

**CITY OF FOLEY, MINNESOTA**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**SCHLENNER WENNER & CO.**  
**Certified Public Accountants**  
**& Business Consultants**

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**INTRODUCTORY  
SECTION**

**CITY OF FOLEY, MINNESOTA  
CITY COUNCIL AND OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**CITY COUNCIL**

Term Expires

Gerard Bettendorf	Mayor	December 31, 2020
Kris duMonceaux	Council Member	November 30, 2018
Jeff Gondeck	Council Member	December 31, 2020
Mike Kasner	Council Member	December 31, 2018
Rosalie Musachio	Council Member	December 31, 2022
Gary Swanson	Council Member	December 31, 2022

**CITY OFFICIALS**

Sarah Brunn	City Administrator
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**FINANCIAL  
SECTION**

## INDEPENDENT AUDITORS' REPORT

May 30, 2019

Honorable Mayor and City Council  
City of Foley, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Foley, Minnesota as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Foley, Minnesota as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of City's Proportionate Share of the Net Pension Liability, Schedule of City Pension Contributions and Schedule of Changes in Net Pension Liability (Asset) 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.

### *Supplementary Information*

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

The introductory section, combining and individual nonmajor fund financial statements and Schedule of Indebtedness have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2019 on our consideration of the City of Foley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Foley's internal control over financial reporting and compliance.

## Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated May 30, 2019, on our consideration of the City of Foley's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.



**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

Our discussion and analysis of the City of Foley's financial performance provides an overview of the City's financial activities for the year ended December 31, 2018. Please read it in conjunction with the independent auditor's report on page two and the City's financial statements, which begin on page fourteen.

**FINANCIAL HIGHLIGHTS**

- The City's net position increased \$1,077,904 compared to the prior year as a result of this year's operations.
- In the City's business-type activities, revenues increased \$28,158 (or 3.17 percent) while program expenses decreased \$8,686 (or 1.38 percent). The increase in revenues is primarily due to an increase in charges for services in the current year. The decrease in expenses is primarily due to a decrease in personnel expenses, specifically pension expense in relation to the change in net pension liability for business-type activities for the current year.
- Total cost of all of the City's programs increased \$1,075,766 (or 38.59 percent), primarily due to public works expenditures incurred in the current year for a joint highway project with Benton County. The majority of these expenditures were offset by a corresponding capital contribution from the County.
- The City of Foley received local government aid in the amount of \$768,328.
- In the current year, the City's General Fund generated more revenue than budgeted by \$112,156, primarily due to unbudgeted licenses, permits and fees, unbudgeted tax revenues, as well as unbudgeted charges for services. Expenditures were more than budgeted, excluding transfers of \$176,550, by \$58,068 primarily due to capital outlay expenditures being more than budgeted.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages fourteen and fifteen) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page sixteen. These statements tell how governmental activity services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**Reporting the City as a Whole**

Our analysis of the City as a whole begins on page six. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows/inflows of resources, and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. You can think of the City's net position (assets plus deferred outflows, less liabilities plus deferred inflows) as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, costs associated with current and future construction projects and the condition of the City's roads, to assess the overall health of the City.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**USING THIS ANNUAL REPORT** (Continued)

**Reporting the City as a Whole** (Continued)

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, including the police, fire, public works, parks departments, and general administration. Property taxes, special assessments, licenses, permits, fees and state aids finance most of these activities.
- **Business-type Activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer activities are reported here.

**Reporting the City's Most Significant Funds**

Our analysis of the City's funds begins on page eight. The fund financial statements begin on page sixteen and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds (governmental and proprietary) use different accounting approaches.

- **Governmental Funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the governmental fund financial statements.
- **Proprietary Funds** - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**THE CITY AS A WHOLE**

The City's combined net position increased \$1,077,904 from a year ago. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 7,288,849	\$ 6,024,162	\$ 2,612,274	\$ 3,363,494	\$ 9,901,123	\$ 9,387,656
Noncurrent Assets	<u>10,585,193</u>	<u>7,908,371</u>	<u>4,107,721</u>	<u>4,246,621</u>	<u>14,692,914</u>	<u>12,154,992</u>
Total Assets	17,874,042	13,932,533	6,719,995	7,610,115	24,594,037	21,542,648
Deferred Outflows of Resources	383,316	503,410	21,809	34,026	405,125	537,436
Current Liabilities	283,733	223,179	25,847	86,551	309,580	309,730
Noncurrent Liabilities	<u>6,770,949</u>	<u>4,866,069</u>	<u>156,298</u>	<u>175,517</u>	<u>6,927,247</u>	<u>5,041,586</u>
Total Liabilities	7,054,682	5,089,248	182,145	262,068	7,236,827	5,351,316
Deferred Inflows of Resources	529,633	570,390	32,043	35,623	561,676	606,013
Net Position:						
Net Investment In Capital						
Assets	3,070,837	3,299,713	4,061,124	4,246,621	7,131,961	7,546,334
Restricted	1,167,152	1,258,368	-	-	1,167,152	1,258,368
Unrestricted	<u>6,435,054</u>	<u>4,218,224</u>	<u>2,466,492</u>	<u>3,099,829</u>	<u>8,901,546</u>	<u>7,318,053</u>
Total Net Position	<u>\$ 10,673,043</u>	<u>\$ 8,776,305</u>	<u>\$ 6,527,616</u>	<u>\$ 7,346,450</u>	<u>\$ 17,200,659</u>	<u>\$ 16,122,755</u>

The net position of the City's governmental activities increased by \$1,896,738 (21.61 percent). Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased by \$2,216,830 (52.55 percent) compared to the prior year.

The net position of the City's business-type activities decreased by \$818,834 (11.15 percent). Operations were generally comparable to the prior year, with the exception of transfers out of \$1,117,000. The majority of these transfers out are to be used for debt obligations in relation to the General Obligation Improvement Bonds issued in the current year.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**THE CITY AS A WHOLE** (Continued)

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Charges for Services	\$ 380,052	\$ 361,411	\$ 911,495	\$ 872,666	\$ 1,291,547	\$ 1,234,077
Grants and Contributions	1,675,482	227,814	4,822	8,681	1,680,304	236,495
Taxes	1,065,050	952,920	-	-	1,065,050	952,920
Franchise Fees	9,568	11,285	-	-	9,568	11,285
Intergovernmental	879,605	846,974	-	-	879,605	846,974
Investment Income	2,709	16,259	1,007	7,819	3,716	24,078
Other	14,046	24,481	-	-	14,046	24,481
Gain (Loss) on Disposal of Assets	(2,312)	20,607	-	-	(2,312)	20,607
<b>Total Revenues</b>	<b>4,024,200</b>	<b>2,461,751</b>	<b>917,324</b>	<b>889,166</b>	<b>4,941,524</b>	<b>3,350,917</b>
<b>PROGRAM EXPENSES</b>						
General Government	599,877	583,999	-	-	599,877	583,999
Public Safety	730,499	667,283	-	-	730,499	667,283
Public Works	1,575,381	588,156	-	-	1,575,381	588,156
Parks and Recreation	159,375	158,482	-	-	159,375	158,482
Economic Development	5,681	60,878	-	-	5,681	60,878
Debt Service	173,649	101,212	-	-	173,649	101,212
Water	-	-	286,039	270,716	286,039	270,716
Sewer	-	-	333,119	357,128	333,119	357,128
<b>Total Expenses</b>	<b>3,244,462</b>	<b>2,160,010</b>	<b>619,158</b>	<b>627,844</b>	<b>3,863,620</b>	<b>2,787,854</b>
Transfers	1,117,000	-	(1,117,000)	-	-	-
<b>Change in Net Position</b>	<b>1,896,738</b>	<b>301,741</b>	<b>(818,834)</b>	<b>261,322</b>	<b>1,077,904</b>	<b>563,063</b>
<b>Net Position - Beginning of Year</b>	<b>8,776,305</b>	<b>8,474,564</b>	<b>7,346,450</b>	<b>7,085,128</b>	<b>16,122,755</b>	<b>15,559,692</b>
<b>Net Position - End of Year</b>	<b>\$10,673,043</b>	<b>\$ 8,776,305</b>	<b>\$ 6,527,616</b>	<b>\$ 7,346,450</b>	<b>\$17,200,659</b>	<b>\$16,122,755</b>

The City's total revenues increased by \$1,590,607 (47.47 percent). The total cost of all programs and services increased by \$1,075,766 (38.59 percent). These increases are largely due to increases in grants and contributions received from Benton County as well as corresponding construction costs incurred for a joint road construction project.

Our analysis on the next page separately considers the operations of governmental and business-type activities.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**THE CITY AS A WHOLE** (Continued)

**Governmental Activities**

Revenue for the City's governmental activities increased by \$1,562,449 (63.47 percent) and total expenses increased by \$1,084,452 (50.21 percent). Both increases were primarily due to the joint road construction project with Benton County, discussed on the previous page.

Table 3 presents the cost of each of the City's programs (general government, public safety, public works, parks and recreation, economic development and debt service) as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. Activities (net of capital outlay which is excluded from Table 3) were generally comparable to the prior year as operations remained fairly consistent with the prior year with the exception of:

- Public works total cost of services increased significantly primarily due to the construction project discussed above.
- Debt service total and net cost of services increased primarily due to the cost of new debt issued in the current year.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
General Government	\$ 599,877	583,999	\$ 531,010	\$ 446,883
Public Safety	730,499	667,283	442,054	380,796
Public Works	1,575,381	588,156	(70,284)	470,664
Parks and Recreation	159,375	158,482	109,818	110,352
Economic Development	5,681	60,878	2,681	60,878
Debt Service	173,649	101,212	173,649	101,212
<b>Totals</b>	<b>\$ 3,244,462</b>	<b>\$ 2,160,010</b>	<b>\$ 1,188,928</b>	<b>\$ 1,570,785</b>

**Business-type Activities**

Revenues of the City's business-type activities, including investment income, (see Table 2) increased by \$28,158 (3.17 percent) and program expenses decreased by \$8,686 (1.38 percent). Revenues increased from the prior year as a result of an increase in charges for services in the current year. Expenses decreased primarily due to changes in pension expense in relation to the net pension liability.

**THE CITY'S FUNDS**

**Governmental Funds**

As the City completed the year, its governmental funds (as presented in the balance sheet on page sixteen) reported a combined fund balance of \$6,974,541. This is an increase of \$1,766,009 from the prior year. This increase is primarily due to an increase in intergovernmental revenue along with proceeds from the issuance of debt in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2018	2017	
<b>General</b>	\$ 2,766,900	\$ 2,674,362	\$ 92,538

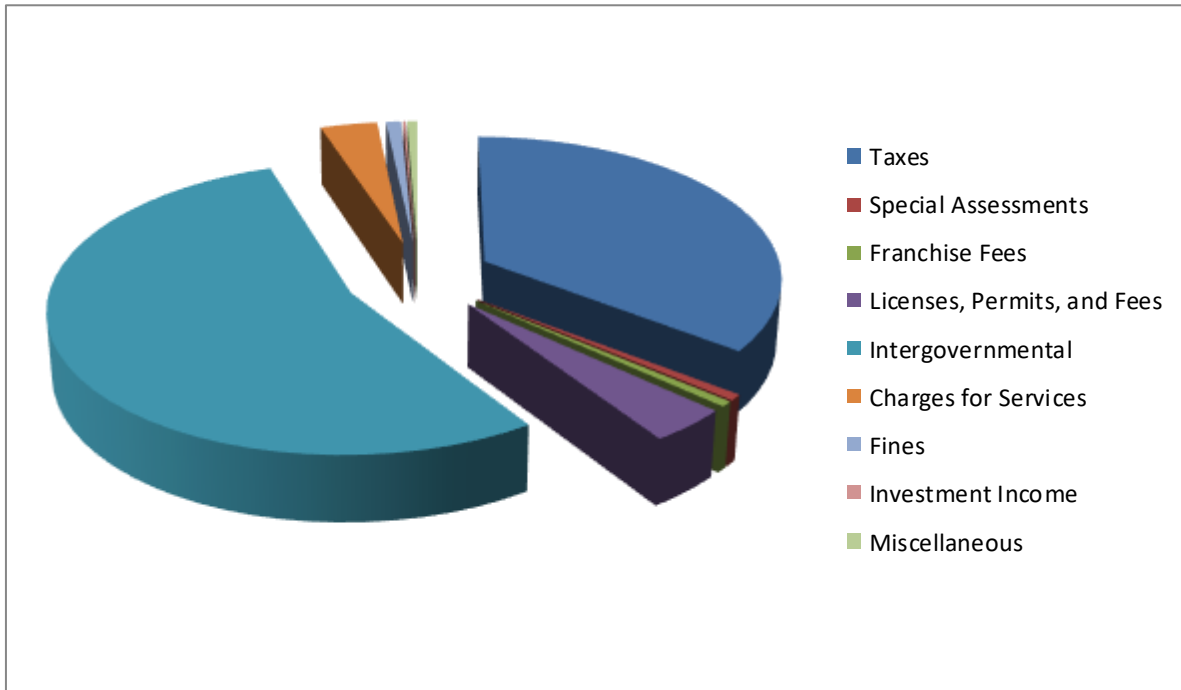
The fund balance of the General Fund increased by \$92,538 compared to 2017. Details of the General Fund's revenues and expenditures are displayed on the following page.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**THE CITY'S FUNDS** (Continued)

**Governmental Funds** (Continued)

**General Fund Revenues**

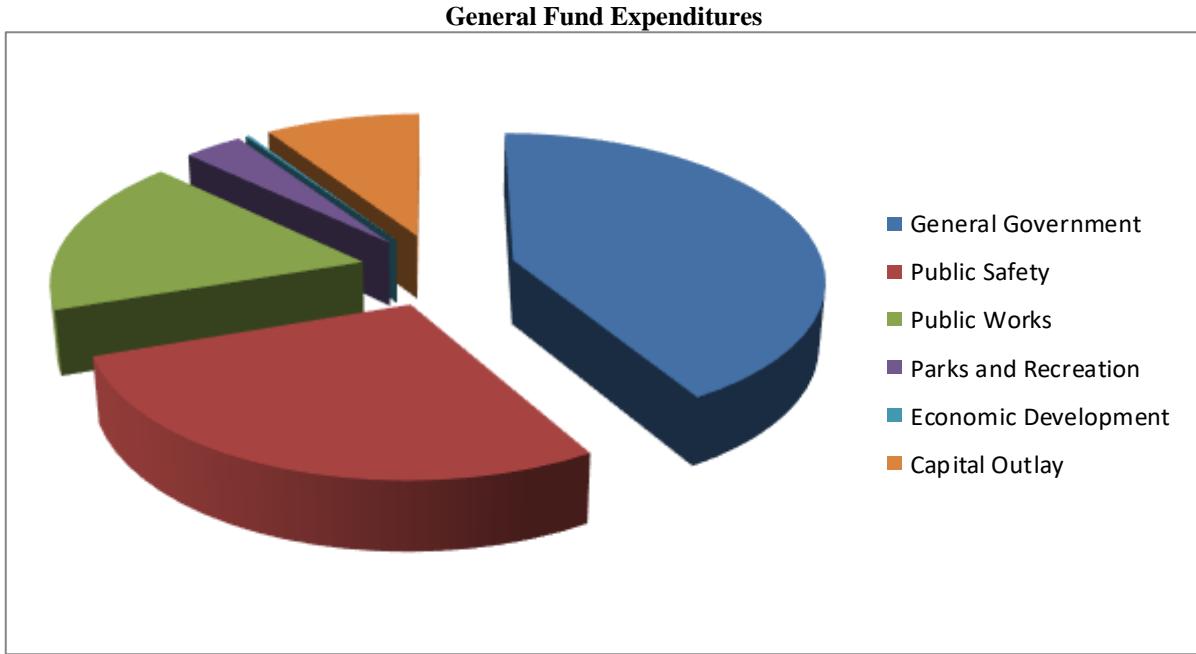


The City received the majority of its funding in the General Fund from grants and other governmental agencies (54.25 percent) and taxes (35.42 percent). Overall, the City's General Fund revenues were comparable to the prior year, with the exception of an increase in taxes and charges for services.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**THE CITY'S FUNDS** (Continued)

**Governmental Funds** (Continued)



A significant portion of the City's General Fund expenditures are used for general government operations (41.52 percent). Remaining expenditures are used primarily for public safety (28.22 percent) and public works (17.28 percent). Expenditures have decreased from the prior year, largely due to decreased expenditures for capital outlay.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2018	2017	
<b>Fire Service Fund</b>	\$ 621,965	\$ 475,968	\$ 145,997

The Fire Service fund balance increased due to a decrease in capital outlay and fire expenditures in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2018	2017	
<b>2008 Improvement Bond Fund</b>	\$ 663,636	\$ 752,418	\$ (88,782)

The 2008 Improvement Bond fund balance decreased primarily due to debt service payments exceeding revenues in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2018	2017	
<b>2011 Improvement Bond Fund</b>	\$ 257,272	\$ 267,577	\$ (10,305)

The 2011 Improvement Bond fund balance decreased primarily due to debt service payments exceeding revenues in the current year.



**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**THE CITY'S FUNDS** (Continued)

**Governmental Funds** (Continued)

Major Funds	Fund Balance December 31,		Increase
	2018	2017	(Decrease)
<b>2018 Capital Improvement Fund</b>	\$ 1,420,751	\$ -	\$ 1,420,751

The 2018 Capital Improvement Fund was created in the current year to account for the 2018 road improvement project. The ending fund balance is primarily due to intergovernmental receipts, transfers in and proceeds from the issuance of debt.

**General Fund Budgetary Highlights**

The City's General Fund generated more revenue than budgeted of \$112,156. Expenditures were more than those budgeted, excluding transfers of \$176,550, by \$58,068. Increased revenues over budget in the current year are primarily due to unbudgeted revenue from licenses, permits and fees, unbudgeted tax revenues, as well as unbudgeted charges for services.

**Proprietary Funds**

As the City completed the year, its business-type activities reported a combined net position of \$6,527,616. This is a decrease of \$818,834 from the prior year. The following is a summary of the City's major proprietary funds:

Major Funds	Net Position December 31,		Increase
	2018	2017	(Decrease)
<b>Water</b>	\$ 2,739,770	3,218,396	\$ (478,626)
<b>Sewer</b>	\$ 3,787,846	4,128,054	\$ (340,208)

The Net Position of both the Water and Sewer funds decreased in the current year due to an increase in operating transfers out in the current year. Overall, the City's operations were generally comparable to the prior year, although charges for services revenue increased from the prior year.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2018, the City had \$22,771,865 (excluding accumulated depreciation of \$9,336,760) invested in a broad range of capital assets, including land, infrastructure, buildings, equipment, improvements, vehicles, lagoons and lift stations. This amount represents a net increase of \$2,151,571, or 10.43 percent over last year.

**Table 4  
Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 340,324	\$ 350,826	\$ 41,262	\$ 41,262	\$ 381,586	\$ 392,088
Construction In Progress	1,964,795	81,507	-	-	1,964,795	81,507
Buildings	2,379,017	2,336,271	203,773	203,773	2,582,790	2,540,044
Infrastructure	7,198,228	7,198,228	4,764,992	4,764,992	11,963,220	11,963,220
Improvements	478,330	375,190	1,918,257	1,918,257	2,396,587	2,293,447
Equipment	803,103	723,375	12,334	12,334	815,437	735,709
Vehicles	1,725,128	1,694,745	352,394	352,394	2,077,522	2,047,139
Lagoons	-	-	511,428	488,640	511,428	488,640
Lift Stations	-	-	78,500	78,500	78,500	78,500
<b>Totals</b>	<b><u>\$ 14,888,925</u></b>	<b><u>\$ 12,760,142</u></b>	<b><u>\$ 7,882,940</u></b>	<b><u>\$ 7,860,152</u></b>	<b><u>\$ 22,771,865</u></b>	<b><u>\$ 20,620,294</u></b>

More detailed information about the City's capital assets is presented in the notes to the financial statements beginning on page thirty-eight.

**Debt**

At year-end, the City had \$6,303,144 in debt versus a balance of \$4,382,536 in the prior, an increase of 43.82 percent, as shown in Table 5.

**Table 5  
Outstanding Debt at Year-End**

	Governmental Activities	
	2018	2017
General Obligation Bonds	\$ 4,160,000	\$ 1,970,000
Crossover Refunding Bonds	2,065,000	2,340,000
Unamortized Bond Premium	78,144	72,536
<b>Total</b>	<b><u>\$ 6,303,144</u></b>	<b><u>\$ 4,382,536</u></b>

More detailed information regarding the City's indebtedness can be found in the notes to the financial statements beginning on page forty.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

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

The City's elected and appointed officials considered many factors when setting the 2019 budget, tax rates and fees that will be charged for the business-type activities. The Council elected to increase the 2019 tax levy by 4.11% from the 2018 amount. The council anticipates modest increases in operating expenditures and also the need to continue to invest in improving the City's infrastructure to support the existing tax base, as well as the potential growth of the City.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sarah Brunn, City Administrator, at the City of Foley, P.O. Box 709, Foley, MN 56329.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF FOLEY, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash, Cash Equivalents and Investments	\$ 5,519,744	\$ 3,741,577	\$ 9,261,321
Property Taxes Receivable	20,044	-	20,044
Assessments Receivable	97,980	6,657	104,637
Notes Receivable	15,114	-	15,114
Accounts Receivable	177,670	262,618	440,288
Internal Balances	1,410,754	(1,410,754)	-
Prepays	47,543	12,176	59,719
Noncurrent Assets:			
Assessments Receivable	967,668	46,597	1,014,265
Net Pension Asset	243,544	-	243,544
Capital Assets not Being Depreciated	2,305,119	41,262	2,346,381
Capital Assets Being Depreciated (Net)	7,068,862	4,019,862	11,088,724
<b>TOTAL ASSETS</b>	17,874,042	6,719,995	24,594,037
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	383,316	21,809	405,125
<b>LIABILITIES</b>			
Accounts Payable	46,691	4,397	51,088
Accrued Payroll and Payroll Taxes	57,839	5,686	63,525
Retainage Payable	84,945	-	84,945
Accrued Interest	70,500	-	70,500
Accrued Vacation	23,758	15,764	39,522
Noncurrent Liabilities:			
Accrued Severance	30,407	49,164	79,571
Net Pension Liability	437,398	107,134	544,532
Bonds Due Within One Year	415,000	-	415,000
Bonds Due After One Year	5,888,144	-	5,888,144
<b>TOTAL LIABILITIES</b>	7,054,682	182,145	7,236,827
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	529,633	32,043	561,676
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,070,837	4,061,124	7,131,961
Restricted	1,167,152	-	1,167,152
Unrestricted	6,435,054	2,466,492	8,901,546
<b>TOTAL NET POSITION</b>	\$ 10,673,043	\$ 6,527,616	\$ 17,200,659

**CITY OF FOLEY, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>							
General Government	\$ 599,877	\$ 41,804	\$ 17,038	\$ 10,025	\$ (531,010)	\$ -	\$ (531,010)
Public Safety	730,499	285,445	3,000	-	(442,054)	-	(442,054)
Public Works	1,575,381	246	6,360	1,639,059	70,284	-	70,284
Parks and Recreation	159,375	49,557	-	-	(109,818)	-	(109,818)
Economic Development	5,681	3,000	-	-	(2,681)	-	(2,681)
Debt Service	173,649	-	-	-	(173,649)	-	(173,649)
<b>Total Governmental Activities</b>	<b>3,244,462</b>	<b>380,052</b>	<b>26,398</b>	<b>1,649,084</b>	<b>(1,188,928)</b>	<b>-</b>	<b>(1,188,928)</b>
<b>Business-Type Activities:</b>							
Water	286,039	444,222	-	3,838	-	162,021	162,021
Sewer	333,119	467,273	-	984	-	135,138	135,138
<b>Total Business-Type Activities</b>	<b>619,158</b>	<b>911,495</b>	<b>-</b>	<b>4,822</b>	<b>-</b>	<b>297,159</b>	<b>297,159</b>
<b>TOTALS</b>	<b>\$ 3,863,620</b>	<b>\$ 1,291,547</b>	<b>\$ 26,398</b>	<b>\$ 1,653,906</b>	<b>(1,188,928)</b>	<b>297,159</b>	<b>(891,769)</b>
<b>General Revenues (Expenses):</b>							
Taxes					1,065,050	-	1,065,050
Franchise Fees					9,568	-	9,568
Intergovernmental					879,605	-	879,605
Investment Income					2,709	1,007	3,716
Miscellaneous					14,046	-	14,046
Loss on Sale of Assets					(2,312)	-	(2,312)
<b>Total General Revenues (Expenses)</b>					<b>1,968,666</b>	<b>1,007</b>	<b>1,969,673</b>
Transfers					1,117,000	(1,117,000)	-
<b>Total General Revenues (Expenses) and Transfers</b>					<b>3,085,666</b>	<b>(1,115,993)</b>	<b>1,969,673</b>
<b>CHANGE IN NET POSITION</b>					<b>1,896,738</b>	<b>(818,834)</b>	<b>1,077,904</b>
<b>NET POSITION - BEGINNING OF YEAR</b>					<b>8,776,305</b>	<b>7,346,450</b>	<b>16,122,755</b>
<b>NET POSITION - END OF YEAR</b>					<b>\$ 10,673,043</b>	<b>\$ 6,527,616</b>	<b>\$ 17,200,659</b>

**CITY OF FOLEY, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	General Fund	Fire Service Fund	2008 Improvement Bond Fund	2011 Improvement Bond Fund	2018 Capital Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash, Cash Equivalents and Investments	\$ 2,756,999	\$ 614,346	\$ 461,851	\$ 256,732	\$ 400,859	\$ 1,028,957	\$ 5,519,744
Property Taxes Receivable	11,068	1,380	4,469	1,389	-	1,738	20,044
Assessments Receivable	163,440	-	152,775	153,441	494,282	101,710	1,065,648
Accounts Receivable	23,510	21,450	-	-	132,710	-	177,670
Notes Receivable	-	-	-	-	-	15,114	15,114
Due From Other Funds	-	-	40,000	-	-	20,000	60,000
Advance To Other Funds	-	-	160,000	-	975,000	215,754	1,350,754
Prepays	31,024	13,001	-	-	-	3,518	47,543
<b>TOTAL ASSETS</b>	<b>\$ 2,986,041</b>	<b>\$ 650,177</b>	<b>\$ 819,095</b>	<b>\$ 411,562</b>	<b>\$ 2,002,851</b>	<b>\$ 1,386,791</b>	<b>\$ 8,256,517</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ 18,827	\$ 77	\$ -	\$ -	\$ 2,873	\$ 24,914	\$ 46,691
Accrued Payroll and Payroll Taxes	30,526	27,313	-	-	-	-	57,839
Retainage Payable	-	-	-	-	84,945	-	84,945
<b>Total Liabilities</b>	<b>49,353</b>	<b>27,390</b>	<b>-</b>	<b>-</b>	<b>87,818</b>	<b>24,914</b>	<b>189,475</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue:							
Property Taxes	6,639	822	3,121	849	-	1,036	12,467
Special Assessments	163,149	-	152,338	153,441	494,282	101,710	1,064,920
Notes Receivable	-	-	-	-	-	15,114	15,114
<b>Total Deferred Inflows of Resources</b>	<b>169,788</b>	<b>822</b>	<b>155,459</b>	<b>154,290</b>	<b>494,282</b>	<b>117,860</b>	<b>1,092,501</b>
<b>FUND BALANCES</b>							
Nonspendable	31,024	13,001	160,000	-	975,000	219,272	1,398,297
Restricted	-	-	503,636	257,272	-	476,744	1,237,652
Assigned	506,463	608,964	-	-	445,751	548,001	2,109,179
Unassigned	2,229,413	-	-	-	-	-	2,229,413
<b>Total Fund Balance</b>	<b>2,766,900</b>	<b>621,965</b>	<b>663,636</b>	<b>257,272</b>	<b>1,420,751</b>	<b>1,244,017</b>	<b>6,974,541</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,986,041</b>	<b>\$ 650,177</b>	<b>\$ 819,095</b>	<b>\$ 411,562</b>	<b>\$ 2,002,851</b>	<b>\$ 1,386,791</b>	<b>\$ 8,256,517</b>

See accompanying notes.

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

Total Fund Balance for Governmental Funds	\$	6,974,541
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets (net of accumulated depreciation of \$5,514,944) used in governmental activities are not financial resources and, therefore, are not reported in the funds:		9,373,981
The net pension asset/liability and related inflows/outflows represent the allocation of pension obligations to the City. Such balances are not reported in the funds:		
Net Pension Asset	\$ 243,544	
Net Pension Liability	(437,398)	
Deferred Outflows - Pensions	383,316	
Deferred Inflows - Pensions	<u>(529,633)</u>	
		(340,171)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Property Taxes Receivable	12,467	
Special Assessments Receivable	1,064,920	
Notes Receivable	<u>15,114</u>	
		1,092,501
Interest payable on long-term debt does not require current financial resources and, therefore, is not reported as a liability in the governmental funds Balance Sheet:		(70,500)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds Balance Sheet:		
Accrued Vacation	(23,758)	
Unamortized Bond Premium	(78,144)	
Accrued Severance	(30,407)	
Bonds Due Within One Year	(415,000)	
Bonds Due In More Than One Year	<u>(5,810,000)</u>	
		<u>(6,357,309)</u>
<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>10,673,043</u></b>



**CITY OF FOLEY, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund	Fire Service Fund	2008 Improvement Bond Fund	2011 Improvement Bond Fund	2018 Capital Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 550,647	\$ 79,579	\$ 191,325	\$ 76,585	\$ -	\$ 100,883	\$ 999,019
Tax Increment	-	-	-	-	-	71,793	71,793
Franchise Fees	9,568	-	-	-	-	-	9,568
Special Assessments	10,571	-	40,309	23,016	82,826	12,663	169,385
Licenses, Permits and Fees	60,524	-	-	-	-	-	60,524
Intergovernmental	843,516	55,434	-	-	995,121	41,369	1,935,440
Charges for Services	54,089	206,204	-	-	-	45,180	305,473
Fines	14,055	-	-	-	-	-	14,055
Investment Income	2,291	26	64	39	157	132	2,709
Loan Repayment	-	-	-	-	-	2,207	2,207
Miscellaneous	9,580	3,982	-	-	-	4,091	17,653
<b>TOTAL REVENUES</b>	<b>1,554,841</b>	<b>345,225</b>	<b>231,698</b>	<b>99,640</b>	<b>1,078,104</b>	<b>278,318</b>	<b>3,587,826</b>
<b>EXPENDITURES</b>							
Current:							
General Government:							
City Clerk	103,959	-	-	-	-	-	103,959
Council	7,616	-	-	-	-	-	7,616
General Government	422,717	-	-	-	-	-	422,717
Total General Government	534,292	-	-	-	-	-	534,292
Public Safety:							
Police	340,123	-	-	-	-	-	340,123
Fire	-	199,228	-	-	-	-	199,228
Other	23,062	-	-	-	-	-	23,062
Total Public Safety	363,185	199,228	-	-	-	-	562,413
Public Works	222,383	-	-	-	23,558	-	245,941
Parks and Recreation	45,208	-	-	-	-	85,932	131,140
Economic Development	3,010	-	-	-	-	2,671	5,681
Debt Service:							
Principal	-	-	275,000	80,000	-	70,000	425,000
Interest and Other Charges	-	-	45,480	29,945	52,674	28,650	156,749
Total Debt Service	-	-	320,480	109,945	52,674	98,650	581,749
Capital Outlay	118,675	-	-	-	2,833,737	280,305	3,232,717
<b>TOTAL EXPENDITURES</b>	<b>1,286,753</b>	<b>199,228</b>	<b>320,480</b>	<b>109,945</b>	<b>2,909,969</b>	<b>467,558</b>	<b>5,293,933</b>

See accompanying notes.

**CITY OF FOLEY, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund	Fire Service Fund	2008 Improvement Bond Fund	2011 Improvement Bond Fund	2018 Capital Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ 268,088	\$ 145,997	\$ (88,782)	\$ (10,305)	\$ (1,831,865)	\$ (189,240)	\$ (1,706,107)
<b>OTHER FINANCING SOURCES (USES)</b>							
Bond Proceeds	-	-	-	-	2,340,000	-	2,340,000
Premium on Bond Issuance	-	-	-	-	14,116	-	14,116
Sale of Assets	1,000	-	-	-	-	-	1,000
Operating Transfers In	-	-	-	-	975,000	395,050	1,370,050
Operating Transfers Out	(176,550)	-	-	-	(76,500)	-	(253,050)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(175,550)	-	-	-	3,252,616	395,050	3,472,116
<b>NET CHANGE IN FUND BALANCES</b>	92,538	145,997	(88,782)	(10,305)	1,420,751	205,810	1,766,009
<b>FUND BALANCES - BEGINNING</b>	2,674,362	475,968	752,418	267,577	-	1,038,207	5,208,532
<b>FUND BALANCES - ENDING</b>	\$ 2,766,900	\$ 621,965	\$ 663,636	\$ 257,272	\$ 1,420,751	\$ 1,244,017	\$ 6,974,541

**CITY OF FOLEY, MINNESOTA  
RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 1,766,009

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Governmental funds report capital outlays as expenditures and proceeds from the sale of capital assets as other financing sources while governmental activities report the loss on disposal of assets and depreciation expense to allocate capital outlay expenditures over the life of the assets:

Capital Outlay Capitalized	\$ 2,172,661	
Capital Assets Acquired via Trade-In	11,000	
Net Loss on the Disposal of Assets	(14,311)	
Depreciation Expense	<u>(477,618)</u>	
		1,691,732

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Long-Term Receivables, Net of Deferred Revenue	436,179
--	---------

Net change in accrued interest on long-term debt is not reported as expenses in the funds:

(25,408)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in Accrued Vacation	(4,979)	
Change in Accrued Severance	<u>(3,975)</u>	
		(8,954)

Proceeds from the issuance of long-term debt is an other financing source in the governmental funds, while repayment of debt principal is an expenditure in the governmental funds. However, neither transaction has any effect on net position:

Bond Payments	425,000	
Bond Proceeds	(2,340,000)	
Bond Premium	<u>(14,116)</u>	
		(1,929,116)

The effects of bond premiums and discounts are reported in the governmental fund financial statements upon issuance of debt. These amounts are deferred and amortized in the Statement of Activities:

Current Year Amortization of Premium	8,508
--------------------------------------	-------

Net pension liability and asset do not represent the impending use of current resources. Therefore, the change in this liability and asset and the related deferrals are not reported in the governmental funds:

(42,212)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,896,738**

**CITY OF FOLEY, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2018**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets			
Cash, Cash Equivalents and Investments	\$ 1,661,687	\$ 2,079,890	\$ 3,741,577
Assessments Receivable	4,364	2,293	6,657
Accounts Receivable	127,929	134,689	262,618
Prepays	5,194	6,982	12,176
Total Current Assets	<u>1,799,174</u>	<u>2,223,854</u>	<u>4,023,028</u>
Noncurrent Assets			
Assessments Receivable	30,547	16,050	46,597
Capital Assets not Being Depreciated	38,262	3,000	41,262
Capital Assets Being Depreciated (Net)	<u>1,754,401</u>	<u>2,265,461</u>	<u>4,019,862</u>
Total Noncurrent Assets	<u>1,823,210</u>	<u>2,284,511</u>	<u>4,107,721</u>
<b>TOTAL ASSETS</b>	<b>3,622,384</b>	<b>4,508,365</b>	<b>8,130,749</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	11,096	10,713	21,809
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	76	4,321	4,397
Accrued Expenses	2,787	2,899	5,686
Accrued Vacation	7,882	7,882	15,764
Due to Other Funds	<u>30,000</u>	<u>30,000</u>	<u>60,000</u>
Total Current Liabilities	40,745	45,102	85,847
Noncurrent Liabilities			
Accrued Severance	24,582	24,582	49,164
Advances From Other Funds	757,877	592,877	1,350,754
Net Pension Liability	<u>54,273</u>	<u>52,861</u>	<u>107,134</u>
Total Noncurrent Liabilities	<u>836,732</u>	<u>670,320</u>	<u>1,507,052</u>
<b>TOTAL LIABILITIES</b>	<b>877,477</b>	<b>715,422</b>	<b>1,592,899</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	16,233	15,810	32,043
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,792,663	2,268,461	4,061,124
Unrestricted	<u>947,107</u>	<u>1,519,385</u>	<u>2,466,492</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 2,739,770</u></b>	<b><u>\$ 3,787,846</u></b>	<b><u>\$ 6,527,616</u></b>

**CITY OF FOLEY, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 441,575	\$ 447,586	\$ 889,161
<b>OPERATING EXPENSES</b>			
Personnel Services	84,946	73,527	158,473
Utilities	21,983	9,621	31,604
Materials and Supplies	31,800	7,176	38,976
Repairs and Maintenance	38,856	3,933	42,789
Insurance	7,382	10,821	18,203
Water and Wastewater Analysis	836	5,061	5,897
Office Expense	9,490	12,405	21,895
Professional Services	76	2,816	2,892
Permits	150	-	150
Other Services and Charges	7,203	78,973	86,176
Depreciation	<u>83,317</u>	<u>124,968</u>	<u>208,285</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>286,039</u>	<u>329,301</u>	<u>615,340</u>
<b>NET OPERATING INCOME</b>	155,536	118,285	273,821
<b>NONOPERATING INCOME (EXPENSE)</b>			
Special Assessments	3,838	984	4,822
Other Income	2,647	19,687	22,334
Investment Income (Loss)	<u>353</u>	<u>(3,164)</u>	<u>(2,811)</u>
<b>NET NONOPERATING INCOME</b>	<u>6,838</u>	<u>17,507</u>	<u>24,345</u>
<b>CHANGE IN NET POSITION PRIOR TO TRANSFERS</b>	162,374	135,792	298,166
<b>TRANSFERS</b>			
Operating Transfers Out	<u>(641,000)</u>	<u>(476,000)</u>	<u>(1,117,000)</u>
<b>CHANGE IN NET POSITION</b>	(478,626)	(340,208)	(818,834)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>3,218,396</u>	<u>4,128,054</u>	<u>7,346,450</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 2,739,770</u>	<u>\$ 3,787,846</u>	<u>\$ 6,527,616</u>

**CITY OF FOLEY, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Water Fund	Sewer Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 444,115	\$ 448,411	\$ 892,526
Cash Paid to Suppliers	(162,080)	(150,713)	(312,793)
Cash Paid to Employees	(85,915)	(79,717)	(165,632)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	196,120	217,981	414,101
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating Subsidies and Transfers to Other Funds	(71,000)	(71,000)	(142,000)
Nonoperating Receipts	10,849	27,874	38,723
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	(60,151)	(43,126)	(103,277)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of Capital Assets	(8,434)	(14,354)	(22,788)
Payments on Interfund Advances	(30,000)	(30,000)	(60,000)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(38,434)	(44,354)	(82,788)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment Income	270	293	563
Net Change in Cash and Cash Equivalents	97,805	130,794	228,599
Cash and Cash Equivalents - Beginning of Year	1,373,775	1,369,872	2,743,647
Cash and Cash Equivalents - End of Year	1,471,580	1,500,666	2,972,246
Investments	190,107	579,224	769,331
Total Cash, Cash Equivalents and Investments	<u>\$ 1,661,687</u>	<u>\$ 2,079,890</u>	<u>\$ 3,741,577</u>
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Change in Fair Value of Investments	<u>\$ 83</u>	<u>\$ (3,457)</u>	<u>\$ (3,374)</u>
Change in Interfund Advances Related to Future Periods	<u>\$ 570,000</u>	<u>\$ 405,000</u>	<u>\$ 975,000</u>

**CITY OF FOLEY, MINNESOTA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Net Operating Income	\$ 155,536	\$ 118,285	\$ 273,821
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	83,317	124,968	208,285
Change in Assets, Liabilities, and Deferred Outflows/Inflows:			
Accounts Receivable	2,540	825	3,365
Prepays	(418)	334	(84)
Accounts Payable	(43,886)	(20,241)	(64,127)
Accrued Wages	(73)	170	97
Accrued Vacation	1,663	1,663	3,326
Accrued Severance	1,783	1,783	3,566
Deferred Outflows of			
Resources - Pensions	5,393	6,824	12,217
Net Pension Liability	(8,701)	(14,084)	(22,785)
Deferred Inflows of			
Resources - Pensions	(1,034)	(2,546)	(3,580)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 196,120</u>	<u>\$ 217,981</u>	<u>\$ 414,101</u>

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Foley (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: water, sewer, recreation, public improvements, public safety and general administrative services.

**1.A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity is comprised of the primary governmental unit of the City of Foley, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has the following blended component unit:

Economic Development Authority

The City created an Economic Development Authority (EDA) by resolution of its City Council. The EDA is governed by a four-member board appointed by the City Council. Although it is legally separate from the City, the EDA is reported as if it were part of the primary government because its purpose is to approve the City's redevelopment plans. The EDA cannot issue bonded debt without the City's approval.

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

**1.B. BASIS OF PRESENTATION**

**Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds (of which, the City has none). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories.



**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. BASIS OF PRESENTATION (Continued)**

**Fund Financial Statements (Continued)**

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The *Fire Service Fund* is a special revenue fund used to account for funds received by the City for fire department expenses. The City has elected to present this fund as major in the current year.

The *Debt Service Funds* account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City. Tax levies and special assessments are used for the payment of principal and interest on the City's indebtedness. Major debt service funds include: 2008 Improvement Bond Fund and 2011 Improvement Bond Fund.

The *2018 Capital Improvement Fund* is used to account for financial resources to be used for the Dewey Street capital improvement project.

The City reports the following major proprietary funds:

The *Water Fund* and *Sewer Fund* are used to account for business-like activities related to the operation of water and sewer systems provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

The City reports the following nonmajor governmental funds:

The *Debt Service Funds* account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City. Tax levies and special assessments are used for the payment of principal and interest on the City's indebtedness. These funds also account for the receipt of tax increment financing dollars and the use of such dollars for pay-as-you-go debt or eligible administrative costs incurred by the City.

The *Special Revenue Funds* account for funds received by the City with a specific purpose.

The *Capital Project Funds* account for financial resources to be used for the acquisition or construction of capital projects (other than capital projects funded by proprietary funds).

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the *economic resources* measurement focus as defined in the second bullet point below.

In the fund financial statements, the *current financial resources* measurement focus or the *economic resources* measurement focus is used as appropriate:

- All governmental funds utilize a *current financial resources* measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The government-wide financial statements and proprietary funds utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets, deferred outflows, liabilities and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, liabilities and deferred outflows/inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the *modified accrual* basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting.

**1.D. 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, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets, liabilities, and deferred outflows/inflows of resources at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY**

**Cash and Cash Equivalents**

For purposes of the Statement of Net Position and proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand, savings and money market savings accounts for the City.

See Note 3.A. for additional information related to Cash and Cash Equivalents.

**Investments**

Investments are stated at their fair value as determined by quoted market prices. Short-term investments are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Certificates of deposit, if any, are stated at cost, plus accrued interest, which approximates fair market value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

See Note 3.A. for additional information related to investments.

**Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 3.E. for details of interfund transactions, including receivables and payables at year-end.

**Prepays**

Prepays represent expenditures/expenses paid during the current year to be recognized in future periods.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and are not deemed necessary at year end. Major receivable balances for the governmental activities include taxes, special assessments, intergovernmental receipts and charges for services. Business-type activities report utility charges and assessments as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, assessments, other intergovernmental revenues, fines and charges for services since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and assessments compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)**

**Notes Receivable**

Notes Receivable consists of a loan made to a local entity during 2015. Remaining balance of such note amounts to \$15,114 at December 31, 2018 and is payable to the City in monthly installments of \$184 through July 2026.

**Capital Assets**

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets are defined by the City as assets, with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

The range of estimated useful lives by type of asset is as follows:

Land Improvements	20 years
Infrastructure	25 years
Buildings and Structures	20-50 years
Distribution System	40-50 years
Lagoons	60 years
Machinery and Equipment	5-15 years

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Accounts Payable**

Payables in the governmental and proprietary funds are composed almost entirely of payables to vendors.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)**

**Accrued Vacation and Accrued Severance**

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave. All vacation pay, compensatory pay and vested sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. Governmental activity accrued vacation and severance are generally funded through the General Fund.

Sick leave accumulates at the rate of one day per month of employment to a maximum accumulation of 155 days. A permanent employee is entitled to a percentage of his or her sick leave as severance pay at separation from service in accordance with the vesting policies of the City's personnel policies. Such pay has been accrued in the government-wide and proprietary fund financial statements as accrued severance.

**Noncurrent Liabilities**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation bonds.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Net Pension Asset/Liability**

The net pension asset represents the City's allocation of its pro-rata share of the Foley Fire Relief Association's net pension asset as of the most recent valuation date. The net pension liability represents the City's allocation of their pro-rata share of the statewide pension plans net pension liability.

PERA

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA 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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statements of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until then. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds in which City employees participate.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)**

**Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the Statements of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenues as deferred inflows of resources. Unavailable revenues consist of property taxes, special assessments and notes receivable. Accordingly, these amounts are deferred and recognized as inflows of resources in the period that they become available. Because this type of unavailable revenue is only reported under a modified accrual basis of accounting, deferred inflows of resources are only reported in the governmental funds Balance Sheet. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of pension funds in which City employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

See Note 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

**Equity Classifications**

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to consider restricted net position to its depletion before unrestricted net position is applied.

Fund Statements

Governmental Fund Financial Statements – In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2018 consist of prepaid expenditures and advances made to other funds.

Restricted – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council, which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)**

**Equity Classifications (Continued)**

Fund Statements (Continued)

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City Administrator shall have the authority to assign fund balance.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The City has formally adopted a policy under which it strives to maintain a minimum unassigned general fund balance of not less than 50-65% of annual General Fund operating expenditures.

See Note 3.F. for additional disclosures.

Proprietary Fund Financial Statements – Proprietary fund equity is classified the same as in the government-wide statements, as described above.

**1.F. REVENUES, EXPENDITURES AND EXPENSES**

**Property Tax**

Under State law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Benton County is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

December 31 is the last day the City can certify a tax levy to the County for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Delinquent taxes receivable includes the past six years’ uncollected taxes. Delinquent taxes have been offset by deferred inflows of resources for taxes not received within 60 days after year end in the fund financial statements.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and noncapital financing or investing activities.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. REVENUES, EXPENDITURES AND EXPENSES (Continued)**

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Debt Service
	Capital Outlay

Proprietary Funds - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 3.E.

**1.G. RECLASSIFICATIONS**

Certain amounts from 2017 have been reclassified to conform to the 2018 presentation in the Management's Discussion and Analysis section.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2.A. FUND ACCOUNTING REQUIREMENTS AND DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

By its nature as a local government unit, the City is subject to various Federal, State, and local laws and contractual regulations. The City complies with all State and local laws and regulations requiring the use of separate funds.

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at market. Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC or FSLIC insurance (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

**2.B. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and major special revenue funds (Fire Service Fund). All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Council so that a budget may be prepared for the following year. Public hearings are conducted to allow for taxpayer comments and the proposed budget is then reviewed and approved by the Council.



**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**2.B. BUDGETARY INFORMATION (Continued)**

The appropriated budget is prepared by fund, function and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. See the General Fund and Fire Service Fund budgets presented as Required Supplementary Information.

**2.C. EXPENDITURES IN EXCESS OF BUDGET**

Actual expenditures exceeded total budgeted expenditures for the current year end as follows:

Fund	Budgeted Expenditures	Actual Expenditures	Transfers Included in Actual
General Fund	<u>\$ 1,443,685</u>	<u>\$ 1,463,303</u>	<u>\$ 176,550</u>

Expenditures in excess of budget were primarily the result of unbudgeted capital outlay. The expenditures in excess of budget were funded by available fund balances.

**NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues and expenditures/expenses.

**3.A. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Deposits**

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States Government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.A.    CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**Deposits (Continued)**

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At December 31, 2018, the City’s deposits were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance or by collateral held by the City’s agent in the City’s name.

At December 31, 2018, the City has the following deposits:

Cash in Checking and Savings Accounts	\$	837,504
Money Market Savings Accounts		<u>6,393,222</u>
 Total Carrying Amount of Deposits Balance	 \$	 <u><u>7,230,726</u></u>

**Investments**

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City does not have any investment policies that would further limit investment choices.

Investment balances at December 31, 2018 are as follows:

Type of Investments	Interest Rate	Credit Rating	Segmented Time Distribution	Fair Value	Percent of Total
Money Market Funds	N/A	Aaa, AAA	Less than 1 year	\$ 37,204	1.83
U.S. Government Mortgage Securities	N/A	N/A	N/A	1,118,657	55.09
U.S. Government Securities	N/A	N/A	N/A	<u>874,734</u>	<u>43.08</u>
Total Investments				<u><u>\$ 2,030,595</u></u>	<u><u>100.00</u></u>

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.A.    CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**Investments (Continued)**

The investments of the City are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk as indicated in the table on the previous page. Minnesota Statutes limit the City’s investments.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments. At December 31, 2018, none of the underlying securities held by the City are subject to custodial credit risk because they are insured by the Securities Investor Protection Corporation (SIPC).
- Concentration risk is the risk associated with investing a significant portion of the City’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools and mutual funds. The City has no formal policy limiting the amounts that may be invested in any one issuer.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no formal policy to address interest rate risk.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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.

The City has the following recurring fair value measurements as of December 31, 2018:

- U.S. Government securities of \$874,734, U.S. Government mortgage securities of \$1,118,657, and money market funds of \$37,204 are valued by using quoted market prices (level 1).

**Deposits and Investments Summary**

The following is a summary of total cash, cash equivalents and investments:

Carrying Amount of Cash and Cash Equivalents	\$	7,230,726
Investments		2,030,595
 Total Cash, Cash Equivalents and Investments	 \$	 <u><u>9,261,321</u></u>

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.A.    CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**Deposits and Investments Summary (Continued)**

A reconciliation of cash, cash equivalents and investments are as follows:

Governmental Funds	
Cash and Cash Equivalents	\$    4,258,480
Investments	1,261,264
	<u>5,519,744</u>
Proprietary Funds	
Cash and Cash Equivalents	2,972,246
Investments	769,331
	<u>3,741,577</u>
 Total Cash, Cash Equivalents and Investments	 <u>\$    9,261,321</u>

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.B.    CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 is as follows:

	Balance at 01/01/18	Additions	Disposals	Transfers	Balance at 12/31/18
Governmental Activities:					
Capital Assets not Being Depreciated					
Land	\$ 350,826	\$ -	\$ 10,502	\$ -	\$ 340,324
Construction In Progress	81,507	1,883,288	-	-	1,964,795
Total Capital Assets not Being Depreciated	432,333	1,883,288	10,502	-	2,305,119
Capital Assets Being Depreciated					
Buildings	2,336,271	42,746	-	-	2,379,017
Infrastructure	7,198,228	-	-	-	7,198,228
Improvements	375,190	103,140	-	-	478,330
Equipment	723,375	118,804	39,076	(12,500)	790,603
Vehicles	1,694,745	35,683	5,300	12,500	1,737,628
Total Capital Assets Being Depreciated	12,327,809	300,373	44,376	-	12,583,806
Less: Accumulated Depreciation					
Buildings	1,133,772	57,462	-	-	1,191,234
Infrastructure	2,132,440	272,727	-	-	2,405,167
Improvements	324,693	6,998	-	-	331,691
Equipment	448,658	26,787	39,076	(2,734)	433,635
Vehicles	1,038,330	113,644	1,491	2,734	1,153,217
Total Accumulated Depreciation	5,077,893	477,618	40,567	-	5,514,944
Total Capital Assets Being Depreciated, Net	7,249,916	(177,245)	3,809	-	7,068,862
Capital Assets, Net	<u>\$ 7,682,249</u>	<u>\$ 1,706,043</u>	<u>\$ 14,311</u>	<u>\$ -</u>	<u>\$ 9,373,981</u>

Depreciation is charged to governmental activities as follows:

General Government	\$ 32,535
Pool	13,793
Parks and Recreation	13,757
Police	6,094
Public Works	302,243
Fire	109,196
Total Depreciation Expense	<u>\$ 477,618</u>

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.B.    CAPITAL ASSETS (Continued)**

	Balance at 01/01/18	Additions	Disposals	Transfers	Balance at 12/31/18
Business-Type Activities:					
Capital Assets not Being					
Depreciated					
Land	\$ 41,262	\$ -	\$ -	\$ -	\$ 41,262
Capital Assets Being					
Depreciated					
Buildings	203,773	-	-	-	203,773
Infrastructure	4,764,992	-	-	-	4,764,992
Lagoons	1,918,257	-	-	-	1,918,257
Improvements	12,334	-	-	-	12,334
Lift Stations	352,394	-	-	-	352,394
Equipment	488,640	22,788	-	(101,500)	409,928
Vehicles	78,500	-	-	101,500	180,000
Total Capital Assets Being					
Depreciated	7,818,890	22,788	-	-	7,841,678
Less: Accumulated Depreciation					
Buildings	154,736	4,214	-	-	158,950
Infrastructure	1,888,660	123,373	-	-	2,012,033
Lagoons	1,022,911	31,971	-	-	1,054,882
Improvements	12,334	-	-	-	12,334
Lift Stations	142,604	7,048	-	-	149,652
Equipment	348,457	23,679	-	(56,671)	315,465
Vehicles	43,829	18,000	-	56,671	118,500
Total Accumulated					
Depreciation	3,613,531	208,285	-	-	3,821,816
Total Capital Assets Being					
Depreciated, Net	4,205,359	(185,497)	-	-	4,019,862
Capital Assets, Net	<u>\$ 4,246,621</u>	<u>\$ (185,497)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,061,124</u>

**3.C.    ACCRUED SEVERANCE**

Full time employees of the City are entitled to a percentage of their unused sick leave (maximum 1,240 hours) as severance at the time of their retirement. The percentages vary based on years of service with the City and are calculated using their current rate of pay. There are currently nine full time employees who qualify for the benefit.

See Note 3.D. for changes in accrued severance.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.D.    NONCURRENT LIABILITIES**

**Debt Detail**

As of December 31, 2018, the long-term debt of the financial reporting entity, excluding the bond premium of \$78,144, consists of the following:

Governmental Activities

General Obligation Bonds						
Type of Debt	Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
2011A General Improvement Bond	11/11	\$ 1,320,000	\$75,000-\$105,000	1.00-4.00%	02/28	\$ 925,000
2012A Crossover Refunding Bond	03/12	\$ 2,875,000	\$265,000-\$315,000	2.00-2.20%	02/25	2,065,000
2015A General Improvement Bond	08/15	\$ 995,000	\$30,000-\$75,000	3.00-3.25%	02/31	895,000
2018A General Improvement Bond	08/18	\$ 2,340,000	\$20,000-\$330,000	3.00-3.25%	02/34	2,340,000
Total Governmental Activities Bonds Payable						6,225,000
Bonds Due Within One Year						415,000
Bonds Due After One Year						\$ 5,810,000

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

**Changes in Noncurrent Liabilities**

The following is a summary of changes in noncurrent liabilities, excluding the net pension liability, for the year ended December 31, 2018:

Type of Debt	Balance 1/1/18	Additions	Deductions	Balance 12/31/18	Amounts Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds	\$ 1,970,000	\$ 2,340,000	\$ (150,000)	\$ 4,160,000	\$ 135,000
Crossover Refunding Bond	2,340,000	-	(275,000)	2,065,000	280,000
Unamortized Bond Premium	72,536	14,116	(8,508)	78,144	-
Accrued Severance	26,432	3,975	-	30,407	-
Total	\$ 4,408,968	\$ 2,358,091	\$ (433,508)	\$ 6,333,551	\$ 415,000
<i>Business-Type Activities:</i>					
Accrued Severance	\$ 45,598	\$ 3,566	\$ -	\$ 49,164	\$ -

Governmental activity debt is typically funded through the Debt Service Funds. Accrued severance is funded through the funds to which the respective employees' wages are allocated.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.D.    NONCURRENT LIABILITIES (Continued)**

**Annual Debt Service Requirements**

At December 31, 2018, the estimated annual debt service requirements to maturity, including principal and interest, and excluding accrued severance and net pension liability are as follows:

Years Ending December 31,	Governmental-Type Activities		
	G.O. Bonds		
	Principal	Interest	Total
2019	\$ 415,000	\$ 164,734	\$ 579,734
2020	440,000	156,498	596,498
2021	460,000	146,272	606,272
2022	470,000	135,525	605,525
2023	480,000	124,430	604,430
2024-2028	2,180,000	438,541	2,618,541
2029-2033	1,575,000	138,113	1,713,113
Thereafter	205,000	3,331	208,331
Totals	<u>\$ 6,225,000</u>	<u>\$ 1,307,444</u>	<u>\$ 7,532,444</u>

Interest expense totals \$128,988 in the Statement of Activities (included in Debt Service line). Interest expense totals \$103,580 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges).

**3.E.    INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers consist of the following for the year ended December 31, 2018:

Major Funds	Transfers Out	Transfers In				Total
		Major Fund	Nonmajor Funds			
		2018 Improvement	2014 Capital Improvement	2016 Capital Improvement	Equipment Fund	
General	\$ 176,550	\$ -	\$ 2,050	\$ -	\$ 174,500	\$ 176,550
2018 Capital Improvement	76,500	-	-	-	76,500	76,500
Water	641,000	570,000	-	71,000	-	641,000
Sewer	476,000	405,000	-	71,000	-	476,000
	<u>\$ 1,370,050</u>	<u>\$ 975,000</u>	<u>\$ 2,050</u>	<u>\$ 142,000</u>	<u>\$ 251,000</u>	<u>\$ 1,370,050</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.E.    INTERFUND TRANSACTIONS AND BALANCES (Continued)**

The interfund balances are as follows:

Short-Term Balances			
Due To Fund	Due From Fund	Amount	Reason
2008 Improvement Bond Fund	Water Fund	\$ 20,000	Current portion of loan repayment
2015 Improvement Bond Fund	Water Fund	10,000	Current portion of loan repayment
2008 Improvement Bond Fund	Sewer Fund	20,000	Current portion of loan repayment
2015 Improvement Bond Fund	Sewer Fund	10,000	Current portion of loan repayment
Total Short-Term Interfund Balance		60,000	
Long-Term Balances			
Advance From Fund	Advance to Fund		
2008 Improvement Bond Fund	Water Fund	80,000	Long-term interfund loan
2015 Improvement Bond Fund	Water Fund	107,877	Long-term interfund loan
2018 Capital Improvement Fund	Water Fund	570,000	Long-term interfund loan
2008 Improvement Bond Fund	Sewer Fund	80,000	Long-term interfund loan
2015 Improvement Bond Fund	Sewer Fund	107,877	Long-term interfund loan
2018 Capital Improvement Fund	Sewer Fund	405,000	Long-term interfund loan
Total Long-Term Interfund Balance		1,350,754	
Total Interfund Balances		1,410,754	
Government Fund Elimination		-	
Government-wide Internal Balances		<u>\$ 1,410,754</u>	

It is the City's intent to remit \$20,000 per year to the 2008 Improvement Bond Fund and \$10,000 per year to the 2015 Improvement Bond Fund from both the Water Fund and Sewer Funds. The City also intends to remit \$38,000 per year from the Water Fund and \$27,000 per year from the Sewer Fund to the 2018 Capital Improvement Fund.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.F.    FUND EQUITY**

At December 31, 2018, governmental fund equity consists of the following:

General Fund	
Nonspendable - Prepaids	\$       31,024
Assigned	506,463
Unassigned	<u>2,229,413</u>
Total General Fund Balance	<u><u>\$    2,766,900</u></u>
Fire Service Fund	
Nonspendable - Prepaids	\$       13,001
Assigned	<u>608,964</u>
Total Fire Service Fund Balance	<u><u>\$    621,965</u></u>
2008 Improvement Bond Fund	
Nonspendable - Advances to Other Funds	\$       160,000
Restricted	<u>503,636</u>
Total 2008 Improvement Bond Fund Balance	<u><u>\$    663,636</u></u>
2011 Improvement Bond Fund	
Restricted	<u><u>\$       257,272</u></u>
2018 Capital Improvement Fund	
Nonspendable - Advances to Other Funds	\$       975,000
Assigned	<u>445,751</u>
Total 2018 Capital Improvement Fund Balance	<u><u>\$    1,420,751</u></u>
Nonmajor Governmental Funds	
Nonspendable - Prepaids	\$        3,518
Nonspendable - Advances to Other Funds	215,754
Restricted for 2015 Improvement Bond Fund	263,971
Restricted for TIF District 1-8	8,854
Restricted for TIF District 1-9	18,145
Restricted for Revolving Loan Fund	75,379
Restricted for Small Cities Development Grant Fund	110,395
Assigned for Swimming Pool Fund	389,406
Assigned for EDA Fund	35,954
Assigned for Equipment Fund	120,799
Assigned for 2016 Capital Improvement Fund	<u>1,842</u>
Total Nonmajor Governmental Funds Balance	<u><u>\$    1,244,017</u></u>

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES**

**4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**Plan Description**

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

General Employees Retirement Plan (General Employees Plan; accounted for in the General Employees Fund)

All full-time and certain part-time employees of the City of Foley are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan (Police and Fire Plan; accounted for in the Police and Fire Fund)

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

**Benefits Provided**

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

General Employees Plan Benefits

General Employees Plan Benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.70 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

**Benefits Provided (Continued)**

Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90.0 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80.0 percent for one year or 85.0 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least twelve full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than twelve full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

**Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018, were \$30,382. The City's contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary and the City was required to contribute 16.20 percent of pay for members in fiscal year 2018. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$35,956. The City's contributions were equal to the required contributions as set by State Statute.

**Pension Costs**

General Employees Fund Pension Costs

At December 31, 2018, the City reported a liability of \$321,760 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. 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 \$10,571. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0058 percent which was an increase of 0.0002 percent from its proportion measured as of June 30, 2017.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

**Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2018, the City recognized pension expense of \$21,852 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,465 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, 2018, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 8,236	\$ 9,546
Change in Actuarial Assumptions	31,266	35,299
Difference Between Projected and Actual Investment Earnings	-	30,543
Changes in Proportionate Share Contributions Paid to PERA Subsequent to the Measurement Date	9,576	20,848
	15,317	-
Total City Deferred Outflows/Inflows	\$ 64,395	\$ 96,236

A total of \$15,317 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2019	\$ 1,110
2020	\$ (19,179)
2021	\$ (22,374)
2022	\$ (6,715)

Police and Fire Fund Pension Costs

At December 31, 2018, the City reported a liability of \$222,772 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0209 percent which was an increase of 0.0039 percent from its proportion measured as of June 30, 2017.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

**Pension Costs (Continued)**

Police and Fire Fund Pension Costs (Continued)

The City also recognized \$1,881 for the year ended December 31, 2018, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2018, the City recognized pension expense of \$28,955 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2018, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 8,010	\$ 49,683
Change in Actuarial Assumptions	251,782	268,145
Difference Between Projected and Actual Investment Earnings	-	39,477
Changes in Proportionate Share Contributions Paid to PERA Subsequent to the Measurement Date	47,479	53,509
	16,750	-
Total City Deferred Outflows/Inflows	\$ 324,021	\$ 410,814

A total of \$16,750 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2019	\$ 1,032
2020	\$ (8,372)
2021	\$ (25,208)
2022	\$ (79,035)
2023	\$ 8,040

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

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

Police and Fire Fund

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liability Sensitivity**

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

Sensitivity of Net Pension Liability at Current Single Discount Rate					
	General Employees Fund		Police and Fire Fund		
1% Increase in Discount Rate	8.50%	\$ 155,724	8.50%	\$ 12,009	
Current Discount Rate	7.50%	\$ 321,760	7.50%	\$ 222,772	
1% Decrease in Discount Rate	6.50%	\$ 522,902	6.50%	\$ 477,638	

**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).

**4.B. DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION**

**Plan Description**

Firefighters of the City of Foley are members of the Foley Fire Relief Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The plan operates under the provisions of Minnesota laws 1965 Ch. 446 as amended, and the applicable provisions of *Minnesota Statute* Chs. 69 and 424 and 424A. It is governed by a Board of Trustees consisting of six members elected by the members of the Association, and the Mayor, the City Administrator and Fire Chief, who serve as ex-officio members of the Board.

**Benefits Provided**

After the age of 50 and upon retirement, each member who has served as an active firefighter in the Association is eligible for varying levels of pension benefits, dependent upon the individual’s years of service. In addition, members or their beneficiaries may qualify for death or disability benefits.



**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.B. DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (Continued)**

**Contributions**

The Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statute 1980) specifies minimum contributions required on an annual basis. The minimum support rates from the municipality and state aid are determined in the amount required to meet the normal cost plus amortizing any existing prior year service costs over a 10-year period. The City's contributions to the Association for the year ended December 31, 2018 total \$7,500.

**Pension Costs**

At December 31, 2018, the City of Foley reported a net pension asset of \$243,544 for the Fire Relief Association's plan. The net pension asset was measured as of December 31, 2017, as determined by an actuarial valuation as of that date.

For the year ended December 31, 2018, the City recognized pension expense of \$41,036 for the Association. The City also recognized \$51,416 for the year ended December 31, 2018, as pension expense (and grant revenue) for the State of Minnesota's contributions to the Association.

The following table presents the changes in net pension asset during the year:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance 12/31/16	\$ 517,148	\$ 743,270	\$ (226,122)
Service Cost	25,324	-	25,324
Interest on Pension Liability	25,767	-	25,767
Plan Changes	85,072	-	85,072
Projected Investment Income	-	36,691	(36,691)
Contributions (Employer)	-	12,720	(12,720)
Contributions (State)	-	51,416	(51,416)
Asset (Gain)/Loss	-	58,568	(58,568)
Administrative Fee	-	(5,810)	5,810
Net Changes	<u>136,163</u>	<u>153,585</u>	<u>(17,422)</u>
Balance End of Year 12/31/17	<u>\$ 653,311</u>	<u>\$ 896,855</u>	<u>\$ (243,544)</u>

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.B. DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (Continued)**

**Pension Costs (Continued)**

At December 31, 2018, the City of Foley reported deferred outflows and inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 42,421
Changes in Actuarial Assumptions	9,209	-
Difference Between Projected and Actual Investment Earnings	-	12,205
Contributions Paid to PERA Subsequent to the Measurement Date	7,500	-
Total City Deferred Outflows/Inflows	\$ 16,709	\$ 54,626

A total of \$7,500 reported as deferred outflows of resources related to the pension resulting from City contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to the pension will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2019	\$ 908
2020	\$ (1,116)
2021	\$ (10,248)
2022	\$ (15,035)
2023	\$ (3,321)
2024 - 2028	\$ (16,605)

**Actuarial Assumptions**

The net pension asset at December 31, 2017 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	Rates
Investment Rate of Return (Discount)	4.75%
Expected Long-Term Rate of Return	4.75%
20-Year Municipal Bond Yield	3.50%
Salary Increases	2.50%
Cost of Living Increases	0.00%

The following change in actuarial assumptions occurred in 2017:

- A benefit level increase from \$3,200 to \$3,700 was reflected in the active liability.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.B. DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (Continued)**

**Pension Liability Sensitivity**

The following presents the City’s net pension asset for the Fire Relief Association’s plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s net pension asset would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

	1% Decrease in Discount Rate (3.75%)	Discount Rate (4.75%)	1% Increase in Discount Rate (5.75%)
Net Pension Asset	\$ (227,576)	\$ (243,544)	\$ (258,688)

**Plan Investments**

Asset Allocation

The long-term expected rate of return on pension plan investments is 4.75 percent. The asset allocation at the measurement date and best estimates of arithmetic real rates of return for each major asset class of the Association’s pension fund investments are summarized in the following table:

Asset Class	Portfolio Weight	Long-Term Expected Real Rate of Return
Cash	14%	2.25%
Fixed Income	45%	3.30%
Equities	39%	7.50%
Other	2%	6.00%

Description of significant investment policy changes during the year

The Fire Relief Association made no significant changes to their investment policy during fiscal year 2018.

**Pension Plan Fiduciary Net Position**

Detailed information about the plan’s fiduciary net position is available in a separately-issued financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the City at 251 4th Avenue N, P.O. Box 709, Foley, MN 56329.

**4.C. 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. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

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

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.D. TAX INCREMENT FINANCING DISTRICT**

The City occasionally enters into tax increment financing arrangements with local businesses, for the purpose of stimulating economic growth within the City. Eligibility for businesses seeking tax abatements of this nature is determined in accordance the applicable Minnesota Statutes, and such arrangements generally include a commitment by the local business to use the abated funds for financing a development or redevelopment project. Any tax increment generated by the district and not retained by the City for administrative costs is returned to the business to finance the debt incurred for the related improvements.

The following is a summary of the City’s current tax increment financing districts:

Name of District:	Housing District #1-8
Business Name:	Prairie Cottages Assisted Living Project
Purpose:	Housing
Authorizing Law:	MN Statutes Sections 469.174
Year Established:	2012
Duration of District:	25 Years

Original Base Net Tax Capacity:	\$ 3,200
Current Net Tax Capacity:	<u>\$ 4,603</u>

Captured Net Tax Capacity:	
Retained by City	<u>\$ 1,403</u>
Shared with Other Taxing Districts	<u>\$ -</u>
Taxes Abated in 2018:	<u>\$ -</u>

Name of District:	Economic Development District #1-9
Business Name:	Silt Sock, Inc.
Purpose:	Economic Development
Authorizing Law:	MN Statutes Sections 469.174, Subd. 12
Year Established:	2018
Duration of District:	20 Years

Original Base Net Tax Capacity:	<u>\$ 5,576</u>
Current Net Tax Capacity:	<u>\$ 42,697</u>

Captured Net Tax Capacity:	
Retained by City	<u>\$ 37,121</u>
Shared with Other Taxing Districts	<u>\$ -</u>
Taxes Abated in 2018:	<u>\$ -</u>

**4.E. COMMITMENTS**

The City entered into a contract during the year for construction services. Remaining commitments under this contract at December 31, 2018 total \$359,069, not including retainage which has been accrued in the financial statements.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4    OTHER NOTES (Continued)**

**4.F.    SUBSEQUENT EVENTS**

Subsequent to year end but prior to the issuance of these financial statements, the City approved the purchase of equipment in the amount of \$661,700.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF FOLEY, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>RESOURCES (INFLOWS):</b>			
Taxes	\$ 545,211	\$ 550,647	\$ 5,436
Special Assessments	5,885	10,571	4,686
Franchise Fees	10,000	9,568	(432)
Licenses, Permits and Fees	24,800	60,524	35,724
Intergovernmental	804,689	843,516	38,827
Charges for Services	30,600	54,089	23,489
Fines	17,500	14,055	(3,445)
Investment Income	2,000	2,291	291
Miscellaneous	3,000	9,580	6,580
Sale of Assets	-	1,000	1,000
<b>AMOUNTS AVAILABLE</b>	1,443,685	1,555,841	112,156
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>			
Current:			
General Government:			
City Clerk	102,500	103,959	1,459
Council	11,850	7,616	(4,234)
General Government	479,050	422,717	(56,333)
Public Safety:			
Police	349,900	340,123	(9,777)
Other	12,750	23,062	10,312
Public Works	216,510	222,383	5,873
Parks and Recreation	46,125	45,208	(917)
Economic Development	-	3,010	3,010
Capital Outlay	10,000	118,675	108,675
Transfers Out	215,000	176,550	(38,450)
<b>TOTAL CHARGES</b>	1,443,685	1,463,303	19,618
<b>BUDGETARY CHANGE IN FUND BALANCE</b>	\$ -	92,538	\$ 92,538
<b>FUND BALANCE - BEGINNING</b>		2,674,362	
<b>FUND BALANCE - ENDING</b>		\$ 2,766,900	

**CITY OF FOLEY, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE – FIRE SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>RESOURCES (INFLOWS):</b>			
Taxes	\$ 79,060	\$ 79,579	\$ 519
Intergovernmental	3,000	55,434	52,434
Charges for Services	174,000	206,204	32,204
Investment Income	1,000	26	(974)
Miscellaneous	-	3,982	3,982
<b>AMOUNTS AVAILABLE</b>	257,060	345,225	88,165
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>			
Current:			
Public Safety:			
Fire	176,060	199,228	23,168
Capital Outlay	81,000	-	(81,000)
<b>TOTAL CHARGES</b>	257,060	199,228	(57,832)
<b>BUDGETARY CHANGE IN FUND BALANCE</b>	\$ -	145,997	\$ 145,997
<b>FUND BALANCE - BEGINNING</b>		475,968	
<b>FUND BALANCE - ENDING</b>		\$ 621,965	



**CITY OF FOLEY, MINNESOTA**  
**SCHEDULE OF CITY'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**LAST TEN YEARS (Presented Prospectively)**

For the Measurement Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b><i>General Employees Retirement Pension Plan</i></b>							
2018	0.0058%	\$ 321,760	\$ 10,571	\$ 332,332	\$ 391,702	84.8%	79.5%
2017	0.0056%	\$ 357,500	\$ 4,494	\$ 361,994	\$ 358,933	100.9%	75.9%
2016	0.0059%	\$ 479,051	\$ -	\$ 479,051	\$ 363,507	131.8%	68.9%
2015	0.0066%	\$ 342,046	\$ -	\$ 342,046	\$ 414,145	82.6%	78.2%
<b><i>Public Employees Police and Fire Pension Plan</i></b>							
2018	0.0209%	\$ 222,772	\$ -	\$ 222,772	\$ 219,889	101.3%	88.8%
2017	0.0170%	\$ 229,520	\$ -	\$ 229,520	\$ 174,019	131.9%	85.4%
2016	0.0190%	\$ 762,503	\$ -	\$ 762,503	\$ 183,315	416.0%	63.9%
2015	0.0190%	\$ 215,884	\$ -	\$ 215,884	\$ 172,478	125.2%	86.6%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF FOLEY, MINNESOTA**  
**SCHEDULE OF CITY PENSION CONTRIBUTIONS**  
**LAST TEN YEARS (Presented Prospectively)**

For the Calendar Year Ended December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b><i>General Employees Retirement Pension Plan</i></b>					
2018	\$ 30,382	\$ 30,382	\$ -	405,096	7.5%
2017	\$ 28,579	\$ 28,579	\$ -	381,053	7.5%
2016	\$ 25,976	\$ 25,976	\$ -	346,347	7.5%
2015	\$ 28,875	\$ 28,875	\$ -	392,909	7.3%
<b><i>Public Employees Police and Fire Pension Plan</i></b>					
2018	\$ 35,956	\$ 35,956	\$ -	221,951	16.2%
2017	\$ 30,452	\$ 30,452	\$ -	187,975	16.2%
2016	\$ 29,329	\$ 29,329	\$ -	181,043	16.2%
2015	\$ 29,034	\$ 29,034	\$ -	179,221	16.2%
<b><i>Volunteer Fire Relief Association</i></b>					
2018	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2017	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2016	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2015	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A

Note: The schedule is provided prosepctively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF FOLEY, MINNESOTA**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)**  
**FIRE DEPARTMENT RELIEF ASSOCIATION**  
**LAST TEN YEARS (Presented Prospectively)**

	2017	2016	2015
<b>Changes in Total Pension Liability (TPL)</b>			
Balance at January 1st	\$ 517,148	\$ 500,316	\$ 451,715
Service Cost	25,324	27,648	28,458
Interest on the TPL	25,767	29,038	24,718
Assumption Changes	-	11,051	-
Plan Changes	85,072	-	-
Actuarial Experience (Gains)/Losses	-	(50,905)	-
Benefit Payments	-	-	(4,575)
Balance at December 31st	<u>\$ 653,311</u>	<u>\$ 517,148</u>	<u>\$ 500,316</u>
<b>Plan Fiduciary Net Position (PFNP)</b>			
Balance at January 1st	\$ 743,270	\$ 670,255	\$ 626,807
Fire State Aid	51,416	51,569	50,835
Municipal Contributions	12,720	7,500	7,500
Projected Investment Income	36,691	38,472	35,937
Net Investment Income (Loss)	<u>58,568</u>	<u>(23,936)</u>	<u>(45,659)</u>
Total Additions	159,395	73,605	48,613
Benefit Payments	-	-	(4,575)
Administrative Expenses	<u>(5,810)</u>	<u>(590)</u>	<u>(590)</u>
Total Reductions	(5,810)	(590)	(5,165)
Balance at December 31st	<u>\$ 896,855</u>	<u>\$ 743,270</u>	<u>\$ 670,255</u>
Net Pension Liability (Asset) - December 31st	<u>\$ (243,544)</u>	<u>\$ (226,122)</u>	<u>\$ (169,939)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Asset	137%	144%	134%

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2018**

**NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND**

**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 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

**2017 Changes**

Changes in Plan Provisions:

- The State's special funding contribution increased from \$6 million to \$16 million.

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

**2016 Changes**

Changes in Actuarial Assumptions:

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

**2015 Changes**

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, is due September 2015.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2018**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND**

**2018 Changes**

Changes in Actuarial Assumptions:

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

**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 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent 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.
- Assumed termination rates were decreased to 3.0 percent 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 percent to 60 percent.
- 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 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The Single Discount Rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**2016 Changes**

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

**2015 Changes**

Changes in Plan Provisions:

- The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)**

**2015 Changes (Continued)**

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

**NOTE 3 DEFINED BENEFIT PLAN – FIRE RELIEF ASSOCIATION**

**2017 Changes**

Changes in Plan Provisions

- A benefit increase from \$3,200 to \$3,700 was reflected in the active liability.

**2016 Changes**

Changes in Assumption Changes

- The discount rate changed from 5.50 percent to 4.75 percent.

**2015 Changes**

There were no significant changes made to actuarial assumptions or plan provisions during 2015.

**SUPPLEMENTARY INFORMATION**

**CITY OF FOLEY, MINNESOTA  
COMBINING BALANCE SHEET  
ALL NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	<u>Nonmajor Debt Service Funds</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash, Cash Equivalents and Investments	\$ 270,735	\$ 610,667	\$ 147,555	\$ 1,028,957
Property Taxes Receivable	565	1,173	-	1,738
Assessments Receivable	101,710	-	-	101,710
Notes Receivable	-	15,114	-	15,114
Due From Other Funds	20,000	-	-	20,000
Advance To Other Funds	215,754	-	-	215,754
Prepays	-	3,518	-	3,518
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 608,764</u>	<u>\$ 630,472</u>	<u>\$ 147,555</u>	<u>\$ 1,386,791</u>
 <b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ 24,914	\$ 24,914
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue:				
Property Taxes	330	706	-	1,036
Special Assessments	101,710	-	-	101,710
Notes Receivable	-	15,114	-	15,114
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Deferred Inflows of Resources	102,040	15,820	-	117,860
 <b>FUND BALANCES</b>				
Nonspendable	215,754	3,518	-	219,272
Restricted	290,970	185,774	-	476,744
Assigned	-	425,360	122,641	548,001
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balance	506,724	614,652	122,641	1,244,017
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
	<u>\$ 608,764</u>	<u>\$ 630,472</u>	<u>\$ 147,555</u>	<u>\$ 1,386,791</u>



**CITY OF FOLEY, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Nonmajor Debt Service Funds	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 34,510	\$ 66,373	\$ -	\$ 100,883
Tax Increment	71,793	-	-	71,793
Special Assessments	12,663	-	-	12,663
Intergovernmental	-	-	41,369	41,369
Charges for Services	-	45,132	48	45,180
Investment Income	21	111	-	132
Loan Repayment	-	2,207	-	2,207
Miscellaneous	-	4,091	-	4,091
<b>TOTAL REVENUES</b>	<b>118,987</b>	<b>117,914</b>	<b>41,417</b>	<b>278,318</b>
<b>EXPENDITURES</b>				
Current:				
Parks and Recreation	-	85,932	-	85,932
Economic Development	671	2,000	-	2,671
Debt Service:				
Principal	70,000	-	-	70,000
Interest and Other Charges	28,650	-	-	28,650
Total Debt Service	98,650	-	-	98,650
Capital Outlay	-	-	280,305	280,305
<b>TOTAL EXPENDITURES</b>	<b>99,321</b>	<b>87,932</b>	<b>280,305</b>	<b>467,558</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	19,666	29,982	(238,888)	(189,240)
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	-	-	395,050	395,050
<b>NET CHANGE IN FUND BALANCES</b>	19,666	29,982	156,162	205,810
<b>FUND BALANCES - BEGINNING</b>	487,058	584,670	(33,521)	1,038,207
<b>FUND BALANCES - ENDING</b>	\$ 506,724	\$ 614,652	\$ 122,641	\$ 1,244,017

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS  
DECEMBER 31, 2018**

	<u>2015 Improvement Bond Fund</u>	<u>TIF 1-8 Senior Prairie Cottages Fund</u>	<u>TIF 1-9 Silt Sock, Inc. Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
<b>ASSETS</b>				
Cash, Cash Equivalents and Investments	\$ 243,736	\$ 8,854	\$ 18,145	\$ 270,735
Property Taxes Receivable	565	-	-	565
Assessments Receivable	101,710	-	-	101,710
Due From Other Funds	20,000	-	-	20,000
Advance To Other Funds	<u>215,754</u>	<u>-</u>	<u>-</u>	<u>215,754</u>
<b>TOTAL ASSETS</b>	<u>\$ 581,765</u>	<u>\$ 8,854</u>	<u>\$ 18,145</u>	<u>\$ 608,764</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue:				
Property Taxes	\$ 330	\$ -	\$ -	\$ 330
Special Assessments	<u>101,710</u>	<u>-</u>	<u>-</u>	<u>101,710</u>
Total Deferred Inflows of Resources	102,040	-	-	102,040
<b>FUND BALANCES</b>				
Nonspendable	215,754	-	-	215,754
Restricted	<u>263,971</u>	<u>8,854</u>	<u>18,145</u>	<u>290,970</u>
Total Fund Balance	<u>479,725</u>	<u>8,854</u>	<u>18,145</u>	<u>506,724</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 581,765</u>	<u>\$ 8,854</u>	<u>\$ 18,145</u>	<u>\$ 608,764</u>

**CITY OF FOLEY, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2015 Improvement Bond Fund	TIF 1-8 Senior Prairie Cottages Fund	TIF 1-9 Silt Sock, Inc. Fund	Total Nonmajor Debt Service Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>				
Taxes	\$ 34,510	\$ -	\$ -	\$ 34,510
Tax Increment	-	2,713	69,080	71,793
Special Assessments	12,663	-	-	12,663
Investment Income	21	-	-	21
<b>TOTAL REVENUES</b>	<u>47,194</u>	<u>2,713</u>	<u>69,080</u>	<u>118,987</u>
<b>EXPENDITURES</b>				
Current:				
Economic Development	-	479	192	671
Debt Service:				
Principal	70,000	-	-	70,000
Interest and Other Charges	28,650	-	-	28,650
Total Debt Service	<u>98,650</u>	<u>-</u>	<u>-</u>	<u>98,650</u>
<b>TOTAL EXPENDITURES</b>	<u>98,650</u>	<u>479</u>	<u>192</u>	<u>99,321</u>
<b>NET CHANGE IN FUND BALANCES</b>	(51,456)	2,234	68,888	19,666
<b>FUND BALANCES - BEGINNING</b>	<u>531,181</u>	<u>6,620</u>	<u>(50,743)</u>	<u>487,058</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 479,725</u>	<u>\$ 8,854</u>	<u>\$ 18,145</u>	<u>\$ 506,724</u>

**CITY OF FOLEY, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS  
DECEMBER 31, 2018**

	Swimming Pool Fund	Revolving Loan Fund	Small Cities Development Grant Fund	EDA Fund	Total Nonmajor Special Revenue Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>					
Cash, Cash Equivalents and Investments	\$ 388,939	\$ 75,379	\$ 110,395	\$ 35,954	\$ 610,667
Property Taxes Receivable	1,173	-	-	-	1,173
Notes Receivable	-	15,114	-	-	15,114
Prepays	3,518	-	-	-	3,518
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 393,630</u></u>	<u><u>\$ 90,493</u></u>	<u><u>\$ 110,395</u></u>	<u><u>\$ 35,954</u></u>	<u><u>\$ 630,472</u></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue:					
Property Taxes	\$ 706	\$ -	\$ -	\$ -	\$ 706
Notes Receivable	-	15,114	-	-	15,114
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Deferred Inflows of Resources	706	15,114	-	-	15,820
 <b>FUND BALANCES</b>					
Nonspendable	3,518	-	-	-	3,518
Restricted	-	75,379	110,395	-	185,774
Assigned	389,406	-	-	35,954	425,360
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balance	392,924	75,379	110,395	35,954	614,652
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 393,630</u></u>	<u><u>\$ 90,493</u></u>	<u><u>\$ 110,395</u></u>	<u><u>\$ 35,954</u></u>	<u><u>\$ 630,472</u></u>

**CITY OF FOLEY, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Swimming Pool Fund	Revolving Loan Fund	Small Cities Development Grant Fund	EDA Fund	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>					
Taxes	\$ 66,373	\$ -	\$ -	\$ -	\$ 66,373
Charges for Services	45,132	-	-	-	45,132
Investment Income	45	23	35	8	111
Loan Repayment	-	2,207	-	-	2,207
Miscellaneous	-	-	4,091	-	4,091
<b>TOTAL REVENUES</b>	<u>111,550</u>	<u>2,230</u>	<u>4,126</u>	<u>8</u>	<u>117,914</u>
<b>EXPENDITURES</b>					
Current:					
Parks and Recreation	85,932	-	-	-	85,932
Economic Development	-	-	2,000	-	2,000
<b>TOTAL EXPENDITURES</b>	<u>85,932</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>87,932</u>
<b>NET CHANGE IN FUND BALANCES</b>	25,618	2,230	2,126	8	29,982
<b>FUND BALANCES - BEGINNING</b>	<u>367,306</u>	<u>73,149</u>	<u>108,269</u>	<u>35,946</u>	<u>584,670</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 392,924</u>	<u>\$ 75,379</u>	<u>\$ 110,395</u>	<u>\$ 35,954</u>	<u>\$ 614,652</u>

**CITY OF FOLEY, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECT FUNDS  
 DECEMBER 31, 2018**

	2014 Capital Improvement Fund	Equipment Fund	2016 Capital Improvement Fund	Total Nonmajor Capital Project Funds
<b>ASSETS</b>				
Cash, Cash Equivalents and Investments	\$ -	\$ 145,713	\$ 1,842	\$ 147,555
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 24,914	\$ -	\$ 24,914
<b>FUND BALANCES</b>				
Assigned	-	120,799	1,842	122,641
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 145,713</b>	<b>\$ 1,842</b>	<b>\$ 147,555</b>

**CITY OF FOLEY, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2014 Capital Improvement Fund</u>	<u>Equipment Fund</u>	<u>2016 Capital Improvement Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 41,369	\$ 41,369
Charges for Services	<u>-</u>	<u>48</u>	<u>-</u>	<u>48</u>
<b>TOTAL REVENUES</b>	-	48	41,369	41,417
<b>EXPENDITURES</b>				
Capital Outlay	<u>-</u>	<u>218,821</u>	<u>61,484</u>	<u>280,305</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	-	(218,773)	(20,115)	(238,888)
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	<u>2,050</u>	<u>251,000</u>	<u>142,000</u>	<u>395,050</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,050	32,227	121,885	156,162
<b>FUND BALANCES - BEGINNING</b>	<u>(2,050)</u>	<u>88,572</u>	<u>(120,043)</u>	<u>(33,521)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ 120,799</u>	<u>\$ 1,842</u>	<u>\$ 122,641</u>

**CITY OF FOLEY, MINNESOTA  
SCHEDULE OF INDEBTEDNESS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

	Issue Date	Interest Rate	Maturity Date	Initial Authorized Issue	Outstanding Balance 01/01/18	Issued	Paid	Outstanding Balance 12/31/18	Principal Due in 2019
<b>GOVERNMENTAL ACTIVITIES</b>									
<u>General Obligation Bonds</u>									
G.O. Improvement Bonds, Series 2011A	11/1/2011	1.00 - 4.00%	2/1/2028	\$ 1,320,000	\$ 1,005,000	\$ -	\$ 80,000	\$ 925,000	\$ 80,000
G.O. Improvement Crossover Refunding Bonds, Series 2012A	3/26/2012	2.00 - 2.20%	2/1/2025	2,875,000	2,340,000	-	275,000	2,065,000	280,000
G.O. Bonds, Series 2015A	8/4/2015	3.00 - 3.25%	2/1/2031	995,000	965,000	-	70,000	895,000	55,000
G.O. Improvement Bonds, Series 2018A	8/7/2018	3.00 - 3.25%	2/1/2034	<u>2,340,000</u>	<u>-</u>	<u>2,340,000</u>	<u>-</u>	<u>2,340,000</u>	<u>-</u>
<b>TOTAL GOVERNMENTAL ACTIVITY DEBT</b>				<u>\$ 7,530,000</u>	<u>\$ 4,310,000</u>	<u>\$ 2,340,000</u>	<u>\$ 425,000</u>	<u>\$ 6,225,000</u>	<u>\$ 415,000</u>



**OTHER REQUIRED REPORTS**

**INDEPENDENT AUDITORS' 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**

May 30, 2019

Honorable Mayor and City Council  
City of Foley, 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 Foley, Minnesota (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 30, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Foley's internal control over financial reporting (internal control) to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 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. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a material weakness: 2012-001.

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. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a significant deficiency: 2012-002.

## **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 determination of financial statement amounts. 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 Findings**

The City of Foley's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. 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 it.

## **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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

A handwritten signature in cursive script that reads "Schlenner Wenner & Co.".

**SCHLENNER WENNER & CO.**  
St. Cloud, Minnesota

**INDEPENDENT AUDITORS' REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

May 30, 2019

Honorable Mayor and City Council  
City of Foley, 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 Foley, Minnesota (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 30, 2019.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Cities*. 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.

This report is intended for the information and use of the City Council and management of the City of Foley and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



**SCHLENNER WENNER & CO.**  
St. Cloud, Minnesota

**CITY OF FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2018**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2012-001    Limited Segregation of Duties**

*Condition:*                    The City has limited segregation of accounting duties.

*Criteria:*                    The basic premise of proper segregation of duties is that no one employee should have access to both physical assets and the related accounting records or to all phases of the transaction.

*Cause:*                        There are a limited number of employees.

*Effect:*                        The City's 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.

*Recommendation:*        Although the number of employees may not be large enough to eliminate this deficiency, we recommend that the City evaluate current procedures and segregate where possible and implement compensating controls.

*Views of Responsible  
Officials And Planned  
Corrective Action:*        Management agrees with our recommendation. See corresponding Corrective Action Plan.

**Finding 2012-002    Financial Statement Preparation**

*Condition:*                    Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the City. These financial statements, including disclosures, were reviewed by management and management has taken responsibility for them.

*Criteria:*                    Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

*Cause:*                        We believe management would require additional training in order to prepare the financial statements internally.

*Effect:*                        The outsourcing of these services is not unusual in entities of the size of the City of Foley and is the result of management's cost benefit decision to rely on our expertise rather than incurring this internal resource cost. However, errors can occur in the financial statements that may not be detected by management.

*Recommendation:*        We recommend that management continue to review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the City should agree the financial statement numbers to their accounting software. The City may not have the ability to eliminate this finding.

*Views of Responsible  
Officials And Planned  
Corrective Action:*        Management agrees with our recommendation. See corresponding Corrective Action Plan.

**CITY OF FOLEY, MINNESOTA  
CORRECTIVE ACTION PLANS  
DECEMBER 31, 2018**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2012-001 Limited Segregation of Duties**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to the Finding  
The City will review current procedures and implement additional controls where possible.
3. Office Responsible  
The City Administrator is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**Finding 2012-002 Financial Statement Preparation**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to the Finding  
The City may continue to have the auditor prepare the financial statements and will continue to document the annual review of the financial statements and related footnote disclosures. The City will revisit this decision on an ongoing, annual basis.
3. Office Responsible  
The City Administrator is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.