(72,443)	(68,703)
Intergovernmental Revenues	67,200	-	-
Repayment of Advances from (to) Other Funds	-	-	224,272
Property Taxes	-	30,000	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(565,570)</u>	<u>7,217</u>	<u>511,542</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(1,374,340)	(816,408)	(55,128)
Special Assessment Collections	15,077	54,109	958
Capital Contributions	63,826	39,225	-
Proceeds of Long-Term Debt	1,280,402	1,046,231	-
Principal Payments on Long-Term Debt	42,256	(74,324)	(3,190)
Interest Paid on Long-Term Debt	(1,209)	(20,769)	(618)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>26,012</u>	<u>228,064</u>	<u>(57,978)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	6,164	16,031	41,421
Net Cash Provided by Investing Activities	<u>6,164</u>	<u>16,031</u>	<u>41,421</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	235,738	700,607	962,662
Cash and Cash Equivalents - Beginning of Year	<u>609,131</u>	<u>785,287</u>	<u>2,716,029</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 844,869</u>	<u>\$ 1,485,894</u>	<u>\$ 3,678,691</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (7,573)	\$ (46,526)	\$ 351,323
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	76,994	240,861	114,869
(Increase) Decrease in Assets:			
Accounts Receivable	(2,197)	-	(3,081)
Due from Other Governments	-	(51,214)	-
Due from Other Funds	-	4,793	(244)
Inventories	-	-	-
Prepaid Items and Supplies	1,338	(236)	855
(Increase) Decrease in Deferred Outflows:			
Pensions	(3,242)	1,519	(12,077)
Increase (Decrease) in Liabilities:			
Accounts Payable	16,649	70,676	4,912
Customer Deposits	96	-	2,241
Salaries and Benefits Payable	623	138	1,669
Due to Other Funds	(83,718)	242,540	(2,623)
Due to Other Governments	772,870	-	-
Compensated Absences	76	480	3,309
Net Pension Liability	5,029	(6,166)	30,224
Increase (Decrease) in Deferred Inflows:			
Pensions	(7,813)	(7,570)	(23,700)
Net Cash Provided by Operating Activities	<u>\$ 769,132</u>	<u>\$ 449,295</u>	<u>\$ 467,677</u>

See accompanying Notes to Financial Statements.

**CITY OF KENYON, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

		2020			
Municipal Liquor	Storm Water	Total	2019 Totals		
\$ 229,439	\$ 53,542	\$ 2,968,903	\$ 2,880,584		
(99,047)	221,807	(350,678)	(1,470,450)		
<u>(151,433)</u>	<u>(10,380)</u>	<u>(688,193)</u>	<u>(654,109)</u>		
(21,041)	264,969	1,930,032	756,025		
27,612	(7,695)	415,831	276,148		
-	(36,431)	(800,628)	(85,952)		
-	47,766	114,966	1,745		
(13,289)	-	210,983	(491,996)		
-	22,240	52,240	30,000		
<u>14,323</u>	<u>25,880</u>	<u>(6,608)</u>	<u>(270,055)</u>		
-	(595,146)	(2,841,022)	(494,321)		
-	14	70,158	27,869		
-	-	103,051	-		
-	584,116	2,910,749	-		
-	11,895	(23,363)	(169,126)		
<u>(143)</u>	<u>(1,132)</u>	<u>(23,871)</u>	<u>(71,805)</u>		
(143)	(253)	195,702	(707,383)		
<u>1,772</u>	<u>10,299</u>	<u>75,687</u>	<u>90,716</u>		
<u>1,772</u>	<u>10,299</u>	<u>75,687</u>	<u>32,013</u>		
(5,089)	300,895	2,194,813	(130,697)		
<u>115,068</u>	<u>536,658</u>	<u>4,762,173</u>	<u>4,813,945</u>		
<u>\$ 109,979</u>	<u>\$ 837,553</u>	<u>\$ 6,956,986</u>	<u>\$ 4,683,248</u>		
\$ (5,439)	\$ (3,706)	\$ 288,079	\$ 306,257		
13,665	44,168	490,557	470,240		
751	-	(4,527)	(65,725)		
-	(37,759)	(88,973)	-		
-	61	4,610	(2,164)		
(4,260)	-	(4,260)	3,532		
(435)	(1)	1,521	12,845		
1,846	93	(11,861)	26,994		
(7,237)	61,573	146,573	(31,910)		
(979)	-	1,358	1,955		
159	77	2,666	1,601		
(4,554)	200,901	352,546	8,733		
-	-	772,870	-		
1,327	286	5,478	2,372		
(4,866)	(3)	24,218	152,665		
<u>(11,019)</u>	<u>(721)</u>	<u>(50,823)</u>	<u>(131,370)</u>		
<u>\$ (21,041)</u>	<u>\$ 264,969</u>	<u>\$ 1,930,032</u>	<u>\$ 756,025</u>		

See accompanying Notes to Financial Statements.

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NOTES TO FINANCIAL STATEMENTS

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**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Financial Reporting Entity

In accordance with GASB, 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, 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 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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

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

Basic Financial Statements

Government-Wide Statements

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

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

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

Fund Financial Statements

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

CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Municipal Liquor Store, Sewer, Electric, Water, and Storm Water Funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets

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

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Legal Compliance – Budgets

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

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

Cash and Investments

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

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

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Revenue Recognition

Property tax levies are set by the City Council in December of each year, and are certified to the County Auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on property on January 1 and are recorded as receivables by the City at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts three times a year.

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

Special Assessment Revenue Recognition

Assessments are levied at various times by City resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from 1 to 10 years with interest charges of 2.0% to 6.4%. Revenue from these assessments is recognized when the City certifies the assessment in the government wide financial statements and as the annual installments become collectible in the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are fully offset by deferred inflow of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

Utility Billing

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

Inventories

Materials and supplies, if material, are recorded at original cost and are reported under the consumption method in the Governmental Funds. Liquor store inventories are recorded at average cost.

Prepaid Items and Supplies

Materials and Supplies in the City's Electric and Water funds are also reflected at average cost. Also, payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid items. Prepaid items are accounted for using the consumption method.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Held for Resale

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

Interfund Receivables/Payables

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

	<u>Useful Life in Years</u>
Land Improvements	5 to 30
Buildings and Structures	7 to 40
Infrastructure	25 to 50
Equipment and Machinery	5 to 40
Transportation Equipment	3 to 50
Roads and Highways	20 to 50

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

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

Compensated Absences

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

Long-Term Obligations

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

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

Net Position/Fund Balance

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

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

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

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

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

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

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

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

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

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

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

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

Interfund Transactions

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

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

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

Allowance for Uncollectible Accounts

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources

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

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

Summarized Comparative Information

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

NOTE 2 DEPOSITS AND INVESTMENTS

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value based on market prices or amortized cost at December 31, 2020. Investment earnings on cash and pooled investments are to each fund based average cash and investment balances on a monthly basis. In addition, other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

Deposits

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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

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

As of December 31, 2020, all of the City's deposits were insured and/or collateralized in accordance with Minnesota Statute 118A.03, Subd. 1.

Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories
- Obligations by a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service, or (ii) enrolled in the credit enhancement program

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

As of December 31, 2020, the City had the following investments in its pool:

	Credit Rating	Value	Maturity		
			Less than 1 Year	1 to 5 Years	More than 5 Years
Money Market Accounts	NR	\$ 7,551,256	\$ 7,551,256	\$ -	\$ -
Negotiable CDs	NR	249,400	249,400	-	-
		<u>7,800,656</u>	<u>\$ 7,800,656</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Deposits		<u>1,616,280</u>			
Total Cash and Investments		<u>\$ 9,416,936</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, 2020, 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, 2020**

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>
No Applicable Investments	\$ -	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at Amortized Cost	7,800,656			
Cash and Deposits	<u>1,616,280</u>			
Total Cash and Investments	<u>\$ 9,416,936</u>			

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CAPITAL ASSETS

Capital asset activity for Governmental Activities for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,317,957	\$ -	\$ -	\$ 1,317,957
Construction in Progress	435,724	2,272,549	228,860	2,479,413
Total Capital Assets, Not Being Depreciated	<u>1,753,681</u>	<u>2,272,549</u>	<u>228,860</u>	<u>3,797,370</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	4,383,086	16,901	-	4,399,987
Infrastructure and Infrastructure Improvements	2,962,303	-	-	2,962,303
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,892,941	309,239	184,571	2,017,609
Total Capital Assets, Being Depreciated	<u>9,238,330</u>	<u>326,140</u>	<u>184,571</u>	<u>9,379,899</u>
Accumulated Depreciation for:				
Buildings and Building Improvements	1,147,539	110,671	-	1,258,210
Infrastructure and Infrastructure Improvements	1,227,333	100,491	-	1,327,824
Furniture, Fixtures, Vehicles, Equipment, and Machinery	1,251,143	86,395	184,571	1,152,967
Total Accumulated Depreciation	<u>3,626,015</u>	<u>297,557</u>	<u>184,571</u>	<u>3,739,001</u>
Total Capital Assets, Being Depreciated, Net	<u>5,612,315</u>	<u>28,583</u>	<u>-</u>	<u>5,640,898</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,365,996</u>	<u>\$ 2,301,132</u>	<u>\$ 228,860</u>	<u>\$ 9,438,268</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CAPITAL ASSETS (CONTINUED)

Capital asset activity for Business-Type Activities for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 57,185	\$ -	\$ -	\$ 57,185
Construction in Progress	9,379	2,602,868	-	2,612,247
Total Capital Assets, Not Being Depreciated	66,564	2,602,868	-	2,669,432
Capital Assets, Being Depreciated:				
Machinery and Equipment	1,033,882	150,114	58,000	1,125,996
Buildings and Building Improvements	7,080,553	-	-	7,080,553
Infrastructure and Infrastructure Improvements	5,902,521	92,974	33,774	5,961,721
Transportation Equipment	309,078	55,128	-	364,206
Office Furniture	49,632	-	-	49,632
Generators	2,532,286	-	-	2,532,286
Total Capital Assets, Being Depreciated	16,907,952	298,216	91,774	17,114,394
Accumulated Depreciation for:				
Machinery and Equipment	476,258	79,167	32,383	523,042
Buildings and Building Improvements	5,099,984	179,121	-	5,279,105
Infrastructure and Infrastructure Improvements	3,238,686	162,059	-	3,400,745
Transportation Equipment	255,262	24,140	-	279,402
Office Furniture	48,517	808	-	49,325
Generators	1,694,596	45,262	-	1,739,858
Total Accumulated Depreciation	10,813,303	490,557	32,383	11,271,477
Total Capital Assets, Being Depreciated, Net	6,094,649	(192,341)	59,391	5,842,917
Business-Type Activities Capital Assets, Net	<u>\$ 6,161,213</u>	<u>\$ 2,410,527</u>	<u>\$ 59,391</u>	<u>\$ 8,512,349</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 22,313
Public Safety	113,051
Public Works	140,821
Culture and Recreation	21,372
Total Depreciation Expense, Governmental Activities	<u>\$ 297,557</u>
Business-Type Activities:	
Water	\$ 76,994
Sewer	240,861
Electric	114,869
Liquor	13,665
Storm Water	44,168
Total Depreciation Expense, Business-Type Activities	<u>\$ 490,557</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CITY INDEBTEDNESS

The following is a schedule of changes in City indebtedness for the year ended December 31, 2020:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
G.O. Improvement Bonds	\$ 482,990	\$ 2,439,251	\$ 111,885	\$ 2,810,356	\$ 27,570
G.O. USDA Bond	2,089,834	-	31,033	2,058,801	31,925
USDA Note	443,596	-	6,588	437,008	6,777
Discount on Bonds	(165)	-	(165)	-	-
Premium on Bonds	-	126,209	2,556	123,653	-
Capital Lease	404,502	-	86,499	318,003	87,379
Compensated Absences	25,683	9,451	-	35,134	35,134
Total Governmental Activities	<u>3,446,440</u>	<u>2,574,911</u>	<u>238,396</u>	<u>5,782,955</u>	<u>188,785</u>
Business-Type Activities:					
G.O. Revenue	1,341,000	-	90,000	1,251,000	91,000
G.O. Improvement Bonds	412,010	2,800,749	58,114	3,154,645	62,430
Premium on Bonds	-	150,605	3,095	147,510	-
Capital Lease	95,784	110,000	22,759	183,025	40,578
Compensated Absences	18,708	5,478	-	24,186	24,186
Total Business-Type Activities	<u>1,867,502</u>	<u>3,066,832</u>	<u>173,968</u>	<u>4,760,366</u>	<u>218,194</u>
Total Debt	<u>\$ 5,313,942</u>	<u>\$ 5,641,743</u>	<u>\$ 412,364</u>	<u>\$ 10,543,321</u>	<u>\$ 406,979</u>

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

General Obligation Improvement Bonds

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

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

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

General Obligation Improvement Bonds – Direct Borrowings

The City has an outstanding notes from direct borrowings related to its governmental activities of \$2,058,801 and \$437,008, they contain (1) a provision that if the City is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised (a) withhold approval of any disbursement request (b) reject any pending application by the City for financial assistance (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount of the note will be immediately due and payable with interest accrued thereon to the date of payment (d) exercise any other remedy available under law and (2) a provision that if the City fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised. These borrowings include and were used as follows:

- The 2017A G.O. USDA Capital Improvement Bonds were issued to refund part of the 2016B G.O. Loan Anticipation Bonds, which had been used to fund the construction of the City's new Fire Hall, on August 28, 2017. As of December 31, 2020 the outstanding balance of \$2,058,801 and will mature in 2057.
- The 2017 USDA Notes were issued to refund part of the 2016B G.O. Loan Anticipation Bonds, which had been used to fund the construction of the City's new Fire Hall, on August 28, 2017. As of December 31, 2020 the outstanding balance of \$437,008 and will mature in 2057.

General Obligation Revenue Bonds – Direct Borrowing

The City has an outstanding note from a direct borrowing related to its sewer proprietary fund of \$1,251,000 and contains (1) a provision that if the City is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised (a) withhold approval of any disbursement request (b) reject any pending application by the City for financial assistance (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount of the note will be immediately due and payable with interest accrued thereon to the date of payment (d) exercise any other remedy available under law and (2) a provision that if the City fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised. This loan was used to finance the City 2013 sanitary sewer project and waste water treatment plant project.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

Summary of City Indebtedness

The long-term debt obligations outstanding and related maturities and interest rates at December 31, 2020 are summarized in the schedule of bonds payable, notes payable, capital leases, and compensated absences, below:

Description	Initial Amount Issued	Maturity Date	Net Interest Rate	Outstanding Principal
Governmental Activities:				
G.O. Bonds Improvement Bonds:				
Series 2012A	\$ 78,775	2/1/2023	0.85 - 2.75%	\$ 26,030
Series 2016A	399,900	2/1/2036	1.15 - 3.00%	345,075
Series 2020A	2,439,251	2/1/2041	2.00 - 3.00%	2,439,251
2017 USDA Bond (Direct Borrowing)	2,120,000	8/28/2057	0.90%	2,058,801
Plus: Unamortized Premium				<u>123,653</u>
Net Bonded Debt				4,992,810
2017 USDA Note (Direct Borrowing)	450,000	8/28/2057	0.90%	437,008
Capital Leases:				
Fire Truck	330,000	12/15/2022	2.60%	101,166
Plow Truck	228,860	7/20/2026	3.20%	197,644
Ford F150	29,412	7/1/2023	3.00%	<u>19,193</u>
Total Capital Leases				318,003
Compensated Absences				
				<u>35,134</u>
Total Governmental Activities				<u>\$ 5,782,955</u>
Business-Type Activities:				
G.O. Revenue Bonds:				
Series 2013 Sewer (PFA) (Direct Borrowing)	1,828,630	2/1/1933	1.00%	\$ 1,251,000
G.O. Improvement Bonds:				
Series 2012A	496,225	2/1/2023	0.85 - 2.75%	163,971
Series 2016A	220,100	2/1/1936	1.15 - 3.00%	189,925
Series 2020A	2,800,749	2/1/2041	2.00 - 3.00%	2,800,749
Plus: Unamortized Premium				<u>147,510</u>
Net Bonded Debt				4,553,155
Capital Lease - Vector Truck	165,064	8/1/2023		73,025
Capital Lease - Sweeper	110,000	2/1/2026		110,000
Compensated Absences				
				<u>24,186</u>
Total Business-Type Activities				<u>\$ 4,760,366</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

Maturities of City Indebtedness

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

<u>Year Ended December 31,</u>	Governmental Activities Bonded Debt		Totals
	Principal	Interest	
2021	\$ 59,495	\$ 125,679	\$ 185,174
2022	135,580	121,604	257,184
2023	155,145	117,563	272,708
2024	149,539	113,302	262,841
2025	162,176	108,927	271,103
2026 - 2030	886,886	472,728	1,359,614
2031 - 2035	995,517	360,188	1,355,705
2036 - 2040	971,084	245,886	1,216,970
2041 - 2045	439,948	158,961	598,909
2046 - 2050	343,417	112,163	455,580
2051 - 2055	395,705	59,875	455,580
2056 - 2060	174,665	7,565	182,230
Totals	\$ 4,869,157	\$ 2,004,441	\$ 6,873,598

<u>Year Ended December 31,</u>	Governmental Activities USDA Note		Totals
	Principal	Interest	
2021	\$ 6,777	\$ 12,564	\$ 19,341
2022	6,972	12,369	19,341
2023	7,172	12,169	19,341
2024	7,378	11,963	19,341
2025	7,591	11,750	19,341
2026 - 2030	41,355	55,350	96,705
2031 - 2035	47,651	49,054	96,705
2036 - 2040	54,906	41,799	96,705
2041 - 2045	63,266	33,439	96,705
2046 - 2050	72,899	23,806	96,705
2051 - 2055	83,998	12,707	96,705
2056 - 2060	37,043	1,605	38,648
Totals	\$ 437,008	\$ 278,575	\$ 715,583

<u>Year Ended December 31,</u>	Business-Type Activities Bonded Debt		Totals
	Principal	Interest	
2021	\$ 153,430	\$ 86,771	\$ 240,201
2022	244,263	81,350	325,613
2023	266,643	75,815	342,458
2024	213,220	70,680	283,900
2025	227,583	66,076	293,659
2026 - 2030	1,217,930	255,986	1,473,916
2031 - 2035	1,116,961	146,475	1,263,436
2036 - 2040	802,573	55,987	858,560
2041 - 2045	163,042	1,630	164,672
Totals	\$ 4,405,645	\$ 840,770	\$ 5,246,415

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

Statutory Limitations of City Indebtedness

The City is subject to a statutory limitation by the state of Minnesota for bonded indebtedness payable principally from property taxes, net of debt service cash and investments available to pay these bonds. The limitation is 3% of the City's estimated market valuation. At December 31, 2020, the City did not exceed the statutory limitation.

NOTE 5 CAPITAL LEASES

Governmental Activities

In October 2014, the City entered into a lease agreement for financing the acquisition of a fire truck. This agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. The capital asset related to the lease has a cost of \$384,834 with related accumulated depreciation of \$70,500 as of December 31, 2020.

In July of 2019, the City entered into a lease agreement for financing the acquisition of a Ford F150 truck. This agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. The capital asset related to the lease has a cost of \$29,412 with related accumulated depreciation of \$4,201 as of December 31, 2020.

In October of 2019, the City entered into a lease agreement for financing the acquisition of a Freightliner plow truck. This agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. The capital asset related to the lease has a cost of \$228,860 with related accumulated depreciation of \$22,886 as of December 31, 2020.

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

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 97,068
2022	97,098
2023	44,668
2024	36,522
2025	35,961
2026	43,809
Total Minimum Lease Payments	<u>355,126</u>
Less: Interest	<u>(37,123)</u>
Present Value of Minimum Lease Payments	<u>\$ 318,003</u>

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 CAPITAL LEASES (CONTINUED)

Business-Type Activities

In July 2017, the City entered into a lease agreement for financing the acquisition of a vector truck for use in the sewer fund. This agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. The capital asset related to the lease has a cost of \$195,602 with related accumulated depreciation of \$44,554 as of December 31, 2020.

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 46,805
2022	46,805
2023	46,805
2024	20,790
2025	20,790
2026	20,790
Total Minimum Lease Payments	<u>202,785</u>
Less: Interest	(19,760)
Present Value of Minimum Lease Payments	<u><u>\$ 183,025</u></u>

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

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

1. General Employees Retirement Plan

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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees 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.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Benefits Provided (Continued)

1. General Employees Retirement Plan

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50% for Coordinated Plan members. The City’s contributions to the General Employees Fund for the year ended December 31, 2020, were \$60,386. The City’s contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member’s contribution rates increased from 11.3% of their annual covered salary to 11.8% and employer rates increased from 16.95% to 17.70% on January 1, 2020. The City’s contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$35,992. 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, 2020, the City reported a liability of \$665,496 for its proportionate share of the General Employees Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$16 million. 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 \$20,445. The net pension liability was measured as of June 30, 2020, 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 proportionate share 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0111% at the end of the measurement period and 0.0111% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$	665,496
State's Proportionate Share of the Net Pension Liability Associated with the City		20,445
Total		\$ 685,941

For the year ended December 31, 2020, the City recognized pension expense of \$16,075 for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized \$1,779 as grant revenue for its proportionate share of the state of Minnesota’s pension expense for the annual \$16 million contribution.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2020, 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	\$ 6,068	\$ 2,518
Changes in Actuarial Assumptions	-	24,673
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	11,497	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	26,780	28,160
City Contributions Paid to PERA Subsequent to Measurement Date	30,087	-
Total	<u>\$ 74,432</u>	<u>\$ 55,351</u>

The \$30,087 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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>
2021	\$ (43,784)
2022	4,045
2023	12,652
2024	16,081

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$233,305 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2020, 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 proportionate share 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0177% at the end of the measurement period and 0.0178% for the beginning of the period.

The state of Minnesota contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The state of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$30,370 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$1,593 as grant revenue for its proportionate share of the state of Minnesota’s pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

The state of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$1,596 for the year ended December 31, 2020 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.

City’s Proportionate Share of the Net Pension Liability	\$	233,305
State’s Proportionate Share of the Net Pension Liability		
Associated with the City		5,521
Total		\$ 238,826

For the year ended December 31, 2020, the City recognized pension expense of \$30,370 for its proportionate share of the Police and Fire Plan’s pension expense.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2020, 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	\$ 10,309	\$ 11,079
Changes in Actuarial Assumptions	78,185	145,504
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	7,087	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	7,364	8,436
City Contributions Paid to PERA Subsequent to the Measurement Date	17,774	-
Total	<u>\$ 120,719</u>	<u>\$ 165,019</u>

The \$17,774 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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>
2021	\$ (13,705)
2022	(65,595)
2023	9,277
2024	8,070
2023	(121)
Thereafter	-

The total pension expense for all plans recognized by the City for the year ended December 31, 2020 was \$49,817.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>	<u>PEPFF</u>
Inflation	2.25% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire and the Correctional Plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 2.0% per year for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0% per year as set by state statute.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used for the Police and Fire Plan was completed in 2016. The five-year experience study used for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Inflation and investment return assumptions for the Police and Fire Plan and the Correctional Plan are based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience studies for the Police and Fire Plan and the Correctional Plan were completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

General Employees Fund (Continued)

Actuarial Assumptions (Continued)

- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Police and Fire Fund (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.50 %	5.10%
International Equity	17.50	5.30%
Bonds	20.00	0.75%
Alternative Assets	25.00	5.90%
Cash	2.00	0.00%
Totals	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

<u>Description</u>	<u>1% Decrease in Discount Rate (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase in Discount Rate (8.50%)</u>
City's Proportionate Share of the General Employee's Plan Net Pension Liability	\$ 1,066,559	\$ 665,496	\$ 334,651

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Liability Sensitivity (Continued)

<u>Description</u>	<u>1% Decrease in Discount Rate (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase in Discount Rate (8.50%)</u>
City's Proportionate Share of the Police & Fire Plan Net Pension Liability	\$ 465,010	\$ 233,305	\$ 41,609

Pension Plan Fiduciary Net Position

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

NOTE 7 DEFINED CONTRIBUTION PENSION PLAN – FIRE RELIEF ASSOCIATION

All members of the Kenyon Fire Department (the Department) are covered by a defined contribution plan administered by the Kenyon Firemen's Relief Association (the Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, Chapter 424A. Each fully vested member is eligible for a lump sum payment, upon retirement, to the member's account based on the share of plan assets credited to the members account.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Fire Department's membership.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to:

Kenyon Firemen's Relief Association
709 Second Street, Kenyon, Minnesota 55946

Contributions totaling \$32,087 were received by the Fire Relief from the State (through the City), in accordance with Minnesota Statute requirements for the year ended December 31, 2020.

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 INTERFUND TRANSACTIONS

Transfers

Transfers during the year ended December 31, 2020 were as follows:

	Amount	Description
Major Governmental Funds:		
Transfers to General Fund from:		
Electric Fund	\$ 68,703	Payment in Lieu of Taxes
Transfer to Debt Service Fund from:		
Capital Projects Fund	70,691	Budgeted Transfer
Transfers to Capital Projects from:		
General Fund	133,320	Budgeted Transfer
Debt Service Fund	100,222	Closeout of Funds
Other Governmental Funds	60,400	Budgeted Transfer
Water Fund	589,341	Reimbursement of Bonded Project Costs
Sewer Fund	29,750	Reimbursement of Bonded Project Costs
Sewer Fund	17,003	Closeout of Funds
Storm Sewer Fund	2,238	Closeout of Funds
Storm Sewer Fund	15,253	Reimbursement of Bonded Project Costs
Total Transfers to Capital Projects Fund	947,527	
Transfers to Economic Development Authority from:		
Capital Projects Fund	38,312	Reimbursement of Bonded Project Costs
Water Fund	33,710	Reimbursement of Bonded Project Costs
Sewer Fund	25,690	Reimbursement of Bonded Project Costs
Storm Sewer Fund	18,940	Reimbursement of Bonded Project Costs
Total Transfers to Economic Development Authority	116,652	
Total Interfund Transfers	\$ 1,203,573	

Interfund Receivables and Payables

The amounts due to and from other funds as of December 31, 2020 were as follows:

Fund	Interfund Receivables Due from Other Funds	Interfund Payables Due to Other Funds
Major Governmental Funds:		
General Fund	\$ 72,926	\$ 28,353
Capital Projects Fund	1,091,749	273,007
Economic Development Authority	341,876	-
Enterprise Funds:		
Water	85,054	772,870
Sewer	31,022	244,383
Electric	750	108,041
Storm Sewer	4,178	200,901
Total Due to/from	\$ 1,627,555	\$ 1,627,555

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 INTERFUND TRANSACTIONS (CONTINUED)

Interfund Receivables and Payables (Continued)

Advances to and from other funds as of December 31, 2020 were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Major Governmental Funds:		
Capital Projects Funds	\$ -	\$ 300,003
Economic Development Authority		62,935
Enterprise Funds:		
Electric	374,199	-
Liquor	-	11,261
Total Advances	<u>\$ 374,199</u>	<u>\$ 374,199</u>

The advance between the Economic Development Authority and the Electric fund is related to the City's startup costs for their industrial park. It requires annual payments of \$11,425.88 which includes interest at 2.5%. The final payment is due to be paid in August 2026.

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

NOTE 9 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Excess of expenditures over appropriations as of December 31, 2020:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Nonmajor Governmental Fund - Fire	\$ 107,830	\$ 112,186	\$ 4,356

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, 2020**

NOTE 10 FUND BALANCE

As of December 31, 2020, the City has portions of its fund balance in nonspendable form, restricted, committed, and assigned. The table below summarizes these amounts:

	General Fund	Capital Projects	Debt Service	Economic Development Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:						
Prepaid Items	\$ 29,356	\$ -	\$ -	\$ 1,016	\$ 7,253	\$ 37,625
Restricted:						
Police Forfeitures	-	-	-	-	1,269	1,269
Future Debt Retirement	-	-	29,938	-	-	29,938
Committed:						
Capital Projects	-	1,624,271	-	-	-	1,624,271
Assigned:						
Fire Department	-	-	-	-	31,051	31,051
Library Operations	-	-	-	-	58,029	58,029
Economic Development	-	-	-	165,028	-	165,028
Public Safety	-	-	-	-	70,325	70,325
Unassigned	856,818	-	-	-	-	856,818
Total Fund Balance	<u>\$ 886,174</u>	<u>\$ 1,624,271</u>	<u>\$ 29,938</u>	<u>\$ 166,044</u>	<u>\$ 167,927</u>	<u>\$ 2,874,354</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, 2020**

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 December of 2020, this agreement was updated as a 2.164MW block of energy for the City and the effective January 1, 2021 to December 31, 2035.

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

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

**CITY OF KENYON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Federal and State Funds

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

NOTE 13 TAX ABATEMENT

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

For the fiscal year ended December 31, 2020, 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 \$18,605 being abated through a pay as you go note to finance a housing project.

NOTE 14 SUBSEQUENT EVENT

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

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Measurement Date						
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
General Employees Fund							
City's Proportion of the Net Pension Liability	0.0111%	0.0111%	0.0108%	0.0115%	0.0118%	0.0116%	0.0125%
City's Proportionate Share of the Net Pension Liability	\$ 665,496	\$ 613,695	\$ 599,141	\$ 734,152	\$ 958,101	\$ 601,172	\$ 587,187
State's Proportionate Share of the Net Pension Liability Associated with the City	20,445	19,166	19,557	9,229	-	-	-
Total	<u>\$ 685,941</u>	<u>\$ 632,861</u>	<u>\$ 618,698</u>	<u>\$ 743,381</u>	<u>\$ 958,101</u>	<u>\$ 601,172</u>	<u>\$ 587,187</u>
City's Covered Payroll	\$ 792,452	\$ 787,509	\$ 719,718	\$ 744,384	\$ 713,035	\$ 694,281	\$ 662,407
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	83.98%	77.93%	83.25%	98.63%	134.37%	86.59%	88.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.06%	80.23%	79.53%	75.90%	68.90%	78.20%	78.70%
Police and Fire Fund							
City's Proportion of the Net Pension Liability	0.0177%	0.0178%	0.0184%	0.0180%	0.0180%	0.0160%	0.0160%
City's Proportionate Share of the Net Pension Liability	\$ 233,305	\$ 189,499	\$ 196,125	\$ 243,021	\$ 722,371	\$ 181,797	\$ 172,807
State's Proportionate Share of the Net Pension Liability Associated with the City	5,521	-	-	-	-	-	-
Total	<u>\$ 238,826</u>	<u>\$ 189,499</u>	<u>\$ 196,125</u>	<u>\$ 243,021</u>	<u>\$ 722,371</u>	<u>\$ 181,797</u>	<u>\$ 172,807</u>
City's Covered Payroll	205,863	187,488	194,311	183,987	169,831	154,001	137,426
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	113.33%	101.07%	100.93%	132.09%	425.35%	118.05%	125.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.19%	89.26%	88.84%	85.43%	63.90%	86.60%	87.10%

*Additional information will be added as it becomes available.

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

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

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

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

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

Police and Fire Fund

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

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

General Employees Fund

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

The assumed postretirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.

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

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

Police and Fire Fund (Continued)

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The Single Discount Rate was changed from 5.60% per annum to 7.50% per annum.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

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

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

	2020	2019	2018	2017	2016	2015	2014
General Employees Fund:							
Statutorily Required Contribution	\$ 60,386	\$ 59,950	\$ 55,672	\$ 53,376	\$ 54,277	\$ 50,223	\$ 47,633
Contributions in Relation to the Statutorily Required Contribution	(60,386)	(59,950)	(55,672)	(53,376)	(54,277)	(50,223)	(47,633)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 805,147	\$ 799,333	\$ 742,293	\$ 711,680	\$ 723,693	\$ 694,281	\$ 662,407
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
Police and Fire Fund:							
Statutorily Required Contribution	\$ 35,992	\$ 32,088	\$ 31,225	\$ 32,304	\$ 28,092	\$ 23,482	\$ 21,152
Contributions in Relation to the Statutorily Required Contribution	(35,992)	(32,088)	(31,225)	(32,304)	(28,092)	(23,482)	(21,152)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 203,345	\$ 189,310	\$ 192,747	\$ 199,407	\$ 173,407	\$ 154,001	\$ 137,426
Contributions as a Percentage of Covered Employee Payroll	17.70%	16.95%	16.20%	16.20%	16.20%	16.20%	15.30%

*Additional information will be added as it becomes available.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)**

	2020	
	Fire Fund	Library Fund
ASSETS		
Cash and Investments	\$ 37,846	\$ 63,403
Receivables:		
Special Assessments Receivable	774	-
Accrued Interest Receivable	-	-
Due from Other Governmental Units	28,761	-
Prepaid Items	5,747	1,506
	\$ 73,128	\$ 64,909
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 6,796	\$ 2,246
Accrued Compensation	-	3,128
Total Liabilities	6,796	5,374
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	29,534	-
FUND BALANCE		
Nonspendable for Prepaid Items	5,747	1,506
Restricted:		
Police Forfeitures	-	-
Assigned:		
Fire Department	31,051	-
Library Operations	-	58,029
Public Safety	-	-
Total Fund Balance	36,798	59,535
Total Liabilities and Fund Balance	\$ 73,128	\$ 64,909

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)**

	2020				2019	
Police Forfeiture	Special Purpose Donations	COVID CARES Act	2004 Tax Abatement TIF/Sun Home	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
\$ 1,269	\$ 71,370	\$ -	\$ -	\$ 173,888	\$ 156,822	
-	-	-	-	774	950	
-	-	-	-	-	1,388	
-	-	-	-	28,761	-	
-	-	-	-	7,253	6,700	
<u>\$ 1,269</u>	<u>\$ 71,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,676</u>	<u>\$ 165,860</u>	
\$ -	\$ 1,045	\$ -	\$ -	\$ 10,087	\$ 11,307	
-	-	-	-	3,128	2,201	
-	1,045	-	-	13,215	13,508	
-	-	-	-	29,534	950	
-	-	-	-	7,253	6,700	
1,269	-	-	-	1,269	1,269	
-	-	-	-	31,051	31,423	
-	-	-	-	58,029	58,231	
-	70,325	-	-	70,325	53,779	
<u>1,269</u>	<u>70,325</u>	<u>-</u>	<u>-</u>	<u>167,927</u>	<u>151,402</u>	
<u>\$ 1,269</u>	<u>\$ 71,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,676</u>	<u>\$ 165,860</u>	

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	2020	
	Fire Fund	Library Fund
REVENUES		
Taxes	\$ 66,850	\$ 160,770
Tax Increment	-	-
Intergovernmental	32,553	37,700
Charges for Services	71,807	-
Investment Earnings	350	121
Fines and Forfeitures	-	483
Donations	-	-
Miscellaneous	1,021	1,153
Total Revenues	172,581	200,227
EXPENDITURES		
Current:		
General Government	-	-
Public Safety	112,186	-
Culture and Recreation	-	200,243
Economic Development	-	-
Total Expenditures	112,186	200,243
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	60,395	(16)
OTHER FINANCING SOURCES (USES)		
Transfers Out	(60,400)	-
NET CHANGE IN FUND BALANCE	(5)	(16)
Fund Balance - Beginning of Year	36,803	59,551
FUND BALANCE - END OF YEAR	\$ 36,798	\$ 59,535

**CITY OF KENYON, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	2020				2019	
Police Forfeiture	Special Purpose Donations	COVID CARES Act	2004 Tax Abatement TIF/Sun Home	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ 227,620	\$ 221,365	
-	-	-	18,605	18,605	19,606	
-	-	-	-	70,253	74,887	
-	-	-	-	71,807	65,309	
-	397	-	-	868	3,156	
-	-	-	-	483	540	
-	21,849	-	-	21,849	21,149	
-	-	141,425	-	143,599	2,374	
-	22,246	141,425	18,605	555,084	408,386	
-	1,688	-	-	1,688	-	
-	3,192	141,425	-	256,803	108,813	
-	820	-	-	201,063	201,813	
-	-	-	18,605	18,605	19,606	
-	5,700	141,425	18,605	478,159	330,232	
-	16,546	-	-	76,925	78,154	
-	-	-	-	(60,400)	(65,955)	
-	16,546	-	-	16,525	12,199	
1,269	53,779	-	-	151,402	139,203	
<u>\$ 1,269</u>	<u>\$ 70,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,927</u>	<u>\$ 151,402</u>	

**CITY OF KENYON, MINNESOTA
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	2020				2019
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Property Taxes	\$ 66,850	\$ 66,850	\$ 66,850	\$ -	\$ 64,660
Intergovernmental:					
Fire State Aid	26,000	26,000	32,088	6,088	27,588
Other State Aid	4,000	4,000	465	(3,535)	11,000
Total Intergovernmental Revenue	<u>30,000</u>	<u>30,000</u>	<u>32,553</u>	<u>2,553</u>	<u>38,588</u>
Charges for Services:					
Fire Contracts	67,330	67,330	71,807	4,477	65,309
Investment Income	450	450	350	(100)	1,234
Miscellaneous Revenues:					
Dividends	700	700	655	(45)	219
Special Assessment	-	-	216	216	-
Other	-	-	150	150	-
Total Miscellaneous Revenues	<u>700</u>	<u>700</u>	<u>1,021</u>	<u>321</u>	<u>219</u>
Total Revenues	165,330	165,330	172,581	7,251	170,010
EXPENDITURES					
Public Safety:					
Employee Services	5,170	5,170	5,729	(559)	5,763
Supplies	24,000	24,000	31,158	(7,158)	5,429
Repairs and Miscellaneous	12,600	12,600	11,534	1,066	13,820
Professional Services	3,000	3,000	3,000	-	3,000
Training	12,250	12,250	3,043	9,207	20,845
Insurance	5,260	5,260	5,502	(242)	5,409
Utilities	12,250	12,250	11,850	400	11,947
Fire State Aid	26,000	26,000	32,087	(6,087)	29,536
Other Services and Charges	7,300	7,300	8,283	(983)	8,306
Total Public Safety	<u>107,830</u>	<u>107,830</u>	<u>112,186</u>	<u>(4,356)</u>	<u>104,055</u>
Total Expenditures	<u>107,830</u>	<u>107,830</u>	<u>112,186</u>	<u>(4,356)</u>	<u>104,055</u>
EXCESS OF REVENUES OVER EXPENDITURES	57,500	57,500	60,395	2,895	65,955
OTHER FINANCING USES					
Transfers Out	<u>(57,500)</u>	<u>(57,500)</u>	<u>(60,400)</u>	<u>(2,900)</u>	<u>(65,955)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(5)</u>	<u>\$ (5)</u>	<u>-</u>
Fund Balance - Beginning of Year			<u>36,803</u>		<u>36,803</u>
FUND BALANCE - END OF YEAR			<u>\$ 36,798</u>		<u>\$ 36,803</u>

**CITY OF KENYON, MINNESOTA
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	2020				2019
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
REVENUES					
Property Taxes	\$ 160,770	\$ 160,770	\$ 160,770	\$ -	\$ 157,700
Intergovernmental:					
County Aid	37,700	37,700	37,700	-	36,299
Fines and Forfeitures	800	800	483	(317)	540
Investment Income	140	140	121	(19)	808
Miscellaneous Revenues:					
Dividends	600	600	222	(378)	949
Other	900	900	931	31	1,206
Total Miscellaneous Revenues	<u>1,500</u>	<u>1,500</u>	<u>1,153</u>	<u>(347)</u>	<u>2,155</u>
Total Revenues	200,910	200,910	200,227	(683)	197,502
EXPENDITURES					
Culture and Recreation:					
Employee Services	155,540	155,540	154,868	672	148,920
Books and Other Materials	23,750	23,750	25,528	(1,778)	22,486
Repairs and Miscellaneous	250	250	-	250	-
Training	650	650	46	604	312
Insurance	2,270	2,270	2,290	(20)	2,252
Utilities	6,500	6,500	6,224	276	6,094
Automation	7,800	7,800	7,735	65	7,564
Capital Outlay	1,850	1,850	2,082	(232)	1,834
Other Services and Charges	2,300	2,300	1,470	830	2,345
Total Culture and Recreation	<u>200,910</u>	<u>200,910</u>	<u>200,243</u>	<u>667</u>	<u>191,807</u>
Total Expenditures	200,910	200,910	200,243	667	191,807
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(16)	<u>\$ (16)</u>	5,695
Fund Balance - Beginning of Year			<u>59,551</u>		<u>53,856</u>
FUND BALANCE - END OF YEAR			<u><u>\$ 59,535</u></u>		<u><u>\$ 59,551</u></u>

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY DEBT ISSUANCE
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	2020			
	Trondheim Road Extension	2012 G.O. Improvement Bonds	2007 G.O. Refunding Bonds	Fire Truck Capital Lease
ASSETS				
Cash and Investments	\$ -	\$ 12,967	\$ 496	\$ -
Special Assessments Receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
	-	-	-	-
Total Assets	\$ -	\$ 12,967	\$ 496	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	\$ -	\$ -	\$ -	\$ -
FUND BALANCE				
Restricted for Debt Service	-	12,967	496	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ -	\$ 12,967	\$ 496	\$ -

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY DEBT ISSUANCE (CONTINUED)
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

2016 G.O. Improvement Bonds	2020			2017 G.O. USDA Bonds	2020 G.O. Improvement Bonds	Total Debt Service Fund	2019 Total Debt Service Fund
	2020 Freightliner 114SD Capital Lease	2019 Ford F150 Capital Lease	2020 USDA Note				
\$ 25,179	\$ (23,023)	\$ (8,145)	\$ 2,209	\$ 19,841	\$ -	\$ 29,524	\$ 228,937
415	-	-	-	-	-	415	-
42,340	-	-	-	-	485,790	528,130	50,909
<u>\$ 67,934</u>	<u>\$ (23,023)</u>	<u>\$ (8,145)</u>	<u>\$ 2,209</u>	<u>\$ 19,841</u>	<u>\$ 485,790</u>	<u>\$ 558,069</u>	<u>\$ 279,846</u>
\$ 42,341	\$ -	\$ -	\$ -	\$ -	\$ 485,790	\$ 528,131	\$ 50,253
25,593	(23,023)	(8,145)	2,209	19,841	-	29,938	229,593
<u>\$ 67,934</u>	<u>\$ (23,023)</u>	<u>\$ (8,145)</u>	<u>\$ 2,209</u>	<u>\$ 19,841</u>	<u>\$ 485,790</u>	<u>\$ 558,069</u>	<u>\$ 279,846</u>

CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY DEBT ISSUANCE
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

	2020			
	Trondheim Road Extension	2012 G.O. Improvement Bonds	2007 G.O. Refunding Bonds	Fire Truck Capital Lease
REVENUES				
Taxes	\$ -	\$ -	\$ 25,440	\$ -
Special Assessments	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>25,440</u>	<u>-</u>
EXPENDITURES				
Principal	-	7,535	85,000	48,440
Interest and Fiscal Charges	-	729	1,785	3,990
Total Expenditures	<u>-</u>	<u>8,264</u>	<u>86,785</u>	<u>52,430</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(8,264)	(61,345)	(52,430)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	52,430
Transfers Out	(100,222)	-	-	-
Total Other Financing Sources	<u>(100,222)</u>	<u>-</u>	<u>-</u>	<u>52,430</u>
NET CHANGE IN FUND BALANCE	(100,222)	(8,264)	(61,345)	-
Fund Balance - Beginning of Year	<u>100,222</u>	<u>21,231</u>	<u>61,841</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 12,967</u>	<u>\$ 496</u>	<u>\$ -</u>

CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY DEBT ISSUANCE (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

	2020						2019
2016 G.O. Improvement Bonds	2020 Freightliner 114SD Capital Lease	2019 Ford F150 Capital Lease	2020 2017 USDA Note	2017 G.O. USDA Bonds	2020 G.O. Improvement Bonds	Total Debt Service Fund	Total Debt Service Fund
\$ 17,850	\$ -	\$ -	\$ 91,630	\$ 19,840	\$ -	\$ 154,760	\$ 128,092
10,455	-	-	-	-	-	10,455	21,164
<u>28,305</u>	<u>-</u>	<u>-</u>	<u>91,630</u>	<u>19,840</u>	<u>-</u>	<u>165,215</u>	<u>149,256</u>
19,350	31,467	7,018	31,036	6,588	-	236,434	193,889
9,124	9,317	1,127	60,080	12,753	-	98,905	96,417
<u>28,474</u>	<u>40,784</u>	<u>8,145</u>	<u>91,116</u>	<u>19,341</u>	<u>-</u>	<u>335,339</u>	<u>290,306</u>
(169)	(40,784)	(8,145)	514	499	-	(170,124)	(141,050)
-	18,261	-	-	-	-	70,691	74,775
-	-	-	-	-	-	(100,222)	(648)
<u>-</u>	<u>18,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,531)</u>	<u>74,127</u>
(169)	(22,523)	(8,145)	514	499	-	(199,655)	(66,923)
25,762	(500)	-	1,695	19,342	-	229,593	296,516
<u>\$ 25,593</u>	<u>\$ (23,023)</u>	<u>\$ (8,145)</u>	<u>\$ 2,209</u>	<u>\$ 19,841</u>	<u>\$ -</u>	<u>\$ 29,938</u>	<u>\$ 229,593</u>

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY PROJECT
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	2020		
	Capital Outlay	Fire Hall Capital	Red Wing Ave Project
ASSETS			
Cash and Investments	\$ 866,327	\$ -	\$ 555,632
Due from Other Funds	-	-	1,023,933
Accrued Interest Receivable	268	-	-
Due from Other Governmental Units	-	-	-
	<u>\$ 866,595</u>	<u>\$ -</u>	<u>\$ 1,579,565</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 1,331	\$ -	\$ 554,068
Due to Other Funds	-	-	14,793
Advances from Other Funds	-	-	300,003
Total Liabilities	<u>1,331</u>	<u>-</u>	<u>868,864</u>
FUND BALANCE (DEFICIT)			
Committed	865,264	-	710,701
Unassigned	-	-	-
Total Fund Balance (Deficit)	<u>865,264</u>	<u>-</u>	<u>710,701</u>
Total Liabilities and Fund Balance	<u>\$ 866,595</u>	<u>\$ -</u>	<u>\$ 1,579,565</u>

CITY OF KENYON, MINNESOTA
COMBINING BALANCE SHEET – BY PROJECT (CONTINUED)
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

2020			2019	
2016 First Street	Industrial Park	Total Capital Projects Fund	Total Capital Projects Fund	
\$ -	\$ 299,059	\$ 1,721,018	\$ 1,051,823	
-	67,816	1,091,749	-	
-	-	268	8,747	
-	152,081	152,081	-	
<u>\$ -</u>	<u>\$ 518,956</u>	<u>\$ 2,965,116</u>	<u>\$ 1,060,570</u>	
\$ -	\$ 212,436	\$ 767,835	\$ 122,505	
-	258,214	273,007	132,155	
-	-	300,003	300,767	
-	470,650	1,340,845	555,427	
-	48,306	1,624,271	831,469	
-	-	-	(326,326)	
-	48,306	1,624,271	505,143	
<u>\$ -</u>	<u>\$ 518,956</u>	<u>\$ 2,965,116</u>	<u>\$ 1,060,570</u>	

**CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY PROJECT
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	2020		
	Capital Outlay	Fire Hall Capital	Red Wing Ave Project
REVENUES			
Investment Earnings	\$ 5,362	\$ -	\$ 177
Special Assessments	-		99,197
Intergovernmental	6,647	-	-
Miscellaneous	791	-	-
Total Revenues	<u>12,800</u>	<u>-</u>	<u>99,374</u>
EXPENDITURES			
Capital Outlay	102,034	-	1,845,801
Debt Services			
Interest and Fiscal Charges	-	-	63,250
Total Expenditures	<u>102,034</u>	<u>-</u>	<u>1,909,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(89,234)	-	(1,809,677)
OTHER FINANCING SOURCES (USES)			
Transfers In	193,720	59,787	634,344
Transfers Out	(70,691)	-	-
Proceeds from Capital Leases	-	-	-
Premium on Bonds	-	-	103,646
Proceeds from Sale of Bonds	-	-	1,989,251
Total Other Financing Sources (Uses)	<u>123,029</u>	<u>59,787</u>	<u>2,727,241</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	33,795	59,787	917,564
Fund Balance (Deficit) - Beginning of Year	<u>831,469</u>	<u>(59,787)</u>	<u>(206,863)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 865,264</u>	<u>\$ -</u>	<u>\$ 710,701</u>

CITY OF KENYON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BY PROJECT (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

2020			2019	
2016 First Street	Industrial Park	Total Capital Projects Fund	Total Capital Projects Fund	
\$ -	\$ -	\$ 5,539	17,013	
-	-	99,197	-	
-	84,881	91,528	-	
-	-	791	-	
-	84,881	197,055	17,013	
-	465,438	2,413,273	531,367	
-	5,388	68,638	-	
-	470,826	2,481,911	531,367	
-	(385,945)	(2,284,856)	(514,354)	
59,676	-	947,527	221,831	
-	(38,312)	(109,003)	(153,052)	
-	-	-	258,272	
-	22,563	126,209	-	
-	450,000	2,439,251	-	
59,676	434,251	3,403,984	327,051	
59,676	48,306	1,119,128	(187,303)	
(59,676)	-	505,143	692,446	
\$ -	\$ 48,306	\$ 1,624,271	\$ 505,143	

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WATER FUND
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

	2020	2019
OPERATING REVENUES		
Charges for Services	\$ 259,086	\$ 258,668
OPERATING EXPENSES		
Employee Services	94,301	89,730
Supplies	4,058	5,891
Professional Services	1,140	1,135
Insurance	2,249	2,192
Utilities	18,109	14,303
Repairs and Maintenance	40,414	15,452
Depreciation	76,994	79,317
Dues and Subscriptions	2,428	2,047
Other Services	6,713	-
Safety	741	728
Shared Facility Charge	9,740	7,800
Other Operating Expenses	9,772	8,402
Total Operating Expenses	266,659	226,997
OPERATING INCOME (LOSS)	(7,573)	31,671
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	12,129	7,115
CapX 2020 Transmission Revenue		
Dividend	313	64
Intergovernmental Revenues	67,200	303
Special Assessments	102,529	567
Interest Revenue	2,228	10,742
Gain on Disposal of Capital Assets	1,288	-
Miscellaneous Nonoperating Expenses	(22,161)	-
Interest Expense	(3,163)	(2,851)
Total Other Income	160,363	15,940
NET INCOME BEFORE TRANSFERS	152,790	47,611
TRANSFERS AND OTHER		
Capital Contributions	63,826	-
Transfers Out	(623,051)	-
CHANGE IN NET POSITION	(406,435)	47,611
Net Position - Beginning of Year	1,336,325	1,288,714
NET POSITION - END OF YEAR	\$ 929,890	\$ 1,336,325

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEWER FUND
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Charges for Services	\$ 403,752	\$ 389,936
OPERATING EXPENSES		
Employee Services	72,620	94,687
Supplies	12,834	13,725
Professional Services	4,170	8,418
Insurance	6,010	6,144
Utilities	57,910	70,607
Repairs and Maintenance	53,730	26,158
Depreciation	240,861	222,518
Other Services	431	302
Other Operating Expenses	1,712	4,762
Total Operating Expenses	<u>450,278</u>	<u>447,321</u>
OPERATING LOSS	(46,526)	(57,385)
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	14,927	5,939
Dividend	51,214	260
Intergovernmental Revenues	-	118
Property Taxes	30,000	30,000
Special Assessments	124,069	3,585
Interest Revenue	8,082	18,221
Gain on Disposal of Capital Assets	-	2,100
Miscellaneous Nonoperating Expenses	(16,481)	-
Interest Expense	(21,646)	(23,164)
Total Other Income	<u>190,165</u>	<u>37,059</u>
NET INCOME (LOSS) BEFORE TRANSFERS	143,639	(20,326)
TRANSFERS AND OTHER		
Transfers In	-	63,925
Capital Contributions	39,225	-
Transfers Out	<u>(72,443)</u>	<u>-</u>
CHANGE IN NET POSITION	110,421	43,599
Net Position - Beginning of Year	<u>2,319,581</u>	<u>2,275,982</u>
NET POSITION - END OF YEAR	<u>\$ 2,430,002</u>	<u>\$ 2,319,581</u>

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ELECTRIC FUND
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

	2020	2019
OPERATING REVENUES		
Charges for Services	\$ 2,026,025	\$ 1,960,739
OPERATING EXPENSES		
Power Costs	966,120	966,295
Conservation Improvement Program	33,885	17,217
Employee Services	341,958	341,718
Supplies	6,459	4,176
Professional Services	5,440	5,328
Insurance	55,244	52,115
Utilities	24,005	24,728
Repairs and Maintenance	18,969	23,742
Depreciation	114,869	121,348
Dues and Subscriptions	4,616	4,522
Other Services	4,339	205
Safety	9,059	8,421
Generator Expense	40,648	18,012
Shared Facility Charge	38,960	31,200
Other Operating Expenses	10,131	11,459
Total Operating Expenses	1,674,702	1,630,486
OPERATING INCOME	351,323	330,253
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	364,660	240,866
Dividend	7,680	3,482
Intergovernmental Revenues	-	1,069
Special Assessments	-	1,417
Interest Revenue	21,237	75,168
Gain on Disposal of Capital Assets	-	6,900
Miscellaneous Nonoperating Expenses	(16,367)	(10,002)
Interest Expense	(618)	(787)
Total Other Income	376,592	318,113
NET INCOME BEFORE TRANSFERS	727,915	648,366
TRANSFERS		
Transfers Out	(68,703)	(65,952)
CHANGE IN NET POSITION	659,212	582,414
Net Position - Beginning of Year	5,118,785	4,536,371
NET POSITION - END OF YEAR	\$ 5,777,997	\$ 5,118,785

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
LIQUOR FUND
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

	2020	2019
OPERATING REVENUES		
Sales	\$ 787,063	\$ 844,711
Costs of Goods Sold	(557,396)	(556,222)
Total Gross Profit and Operating Revenues	229,667	288,489
OPERATING EXPENSES		
Employee Services	138,880	165,995
Supplies	5,940	5,829
Insurance	10,286	9,146
Utilities	16,644	17,701
Repairs and Maintenance	14,701	12,945
Depreciation	13,665	14,649
Dues and Subscriptions	1,190	1,105
Other Services	14,170	22,333
Other Operating Expenses	19,630	20,137
Total Operating Expenses	235,106	269,840
OPERATING INCOME (LOSS)	(5,439)	18,649
OTHER INCOME (EXPENSES)		
Miscellaneous Nonoperating Revenues	27,142	28,233
Dividend	470	187
Intergovernmental Revenues	-	218
Interest Revenue	863	2,475
Interest Expense	(143)	(323)
Total Other Income	28,332	30,790
NET INCOME BEFORE TRANSFERS	22,893	49,439
TRANSFERS		
Transfers Out	-	(20,000)
CHANGE IN NET POSITION	22,893	29,439
Net Position - Beginning of Year	189,062	159,623
NET POSITION - END OF YEAR	\$ 211,955	\$ 189,062

CITY OF KENYON, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
STORM WATER FUND
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Charges for Services	\$ 53,542	\$ 46,522
OPERATING EXPENSES		
Employee Services	10,112	14,241
Insurance	106	96
Repairs and Maintenance	2,862	16,708
Depreciation	44,168	32,408
Total Operating Expenses	<u>57,248</u>	<u>63,453</u>
OPERATING INCOME	(3,706)	(16,931)
OTHER INCOME (EXPENSES)		
Dividend	9	4
Intergovernmental Revenues	47,766	37
Special Assessments	64	107
Interest Revenue	5,078	11,543
Gain (Loss) on Disposal of Capital Assets	(617)	-
Miscellaneous Nonoperating Expenses	(7,704)	-
Interest Expense	(4,967)	(1,776)
Total Other Income	<u>39,629</u>	<u>9,915</u>
NET INCOME (LOSS) BEFORE TRANSFERS	35,923	(7,016)
TRANSFERS AND OTHER		
Capital Contributions	22,240	-
Transfers In	-	15,000
Transfers Out	<u>(36,431)</u>	<u>-</u>
CHANGE IN NET POSITION	21,732	7,984
Net Position - Beginning of Year	<u>831,967</u>	<u>823,983</u>
NET POSITION - END OF YEAR	<u>\$ 853,699</u>	<u>\$ 831,967</u>

**CITY OF KENYON, MINNESOTA
PFA SEWER FUND LOAN OF 2013
LOAN RETIREMENT DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	2020	2019
REVENUES		
Property Taxes	\$ 30,000	\$ 30,000
EXPENDITURES		
Principal	90,000	89,000
Interest	13,410	13,979
Total Operating Expenses	103,410	102,979
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(73,410)	(72,979)
Fund Balance - Beginning of Year	(17,099)	55,880
FUND BALANCE - END OF YEAR	\$ (90,509)	\$ (17,099)

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

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