

**City of Kenyon  
Goodhue County, Minnesota**

**Basic Financial Statements**

**December 31, 2025**

**City of Kenyon  
Table of Contents**

<b>Elected Officials and Administration</b>	<b>1</b>
<b>Independent Auditor's Report</b>	<b>3</b>
<b>Management's Discussion and Analysis</b>	<b>7</b>
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position	22
Statement of Activities	23
Fund Financial Statements	
Balance Sheet - Governmental Funds	24
Reconciliation of the Balance Sheet to the Statement of Net Position	
- Governmental Funds	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	
- Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances to the Statement of Activities - Governmental Funds	31
Statement of Revenues, Expenditures, and Changes in Fund Balances	
- Budget and Actual - General Fund	32
Statement of Revenues, Expenditures, and Changes in Fund Balances	
- Budget and Actual - Fire Fund	33
Statement of Net Position - Proprietary Funds	34
Statement of Revenues, Expenses, and Changes in Net Position	
- Proprietary Funds	36
Statement of Cash Flows - Proprietary Funds	38
Notes to Basic Financial Statements	41
<b>Required Supplementary Information</b>	
Schedule of City's Proportionate Share of Net Pension Liability	
- General Employees Retirement Fund	74
Schedule of City's Proportionate Share of Net Pension Liability	
- Public Employees Police and Fire Retirement Fund	74
Schedule of City Contributions - General Employees Retirement Fund	75
Schedule of City Contributions - Public Employees Police and Fire	
Retirement Fund	75
Notes to Required Supplementary Information	77
<b>Supplementary Information</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
- Nonmajor Governmental Funds	87
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
- Budget and Actual - Library Fund	89
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance	
- Budget and Actual - General Fund	90
Debt Service	
Combining Balance Sheet	92
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	94

**City of Kenyon  
Table of Contents**

<b>Supplementary Information (Continued)</b>	
Capital Projects Fund	
Combining Balance Sheet	96
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	98
Discretely Presented Component Unit	
Balance Sheet	100
Statement of Revenues, Expenditures and Changes in Fund Balance	101
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	103
<b>Minnesota Legal Compliance</b>	105
<b>Schedule of Findings and Responses</b>	106

**City of Kenyon  
Elected Officials and Administration  
December 31, 2025**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Don Kirchmann	Mayor	December 31, 2026
Kim Helgeson	Council Member	December 31, 2026
Elana Brunner	Council Member	December 31, 2028
Mary Bailey	Council Member	December 31, 2028
Lee Sjolander	Council Member	December 31, 2026

Administration

Scott Lehner	City Administrator
Randy Eggert	Operations Superintendent
Abdo Financial Solutions, LLC	Consulting Finance Manager

(THIS PAGE LEFT BLANK INTENTIONALLY)



## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Kenyon  
Kenyon, Minnesota

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kenyon, as of and for the year ended December 31, 2025, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements 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, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and Fire Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Kenyon and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

The City of Kenyon' management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kenyon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Kenyon' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kenyon' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kenyon' basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are 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 basic financial statements. The 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. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2026, on our consideration of the City'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 results of that testing, and not to provide an opinion on the effectiveness of 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 the City's internal control over financial reporting and compliance.

*BerganKDV, Ltd.*

Minneapolis, Minnesota  
April 6, 2026

(THIS PAGE LEFT BLANK INTENTIONALLY)

## City of Kenyon Management's Discussion and Analysis

As management of the City of Kenyon, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,421,221 (net position). Of this amount, \$9,845,896 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- There was an increase in the City's total net position of \$513,050. The increase is attributable to governmental activities and business-type activities, increasing net position by \$438,048 and increasing net position by \$75,002, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,116,140, an increase of \$1,034,764 in comparison with the prior year. Of this total amount, (\$182,399), is unassigned and available for spending at the City's discretion, \$1,200,737 is restricted for specific purposes, \$1,003,444 is committed by the City Council for specific purposes, \$45,000, is assigned by management to show the intent of the funds but is also available for spending at the City's discretion. The remaining amount of \$49,358, is nonspendable for prepaid items.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$298,165, which is 16.8% of total General Fund expenditures.
- The City's total long term liabilities increased \$2,782,721 during the current fiscal year. The increase is due to the 2025A bond issuance offset by regular bond payments made throughout the year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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 supplemental information in addition to the basic financial statements themselves.

**City of Kenyon  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1  
Required Components of the  
City's Annual Financial Report**

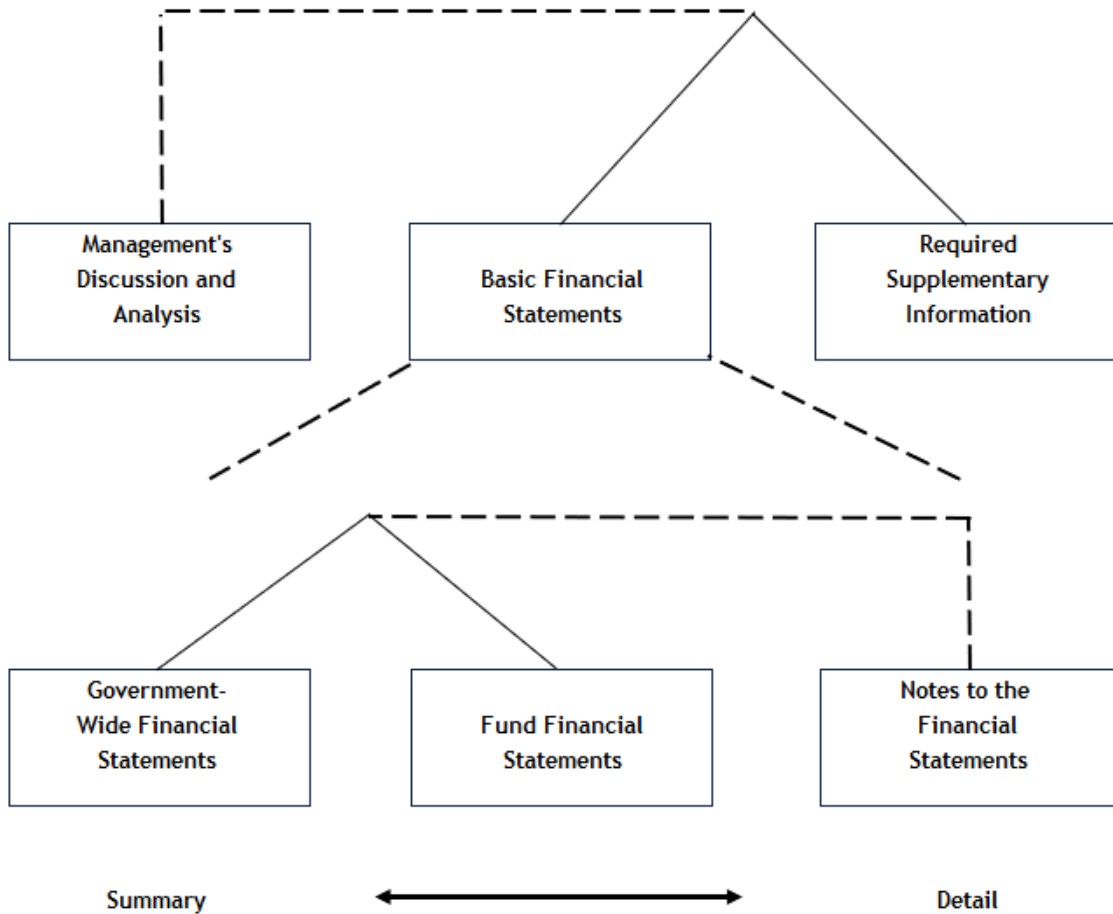


Figure 2 on the following page, summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**City of Kenyon  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Figure 2  
Major Features of the Government-wide and Fund Financial Statements**

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Net Position</li> <li>• Statements of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/ inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/ inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received, and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**City of Kenyon  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 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 underlying event giving rise to the change 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development and interest on long-term debt. The business-type activities of the City include water, sewer, electric, stormwater, and liquor.

The government-wide financial statements start on page 22 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, 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 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 *balances of 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 by 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 this comparison between *governmental funds* and *governmental activities*.

**City of Kenyon  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Governmental Funds (Continued).** The City maintains numerous individual governmental funds, many of which are Debt Service funds, which are reported as one major fund for the government-wide financial statements. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures and changes in fund balance for the General, Fire, Debt service and the Capital Projects funds, all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements or schedules elsewhere in this report.

The City adopts an annual appropriated budget for its General fund and certain special revenue funds. Budgetary comparison statements have been provided for the General Fund and the Fire fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 24 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds. The Water Utility, Sewer Utility, Electric Utility and Liquor are considered to be major enterprise funds.

The basic proprietary fund financial statements start on page 34 of this report.

**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 start on page 41 of this report.

**Required Supplementary Information.** Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 7 and the Schedules of City's Proportionate Share of Net Pension Liability, the Schedules of City Contributions and the notes to the Required Supplementary Information starting on page 74 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.

**City of Kenyon  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 86 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,421,221 at the close of the most recent fiscal year.

A large part of the City's net position (42.4%) is the investment in capital assets. The investment in capital assets (e.g., land, buildings, machinery, and equipment) is reduced by any related debt used to acquire those assets that is still outstanding to arrive at capital assets net of related debt. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Kenyon  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**City of Kenyon' Summary of Net Position**

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 2,754,649	\$ 1,968,638	\$ 786,011	\$ 11,691,967	\$ 10,110,075	\$ 1,581,892
Capital assets	9,829,795	9,641,807	187,988	9,360,860	9,217,119	143,741
Total assets	<u>12,584,444</u>	<u>11,610,445</u>	<u>973,999</u>	<u>21,052,827</u>	<u>19,327,194</u>	<u>1,725,633</u>
<b>Deferred Outflows of Resources</b>						
Deferred outflows of resources related to pensions	387,330	507,197	(119,867)	71,255	37,693	33,562
<b>Liabilities</b>						
Noncurrent liabilities outstanding	6,886,703	6,209,798	676,905	7,008,896	5,577,838	1,431,058
Other liabilities	477,882	552,608	(74,726)	619,404	471,115	148,289
Total liabilities	<u>7,364,585</u>	<u>6,762,406</u>	<u>602,179</u>	<u>7,628,300</u>	<u>6,048,953</u>	<u>1,579,347</u>
<b>Deferred Inflows of Resources</b>						
Deferred inflows of resources related to pensions	493,846	679,941	(186,095)	187,904	83,058	104,846
<b>Net Position</b>						
Net investment in capital assets	3,963,864	4,079,667	(115,803)	3,852,999	3,826,106	26,893
Restricted	758,462	541,525	216,937	-	-	-
Unrestricted	391,017	54,103	336,914	9,454,879	9,406,770	48,109
Total net position	<u>\$ 5,113,343</u>	<u>\$ 4,675,295</u>	<u>\$ 438,048</u>	<u>\$ 13,307,878</u>	<u>\$ 13,232,876</u>	<u>\$ 75,002</u>

An additional portion of the City's net position (4.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$9,845,896 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**City of Kenyon  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities** - Governmental activities increased the City's net position by \$438,048. Key elements of the changes are as follows:

**City of Kenyon' Changes in Net Position**

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 322,527	\$ 262,134	\$ 60,393	\$ 4,188,647	\$ 3,952,776	\$ 235,871
Operating grants and contributions	326,620	332,208	(5,588)	57,302	5,838	51,464
Capital grants and contributions	187,901	12,993	174,908	114,461	11,641	102,820
General Revenues						
Taxes	1,316,082	1,262,484	53,598	-	-	-
Intergovernmental revenues not restricted to specific programs	684,944	734,101	(49,157)	-	-	-
Interest and investment income	152,566	84,454	68,112	369,444	355,875	13,569
Gain (loss) on sale of capital assets	-	36,594	(36,594)	-	15,456	(15,456)
Total revenues	<u>2,990,640</u>	<u>2,724,968</u>	<u>265,672</u>	<u>4,729,854</u>	<u>4,341,586</u>	<u>388,268</u>
<b>Expenses</b>						
General government	626,222	649,246	(23,024)	-	-	-
Public safety	992,468	927,061	65,407	-	-	-
Public works	507,877	792,501	(284,624)	-	-	-
Culture and recreation	275,049	435,245	(160,196)	-	-	-
Economic development	-	17,612	(17,612)	-	-	-
Interest and fiscal charges	217,338	145,394	71,944	-	-	-
Water	-	-	-	502,331	466,147	36,184
Sewer	-	-	-	698,215	569,007	129,208
Electric	-	-	-	2,363,708	2,186,147	177,561
Liquor	-	-	-	925,884	872,512	53,372
Storm water	-	-	-	98,352	92,187	6,165
Total expenses	<u>2,618,954</u>	<u>2,967,059</u>	<u>(348,105)</u>	<u>4,588,490</u>	<u>4,186,000</u>	<u>402,490</u>
Increase in net position before transfers	371,686	(242,091)	613,777	141,364	155,586	(14,222)
Transfers	<u>66,362</u>	<u>66,084</u>	<u>278</u>	<u>(66,362)</u>	<u>(66,084)</u>	<u>(278)</u>
<b>Change in Net Position</b>	<b>438,048</b>	<b>(176,007)</b>	<b>614,055</b>	<b>75,002</b>	<b>89,502</b>	<b>(14,500)</b>
Net position, January 1	4,675,295	5,113,932	(438,637)	13,232,876	13,386,669	(153,793)
Change in reporting entity	-	(226,982)	226,982	-	-	-
Error correction	-	(35,648)	35,648	-	(243,295)	243,295
Net position, December 31	<u>\$ 5,113,343</u>	<u>\$ 4,675,295</u>	<u>\$ 438,048</u>	<u>\$ 13,307,878</u>	<u>\$ 13,232,876</u>	<u>\$ 75,002</u>

**City of Kenyon  
Management's Discussion and Analysis**

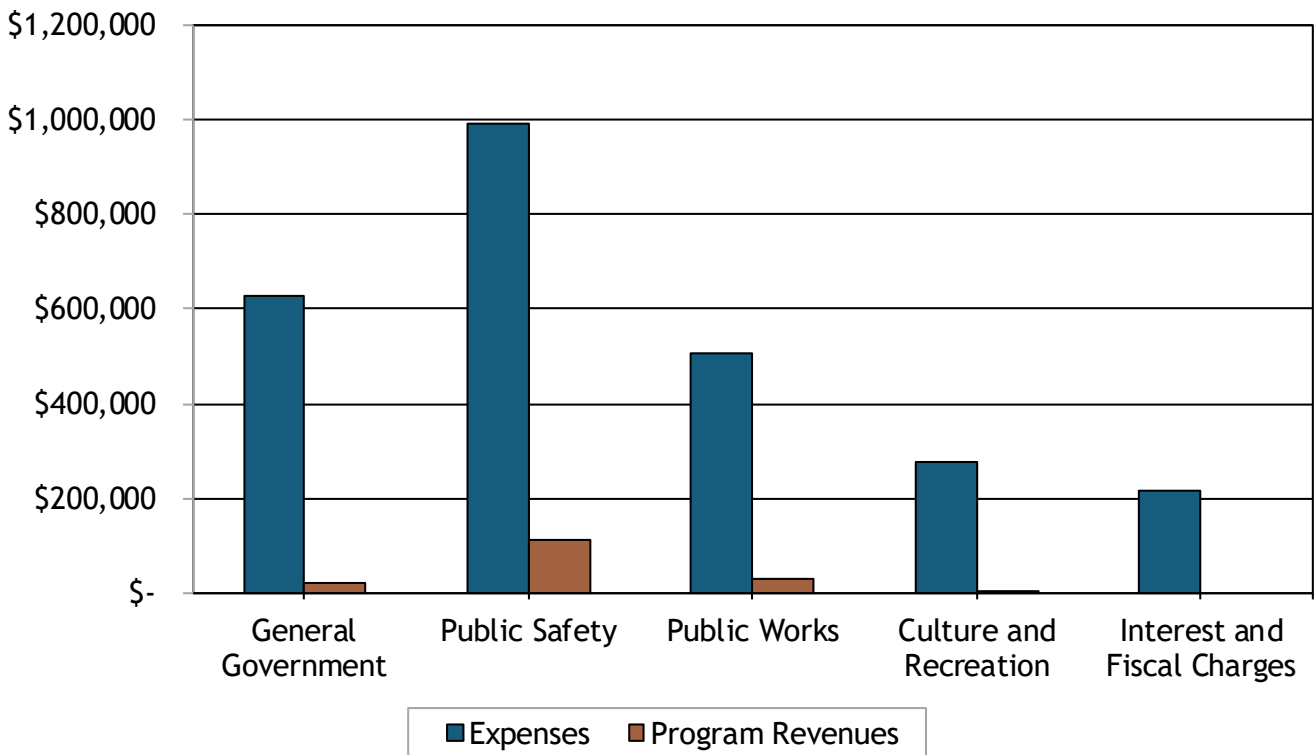
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities (Continued)**

Revenues increased due to a significant number of special assessments being certified in 2025. Expenses decreased in the governmental activities, due to a reallocation of pension expense causing the governmental activities portion of the net pension liability to decrease.

The following graph depicts various governmental activities and shows the program revenues and expenses directly related to those activities.

**Expenses and Program Revenues - Governmental Activities**

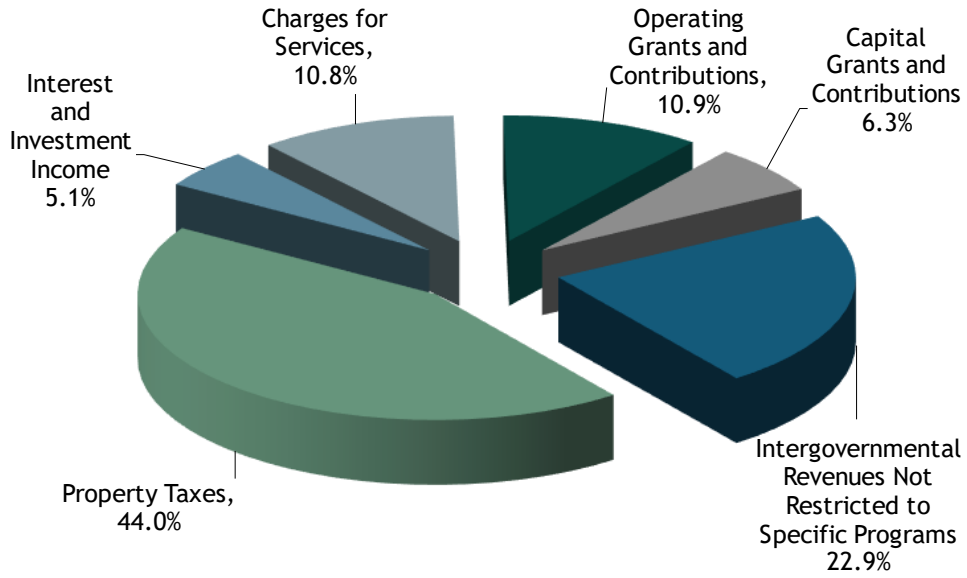


**City of Kenyon  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities (Continued)**

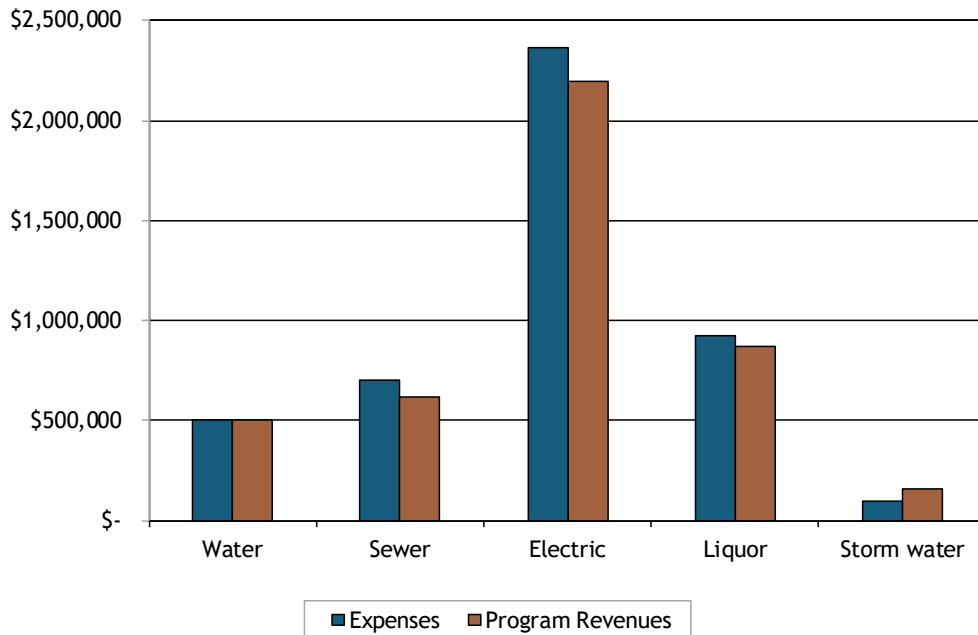
**Revenues by Source - Governmental Activities**



**Business-type Activities.** Business-type activities increased the City's net position by \$75,002.

- Increases in the Storm Water Utility fund of \$86,013 accounts for most of the increase. The other enterprise funds has stable years with minimal changes to fund net position.

**Expenses and Program Revenues - Business-Type Activities**

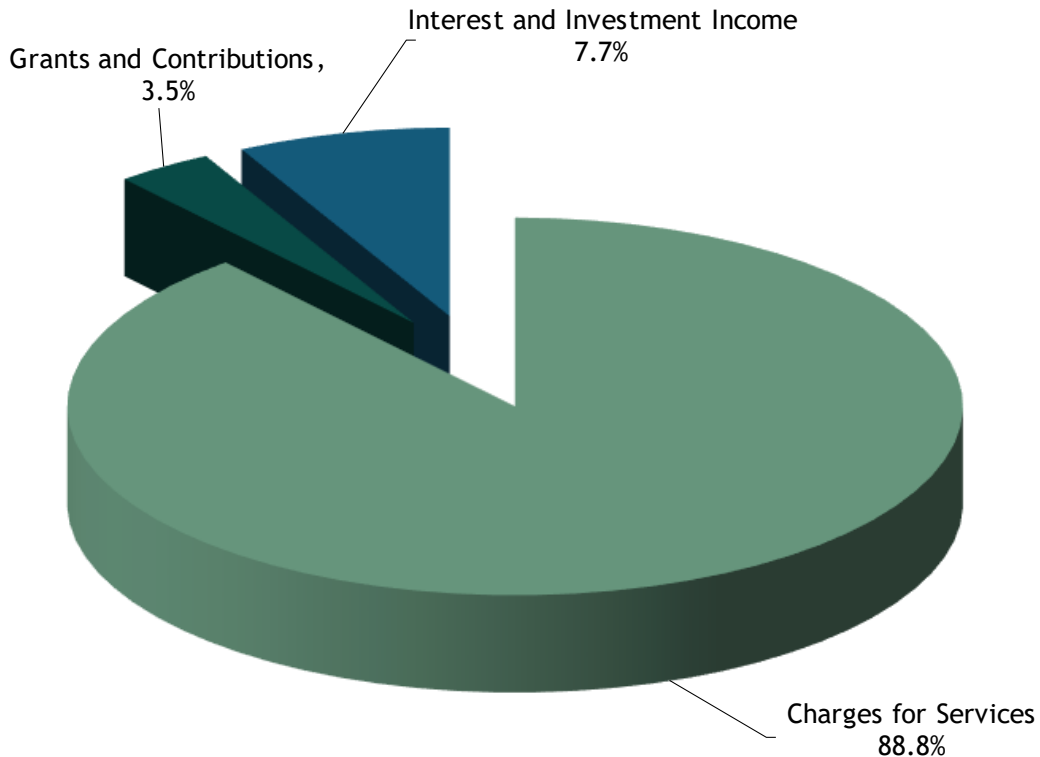


City of Kenyon  
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-type Activities (Continued).

Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The *General Fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$383,204. The City's General Fund balance increased \$2,153 during the current fiscal year. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Total unassigned fund balance represents 16.8% of total 2025 expenditures.

The Fire Fund fund balance decreased by \$218,382 to an ending balance of \$124,418 due to large capital purchases. The primary revenue streams for this fund are property taxes and charges for services.

**City of Kenyon  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)**

The Debt Service Fund fund balance increased by \$84,761 to an ending balance of \$308,308 due to large special assessment prepaid amounts received. The primary expenditures for this fund are principal and interest costs for debt.

The Capital project Fund fund balance increased by \$1,155,212 to an ending balance of \$1,146,134 due to a current year bond issuance that was not fully spent at year end. The primary expenditures for this fund are capital project related.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's General Fund budget was not amended during the year. The expenditures and other financing uses was anticipated to exceed budgeted revenues and other financing sources by \$77,769. Fund balance increased \$2,153 from the prior year.

Overall revenues were over budget by \$59,703. The most significant positive revenue variances were from miscellaneous revenue, which was \$74,728 over budget due to conservative budgeting.

Overall expenditures were under budget by \$21,402. Over budget amounts in general government were offset by under budget amounts in public works due to reallocating the finance director salary from where it was originally budgeted. In total expenditures were within 1.2% of budgeted amounts.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of December 31, 2025, amounts to \$19,190,653 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, vehicles, land improvements, and infrastructure.

Additional information on the City's capital assets can be found in Note 5 starts on page 54 of this report.

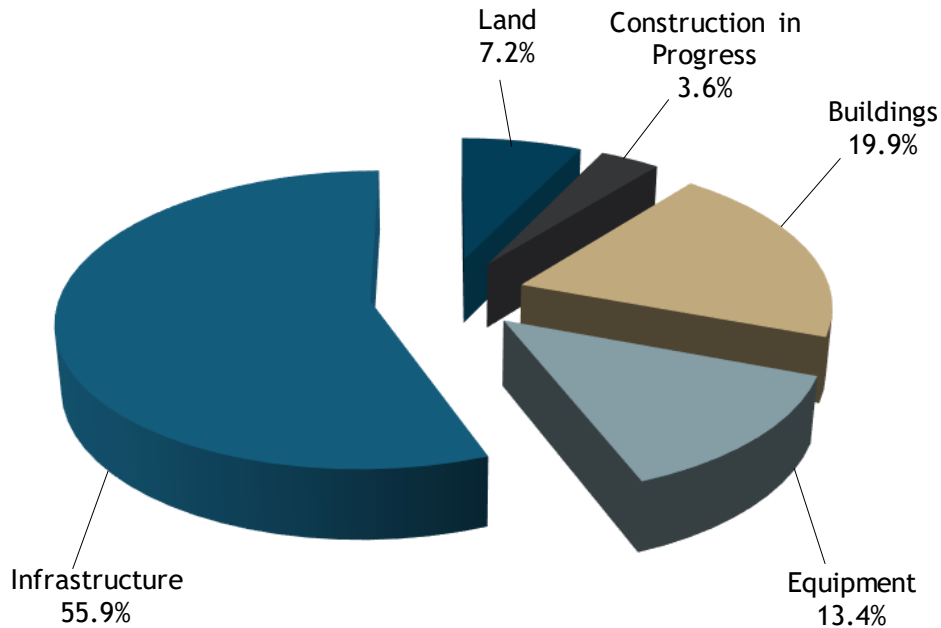
**City of Kenyon' Capital Assets  
(Net of Depreciation)**

	Governmental Activities			Business-Type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Land	\$ 1,317,957	\$ 1,317,957	\$ -	\$ 57,185	\$ 57,185	\$ -
Construction in Progress	287,084	10,000	277,084	412,046	-	412,046
Buildings and Improvements	2,642,599	2,742,997	(100,398)	1,177,161	1,270,854	(93,693)
Furniture and Equipment	1,348,440	1,162,182	186,258	1,215,120	1,139,136	75,984
Infrastructure	4,233,714	4,408,671	(174,957)	6,499,348	6,749,944	(250,596)
<b>Total</b>	<b>\$ 9,829,794</b>	<b>\$ 9,641,807</b>	<b>\$ 187,987</b>	<b>\$ 9,360,860</b>	<b>\$ 9,217,119</b>	<b>\$ 143,741</b>

**City of Kenyon  
Management's Discussion and Analysis**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Capital Assets (Continued).**



**Long-term Debt.** At the end of the current fiscal year, the City had total Long-term liabilities outstanding of \$13,831,350. While all of the City's bonds have revenue streams, they are also backed by the full faith and credit of the City.

**City of Kenyon' Long-Term Liabilities**

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
General Obligation						
Improvement Bonds	\$ 6,112,046	\$ 4,954,398	\$ 1,157,648	\$ 5,987,678	\$ 4,321,085	\$ 1,666,593
General Obligation						
Revenue Bonds	-	-	-	788,000	882,000	(94,000)
Notes	401,118	408,708	(7,590)	-	-	-
Bond premium	134,814	117,186	17,628	190,482	166,680	23,802
Finance purchases	47,327	81,847	(34,520)	-	-	-
Compensated absences	75,455	67,673	7,782	94,430	49,052	45,378
<b>Total</b>	<b>\$ 6,770,760</b>	<b>\$ 5,629,812</b>	<b>\$ 1,140,948</b>	<b>\$ 7,060,590</b>	<b>\$ 5,418,817</b>	<b>\$ 1,641,773</b>

The City's total debt increased during the current fiscal year.

Additional information on the City's long-term debt can be found in Note 6 starting on page 56 of this report.

**City of Kenyon  
Management's Discussion and Analysis**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Property valuations within the City reflect national trends.
- Inflationary trends in the region compare similarly to national indices.
- Continue long-term infrastructure replacement and renewal.
- Maintain current level of basic governmental services.
- The City is committed to producing a long-term financial planning and management practices.
- The City will continue its commitment to ensure that it is capable of adequately funding and providing the local government services needed by the community.
- The city is committed to providing proactive management and asset planning to ensure the City of Kenyon remains a viable and attractive community in which growth is encouraged.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Kenyon, 709 2<sup>nd</sup> Street, Kenyon, Minnesota 55946.

## **BASIC FINANCIAL STATEMENTS**

**City of Kenyon**  
**Statement of Net Position**  
**December 31, 2025**

	Governmental Activities	Business-Type Activities	Total	Component Unit Economic Development Authority
<b>Assets</b>				
Cash and investments (including cash equivalents)	\$ 2,382,357	\$ 10,548,639	\$ 12,930,996	\$ -
Receivables				
Accounts	5,300	285,439	290,739	-
Interest	20,559	71,265	91,824	-
Taxes receivable	56,094	-	56,094	-
Deferred special assessments	447,058	216,422	663,480	-
Due from other governments	1,610	28,279	29,889	-
Prepaid items	49,358	58,228	107,586	55
Inventory	-	276,008	276,008	-
Internal amounts	(207,687)	207,687	-	-
Land held for resale	-	-	-	236,869
Capital assets not being depreciated/amortized	1,605,041	469,231	2,074,272	-
Capital assets being depreciated/amortized	8,224,754	8,891,629	17,116,383	-
Total assets	<u>12,584,444</u>	<u>21,052,827</u>	<u>33,637,271</u>	<u>236,924</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources related to pensions	387,330	71,255	458,585	-
Total assets and deferred outflows of resources	<u>\$ 12,971,774</u>	<u>\$ 21,124,082</u>	<u>\$ 34,095,856</u>	<u>\$ 236,924</u>
<b>Liabilities</b>				
Accounts payable	\$ 83,644	\$ 132,155	\$ 215,799	\$ 2,120
Contracts payable	54,123	21,249	75,372	-
Due to other governments	4,942	17,133	22,075	28,065
Salaries and benefits payable	14,670	8,954	23,624	-
Deposits payable	-	41,529	41,529	-
Interest payable	59,959	69,632	129,591	-
Compensated absences				
Due within one year	7,782	9,591	17,373	-
Due in more than one year	67,673	84,839	152,512	-
Bonds, notes, and leases payable				
Due within one year	252,762	319,161	571,923	-
Due in more than one year	6,442,543	6,646,999	13,089,542	-
Net pension liability	376,487	277,058	653,545	-
Total liabilities	<u>7,364,585</u>	<u>7,628,300</u>	<u>14,992,885</u>	<u>30,185</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources related to pensions	493,846	187,904	681,750	-
<b>Net Position</b>				
Net investment in capital assets	3,963,864	3,852,999	7,816,863	-
Restricted for debt service	758,462	-	758,462	-
Restricted for economic development	-	-	-	206,739
Unrestricted	391,017	9,454,879	9,845,896	-
Total net position	<u>5,113,343</u>	<u>13,307,878</u>	<u>18,421,221</u>	<u>206,739</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,971,774</u>	<u>\$ 21,124,082</u>	<u>\$ 34,095,856</u>	<u>\$ 236,924</u>

See notes to basic financial statements.

**City of Kenyon**  
**Statement of Activities**  
**Year Ended December 31, 2025**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenues and Changes in Net Position			Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	Economic Development Authority
<b>Governmental activities</b>								
General government	\$ 626,222	\$ 142,405	\$ 27,782	\$ -	\$ (456,035)	\$ -	\$ (456,035)	\$ -
Public safety	992,468	94,400	203,814	-	(694,254)	-	(694,254)	-
Public works	507,877	50,612	9,326	187,901	(260,038)	-	(260,038)	-
Cultural and recreation	275,049	35,110	85,698	-	(154,241)	-	(154,241)	-
Interest and fiscal charges	217,338	-	-	-	(217,338)	-	(217,338)	-
Total governmental activities	<u>2,618,954</u>	<u>322,527</u>	<u>326,620</u>	<u>187,901</u>	<u>(1,781,906)</u>	<u>-</u>	<u>(1,781,906)</u>	<u>-</u>
<b>Business-type activities</b>								
Water	502,331	415,201	17,861	69,298	-	29	29	-
Sewer	698,215	575,778	17,930	45,163	-	(59,344)	(59,344)	-
Electric	2,363,708	2,176,068	21,511	-	-	(166,129)	(166,129)	-
Storm water	98,352	154,030	-	-	-	55,678	55,678	-
Liquor	925,884	867,570	-	-	-	(58,314)	(58,314)	-
Total business-type activities	<u>4,588,490</u>	<u>4,188,647</u>	<u>57,302</u>	<u>114,461</u>	<u>-</u>	<u>(228,080)</u>	<u>(228,080)</u>	<u>-</u>
Total governmental and business-type activities	<u>\$ 7,207,444</u>	<u>\$ 4,511,174</u>	<u>\$ 383,922</u>	<u>\$ 302,362</u>	<u>(1,781,906)</u>	<u>(228,080)</u>	<u>(2,009,986)</u>	
Component units								
Economic Development Authority	<u>\$ 86,956</u>	<u>\$ -</u>	<u>\$ 450</u>	<u>\$ -</u>				<u>(86,506)</u>
<b>General revenues</b>								
Property taxes					1,040,557	-	1,040,557	89,447
Property taxes levied for debt service					275,525	-	275,525	-
Intergovernmental revenues not restricted to specific programs					684,944	-	684,944	-
Unrestricted investment earnings					152,566	369,444	522,010	-
Transfers					66,362	(66,362)	-	-
Total general revenues					<u>2,219,954</u>	<u>303,082</u>	<u>2,523,036</u>	<u>89,447</u>
Change in net position					438,048	75,002	513,050	2,941
Net position - beginning					4,675,295	13,232,876	17,908,171	203,798
Net position - ending					<u>\$ 5,113,343</u>	<u>\$ 13,307,878</u>	<u>\$ 18,421,221</u>	<u>\$ 206,739</u>

See notes to basic financial statements.

**City of Kenyon**  
**Balance Sheet - Governmental Funds**  
**December 31, 2025**

	General Fund (101)	Fire (203)	Debt Service	Capital Projects
<b>Assets</b>				
Cash and investments	\$ 494,556	\$ 63,731	\$ 195,650	\$ 1,580,925
Receivables				
Accounts	5,140	-	-	-
Interest	20,559	-	-	-
Due from other funds	-	100,000	175,000	-
Taxes	56,094	-	-	-
Special assessments	3,100	-	443,958	-
Due from other governments	897	-	713	-
Prepaid items	40,039	7,397	-	-
	<u>\$ 620,385</u>	<u>\$ 171,128</u>	<u>\$ 815,321</u>	<u>\$ 1,580,925</u>
<b>Liabilities</b>				
Accounts payable	\$ 32,986	\$ 46,710	\$ -	\$ -
Contracts payable	-	-	-	54,123
Due to other governments	4,942	-	-	-
Salaries and benefits payable	13,117	-	-	-
Due to other funds	148,964	-	63,055	380,668
Total liabilities	<u>200,009</u>	<u>46,710</u>	<u>63,055</u>	<u>434,791</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	34,072	-	-	-
Unavailable revenue - special assessments	3,100	-	443,958	-
Total deferred inflows of resources	<u>37,172</u>	<u>-</u>	<u>443,958</u>	<u>-</u>
<b>Fund Balances</b>				
Nonspendable				
Prepaid items	40,039	7,397	-	-
Restricted				
Debt Service	-	-	371,363	-
Capital projects	-	-	-	829,374
Committed				
Capital projects	-	-	-	734,269
Library operations	-	-	-	-
Public safety	-	117,021	-	-
Assigned				
Road maintenance	45,000	-	-	-
Unassigned	298,165	-	(63,055)	(417,509)
Total fund balances	<u>383,204</u>	<u>124,418</u>	<u>308,308</u>	<u>1,146,134</u>
	<u>\$ 620,385</u>	<u>\$ 171,128</u>	<u>\$ 815,321</u>	<u>\$ 1,580,925</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 620,385</u>	<u>\$ 171,128</u>	<u>\$ 815,321</u>	<u>\$ 1,580,925</u>

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 47,495	\$ 2,382,357
160	5,300
-	20,559
110,000	385,000
-	56,094
-	447,058
-	1,610
1,922	49,358
<u>\$ 159,577</u>	<u>\$ 3,347,336</u>
\$ 3,948	\$ 83,644
-	54,123
-	4,942
1,553	14,670
-	592,687
<u>5,501</u>	<u>750,066</u>
-	34,072
-	447,058
<u>-</u>	<u>481,130</u>
1,922	49,358
-	371,363
-	829,374
-	734,269
83,585	83,585
68,569	185,590
-	45,000
-	(182,399)
<u>154,076</u>	<u>2,116,140</u>
<u>\$ 159,577</u>	<u>\$ 3,347,336</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

**City of Kenyon**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2025**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds	\$ 2,116,140
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:	
Capital assets	15,074,343
Less accumulated depreciation	(5,244,548)
Long-term liabilities at year-end consist of:	
Principal payable on bonds and note from direct borrowing	(6,560,491)
Unamortized bond premiums and discounts	(134,814)
Compensated absences payable	(75,455)
Net pension liability	(376,487)
Deferred outflows of resources and deferred Inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds:	
Deferred inflows of resources related to pensions	(493,846)
Deferred outflows of resources related to pensions	387,330
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:	
Property taxes	34,072
Special assessments	447,058
Governmental funds do not report a liability for accrued interest until due and payable.	(59,959)
Total net position - governmental activities	\$ 5,113,343

**City of Kenyon**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2025**

	General Fund (101)	Fire (203)	Debt Service	Capital Projects
<b>Revenues</b>				
Taxes	\$ 779,820	\$ 97,613	\$ 275,525	\$ -
Miscellaneous taxes	9,246	-	-	-
Special assessments	100	-	94,122	-
Licenses and permits	15,241	-	-	-
Intergovernmental	751,974	97,591	-	-
Charges for services	86,661	93,785	-	-
Fines and forfeitures	15,911	-	-	-
Miscellaneous				
Investment income	26,299	5,889	77,995	35,503
Other	135,829	39,609	-	-
Total revenues	<u>1,821,081</u>	<u>334,487</u>	<u>447,642</u>	<u>35,503</u>
<b>Expenditures</b>				
Current				
General government	692,260	-	-	-
Public safety	597,829	176,956	-	-
Public works	294,155	-	-	763
Culture and recreation	149,889	-	-	-
Debt service				
Principal	-	-	209,463	-
Interest	-	-	179,918	21,500
Capital outlay				
General government	-	-	-	62,652
Public safety	7,706	288,643	-	-
Public works	32,656	-	-	318,376
Culture and recreation	3,250	-	-	-
Total expenditures	<u>1,777,745</u>	<u>465,599</u>	<u>389,381</u>	<u>403,291</u>
Excess of revenues over (under) expenditures	43,336	(131,112)	58,261	(367,788)
<b>Other Financing Sources (Uses)</b>				
Issuance of long-term debt	-	-	-	1,325,000
Premium on long-term debt	-	-	26,500	-
Proceeds from sale of capital asset	455	2,730	-	-
Transfers in	66,362	-	-	198,000
Transfers out	(108,000)	(90,000)	-	-
Total other financing sources (uses)	<u>(41,183)</u>	<u>(87,270)</u>	<u>26,500</u>	<u>1,523,000</u>
Net change in fund balances	2,153	(218,382)	84,761	1,155,212
<b>Fund Balances</b>				
Beginning of year	<u>381,051</u>	<u>342,800</u>	<u>223,547</u>	<u>(9,078)</u>
End of year	<u>\$ 383,204</u>	<u>\$ 124,418</u>	<u>\$ 308,308</u>	<u>\$ 1,146,134</u>

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 140,137	\$ 1,293,095
-	9,246
-	94,222
-	15,241
51,685	901,250
1,068	181,514
385	16,296
6,880	152,566
37,278	212,716
<u>237,433</u>	<u>2,876,146</u>
-	692,260
-	774,785
-	294,918
226,413	376,302
-	209,463
-	201,418
-	-
-	62,652
-	296,349
-	351,032
-	3,250
<u>226,413</u>	<u>3,262,429</u>
11,020	(386,283)
-	1,325,000
-	26,500
-	3,185
-	264,362
-	(198,000)
<u>-</u>	<u>1,421,047</u>
11,020	1,034,764
143,056	1,081,376
<u>\$ 154,076</u>	<u>\$ 2,116,140</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

**City of Kenyon**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to**  
**the Statement of Activities - Governmental Funds**  
**Year Ended December 31, 2025**

Net change in fund balances - total governmental funds:	\$ 1,034,764
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:	
Capital outlay	682,202
Depreciation/amortization expense	(494,214)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
	(7,782)
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective:	
Pension expense	269,726
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net position in the Statement of Activities.	
	209,463
Interest on long-term debt in the Statement of Activities differs from the amount report in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	(24,792)
Issuance of long-term debt is recognized as an other financing source in the governmental funds but as a decrease in net position in the Statement of Activities:	
Bonds payable	(1,325,000)
The governmental funds report the effect of bond premiums, discounts, and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:	
Premium on new bond issuances	(26,500)
Amortization of bond premiums and discounts	8,872
Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred special assessments	93,679
Delinquent property taxes	17,630
Change in net position of governmental activities	\$ 438,048

**City of Kenyon**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
<b>Revenues</b>				
Property taxes	\$ 809,278		\$ 779,820	\$ (29,458)
Miscellaneous taxes	14,000		9,246	(4,754)
Special assessments	680		100	(580)
Licenses and permits	8,900		15,241	6,341
Intergovernmental	741,370		751,974	10,604
Charges for services	87,750		86,661	(1,089)
Fines and forfeitures	12,000		15,911	3,911
Miscellaneous				
Investment income	10,000		26,299	16,299
Other	77,400		135,829	58,429
Total Miscellaneous	87,400		162,128	74,728
Total revenues	1,761,378		1,821,081	59,703
<b>Expenditures</b>				
<b>Current</b>				
General government	571,860		692,260	120,400
Public safety	555,837		597,829	41,992
Public works	367,450		294,155	(73,295)
Cultural and recreation	231,000		149,889	(81,111)
<b>Capital outlay</b>				
Public safety	9,000		7,706	(1,294)
Public works	57,000		32,656	(24,344)
Culture and recreation	7,000		3,250	(3,750)
Total expenditures	1,799,147		1,777,745	(21,402)
Excess of revenues over (under) expenditures	(37,769)		43,336	81,105
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital asset	-		455	455
Transfers in	68,000		66,362	(1,638)
Transfers out	(108,000)		(108,000)	-
Total other financing sources (uses)	(40,000)		(41,183)	(1,183)
Net change in fund balance	\$ (77,769)		2,153	\$ 79,922
<b>Fund Balance</b>				
Beginning of year			381,051	
End of year			\$ 383,204	

See notes to basic financial statements.

**City of Kenyon**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Fire**  
**Year Ended December 31, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
<b>Revenues</b>				
Property taxes	\$ 97,613		\$ 97,613	\$ -
Special assessments	210		-	(210)
Intergovernmental	43,000		97,591	54,591
Charges for services	93,785		93,785	-
Miscellaneous				
Investment income	75		5,889	5,814
Other	-		39,609	39,609
Total Miscellaneous	75		45,498	45,423
Total revenues	234,683		334,487	99,804
<b>Expenditures</b>				
<b>Current</b>				
Public safety	142,898		176,956	34,058
<b>Capital outlay</b>				
Public safety	1,500		288,643	287,143
Total expenditures	144,398		465,599	321,201
Excess of revenues over (under) expenditures	90,285		(131,112)	(221,397)
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital asset	-		2,730	2,730
Transfers out	(90,000)		(90,000)	-
Total other financing sources (uses)	(90,000)		(87,270)	2,730
Net change in fund balance	\$ 285		(218,382)	\$ (218,667)
<b>Fund Balance</b>				
Beginning of year			342,800	
End of year			\$ 124,418	

City of Kenyon  
Statement of Net Position - Proprietary Funds  
December 31, 2025

	Water (601)	Sewer (602)	Electric (603)	Liquor (609)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 1,758,481	\$ 1,956,808	\$ 5,968,646	\$ 44,991
Accounts receivable	37,854	79,626	167,959	-
Special assessment receivable	110,796	105,626	-	-
Interest receivable	7,419	-	63,846	-
Due from other funds	-	256,000	29,181	50,000
Advances from other funds	-	-	25,000	-
Due from other governments	-	214	28,065	-
Inventory	32,378	-	163,091	80,539
Prepaid items	2,795	5,894	46,164	3,100
Total current assets	<u>1,949,723</u>	<u>2,404,168</u>	<u>6,491,952</u>	<u>178,630</u>
<b>Noncurrent assets</b>				
Advances from other funds	-	-	100,000	-
<b>Capital assets</b>				
Land	-	-	14,372	42,813
Buildings and improvements	217,352	6,240,994	298,954	383,119
Machinery and equipment	99,911	705,379	3,181,627	195,643
Infrastructure	3,994,911	3,622,814	2,224,721	-
Construction In Progress	226,366	121,373	-	18,728
Total capital assets	<u>4,538,540</u>	<u>10,690,560</u>	<u>5,719,674</u>	<u>640,303</u>
Less accumulated depreciation	<u>(2,003,080)</u>	<u>(6,225,545)</u>	<u>(4,509,295)</u>	<u>(361,483)</u>
Net capital assets	<u>2,535,460</u>	<u>4,465,015</u>	<u>1,210,379</u>	<u>278,820</u>
Total noncurrent assets	<u>2,535,460</u>	<u>4,465,015</u>	<u>1,310,379</u>	<u>278,820</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources related to pension activity	<u>4,943</u>	<u>13,141</u>	<u>39,252</u>	<u>12,624</u>
Total assets and deferred outflows of resources	<u>\$ 4,490,126</u>	<u>\$ 6,882,324</u>	<u>\$ 7,841,583</u>	<u>\$ 470,074</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 1,928	\$ 119	\$ 103,136	\$ 26,972
Contracts payable	-	21,249	-	-
Due to other governments	-	-	9,827	7,306
Salaries and benefits payable	2,295	1,341	2,973	2,051
Interest payable	29,727	32,388	-	-
Due to other funds	-	-	122,785	-
Advances to other funds	25,000	-	-	-
Deposits payable	9,555	-	31,974	-
Current portion of compensated absences	549	-	8,650	392
Current portion of long-term debt	67,716	228,470	-	-
Total current liabilities	<u>136,770</u>	<u>283,567</u>	<u>279,345</u>	<u>36,721</u>
<b>Noncurrent liabilities</b>				
Noncurrent portion of compensated absences	21,115	12,399	30,605	18,740
Advances to other funds	100,000	-	-	-
Noncurrent portion of long-term debt	2,307,098	3,712,069	-	-
Net pension liability	19,221	51,096	152,622	49,084
Total noncurrent liabilities	<u>2,447,434</u>	<u>3,775,564</u>	<u>183,227</u>	<u>67,824</u>
Total liabilities	<u>2,584,204</u>	<u>4,059,131</u>	<u>462,572</u>	<u>104,545</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources related to pension activity	<u>13,036</u>	<u>34,654</u>	<u>103,510</u>	<u>33,289</u>
<b>Net Position</b>				
Net investment in capital assets	999,940	974,487	1,210,379	278,820
Unrestricted	892,946	1,814,052	6,065,122	53,420
Total net position	<u>1,892,886</u>	<u>2,788,539</u>	<u>7,275,501</u>	<u>332,240</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,490,126</u>	<u>\$ 6,882,324</u>	<u>\$ 7,841,583</u>	<u>\$ 470,074</u>

<u>Nonmajor</u>		Total
Storm Water (605)		Proprietary Funds
\$ 819,713	\$	10,548,639
-		285,439
-		216,422
-		71,265
-		335,181
-		25,000
-		28,279
-		276,008
275		58,228
<u>819,988</u>		<u>11,844,461</u>
-		100,000
-		57,185
-		7,140,419
210,191		4,392,751
1,227,703		11,070,149
45,579		412,046
<u>1,483,473</u>		<u>23,072,550</u>
<u>(612,287)</u>		<u>(13,711,690)</u>
<u>871,186</u>		<u>9,360,860</u>
871,186		9,460,860
1,295		71,255
<u>\$ 1,692,469</u>	<u>\$</u>	<u>21,376,576</u>
\$ -	\$	132,155
-		21,249
-		17,133
294		8,954
7,517		69,632
4,709		127,494
-		25,000
-		41,529
-		9,591
22,975		319,161
<u>35,495</u>		<u>771,898</u>
1,980		84,839
-		100,000
627,832		6,646,999
5,035		277,058
<u>634,847</u>		<u>7,108,896</u>
<u>670,342</u>		<u>7,880,794</u>
3,415		187,904
389,373		3,852,999
629,339		9,454,879
<u>1,018,712</u>		<u>13,307,878</u>
<u>\$ 1,692,469</u>	<u>\$</u>	<u>21,376,576</u>

**City of Kenyon**  
**Statement of Revenues, Expenses, and Changes**  
**in Net Position - Proprietary Funds**  
**Year Ended December 31, 2025**

	Water (601)	Sewer (602)	Electric (603)	Liquor (609)
<b>Operating Revenues</b>				
Sales	\$ -	\$ -	\$ -	\$ 817,287
Cost of sales	-	-	-	552,275
Gross profit	-	-	-	265,012
Charges for services	415,201	575,778	2,176,068	-
Miscellaneous operating revenues	17,861	17,930	21,511	-
Total operating revenues	433,062	593,708	2,197,579	265,012
<b>Operating Expenses</b>				
Purchases and generation	-	-	973,414	-
Salaries and benefits	215,255	232,884	569,644	244,537
Materials and supplies	49,427	30,401	283,915	10,351
Other services and charges	-	4,902	164,820	-
Repairs and maintenance	-	27,348	65,507	4,273
Professional services	31,293	4,761	69,170	69,819
Insurance	8,454	11,792	93,638	6,551
Utilities	17,057	72,615	26,858	19,492
Depreciation	113,350	202,671	112,173	18,586
Total operating expenses	434,836	587,374	2,359,139	373,609
Operating income (loss)	(1,774)	6,334	(161,560)	(108,597)
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	43,937	10,141	281,576	3,455
Special assessments	69,298	45,163	-	-
Gain (loss) on sale of asset	-	-	(4,569)	-
Miscellaneous revenue	-	-	-	50,283
Interest expense	(67,495)	(110,841)	-	-
Total nonoperating revenues (expenses)	45,740	(55,537)	277,007	53,738
Income (loss) before transfers	43,966	(49,203)	115,447	(54,859)
Transfers out	-	-	(66,362)	-
Change in net position	43,966	(49,203)	49,085	(54,859)
<b>Net Position</b>				
Beginning of year	1,848,920	2,837,742	7,226,416	387,099
End of year	\$ 1,892,886	\$ 2,788,539	\$ 7,275,501	\$ 332,240

See notes to basic financial statements.

<u>Nonmajor</u>	
<u>Storm Water (605)</u>	<u>Total Proprietary Funds</u>
\$ -	\$ 817,287
-	552,275
-	<u>265,012</u>
154,030	3,321,077
-	57,302
<u>154,030</u>	<u>3,643,391</u>
-	973,414
22,289	1,284,609
781	374,875
-	169,722
1,222	98,350
-	175,043
310	120,745
-	136,022
57,677	504,457
<u>82,279</u>	<u>3,837,237</u>
71,751	(193,846)
30,335	369,444
-	114,461
-	(4,569)
-	50,283
<u>(16,073)</u>	<u>(194,409)</u>
<u>14,262</u>	<u>335,210</u>
86,013	141,364
-	(66,362)
<u>86,013</u>	<u>75,002</u>
<u>932,699</u>	<u>13,232,876</u>
<u>\$ 1,018,712</u>	<u>\$ 13,307,878</u>

**City of Kenyon**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2025**

	Water (601)	Sewer (602)	Electric (603)	Liquor (609)
<b>Cash Flows - Operating Activities</b>				
Receipts from customers and users	\$ 446,140	\$ 513,868	\$ 2,262,463	\$ 822,883
Payments to suppliers	(111,130)	(174,078)	(1,783,781)	(643,607)
Payments to employees	(216,891)	(183,281)	(442,645)	(199,557)
Miscellaneous revenue	-	-	-	50,282
Net cash flows - operating activities	<u>118,119</u>	<u>156,509</u>	<u>36,037</u>	<u>30,001</u>
<b>Cash Flows - Noncapital Financing Activities</b>				
Transfer to other funds	-	-	(66,362)	-
Payment of due from/to other funds	(220,994)	(352,757)	499,681	(50,000)
Net cash flows - noncapital financing activities	<u>(220,994)</u>	<u>(352,757)</u>	<u>433,319</u>	<u>(50,000)</u>
<b>Cash Flows - Capital and Related Financing Activities</b>				
Principal paid on debt	(42,727)	(156,875)	-	-
Interest paid on debt	(49,207)	(101,995)	-	-
Bond proceeds	1,045,000	560,000	-	-
Special assessments	15,371	24,090	-	-
Proceeds from disposal of capital assets	-	-	5,347	-
Acquisition of capital assets	(228,974)	(136,571)	(107,544)	(118,199)
Net cash flows - capital and related financing activities	<u>739,463</u>	<u>188,649</u>	<u>(102,197)</u>	<u>(118,199)</u>
<b>Cash Flows - Investing Activities</b>				
Interest and dividends received	36,518	10,141	217,730	3,455
Net change in cash and cash equivalents	673,106	2,542	584,889	(134,743)
<b>Cash and Cash Equivalents</b>				
January 1	1,085,375	1,954,266	5,383,757	179,734
December 31	<u>\$ 1,758,481</u>	<u>\$ 1,956,808</u>	<u>\$ 5,968,646</u>	<u>\$ 44,991</u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Flows - Operating Activities</b>				
Operating income (loss)	\$ (1,774)	\$ 6,334	\$ (161,560)	\$ (108,597)
Adjustments to reconcile operating gain (loss) to net cash flows				
Operating activities				
Miscellaneous revenue	-	-	-	50,282
Depreciation expense	113,350	202,671	112,173	18,586
Pension related activity	(15,007)	48,052	114,259	40,511
Accounts receivable	13,078	(79,626)	70,927	5,596
Due from other governments	-	(214)	(6,043)	-
Prepaid items	7,318	2,257	5,680	2,090
Inventory	(3,961)	-	8,522	(1,079)
Accounts payable	(8,656)	(21,298)	(118,307)	24,133
Interfund payables	400	-	(112)	-
Due to other governmental units	-	(3,218)	(2,242)	(5,990)
Salaries payable	(2,867)	(1,784)	(4,813)	(3,356)
Compensated absences payable	16,238	3,335	17,553	7,825
Total adjustments	<u>119,893</u>	<u>150,175</u>	<u>197,597</u>	<u>138,598</u>
Net cash flows - operating activities	<u>\$ 118,119</u>	<u>\$ 156,509</u>	<u>\$ 36,037</u>	<u>\$ 30,001</u>

<u>Nonmajor</u>		<u>Total</u>	
<u>Storm Water</u>		<u>Proprietary</u>	
<u>(605)</u>		<u>Funds</u>	
\$	154,030	\$	4,199,384
	(3,124)		(2,715,720)
	(20,792)		(1,063,166)
	-		50,282
	<u>130,114</u>		<u>470,780</u>
	-		(66,362)
	<u>(15,583)</u>		<u>(139,653)</u>
	<u>(15,583)</u>		<u>(206,015)</u>
	(19,002)		(218,604)
	(12,511)		(163,713)
	210,000		1,815,000
	-		39,461
	-		5,347
	<u>(45,579)</u>		<u>(636,867)</u>
	<u>132,908</u>		<u>840,624</u>
	<u>30,335</u>		<u>298,179</u>
	277,774		1,403,568
	<u>541,939</u>		<u>9,145,071</u>
\$	<u>819,713</u>	\$	<u>10,548,639</u>
\$	71,751	\$	(193,846)
	-		50,282
	57,677		504,457
	1,505		189,320
	-		9,975
	-		(6,257)
	189		17,534
	-		3,482
	(103)		(124,231)
	-		288
	(897)		(12,347)
	(435)		(13,255)
	427		45,378
	<u>58,363</u>		<u>664,626</u>
\$	<u>130,114</u>	\$	<u>470,780</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Kenyon (the "City") is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

**1. Blended Component Unit**

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 chapter 412.321 of the Minnesota Statutes. The Commission has the 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.

**2. Discretely Presented Component Unit**

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 businesses. The EDA activities are presented discretely.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. The fiduciary funds are only reported in the statement of fiduciary net position and the statement of changes in fiduciary net position at the fund financial statement level. 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 for support.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

**C. Measurement Focus Basis, of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services, and interest on investments associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current 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 City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus Basis, of Accounting, and Financial Statement Presentation (Continued)**

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as deferred inflow of resources.

**Description of Funds:**

**Major Governmental Funds:**

General Fund - This fund is the City's primary operating fund. It accounts for all financial resources of the general City, except those required to be accounted for in another fund.

Fire Fund - This fund is used to account for the recourse accumulated and payments made for fire department activity.

Debt Service Fund - This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of general funds.

Capital Projects Fund - This fund is used to account for the accumulation of resources and construction of capital projects (roads, building, etc.).

**Proprietary Funds:**

Water Utility Fund - This fund is used to account for the activities related to the operation of the water distribution system.

Sewer Utility Fund - This fund is used to account for the activities related to the operation of the sanitary sewer collection and treatment system.

Electric Fund - This fund is used to account for the activities related to the operation of the electric utility system.

Liquor Fund - This fund is used to account for the activities related to the operation of the municipal liquor store.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures, or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City as well as charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 Water, Sewer, Refuse and Storm Water Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

**1. Deposits and Investments**

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*Minnesota Statutes* authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Certain investments for the City are reported at fair value as disclosed in Note 4. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

**2. Property Taxes**

The City Council annually adopts a tax levy and certifies it to Goodhue County (the "County") in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local school district, and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Goodhue County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

The City recognizes property tax revenue in the period for which the taxes were levied. The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and state credits received by the City in July, December, and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

**3. Special Assessments**

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with *Minnesota Statutes*. These assessments are collectible by the City over a term usually consistent with the terms of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**3. Special Assessments (Continued)**

If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are remitted to the City in payment of delinquent special assessments. Pursuant to *Minnesota Statutes*, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land in which event the property is subject to such sale after five years.

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council.

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. All remaining delinquent and deferred assessments receivable in governmental funds are offset by deferred inflows of resources. In the proprietary funds all special assessment receivables are shown as revenue in the year they are recorded.

**4. Prepaid Items and Inventory**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

Inventories of the proprietary funds are stated at the lower of cost or market with cost determined on a first-in, first-out basis.

**5. Land Held for Resale**

Land is acquired by the City for subsequent resale for development purposes. Land held for resale is reported as an asset at the lower of cost or net realizable value in the fund that acquired it.

**6. Capital Assets**

Capital assets, which include land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements, works of art and historical treasures acquired by the City for use in providing services to its citizens, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost greater than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

**6. Capital Assets (Continued)**

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	5 - 30
Building and improvements	7 - 40
Infrastructure	25 - 50
Machinery and equipment	5 - 40
Vehicles	3 - 50
Roads and highways	20 - 50

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

**8. Pensions**

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 the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**9. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The liability for compensated absences reported in the Statement of Net Position consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

**10. Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as an expense in the year the bond is issued. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**11. Fund Balance**

**a. Classification**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balances** - These are amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted Fund Balances** - These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**11. Fund Balance (Continued)**

**a. Classification (Continued)**

- **Committed Fund Balances** - These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by formal action of the City Council and that remain binding unless removed by the City Council by subsequent formal action.
- **Assigned Fund Balances** - These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, or committed. The City Council has delegated authority to assign and remove fund balance assignments to the Finance Director.
- **Unassigned Fund Balance** - These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

**b. Minimum Fund Balance**

The City's target General Fund balance is to maintain an unassigned fund balance of an amount not less than 40% of budgeted expenditures of the General Fund.

**12. Net Position**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted expenditure appropriations lapse at year-end.

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

1. The City's Administrator submits to the City Council a proposed operating budget, which includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The final budget is legally adopted through the passage of a resolution.
4. The City Council may authorize the transfer of budgeted amounts between funds.
5. Formal budgetary integration is employed as a management control device during the year for the General and special revenue funds. Budgetary control is maintained at the object of expenditure category level within each activity and in compliance with City Charter requirements. Also, inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Administrator, or between departments by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that : (1) adequate funds are appropriated; (2) the expenditure is still necessary; (3) funds are available.
6. Budgeted amounts are as originally adopted, or as amended by the Council. There were no budget amendments made during the year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Appropriations**

The following Funds had expenditures exceeded appropriations in the following funds at December 31, 2025:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
Fire	\$ 144,398	\$ 465,599	\$ 321,201
Library	191,512	194,771	3,259

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits**

Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2025, the City's bank balances of \$4,630,811 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The book balance as of December 31, 2025, was \$4,471,767 for deposits.

**B. Investments**

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Investment Maturities Less than 1 Year</u>
Pooled Investments			
4M	AAAm	\$ 8,123,359	\$ 8,123,359
4M Plus	AAAm	329,870	329,870
Total		<u>\$ 8,453,229</u>	<u>\$ 8,453,229</u>

Concentration of Credit Risk: Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The City limits investments in any one institution, other than the U.S. Government or its agencies, to not more than \$2,000,000 or 30 percent of the total portfolio. The City has no concentrations greater than their own requirements in any one issuer.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market value interest rates. In accordance with its investment policy, the City requires at least 5 percent of the City's investment portfolio to be available on a daily basis without loss of principal. Additionally, no more than 30 percent for the portfolio should have maturities exceeding 3 years.

Custodial Credit Risk - Investments: This is the risk in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.

Credit Risk: Generally, this is the risk that an issuer of an investment will not fully fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating service. The City's investment policy limits investments to those with a credit rating allowed by state statutes.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Deposits and Investments**

Summary of cash deposits and investments as of December 31, 2025, were as follows:

Deposits (Note 3.A.)	\$	4,471,767
Investments (Note 3.B.)		8,453,229
Petty Cash		<u>6,000</u>
 Total	 \$	 <u><u>12,930,996</u></u>

Deposits and investments are presented in the December 31, 2025, basic financial statements as follows:

Statement of Net Position		
Cash and investments	\$	<u><u>12,930,996</u></u>

**NOTE 4 - INTERFUND ACTIVITY**

**A. Interfund Assets/Liabilities**

At December 31, 2025, due from/to other funds for the City were as follows:

Fund Type and Fund	Due from Other Funds	Due to Other Funds
General	\$ -	\$ 148,964
Fire	100,000	-
Debt Service	175,000	63,055
Capital Projects	-	380,668
Water	-	-
Sewer	256,000	-
Electric	29,181	122,785
Other NonMajor - Governmental	110,000	-
Other NonMajor - Enterprise	<u>50,000</u>	<u>4,709</u>
 Total	 <u><u>\$ 720,181</u></u>	 <u><u>\$ 720,181</u></u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 4 - INTERFUND ACTIVITY (CONTINUED)**

**A. Interfund Assets/Liabilities (Continued)**

At December 31, 2025, advances from/to other funds for the City were as follows:

<u>Fund Type and Fund</u>	<u>Advance to Other Funds</u>	<u>Advance from Other Funds</u>
Electric	\$ 125,000	\$ -
Water	-	125,000
Total	<u>\$ 125,000</u>	<u>\$ 125,000</u>

The amounts advanced from the Electric Fund to the Water Fund is payable in annual installments of \$25,000 from 2021 through 2030 at an interest rate of 0%.

**B. Interfund Transfers**

Transfers during the year ended December 31, 2025, were as follows:

	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Transfers Out			
General Fund	\$ -	\$ 108,000	\$ 108,000
Fire Fund	-	90,000	90,000
Electric Fund	66,362	-	66,362
Total	<u>\$ 66,362</u>	<u>\$ 198,000</u>	<u>\$ 264,362</u>

During the year, transfers are used to 1) move revenues from the enterprise funds to the governmental funds to help reduce the tax levy and 2) move General fund resources to provide an annual transfer to other funds.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	\$ 1,317,957	\$ -	\$ -	\$ 1,317,957
Construction in progress	10,000	575,708	298,624	287,084
Total capital assets not being depreciated	<u>1,327,957</u>	<u>575,708</u>	<u>298,624</u>	<u>1,605,041</u>
Capital assets being depreciated/amortized				
Buildings	4,453,187	13,109	-	4,466,296
Equipment	2,381,446	382,441	75,000	2,688,887
Infrastructure	6,304,552	9,567	-	6,314,119
Total capital assets being depreciated	<u>13,139,185</u>	<u>405,117</u>	<u>75,000</u>	<u>13,469,302</u>
Less accumulated depreciation/amortization for:				
Buildings	1,710,190	113,507	-	1,823,697
Equipment	1,219,264	196,183	75,000	1,340,447
Infrastructure	1,895,881	184,524	-	2,080,405
Total accumulated depreciation	<u>4,825,335</u>	<u>494,214</u>	<u>75,000</u>	<u>5,244,549</u>
Total other capital assets, net	<u>8,313,850</u>	<u>(89,097)</u>	<u>-</u>	<u>8,224,753</u>
Governmental activities capital assets, net	<u>\$ 9,641,807</u>	<u>\$ 486,611</u>	<u>\$ 298,624</u>	<u>\$ 9,829,794</u>

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 57,185	\$ -	\$ -	\$ 57,185
Construction in progress	-	412,046	-	412,046
Total capital assets not being depreciated	<u>57,185</u>	<u>412,046</u>	<u>-</u>	<u>469,231</u>
Capital assets being depreciated				
Building and Improvements	7,140,419	-	-	7,140,419
Infrastructure	11,042,880	27,269	-	11,070,149
Furniture and equipment	1,288,558	218,794	60,725	1,446,627
Transportation equipment	364,206	-	-	364,206
Office Furniture	49,632	-	-	49,632
Generators	2,532,286	-	-	2,532,286
Total capital assets being depreciated	<u>22,417,981</u>	<u>246,063</u>	<u>60,725</u>	<u>22,603,319</u>
Less accumulated depreciation				
Building and Improvements	5,869,565	93,693	-	5,963,258
Infrastructure	4,292,936	277,865	-	4,570,801
Furniture and equipment	766,591	82,123	50,814	797,900
Transportation equipment	358,413	-	-	358,413
Office Furniture	49,632	5,513	-	55,145
Generators	1,920,910	45,263	-	1,966,173
Total accumulated depreciation	<u>13,258,047</u>	<u>504,457</u>	<u>50,814</u>	<u>13,711,690</u>
Total capital assets being depreciated, net	<u>9,159,934</u>	<u>(258,394)</u>	<u>9,911</u>	<u>8,891,629</u>
Business-type activities capital assets, net	<u>\$ 9,217,119</u>	<u>\$ 153,652</u>	<u>\$ 9,911</u>	<u>\$ 9,360,860</u>

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities	
General government	\$ 26,773
Public safety	158,396
Public works	292,309
Cultural and recreation	<u>16,736</u>
Total depreciation/amortization expense - governmental activities	<u><u>\$ 494,214</u></u>
Business-type activities	
Water	\$ 113,350
Sewer	202,671
Electric	112,173
Storm Water	57,677
Liquor	<u>18,586</u>
Total depreciation expense - business-type activities	<u><u>\$ 504,457</u></u>

**NOTE 6 - LONG-TERM DEBT**

**A. General Obligation Bonds**

The City issues General Obligation (G.O.) bonds to provide for financing tax increment projects and street improvements. Debt service is covered respectively by tax increments and special assessments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**B. Components of Long-Term Liabilities**

	Issue Date	Interest Rates	Original Issue	Final Maturity	12/31/25 Balance	Due Within One Year
Governmental activities						
General Obligation Improvement Bonds						
2016A G.O. Improvement Bonds	6/1/2016	1.15-3.00%	\$ 399,900	2/1/2026	\$ 248,325	\$ 19,350
2017 G.O. USDA Bond	8/28/2017	0.90%	2,120,000	8/28/2057	1,889,727	36,786
2020A G.O. Improvement Bonds	7/21/2020	3.00%-2.00%	2,439,251	2/1/2041	2,069,171	111,722
2023A G.O. Bonds	8/9/2023	4.00%-5.00%	585,000	2/1/2040	579,823	29,768
2025A G.O. Improvement Bonds	8/13/2025	4.00%-5.00%	1,325,000	2/1/2046	1,325,000	-
Notes Payable	8/28/2017	0.90%	450,000	8/28/2057	401,118	7,809
Finance purchase agreements					47,327	47,327
Bond premium					134,814	-
Compensated absences					75,455	7,782
Total governmental activities					<u>6,770,760</u>	<u>260,544</u>
Business-type activities						
General Obligation Revenue Bonds						
2013 Sewer (PFA) G.O. Revenue Bonds		1.00%	1,908,286	2/1/2033	788,000	95,000
2016A G.O. Improvement Bonds	6/1/2016	1.15-3.00%	660,300	2/1/2036	136,675	10,650
2020A G.O. Improvement Bonds	7/21/2020	3.00%-2.00%	2,800,749	2/1/2041	2,375,826	128,279
2023A G.O. Improvement Bonds	8/9/2023	4.00%-5.00%	1,675,000	2/1/2040	1,660,177	85,232
2025A G.O. Improvement Bonds	8/13/2025	4.00%-5.00%	1,815,000	2/1/2046	1,815,000	-
Bond premium					190,482	-
Compensated absences					94,430	9,591
Total business-type activities					<u>7,060,590</u>	<u>328,752</u>
Total long-term liabilities					<u>\$13,831,350</u>	<u>\$ 589,296</u>

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**C. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental activities</b>				
General Obligation Improvement Bonds				
2016A G.O. Improvement Bonds	\$ 267,675	\$ -	\$ (19,350)	\$ 248,325
2017 G.O. USDA Bond	1,925,485	-	(35,758)	1,889,727
2020A G.O. Improvement Bonds	2,176,238	-	(107,067)	2,069,171
2023A G.O. Bonds	585,000	-	(5,177)	579,823
2025A G.O. Improvement Bonds	-	1,325,000	-	1,325,000
Financed purchase agreements	81,847	-	(34,520)	47,327
Notes payable	408,709	-	(7,591)	401,118
Bond premium	117,186	26,500	(8,872)	134,814
Compensated absences, net	67,673	7,782	-	75,455
Total governmental activities	<u>5,629,813</u>	<u>1,359,282</u>	<u>(218,335)</u>	<u>6,770,760</u>
<b>Business-type activities</b>				
General Obligation Revenue Bonds				
2013 Sewer (PFA) G.O. Revenue Bonds	882,000	-	(94,000)	788,000
2016A G.O. Improvement Bonds	147,325	-	(10,650)	136,675
2020A G.O. Improvement Bonds	2,498,760	-	(122,934)	2,375,826
2023A G.O. Improvement Bonds	1,675,000	-	(14,823)	1,660,177
2025A G.O. Improvement Bonds	-	1,815,000	-	1,815,000
Bond premium	166,680	36,617	(12,815)	190,482
Compensated absences, net	49,052	45,378	-	94,430
Total business-type activities	<u>5,418,817</u>	<u>1,896,995</u>	<u>(255,222)</u>	<u>7,060,590</u>
Total long-term liabilities	<u>\$ 11,048,630</u>	<u>\$ 3,256,277</u>	<u>\$ (473,557)</u>	<u>\$ 13,831,350</u>

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**D. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire long-term liabilities:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	G.O. Bonds		G.O. Revenue Bonds	
	Principal	Interest	Principal	Interest
2026	\$ 197,626	\$ 186,320	\$ 319,161	\$ 209,489
2027	218,339	181,541	340,506	206,473
2028	254,343	173,342	396,590	190,850
2029	262,309	164,755	405,743	178,404
2030	269,755	156,472	420,448	166,142
2031-2035	1,473,537	652,260	2,073,947	643,916
2036-2040	1,547,400	423,606	1,916,262	331,906
2041-2045	874,948	231,555	768,021	101,293
2046-2050	443,417	114,413	135,000	3,037
2051-2055	395,705	231,946	-	-
2056-2057	174,667	7,565	-	-
Total	<u>\$ 6,112,046</u>	<u>\$ 2,523,775</u>	<u>\$ 6,775,678</u>	<u>\$ 2,031,510</u>

**E. Financed Purchase Agreements**

In October of 2019, the City entered into a lease agreement for acquisition of a freightliner plow truck. This agreement qualifies as a financed purchase agreement. The capital asset related to the lease has a cost of \$228,860 with related accumulated depreciation of \$137,316 as of December 31, 2025.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2020 Freightliner Truck	\$228,860	3.2%	10/8/2019	7/20/2026	<u>\$ 47,327</u>

The annual requirements to amortize all financed repurchase agreements are as follows:

Year Ending December 31,	Financed Purchase Agreements		
	Governmental Activities		
	Principal	Interest	Total
2026	<u>\$ 47,327</u>	<u>\$ 11,532</u>	<u>\$ 58,859</u>

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 7 - 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 purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims.

The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

At December 31, 2025, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**NOTE 8 - DEFINED CONTRIBUTION 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 member's 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 public 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

**NOTE 9 - PENSION PLANS**

The City participates in various pension plans. Total pension expense for the year ended December 31, 2025, was \$59,404. The components of pension expense are noted in the following plan summaries.

The General Fund and Proprietary Funds typically liquidates the liability related to the pensions.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association**

**A. Plan Description**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes* Chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**General Employees Retirement Plan**

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

**Public Employees Police and Fire Plan**

Membership in the Police and Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes § 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police and Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the City's governing body. The resolution must state that the position meets plan requirements.

**B. 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. When a member is vested, they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

**General Employees Plan Benefits**

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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%. The 2025 annual increase was 1.25%. 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.

**Police and Fire Plan Benefits**

Benefits for the Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after 10 years. After five years, vesting increase by 10% each full year of service until members are 100% vested after 10 years. Police and Fire Plan members receive 3% of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is 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**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**C. Contributions**

*Minnesota Statutes* Chapter 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

**General Employees Fund Contributions**

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.5% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were \$73,448. The City's contributions were equal to the required contributions as set by state statute.

**Police and Fire Fund Contributions**

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2025, were \$61,306. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**General Employees Fund Pension Costs**

At December 31, 2025, the City reported a liability of \$391,728 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 \$9,450.

City's proportionate share of net pension liability	\$ 391,728
State of Minnesota's proportionate share of the net pension liability associated with the City	9,450
	9,450
Total	\$ 401,178

The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0118% at the end of the measurement period and 0.0122% for the beginning of the period.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2025, the City recognized pension expense of (\$18,546) for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized (\$1,449) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2025, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 37,808	\$ -
Net difference between projected and actual investment earnings	-	157,278
Changes in proportion	16,776	18,435
Changes in actuarial assumptions	9,438	89,962
Contributions paid to PERA subsequent and actual investment to the measurement date	36,724	-
Total	\$ 100,746	\$ 265,675

The \$36,724 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2026	\$ (45,687)
2027	(69,849)
2028	(58,272)
2029	(27,845)
Total	\$ (201,653)

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

**Police and Fire Fund Pension Costs**

At December 31, 2025, the City reported a liability of \$261,817 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0223% at the end of the measurement period and 0.0219% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2024. The direct state aid payment will increase by \$17.7 million, which was paid on October 1, 2025. Thereafter, by October 1 of each year, the State will pay \$26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of asset basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$9,076.

City's proportionate share of net pension liability	\$ 261,817
State of Minnesota's proportionate share of the net pension liability associated with the City	9,076
Total	\$ 270,893

For the year ended December 31, 2025, the City recognized pension expense of \$78,483 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$5,966 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 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 because this contribution was not considered to meet the definition of a special funding situation. The City also recognized \$5,966 for the year ended December 31, 2025, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs (Continued)

At December 31, 2025, 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.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 111,978	\$ -
Net difference between projected and actual investment earnings	-	119,485
Changes in proportion	45,847	18,504
Changes in actuarial assumptions	169,361	278,086
Contributions paid to PERA subsequent to the measurement date	30,653	-
Total	\$ 357,839	\$ 416,075

The \$30,653 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2026	\$ 54,124
2027	(43,943)
2028	(109,227)
2029	2,282
2030	7,875
Total	\$ (88,889)

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**E. Long-Term Expected Return on Investment**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33.5 %	5.10 %
International stocks	16.5	5.30
Fixed income	25.0	0.75
private markets	25.0	5.90
Total	<u>100.0 %</u>	

**F. Actuarial Methods and Assumptions**

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation of in the June 30, 2025, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.5% for the General Employees Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3.0% after 23 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation. The Police and Fire Plan was reviewed in 2024. The assumption changes were adopted by the board and become effective with the July 1, 2025, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

**General Employees Fund**

**Changes in Actuarial Assumptions**

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

**Changes in Plan Provisions**

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

**Police and Fire Fund**

**Changes in Actuarial Assumptions**

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**Police and Fire Fund (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

**Changes in Plan Provisions**

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.
- Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2025 was 7.0%. 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 and Police and Fire Plans 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.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**H. 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the General Employees Fund net pension liability	\$ 951,445	\$ 391,728	\$ (62,329)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 686,011	\$ 261,817	\$ (86,517)

**I. 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](http://www.mnpera.org).

**NOTE 10 - COMMITMENTS AND CONTINGENT**

**A. Electric 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 commission. Complete financial statements may be obtained by contracting 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.

**City of Kenyon**  
**Notes to Basic Financial Statements**

**NOTE 10 - COMMITMENTS AND CONTINGENT (CONTINUED)**

**A. Electric Power (Continued)**

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.

**B. Construction Commitments**

The District entered into one contract related to construction projects totaling \$2,294,629 for a street improvement project. As of December 31, 2025, costs of \$345,633 had been incurred against the contracts. The balance of \$1,948,996 remaining at December 31, 2025 will be paid as work on the project progresses.

(THIS PAGE LEFT BLANK INTENTIONALLY)

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Kenyon**  
**Schedule of City's Proportionate Share**  
**of Net Pension Liability - General Employees Retirement Fund**  
**Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0118%	\$ 958,101	\$ -	\$ 958,101	\$ 544,849	175.85%	68.90%
2017	0.0115%	734,152	9,229	743,381	740,643	99.12%	75.90%
2018	0.0108%	599,137	19,557	618,694	713,310	83.99%	79.50%
2019	0.0111%	613,694	19,166	632,860	789,879	77.69%	80.20%
2020	0.0111%	665,495	20,445	685,940	788,976	84.35%	79.00%
2021	0.0113%	482,561	14,679	497,240	815,396	59.18%	87.00%
2022	0.0120%	950,404	27,746	978,150	888,543	106.96%	76.70%
2023	0.0116%	648,659	17,852	666,511	922,355	70.33%	83.10%
2024	0.0122%	451,127	11,665	462,792	1,032,783	43.68%	89.08%
2025	0.0118%	391,728	9,450	401,178	433,893	90.28%	90.78%

**Schedule of City's Proportionate Share**  
**of Net Pension Liability - Public Employees Police and Fire Retirement Fund**  
**Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0180%	\$ 722,371	\$ -	\$ 722,371	\$ 169,412	426.40%	63.90%
2017	0.0180%	243,021	-	243,021	183,987	132.09%	85.40%
2018	0.0184%	196,125	-	196,125	194,311	100.93%	88.80%
2019	0.0178%	189,499	-	189,499	187,489	101.07%	89.30%
2020	0.0177%	233,305	-	233,305	200,162	116.56%	87.20%
2021	0.0172%	132,766	5,978	138,744	203,594	65.21%	93.70%
2022	0.0197%	857,266	37,522	894,788	239,820	357.46%	70.50%
2023	0.0189%	326,378	13,173	339,551	248,519	131.33%	86.50%
2024	0.0219%	287,880	10,974	298,854	303,007	95.01%	90.17%
2025	0.0223%	261,817	9,076	270,893	213,220	122.79%	91.78%

**City of Kenyon**  
**Schedule of City Contributions -**  
**General Employees Retirement Fund**  
**Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 40,580	\$ 40,580	\$ -	\$ 541,067	7.50%
2017	54,034	54,034	-	720,453	7.50%
2018	55,672	55,672	-	742,293	7.50%
2019	59,950	59,950	-	799,333	7.50%
2020	60,386	60,386	-	805,147	7.50%
2021	63,551	63,551	-	847,347	7.50%
2022	68,699	68,699	-	915,987	7.50%
2023	70,267	70,267	-	936,893	7.50%
2024	79,395	79,395	-	1,058,600	7.50%
2025	73,448	73,448	-	979,307	7.50%

**Schedule of City Contributions -**  
**Public Employees Police and Fire Retirement Fund**  
**Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 27,718	\$ 27,718	\$ -	\$ 171,099	16.20%
2017	30,890	30,890	-	190,679	16.20%
2018	31,225	31,225	-	192,747	16.20%
2019	32,088	32,088	-	189,310	16.95%
2020	36,000	36,000	-	203,390	17.70%
2021	39,328	39,328	-	222,192	17.70%
2022	42,336	42,336	-	239,186	17.70%
2023	47,243	47,243	-	266,910	17.70%
2024	60,211	60,211	-	340,175	17.70%
2025	61,306	61,306	-	346,359	17.70%

(THIS PAGE LEFT BLANK INTENTIONALLY)

**City of Kenyon**  
**Notes to Required Supplementary Information**

**General Employees Fund**

**2025 Changes**

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

**2024 Changes**

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**2023 Changes**

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**2022 Changes**

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

**City of Kenyon**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2022 Changes (Continued)**

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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.
- 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and 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% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019 Changes**

Changes in Actuarial Assumptions

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

**City of Kenyon**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2019 Changes (Continued)**

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.

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**2016 Changes**

Changes in Actuarial Assumptions

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

**City of Kenyon**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2016 Changes (Continued)**

**Changes in Actuarial Assumptions (Continued)**

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**City of Kenyon**  
**Notes to Required Supplementary Information**

**Police and Fire Fund**

**2025 Changes**

**Changes in Actuarial Assumptions**

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

**Changes in Plan Provisions**

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**2024 Changes**

**Changes in Plan Provisions**

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

**City of Kenyon**  
**Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**2023 Changes**

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.5% to 7.0%.
- The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

**2022 Changes**

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- The single discount rate was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

**City of Kenyon**  
**Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**2021 Changes (Continued)**

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

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.

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019, and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019, and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- 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 CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- 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.

**City of Kenyon**  
**Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**2017 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**SUPPLEMENTARY INFORMATION**

City of Kenyon  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2025

	Special Revenue		
	Library (204)	Special Purpose Donations (230)	Total Special Revenue Funds
<b>Assets</b>			
Cash and investments	\$ 37,241	\$ 10,254	\$ 47,495
Accounts receivable	-	160	160
Due from other funds	50,000	60,000	110,000
Prepaid items	1,922	-	1,922
Total assets	\$ 89,163	\$ 70,414	\$ 159,577
<b>Liabilities</b>			
Accounts payable	\$ 2,103	\$ 1,845	\$ 3,948
Salaries and benefits payable	1,553	-	1,553
Total liabilities	3,656	1,845	5,501
<b>Fund Balances</b>			
Nonspendable	1,922	-	1,922
Committed			
Library operations	83,585	-	83,585
Public safety	-	68,569	68,569
Total fund balances	85,507	68,569	154,076
Total liabilities and fund balances	\$ 89,163	\$ 70,414	\$ 159,577

City of Kenyon  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
Year Ended December 31, 2025

	Special Revenue		
	Library (204)	Special Purpose Donations (230)	Total Special Revenue Funds
<b>Revenues</b>			
Property taxes	\$ 140,137	\$ -	\$ 140,137
Intergovernmental	51,685	-	51,685
Charges for services	1,068	-	1,068
Fine and forfeitures	385	-	385
Miscellaneous			
Investment income	3,332	3,548	6,880
Contributions and donations	-	35,939	35,939
Other	1,339	-	1,339
Total revenues	197,946	39,487	237,433
<b>Expenditures</b>			
Current			
Culture and recreation	194,771	31,642	226,413
Net change in fund balances	3,175	7,845	11,020
<b>Fund Balances</b>			
Beginning of year	82,332	60,724	143,056
End of year	\$ 85,507	\$ 68,569	\$ 154,076

(THIS PAGE IS LEFT BLANK INTENTIONALLY)

**City of Kenyon**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Library**  
**Year Ended December 31, 2025**

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
<b>Revenues</b>			
Property taxes	\$ 140,137	\$ 140,137	\$ -
Intergovernmental	49,685	51,685	2,000
Charges for services	700	1,068	368
Fines and forfeitures	200	385	185
Miscellaneous			
Investment income	290	3,332	3,042
Other	500	1,339	839
Total miscellaneous	<u>790</u>	<u>4,671</u>	<u>3,881</u>
Total revenues	<u>191,512</u>	<u>197,946</u>	<u>6,434</u>
<b>Expenditures</b>			
<b>Current</b>			
Cultural and recreation			
Personal services	148,462	153,032	4,570
Supplies	43,050	41,739	(1,311)
Total expenditures	<u>191,512</u>	<u>194,771</u>	<u>3,259</u>
Net change in fund balance	<u>\$ -</u>	<u>3,175</u>	<u>\$ 3,175</u>
<b>Fund Balance</b>			
Beginning of year		<u>82,332</u>	
End of year		<u>\$ 85,507</u>	

**City of Kenyon**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
<b>Revenues</b>			
Taxes			
Property taxes	\$ 809,278	\$ 779,820	\$ (29,458)
Miscellaneous taxes	14,000	9,246	(4,754)
Total taxes	<u>823,278</u>	<u>789,066</u>	<u>(34,212)</u>
Special assessments	<u>680</u>	<u>100</u>	<u>(580)</u>
Licenses and permits			
Building and plan fees	<u>8,900</u>	<u>15,241</u>	<u>6,341</u>
Intergovernmental revenue			
Local government aid	706,370	684,944	(21,426)
Public safety grants and aids	33,000	38,111	5,111
Other grants and aids	2,000	28,919	26,919
Total intergovernmental revenue	<u>741,370</u>	<u>751,974</u>	<u>10,604</u>
Charges for services			
General government	3,500	581	(2,919)
Culture and recreation	36,750	35,468	(1,282)
Recycling	47,500	50,612	3,112
Total charges for services	<u>87,750</u>	<u>86,661</u>	<u>(1,089)</u>
Fines and forfeitures	<u>12,000</u>	<u>15,911</u>	<u>3,911</u>
Miscellaneous revenues			
Investment income	10,000	26,299	16,299
Other	77,400	135,829	58,429
Total miscellaneous revenues	<u>87,400</u>	<u>162,128</u>	<u>74,728</u>
Total revenues	<u>1,761,378</u>	<u>1,821,081</u>	<u>59,703</u>
<b>Expenditures</b>			
General government			
Mayor and council	13,600	11,322	(2,278)
City Administration	386,060	472,841	86,781
Elections	-	3,665	3,665
Legal	50,000	30,951	(19,049)
Building	122,200	173,481	51,281
Total general government	<u>571,860</u>	<u>692,260</u>	<u>120,400</u>

**City of Kenyon**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2025**

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Over (Under)</u>
<b>Expenditures (Continued)</b>			
Public safety			
Police			
Current	\$ 555,837	\$ 597,829	\$ 41,992
Capital outlay	9,000	7,706	(1,294)
Total public safety	<u>564,837</u>	<u>605,535</u>	<u>40,698</u>
Public works			
Streets and highways			
Current	336,950	217,029	(119,921)
Capital outlay	57,000	32,656	(24,344)
Total streets and highways	<u>393,950</u>	<u>249,685</u>	<u>(144,265)</u>
Recycling	30,500	26,921	(3,579)
Street lighting	-	50,205	50,205
Total public works	<u>424,450</u>	<u>326,811</u>	<u>(97,639)</u>
Cultural and recreation			
Parks	121,350	86,529	(34,821)
Pool	109,650	63,360	(46,290)
Capital outlay	7,000	3,250	(3,750)
Total cultural and recreation	<u>238,000</u>	<u>153,139</u>	<u>(84,861)</u>
Total expenditures	<u>1,799,147</u>	<u>1,777,745</u>	<u>(21,402)</u>
Excess of revenues over (under) expenditures	(37,769)	43,336	81,105
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital asset	-	455	455
Transfers in	68,000	66,362	(1,638)
Transfers out	(108,000)	(108,000)	-
Total other financing sources (uses)	<u>(40,000)</u>	<u>(41,183)</u>	<u>(1,183)</u>
Net change in fund balance	<u>\$ (77,769)</u>	2,153	<u>\$ 79,922</u>
<b>Fund Balance</b>			
Beginning of year		<u>381,051</u>	
End of year		<u>\$ 383,204</u>	

**City of Kenyon  
Combining Balance Sheet -  
Debt Service Fund  
December 31, 2025**

	2016 Street Improvements (303)	2020 G.O. Improvement Bonds (310)	2017 USDA Bonds (320)	2017 USDA Note (321)
<b>Assets</b>				
Cash and investments	\$ 21,369	\$ 65,559	\$ 18,108	\$ 21,961
Special assessment receivable	7,103	292,830	-	-
Due from other funds	25,000	150,000	-	-
Due from other governments	199	514	-	-
	<u>53,671</u>	<u>508,903</u>	<u>18,108</u>	<u>21,961</u>
Total assets	<u>\$ 53,671</u>	<u>\$ 508,903</u>	<u>\$ 18,108</u>	<u>\$ 21,961</u>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	7,103	292,830	-	-
<b>Fund Balances</b>				
Restricted for debt service	46,568	216,073	18,108	21,961
Unassigned	-	-	-	-
Total fund balances	<u>46,568</u>	<u>216,073</u>	<u>18,108</u>	<u>21,961</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 53,671</u>	<u>\$ 508,903</u>	<u>\$ 18,108</u>	<u>\$ 21,961</u>

2023 G.O. Improvement Bonds (323)	2020 Freightliner 1145D Capital Lease (331)	2025 Street Project (325)	Total Debt Service Funds
\$ -	\$ -	\$ 68,653	\$ 195,650
-	-	144,025	443,958
-	-	-	175,000
-	-	-	713
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,678</u>	<u>\$ 815,321</u>
<u>\$ 26,044</u>	<u>\$ 37,011</u>	<u>\$ -</u>	<u>\$ 63,055</u>
<u>-</u>	<u>-</u>	<u>144,025</u>	<u>443,958</u>
-	-	68,653	371,363
(26,044)	(37,011)	-	(63,055)
<u>(26,044)</u>	<u>(37,011)</u>	<u>68,653</u>	<u>308,308</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,678</u>	<u>\$ 815,321</u>

**City of Kenyon**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Debt Service Fund**  
**Year Ended December 31, 2025**

	2016 Street Improvements (303)	2020 G.O. Improvement Bonds (310)	2017 USDA Bonds (320)	2017 USDA Note (321)
<b>Revenues</b>				
Property taxes	\$ 26,800	\$ 138,259	\$ 91,125	\$ 19,341
Special assessments	8,306	57,048	-	-
Investment income	1,843	8,953	727	881
Total revenues	<u>36,949</u>	<u>204,260</u>	<u>91,852</u>	<u>20,222</u>
<b>Expenditures</b>				
Debt service				
Principal	19,350	107,066	35,759	7,591
Interest and other charges	7,606	46,953	55,357	11,750
Total expenditures	<u>26,956</u>	<u>154,019</u>	<u>91,116</u>	<u>19,341</u>
Excess of revenues over (under) expenditures	9,993	50,241	736	881
<b>Other Financing Sources (Uses)</b>				
Bond premium	-	-	-	-
Net change in fund balances	9,993	50,241	736	881
<b>Fund Balances</b>				
Beginning of year	<u>36,575</u>	<u>165,832</u>	<u>17,372</u>	<u>21,080</u>
End of year	<u>\$ 46,568</u>	<u>\$ 216,073</u>	<u>\$ 18,108</u>	<u>\$ 21,961</u>

2023 G.O. Improvement Bonds (323)	2020 Freightliner 114SD Capital Lease (331)	2025 Street Project (325)	Total Debt Service Funds
\$ -	\$ -	\$ -	\$ 275,525
-	-	28,768	94,122
21,379	-	44,212	77,995
<u>21,379</u>	<u>-</u>	<u>72,980</u>	<u>447,642</u>
5,177	34,520	-	209,463
25,422	2,003	30,827	179,918
<u>30,599</u>	<u>36,523</u>	<u>30,827</u>	<u>389,381</u>
(9,220)	(36,523)	42,153	58,261
-	-	26,500	26,500
(9,220)	(36,523)	68,653	84,761
<u>(16,824)</u>	<u>(488)</u>	<u>-</u>	<u>223,547</u>
<u>\$ (26,044)</u>	<u>\$ (37,011)</u>	<u>\$ 68,653</u>	<u>\$ 308,308</u>

**City of Kenyon  
Combining Balance Sheet -  
Capital Project Funds  
December 31, 2025**

	Capital Outlay (202)	Red Wing Ave Project (340)	2023 Street Overlay Project (405)	Industrial Park (420)
<b>Assets</b>				
Cash and investments	\$ 734,269	\$ -	\$ -	\$ -
Total assets	<u>\$ 734,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities</b>				
Contracts payable	\$ -	\$ -	\$ 36,841	\$ -
Due to other funds	-	311,396	39,083	30,189
Total liabilities	<u>-</u>	<u>311,396</u>	<u>75,924</u>	<u>30,189</u>
<b>Fund Balances</b>				
Restricted for capital projects	-	-	-	-
Committed for capital projects	734,269	-	-	-
Unassigned	-	(311,396)	(75,924)	(30,189)
Total fund balances	<u>734,269</u>	<u>(311,396)</u>	<u>(75,924)</u>	<u>(30,189)</u>
Total liabilities and fund balances	<u>\$ 734,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>2025 Street Project (425)</u>	<u>Total Capital Project Funds</u>
<u>\$ 846,656</u>	<u>\$ 1,580,925</u>
<u><u>\$ 846,656</u></u>	<u><u>\$ 1,580,925</u></u>
\$ 17,282	\$ 54,123
-	380,668
<u>17,282</u>	<u>434,791</u>
829,374	829,374
-	734,269
-	(417,509)
<u>829,374</u>	<u>1,146,134</u>
<u><u>\$ 846,656</u></u>	<u><u>\$ 1,580,925</u></u>

**City of Kenyon**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Capital Project Fund**  
**Year Ended December 31, 2025**

	Capital Outlay (202)	2025 Street Project (325)	Red Wing Ave Project (340)	2023 Street Overlay Project (405)
<b>Revenues</b>				
Investment income	\$ 29,471	\$ -	\$ -	\$ -
<b>Expenditures</b>				
Debt service				
Interest and other charges	-	-	-	6,000
Capital outlay				
Public works	62,652	-	-	14,010
Total expenditures	<u>62,652</u>	<u>-</u>	<u>-</u>	<u>20,010</u>
Excess of revenues over (under) expenditures	(33,181)	-	-	(20,010)
<b>Other Financing Sources (Uses)</b>				
Bond proceeds	-	-	-	-
Transfers in	198,000	-	-	-
Total other financing sources (uses)	<u>198,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	164,819	-	-	(20,010)
<b>Fund Balances</b>				
Beginning of year, as previously reported	569,450	(174,997)	(311,396)	(55,914)
Change within financial reporting entity	-	174,997	-	-
Beginning of year, adjusted	<u>569,450</u>	<u>-</u>	<u>(311,396)</u>	<u>(55,914)</u>
End of year	<u>\$ 734,269</u>	<u>\$ -</u>	<u>\$ (311,396)</u>	<u>\$ (75,924)</u>

<u>Industrial Park (420)</u>	<u>2025 Street Project (425)</u>	<u>Total Capital Project Funds</u>
\$ 6,032	\$ -	\$ 35,503
-	-	6,000
-	305,129	381,791
-	305,129	387,791
6,032	(305,129)	(352,288)
-	1,309,500	1,309,500
-	-	198,000
-	1,309,500	1,507,500
6,032	1,004,371	1,155,212
(36,221)	-	(9,078)
-	(174,997)	-
(36,221)	(174,997)	(9,078)
\$ (30,189)	\$ 829,374	\$ 1,146,134

**City of Kenyon**  
**Economic Development Authority**  
**(Discretely Presented Component Unit)**  
**Balance Sheet**  
**December 31, 2025**

	<u>Economic Development Authority (205)</u>
<b>Assets</b>	
Land held for resale	\$ 236,869
Prepaid items	<u>55</u>
Total assets	<u><u>\$ 236,924</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 2,120
Due to other governments	<u>28,065</u>
Total liabilities	<u>30,185</u>
<b>Fund Balances</b>	
Nonspendable	55
Restricted for economic development	<u>206,684</u>
Total fund balances	<u>206,739</u>
Total liabilities and fund balances	<u><u>\$ 236,924</u></u>

**City of Kenyon**  
**Economic Development Authority**  
**(Discretely Presented Component Unit)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Year Ended December 31, 2025**

	<u>Economic Development Authority (205)</u>
<b>Revenues</b>	
Property taxes	\$ 89,447
Miscellaneous	450
Total revenues	<u>89,897</u>
 <b>Expenditures</b>	
Economic Development	<u>86,956</u>
Excess of revenues over (under) expenditures	2,941
 <b>Fund Balances</b>	
Beginning of year	<u>203,798</u>
End of year	<u>\$ 206,739</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)



**Report on Internal Control over Financial Reporting  
and on Compliance and other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards***

**Independent Auditor's Report**

Honorable Mayor and Members  
of the City Council  
City of Kenyon  
Kenyon, Minnesota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kenyon, Minnesota, as of and for the year ended December 31, 2025, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 6, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses identified as Audit Findings 2025-001, 2025-002 and 2025-003.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City's Response to the Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

Minneapolis, Minnesota  
April 6, 2026



## Minnesota Legal Compliance

### Independent Auditor's Report

Honorable Mayor and Members  
of the City Council

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kenyon, Minnesota, as of and for the year ended December 31, 2025, and the related notes to financial statements, and have issued our report thereon dated April 6, 2026.

In connection with our audit, we noted that the City failed to comply with provisions of the miscellaneous provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Responses on Legal Compliance and Internal Control as item 2025-004. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting - bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the City and the Office of the State Auditor, and is not intended to be, and should not be, used by anyone other than these specified parties.

*BerganKDV, Ltd.*

Minneapolis, Minnesota  
April 6, 2026

**City of Kenyon**  
**Schedule of Findings and Responses on**  
**Legal Compliance and Internal Control**

**CURRENT INTERNAL CONTROL FINDING:**

**2025-001 Lack of Segregation of Accounting Duties**

*Criteria:*

An effective internal control system provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. The segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial information.

*Condition:*

The City had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Management and Members of the City Council are aware of this condition and have taken certain steps to compensate for the lack of segregation, but due to the number of staff needed to properly segregate all accounting duties, the costs of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the Members of the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

We recommend management, along with the Members of the City Council, evaluate the risks related to the deficiency and respond with improvements to processes to mitigate these risks. In doing this, management and the Members of the City Council must weigh the costs associated with adding more staff or procedures to its operations.

*Cause:*

The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

*Effect:*

Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriations on a timely basis by employees in the normal course of performing their assigned functions.

*Recommendation:*

The City should segregate accounting duties to the extent possible.

*Views of Responsible Officials:*

The City continues to improve where we can in the area of segregation of duties. With limited staff available, it makes it hard to be efficient as well as consistent with our accounting functions.

*Conclusion:*

Response accepted.

**City of Kenyon**  
**Schedule of Findings and Responses on**  
**Legal Compliance and Internal Control**

**CURRENT INTERNAL CONTROL FINDING:**

**2025-002 Lack of Supporting Documentation**

*Condition:*

During our audit, we noted that 5 out of 10 journal entries selected did not have supporting documentation as well as 2 out of 10 disbursements selected did not have supporting documentation.

*Cause:*

The City had significant turnover in the finance department during 2025.

*Effect:*

Lack of supporting documentation can limit oversight of responsible officials.

*Recommendation:*

The City should ensure appropriate supporting documentation for disbursements and journal entries is maintained.

*Views of Responsible Officials:*

The City will ensure that appropriate supporting documentation for disbursements and journal entries is maintained in the future.

*Conclusion:*

Response accepted.

**2025-003 Material Audit Adjustment**

*Condition:*

During the course of our audit, we proposed a material audit adjustment that would not have been identified as a result of the City's internal controls, and therefore, could have resulted in a material misstatement of the City's financial statements. In order to ensure financial statements were free from material misstatement, an audit adjustment was required to adjust accounts payable.

*Cause:*

There are a limited number of office employees.

*Effect:*

Internal controls that fail to identify necessary adjustments could result in material misstatements to the financial statements.

*Recommendation:*

Review City activity and ensure all necessary adjustments to financial data are recorded.

*Views of Responsible Officials:*

The City will thoroughly review activity throughout the year and ensure all necessary adjustments to financial data are recorded.

*Conclusion:*

Response accepted.

**City of Kenyon  
Schedule of Findings and Responses on  
Legal Compliance and Internal Control**

**CURRENT LEGAL COMPLIANCE FINDING:**

**2025-004 Fire State Aid**

*Condition:*

*Minnesota Statutes 477B.04* requires that the City transmit the state aid from the Commissioner of Management and Budget to the relief association treasurer within 30 days of receipt.

During our audit as of December 31, 2015, the City failed to pay the state fire aid to the fire relief within 30 days as required by State Statute.

*Recommendation:*

The City should ensure that fire state aid is transmitted to the relief association timely.

*Views of Responsible Officials:*

The City will ensure that fire state aid is transmitted to the relief association timely in the future.

*Conclusion:*

Response accepted.