



**City Council – Meeting Agenda  
June 2, 2020 – 5:30 P.M. – Foley City Hall**

1. Call the meeting to order.
2. Pledge of Allegiance.
3. Approve the agenda.
4. Consent Agenda:
  - Approve minutes of May 21, 2020.
  - Adopt Resolution #2020-10 Appointing Election Judges
  - Approve COVID-19 Preparedness Plan.
  - Approve payment of bills.
5. 5:30pm - Public Hearing – Liquor Licenses
  - On Sale Liquor: Mr. Jim's, Foley American Legion, and Stone Creek.
  - Sunday On Sale Liquor: Mr. Jim's, Foley American Legion, and Stone Creek.
  - Off Sale Liquor: Coborn's Liquor, Foley American Legion, and Super Spirits.
  - 3.2 Off Sale – Coborn's Inc., Little Dukes
  - Non-enclosed Premises On Sale Liquor: Foley American Legion, Stone Creek and Mr. Jim's.
  - Temporary Liquor Licenses:
    - St. John's Church, 621 Dewey Street, to be used July 19, 2020.
    - Foley Chamber of Commerce, 329 Oak Drive, to be used for Oktoberfest on September 19, 2020.
6. Approve Tobacco Licenses
  - Brenny Oil
  - Casey's General Store
  - Coborn's
  - Coborn's Liquor
  - Little Dukes
  - Family Dollar
  - SuperAmerica
  - Super Spirits
  - Dollar General
7. 5:35pm - Update from MN Legislative Session – Senator Matthews and Representative Mekeland.
  - Wastewater Bonding Bill
  - Other Items
8. 5:55pm - 2019 Audit Report – Schlenner & Wenner



**City Council – Meeting Agenda  
June 2, 2020 – 5:30 P.M. – Foley City Hall**

**9. 6:15pm - Department Reports:**

- Police Department –Katie McMillin
- City Engineer – Jon Halter
  - 2020 Hwy 25 Trail Bids
  - Discussion on Water Tower Inspection Report.
- Public Works & Fire – Mark Pappenfus
  - Approve Turnout Gear Quote.
  - Approve fire helmet disposal.
- Administration – Sarah Brunn
  - Update on downtown art project.
  - Discussion on water/sewer late fees.
  - Discussion on City Hall Reopening.
  - Discussion on 2011 Bond Refunding

**10. Old Business**

- Update on wastewater project.

**11. New Business**

**12. Adjourn**

CITY OF FOLEY, MINNESOTA  
CITY COUNCIL MEETING – May 21, 2020

The Foley City Council held a regular meeting on May 21, 2020, at 5:30 p.m. at the Foley City Hall.

Members Present: Mayor Gerard Bettendorf, Councilmembers Jeff Gondeck, Rosalie Musachio Gary Swanson and Jack Brosh.

Members Absent: None

The pledge of allegiance was recited.

Motion by Brosh, seconded by Gondeck, to approve the agenda. Motion carried, unanimous.

**Consent Agenda**

Motion by Gondeck, seconded by Musachio, to approve the consent agenda, which includes the following:

- Approve minutes of May 5, 2020.

Motion carried, unanimous.

**Quality of Life – Drive-In Movies**

The Quality of Life requested approval to hold two drive in movies on July 16 and August 20 at the Foley Fieldhouse Parking Lot. No concessions will be served and movies will wrap up between 10:30 -11:00 p.m. The group will also abide by any state orders in place. Motion by Swanson, seconded by Gondeck, to approve the request. Motion carried, unanimous.

**Discussion on Foley Municipal Pool**

Amelia Winkelman, Pool Manager, provided guidance to the council on the Center for Disease Control (CDC) and Red Cross guidelines. Social distancing, required masks and the ability to hold swimming lessons was reviewed. Swanson asked about the ability to implement these policies. Winkelman expressed concerns with social distancing in the water and enforcement with the children. Bettendorf indicated chlorine kills the virus but other issues could arise. Bettendorf expressed concerns with the guidelines. Brosh agreed there will be difficulties meeting all the requirements and generating the swim lesson revenue. Gondeck indicated other communities have already closed their pool and unfortunately the city should proceed with closure. Musachio also indicated concerns with social distancing in the water. City Administrator Sarah Brunn indicated a loss of revenue would likely occur. Brosh asked about the size of the pool and Pappenfus indicated over 350 people can be using the pool at a time. Social distancing would limit the occupancy. Winkelman indicated concerns with enforcing masks, social distancing and cleaning would be difficult for the size and did not recommend proceeding. Motion by Musachio, seconded by Gondeck, to close the pool for the 2020 season. Motion carried, unanimous. The council thanked the work of Pool Manager, Amelia Winkelman and hoped she could return next year for a season of swimming.

**Discussion on City Hall/Foley Library Re-Opening**

Brunn indicated the Foley Library will not begin re-opening until June. When City Hall is re-opened to the public additional cleaning and sanitizing will be needed. Social distancing will also need to be practiced. Brunn is recommending only opening City Hall on an appointment basis until June 3. The council will meet on June 2 and can discuss the next phase at that time. Brunn also recommended no use of the meeting room but offering small groups the option of utilizing the parks so long as they

follow social distancing and group size guidelines put out by the state. There was discussion on opening pros and cons. Brosh indicated he would like City Hall opened up immediately with the stay at home now off. There was discussion on who would be using the facilities. Motion by Musachio, seconded by Gondeck, to open City Hall by appointment only. Bettendorf, Musachio, Gondeck, Swanson – aye. Brosh - nay. Motion carried.

### **Department Reports**

Police Chief Katie McMillin updated the council on 2012 Tahoe issues and the need to replace it next year rather than 2022.

Public Works Director Mark Pappenfus talked about park shelters. Brunn gave an overview explaining that insurance allows for it but the council should decide. Musachio indicated support with allowing the park shelter reservations to continue but asked the picnic tables to be moved. Pappenfus asked for direction on the picnic tables and the consensus of the council was to allow the public to use common sense. Pappenfus also indicated he will be hiring summer help. Pappenfus also indicated a pond discharge may be possible this weekend, with the little rain and early thaw helping achieve this. There was discussion on park shelter reservations and bathrooms. Motion by Gondeck, seconded by Swanson, to keep the park shelters available and bathrooms only when reservations are in place. Bathrooms at parks would remain closed during other hours at this time. Brunn indicated group sizes in future state orders would possibly allow for larger sized groups. Swanson, Gondeck, Bettendorf – aye. Brosh, Musachio – nay. Motion carried.

Pappenfus presented quotes for overlays and the fire hall parking lot. Brosh indicated support for the street work but not for the parking lot at the Fire Hall. Pappenfus indicated the street work definitely needs to be done and the price is good so the Fire Hall work should also happen. Swanson agreed with Brosh that streets need to be done and parking lots should be deferred. Bettendorf also commented that parking lots should be a lesser priority. Brunn commented on the need for street maintenance to get as much life out of them as possible, especially with costs to completely reconstruct streets. Motion by Brosh, seconded by Gondeck, to go ahead with street maintenance and approve the street maintenance quote. Motion carried, unanimous.

City Administrator Sarah Brunn had no report. Musachio asked about providing more options to broadcast or stream the meetings. Swanson and Bettendorf expressed concerns with spending resources on the technology. There was discussion on options and Brunn indicate more research could be done in the future.

### **Old Business**

Brunn updated the council on the wastewater bonding bill and the fact there will be special session in mid-June. Matthews has indicated he could come out to discuss with council at their next meeting. There was discussion on some of the details of the session. The council requested both Matthews and Mekeland attend the June 2 council meeting.

### **New Business**

The council discussed the business support resolution. There was lengthy discussion on the orders and impact on small business and also how order violations are handled. The council had many frustrations on the orders and its impact on the local economy.

The council discussed ordinance revisions expanding outdoor seating. The proposed interim ordinance would allow for additional seating in parking lots and along sidewalks. Motion by Gondeck, seconded by Musachio, to adopt the ordinance. Motion carried, unanimous.

Brosh indicated support in allowing the firefighter's take their helmets. Pappenfus will bring forward an official proposal in June.

Motion by Gondeck, seconded by Swanson, to adjourn. Motion carried, unanimous.

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Sarah A. Brunn, Administrator

CITY OF FOLEY  
COUNTY OF BENTON  
STATE OF MINNESOTA

RESOLUTION 2020-10

A RESOLUTION APPOINTING ELECTION JUDGES FOR THE AND GENERAL  
ELECTION

WHEREAS, Election Judges are needed for the upcoming Primary Election on August 11, 2020;

WHEREAS, Election Judges are needed for the upcoming General Election to be held November 3, 2020;

WHEREAS, in accordance with State Law, council appointment of election judges is necessary for training and conducting local elections; and

NOW, THEREFORE, BE IT RESOLVED that the following people are hereby designated as Judges for the Primary and General Elections in 2020:

Judges:

Sandy Latterell  
Sara Judson-Brown

Adopted by the council, this 2<sup>nd</sup> day of June, 2020.

\_\_\_\_\_  
Gerard L. Bettendorf, Mayor

ATTEST:

\_\_\_\_\_  
Sarah A. Brunn, Administrator



## **City of Foley COVID-19 Preparedness Plan**

The City of Foley is committed to providing a safe and healthy workplace for all our workers, residents and business community. To ensure we have a safe and healthy workplace, we have developed the following COVID-19 Preparedness Plan in response to the COVID-19 pandemic. Our goal is to mitigate the potential for transmission of COVID-19 in our workplaces and communities, and that requires full cooperation among our workers and community. Only through this cooperative effort can we establish and maintain the safety and health of our workers, workplaces and public areas.

Management and workers are responsible for implementing and complying with all aspects of this COVID-19 Preparedness Plan. The City Council authorizes our supervisors in supporting and enforcing the provisions of this policy.

Our workers are our most important assets. We are serious about safety and health and keeping our workers working. Worker involvement is essential in developing and implementing a successful COVID-19 Preparedness Plan. We have involved our workers in this process discussing options, feasibility of plans, taking suggestions and addressing staff concerns. Our COVID-19 Preparedness Plan follows Centers for Disease Control and Prevention (CDC) and Minnesota Department of Health (MDH) guidelines, federal OSHA standards related to COVID-19 and Executive Order 20-48, and addresses:

- hygiene and respiratory etiquette;
- engineering and administrative controls for social distancing;
- cleaning, disinfecting, decontamination and ventilation;
- prompt identification and isolation of sick persons;
- communications and training that will be provided to managers and workers; and
- management and supervision necessary to ensure effective implementation of the plan.

## **Screening and policies for employees exhibiting signs and symptoms of COVID-19**

Workers have been informed of and encouraged to self-monitor for signs and symptoms of COVID-19. The following policies and procedures are being implemented to assess workers' health status prior to entering the workplace and for workers to report when they are sick or experiencing symptoms. Workers are being informed of symptoms and advised not to report to work if experiencing symptoms. Thermometer will be available for temperature checks and supervisors will reserve the right to question the employees of any potential symptoms.

The City of Foley has implemented leave policies that promote workers staying at home when they are sick, when household members are sick, or when required by a health care provider to isolate or quarantine themselves or a member of their household. Accommodations for workers with underlying medical conditions or who have household members with underlying health conditions have been implemented as requested.

The City of Foley has also implemented a policy for informing workers if they have been exposed to a person with COVID-19 at their workplace and requiring them to quarantine for the required amount of time.

In addition, a policy has been implemented to protect the privacy of workers' health status and health information.

## **Handwashing**

Basic infection prevention measures are being implemented at our workplaces at all times. Workers are instructed to wash their hands for at least 20 seconds with soap and water frequently throughout the day, but especially at the beginning and end of their shift, prior to any mealtimes and after using the toilet. All customers and visitors to the workplace will be required to wash or sanitize their hands prior to or immediately upon entering the facility. Hand-sanitizer dispensers (that use sanitizers of greater than 60% alcohol) are at entrances and locations in the workplace so they can be used for hand hygiene in place of soap and water, as long as hands are not visibly soiled.

Hand-washing and sanitizers will be monitored, cleaned and replaced as needed as requested by staff and supervisors. Separate, single-use towels have also been provided at hand-washing areas.

**Respiratory etiquette: Cover your cough or sneeze**

Workers, customers and visitors are being instructed to cover their mouth and nose with their sleeve or a tissue when coughing or sneezing and to avoid touching their face, in



particular their mouth, nose and eyes, with their hands. They should dispose of tissues in provided trash receptacles and wash or sanitize their hands immediately afterward. Respiratory etiquette will be demonstrated on posters and supported by making tissues and trash receptacles available to all workers, customers and visitors.

### **Social distancing**

Social distancing of six feet will be implemented and maintained between workers, customers and visitors in the workplace through the following engineering and administrative controls: Positioning work spaces at least 6 feet apart, allowing for telework/modified schedules, driving individually in all company vehicles and equipment and designing work so that it can be achieved with social distancing as much as possible. Supervisors will continue to monitor and remind all workers to socially distance themselves from others. In the instances a meeting of a small group is to occur, the City requires social distancing and holding the meeting outside when possible, for the safety of our employees.

### **Cleaning, disinfection, and ventilation**

Regular housekeeping practices are being implemented, including routine cleaning and disinfecting of work surfaces, equipment, tools and machinery, vehicles and areas in the work environment, including restrooms, break rooms, lunch rooms and meeting rooms. Frequent cleaning and disinfecting will be conducted in high-touch areas, such as phones, keyboards, touch screens, controls, door handles, railings, copy machines, credit card readers, delivery equipment, etc. Restrooms and public hallways at City Hall will be cleaned daily when open to the public. City offices, library and meeting rooms will be cleaned at least 2 times a week by the part-time cleaner. In addition, staff will wipe down and disinfect common touch points at least two times per day when the facilities are in use by either staff or the public. Park restrooms will be cleaned at least three times per week when open to the public. Park facilities and restrooms will be cleaned before and after each rental. Swimming pool restrooms and locker rooms will be cleaned and sanitized daily. Swimming pool restroom common areas (i.e. sinks, handles, toilets) will be cleaned at least two times per day when open. Playgrounds, skate park equipment, park benches, picnic tables and similar outdoor equipment will not be cleaned and sanitized regularly. These facilities are available for use at your own risk. Water fountains will only be available for use if they can be cleaned at least one time per day.

Cleaning Schedules will be maintained at the park, pool and city building public restrooms. Sample schedule is found in **Exhibit A**.

Appropriate and effective cleaning and disinfectant supplies have been purchased and are available for use in accordance with product labels, safety data sheets and manufacturer specifications and are being used with required personal protective equipment for the product. The maximum amount of fresh air is being brought into the workplace, air recirculation is being limited and ventilation systems are being properly used and maintained.

### **Communications and training**

This COVID-19 Preparedness Plan was communicated to all staff and approved by the City Council on June 2, 2020. Additional communication and training will be ongoing as needed or requested and provided to all workers who did not receive the initial training. Employees and visitors will also be advised not to enter the workplace if they are experiencing symptoms or have contracted COVID-19. Signs will be posted at entrances and communicated via city website and social media. Managers and supervisors are to monitor how effective the program has been implemented by reporting to the City Administrator and City Council. Management and workers are to work through this new program together and update the training as necessary. This COVID-19 Preparedness Plan has been certified by the Foley City Council and was posted throughout the workplace on June 3, 2020. It will be updated as necessary.

Certified by:

Gerard L. Bettendorf  
City of Foley Mayor

Attest:

Sarah A. Brunn  
City Administrator

Pool Restrooms/Locker Rooms – Daily when open

*City Hall Restrooms/Hallway – Daily when open*

[illegible]

**CITY OF FOLEY, MINNESOTA**

**REPORT TO THE MEMBERS  
OF GOVERNANCE**

**REPORT DATE**

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

**CITY OF FOLEY, MINNESOTA**

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FOLEY, MINNESOTA  
CITY OF FOLEY, MINNESOTA  
CITY OF FOLEY, MINNESOTA

Report Date

Members of Governance  
City of Foley, Minnesota

We are pleased to present this report related to our audit of the basic financial statements of the City of Foley, Minnesota (the City) as of and for the year ended December 31, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City of Foley's financial reporting process.

This report is intended solely for the information and use of the members of governance and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the City.

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

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## **CITY OF FOLEY, MINNESOTA REQUIRED COMMUNICATIONS**

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

### **Our Responsibilities With Regard to the Financial Statement Audit**

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated January 23, 2020. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We have issued a separate communication dated April 7, 2020 regarding the planned scope and timing of our audit and have discussed with you our identification of significant risks of material misstatement.

### **Accounting Policies and Practices**

#### **Preferability of Accounting Policies and Practices**

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

#### **Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The City did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

#### **Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### **Management's Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The only estimates we have deemed significant to the financial statements are the estimates included in the calculation of the overall net position asset/liability and related deferred outflows/inflows of resources for the pension plans in which the City's employees participate.

### **Audit Adjustments**

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the City are derived from City prepared schedules. These schedules outline year-end adjustments outsourced to us. There were no material audit adjustments proposed by us.

### **Uncorrected Misstatements**

Uncorrected misstatements relate to an understatement of current year expenditures due to errors in the prior year along with projected errors in accounts payable.

### **Departure From the Auditor's Standard Report**

Our Independent Auditors' Report includes several additional or non-standard paragraphs that you should be aware of as follows:

- Other Matters related to Required Supplementary Information and Supplementary Information
- Other Reporting Required by *Government Auditing Standards*
- Report on Other Legal and Regulatory Requirements

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed with Management**

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

### **Letter Communicating the Significant Deficiency and Material Weakness in Internal Control Over Financial Reporting**

We have separately communicated the significant deficiency and material weakness in internal control over financial reporting identified during our audit of the financial statements as required by *Government Auditing Standards*. This communication is included within the compliance section of the City's financial report for the year ended December 31, 2019.

### **Significant Written Communications Between Management and Our Firm**

We have requested certain representations from management that are included in the management representation letter dated Report Date.



**CITY OF FOLEY, MINNESOTA**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**CITY OF FOLEY, MINNESOTA  
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**INTRODUCTORY  
SECTION**

**CITY OF FOLEY, MINNESOTA  
CITY COUNCIL AND OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**CITY COUNCIL**

		<u>Term Expires</u>
Gerard Bettendorf	Mayor	December 31, 2020
Jack Brosh	Council Member	December 31, 2020
Jeff Gondeck	Council Member	December 31, 2020
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

Report Date

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, 2019, 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.

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## **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, 2019, 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) – Fire Relief Association 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 Funds 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 Funds 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 Report Date 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Report Date, 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, 2019**

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, 2019. 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 \$1,227,977 compared to the prior year as a result of this year's operations.
- In the City's business-type activities, revenues increased \$226,021 (or 24.64 percent) while program expenses decreased \$31,092 (or 5.02 percent). These changes are discussed in greater detail throughout the following pages.
- Total cost of all of the City's programs decreased \$907,267 (or 23.48 percent).
- The City of Foley received local government aid in the amount of \$769,979.
- In the current year, the City's General Fund generated more revenue than budgeted by \$214,450. Expenditures were less than budgeted by \$212,161. See additional details starting on page fifty-three.

**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, 2019**

**USING THIS ANNUAL REPORT** (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, 2019**

**THE CITY AS A WHOLE**

The City's combined net position increased \$1,227,977 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	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 7,514,897	\$ 7,288,849	\$ 3,394,643	\$ 2,612,274	\$ 10,909,540	\$ 9,901,123
Noncurrent Assets	9,635,906	10,585,193	4,865,944	4,107,721	14,501,850	14,692,914
Total Assets	17,150,803	17,874,042	8,260,587	6,719,995	25,411,390	24,594,037
Deferred Outflows of Resources	322,941	383,316	12,382	21,809	335,323	405,125
Current Liabilities	343,686	283,733	32,403	25,847	376,089	309,580
Noncurrent Liabilities	6,348,093	6,770,949	161,708	156,298	6,509,801	6,927,247
Total Liabilities	6,691,779	7,054,682	194,111	182,145	6,885,890	7,236,827
Deferred Inflows of Resources	411,224	529,633	20,963	32,043	432,187	561,676
Net Position:						
Net Investment In Capital						
Assets	2,749,725	3,070,837	4,826,628	4,061,124	7,576,353	7,131,961
Restricted	1,107,885	1,167,152	-	-	1,107,885	1,167,152
Unrestricted	6,513,131	6,435,054	3,231,267	2,466,492	9,744,398	8,901,546
Total Net Position	<u>\$ 10,370,741</u>	<u>\$ 10,673,043</u>	<u>\$ 8,057,895</u>	<u>\$ 6,527,616</u>	<u>\$ 18,428,636</u>	<u>\$ 17,200,659</u>

The net position of the City's governmental activities decreased by \$302,302 (2.83 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 \$78,077 (1.21 percent) compared to the prior year.

The net position of the City's business-type activities increased by \$1,530,279 (23.44 percent). Operations were generally comparable to the prior year, with the exception of an increase in current year investment income and prior year transfers out of \$1,117,000. The City also had current year capital asset transfers of \$975,000 due to the completion of the Dewey Street Project.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

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

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Charges for Services	\$ 453,581	\$ 380,052	\$ 1,024,761	\$ 911,495	\$ 1,478,342	\$ 1,291,547
Grants and Contributions	382,944	1,675,482	19,660	4,822	402,604	1,680,304
Taxes	1,095,368	1,065,050	-	-	1,095,368	1,065,050
Franchise Fees	8,313	9,568	-	-	8,313	9,568
Intergovernmental	858,979	879,605	-	-	858,979	879,605
Investment Income	124,079	2,709	98,924	1,007	223,003	3,716
Other	103,283	14,046	-	-	103,283	14,046
Gain (Loss) on Disposal of Assets	14,438	(2,312)	-	-	14,438	(2,312)
<b>Total Revenues</b>	<b>3,040,985</b>	<b>4,024,200</b>	<b>1,143,345</b>	<b>917,324</b>	<b>4,184,330</b>	<b>4,941,524</b>
<b>PROGRAM EXPENSES</b>						
General Government	581,260	599,877	-	-	581,260	599,877
Public Safety	705,947	730,499	-	-	705,947	730,499
Public Works	695,791	1,575,381	-	-	695,791	1,575,381
Parks and Recreation	160,976	159,375	-	-	160,976	159,375
Economic Development	70,358	5,681	-	-	70,358	5,681
Debt Service	153,955	173,649	-	-	153,955	173,649
Water	-	-	260,361	286,039	260,361	286,039
Sewer	-	-	327,705	333,119	327,705	333,119
<b>Total Expenses</b>	<b>2,368,287</b>	<b>3,244,462</b>	<b>588,066</b>	<b>619,158</b>	<b>2,956,353</b>	<b>3,863,620</b>
Transfers	-	1,117,000	-	(1,117,000)	-	-
Capital Asset Transfers	(975,000)	-	975,000	-	-	-
<b>Change in Net Position</b>	<b>(302,302)</b>	<b>1,896,738</b>	<b>1,530,279</b>	<b>(818,834)</b>	<b>1,227,977</b>	<b>1,077,904</b>
<b>Net Position - Beginning 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>
<b>Net Position - End of Year</b>	<b>\$10,370,741</b>	<b>\$10,673,043</b>	<b>\$ 8,057,895</b>	<b>\$ 6,527,616</b>	<b>\$18,428,636</b>	<b>\$17,200,659</b>

The City's total revenues decreased by \$757,194 (15.32 percent). The total cost of all programs and services decreased by \$907,267 (23.48 percent). These decreases are largely due to decreases in grants and contributions received from Benton County as well as corresponding decreases in 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, 2019**

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

**Governmental Activities**

Revenue for the City's governmental activities decreased by \$983,215 (24.43 percent) and total expenses decreased by \$876,175 (27.01 percent). Both decreases 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 decreased significantly primarily due to the construction project discussed above.
- Economic Development net cost of services decreased primarily due to the sale of four parcels of land in the current year.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
General Government	\$ 581,260	\$ 599,877	\$ 461,978	\$ 531,010
Public Safety	705,947	730,499	381,248	442,054
Public Works	695,791	1,575,381	540,948	(70,284)
Parks and Recreation	160,976	159,375	107,454	109,818
Economic Development	70,358	5,681	(113,821)	2,681
Debt Service	153,955	173,649	153,955	173,649
Totals	<u>\$ 2,368,287</u>	<u>\$ 3,244,462</u>	<u>\$ 1,531,762</u>	<u>\$ 1,188,928</u>

**Business-type Activities**

Revenues of the City's business-type activities, including investment income (see Table 2) increased by \$226,021 (24.64 percent) and program expenses decreased by \$31,092 (5.02 percent). Revenues increased from the prior year as a result of an increase in charges for services and investment income in the current year. Expenses decreased primarily due to a decrease in water repair and maintenance expenses as well as a decrease in sewer wastewater expansion cost incurred in the current year.

**THE CITY'S FUNDS**

**Governmental Funds**

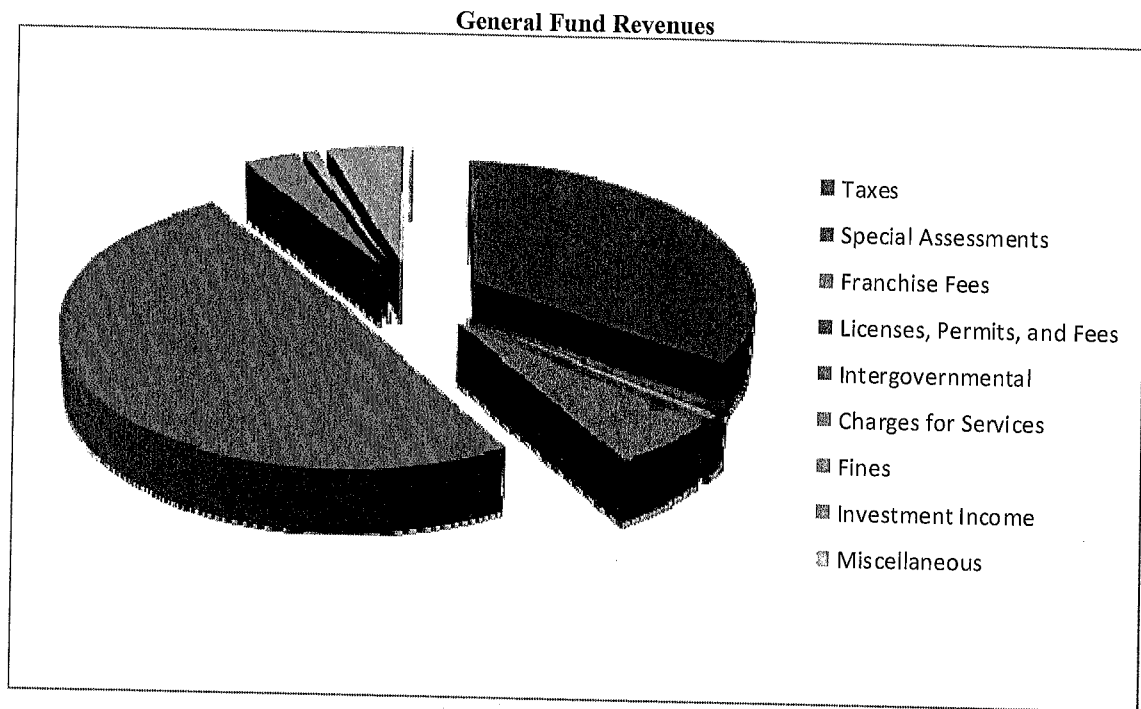
As the City completed the year, its governmental funds (as presented in the balance sheet on page sixteen) reported a combined fund balance of \$6,969,580. This is a decrease of \$4,961 from the prior year. This decrease is primarily due to a decrease in intergovernmental revenue and capital outlay expenditures in the current year, as discussed above.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2019	2018	
General	\$ 2,814,450	\$ 2,766,900	\$ 47,550

The fund balance of the General Fund increased by \$47,550 compared to 2018. 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, 2019**

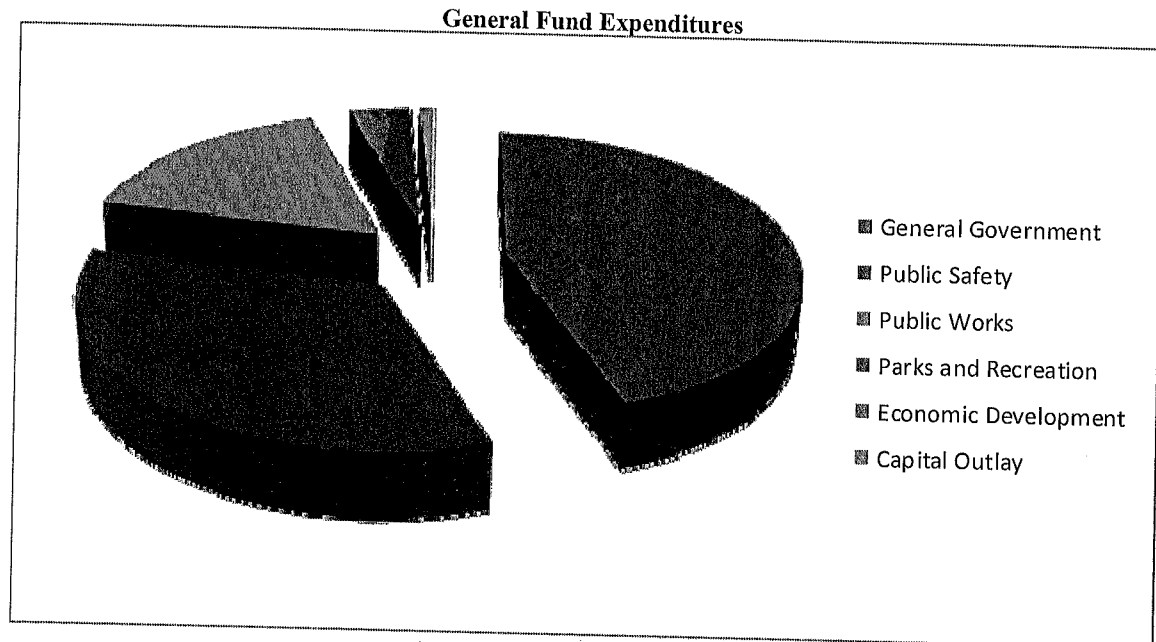
**THE CITY'S FUNDS (Continued)**



The City received the majority of its funding in the General Fund from grants and other governmental agencies (49.34 percent) and taxes (34.26 percent). Overall, the City's General Fund revenues were comparable to the prior year, with the exception of an increase in investment income and an increase in licenses, permits and fees revenue.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

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



A significant portion of the City's General Fund expenditures are used for general government operations (44.42 percent). Remaining expenditures are used for public safety (33.71 percent), public works (17.17 percent), parks and recreation (3.84 percent) and capital outlay (.86 percent). Expenditures have decreased from the prior year, largely due to decreased expenditures for capital outlay.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2019	2018	
<b>Fire Service Fund</b>	\$ 843,715	\$ 621,965	\$ 221,750

The Fire Service fund balance increased due to an increase in investment income and donation revenues in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2019	2018	
<b>EDA Fund</b>	\$ 41,062	\$ 35,954	\$ 5,108

The EDA fund balance increased primarily due to the sale of land in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2019	2018	
<b>2008 Improvement Bond Fund</b>	\$ 566,699	\$ 663,636	\$ (96,937)

The 2008 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, 2019**

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

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2019	2018	
<b>2018 Capital Improvement Fund</b>	\$ 1,146,915	\$ 1,420,751	\$ (273,836)

The 2018 Capital Improvement fund balance decreased primarily due to capital outlay expenditures exceeding revenues in the current year.

**General Fund Budgetary Highlights**

The City's General Fund generated more revenue than budgeted of \$214,450. Expenditures were less than those budgeted by \$212,161. Increased revenues over budget in the current year are primarily due to unbudgeted revenue from investment earnings as well as unbudgeted licenses and permits revenue. Decreased expenditures under budget is primarily due to budgeted capital outlay expenditures which did not occur in the current year.

**Proprietary Funds**

As the City completed the year, its business-type activities reported a combined net position of \$8,057,895. This is an increase of \$1,530,279 from the prior year. The following is a summary of the City's major proprietary funds:

Major Funds	Net Position December 31,		Increase (Decrease)
	2019	2018	
<b>Water</b>	\$ 3,579,526	\$ 2,739,770	\$ 839,756
<b>Sewer</b>	\$ 4,478,369	\$ 3,787,846	\$ 690,523

The Net Position of both the Water and Sewer funds increased in the current year due to an increase in charges for services and investment income in the current year. Overall, the City's operations were generally comparable to the prior year.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2019, the City had \$23,447,608 (excluding accumulated depreciation of \$9,992,150) 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 \$675,743, or 2.97 percent over last year.

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

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 326,323	\$ 340,324	\$ 41,262	\$ 41,262	\$ 367,585	\$ 381,586
Construction In Progress	-	1,964,795	-	-	-	1,964,795
Buildings	2,414,126	2,379,017	203,773	203,773	2,617,899	2,582,790
Infrastructure	8,740,537	7,198,228	5,739,992	4,764,992	14,480,529	11,963,220
Improvements	478,330	478,330	1,918,257	1,918,257	2,396,587	2,396,587
Equipment	892,724	803,103	12,334	12,334	905,058	815,437
Vehicles	1,737,628	1,725,128	352,394	352,394	2,090,022	2,077,522
Lagoons	-	-	511,428	511,428	511,428	511,428
Lift Stations	-	-	78,500	78,500	78,500	78,500
Totals	<u>\$ 14,589,668</u>	<u>\$ 14,888,925</u>	<u>\$ 8,857,940</u>	<u>\$ 7,882,940</u>	<u>\$ 23,447,608</u>	<u>\$ 22,771,865</u>

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

**Debt**

At year-end, the City had \$5,879,105 in debt versus a balance of \$6,303,144 in the prior (an increase of 6.73 percent), as shown in Table 5.

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

	Governmental Activities	
	2019	2018
General Obligation Bonds	\$ 4,025,000	\$ 4,160,000
Crossover Refunding Bonds	1,785,000	2,065,000
Unamortized Bond Premium	69,105	78,144
Total	<u>\$ 5,879,105</u>	<u>\$ 6,303,144</u>

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

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

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

The City's elected and appointed officials considered many factors when setting the 2020 budget, tax rates and fees that will be charged for the business-type activities. The Council elected to increase the 2020 tax levy by 3.87% from the 2019 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, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash, Cash Equivalents and Investments	\$ 5,818,729	\$ 4,365,393	\$ 10,184,122
Property Taxes Receivable	20,034	-	20,034
Assessments Receivable	81,292	14,229	95,521
Notes Receivable	206,434	-	206,434
Accounts Receivable	41,158	288,206	329,364
Internal Balances	1,285,754	(1,285,754)	-
Prepays	61,496	12,569	74,065
Noncurrent Assets:			
Assessments Receivable	789,680	39,316	828,996
Net Pension Asset	217,396	-	217,396
Capital Assets not Being Depreciated	326,323	41,262	367,585
Capital Assets Being Depreciated (Net)	8,302,507	4,785,366	13,087,873
<b>TOTAL ASSETS</b>	17,150,803	8,260,587	25,411,390
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	322,941	12,382	335,323
<b>LIABILITIES</b>			
Accounts Payable	85,098	9,511	94,609
Accrued Payroll and Payroll Taxes	60,793	6,728	67,521
Retainage Payable	99,422	-	99,422
Accrued Interest	67,276	-	67,276
Accrued Vacation	31,097	16,164	47,261
Total Current Liabilities	343,686	32,403	376,089
Noncurrent Liabilities:			
Accrued Severance	32,626	51,500	84,126
Net Pension Liability	436,362	110,208	546,570
Bonds Due Within One Year	440,000	-	440,000
Bonds Due After One Year	5,439,105	-	5,439,105
<b>TOTAL LIABILITIES</b>	6,691,779	194,111	6,885,890
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	411,224	20,963	432,187
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,749,725	4,826,628	7,576,353
Restricted	1,107,885	-	1,107,885
Unrestricted	6,513,131	3,231,267	9,744,398
<b>TOTAL NET POSITION</b>	\$ 10,370,741	\$ 8,057,895	\$ 18,428,636

See accompanying notes.

**CITY OF FOLEY, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
<b>Governmental Activities:</b>						
General Government	\$ 581,260	\$ 75,010	\$ 26,870	\$ 17,402	\$ (461,978)	\$ -
Public Safety	705,947	324,699	-	-	(381,248)	-
Public Works	695,791	350	6,360	148,133	(540,948)	-
Parks and Recreation	160,976	53,522	-	-	(107,454)	-
Economic Development	70,358	-	-	184,179	113,821	-
Debt Service	153,955	-	-	-	(153,955)	-
Total Governmental Activities	2,368,287	453,581	33,230	349,714	(1,531,762)	-
<b>Business-Type Activities:</b>						
Water	260,361	505,656	-	1,930	-	247,225
Sewer	327,705	519,105	-	17,730	-	209,130
Total Business-Type Activities	588,066	1,024,761	-	19,660	-	456,355
<b>TOTALS</b>	<b>\$ 2,956,353</b>	<b>\$ 1,478,342</b>	<b>\$ 33,230</b>	<b>\$ 369,374</b>	<b>(1,531,762)</b>	<b>(1,075,407)</b>
<b>General Revenues:</b>						
Taxes					1,095,368	1,095,368
Franchise Fees					8,313	8,313
Intergovernmental					858,979	858,979
Investment Income					124,079	98,924
Miscellaneous					103,283	-
Gain on Sale of Assets					14,438	14,438
Total General Revenues					2,204,460	98,924
Capital Asset Transfers					(975,000)	975,000
Total General Revenues and Transfers					1,229,460	1,073,924
<b>CHANGE IN NET POSITION</b>					(302,302)	1,530,279
<b>NET POSITION - BEGINNING OF YEAR</b>					10,673,043	6,527,616
<b>NET POSITION - END OF YEAR</b>					\$ 10,370,741	\$ 8,057,895
						\$ 18,428,636

See accompanying notes.

**CITY OF FOLEY, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General Fund	Fire Service Fund	EDA Fund	2008 Improvement Bond Fund	2018 Capital Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash, Cash Equivalents and Investments	\$ 2,799,767	\$ 830,782	\$ 41,062	\$ 405,482	\$ 338,381	\$ 1,403,255	\$ 5,818,729
Property Taxes Receivable	11,133	1,412	-	4,272	-	3,217	20,034
Assessments Receivable	151,275	-	-	116,936	372,537	230,224	870,972
Accounts Receivable	14,051	23,500	-	-	3,605	2	41,158
Notes Receivable	-	-	193,179	-	-	13,255	206,434
Due From Other Funds	-	-	-	40,000	65,000	20,000	125,000
Advance To Other Funds	-	-	-	120,000	845,000	195,754	1,160,754
Prepays	45,005	12,593	-	-	-	3,898	61,496
<b>TOTAL ASSETS</b>	<b>\$ 3,021,231</b>	<b>\$ 868,287</b>	<b>\$ 234,241</b>	<b>\$ 686,690</b>	<b>\$ 1,624,523</b>	<b>\$ 1,869,605</b>	<b>\$ 8,304,577</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ 10,981	\$ 553	-	-	\$ 5,649	\$ 67,915	\$ 85,098
Accrued Payroll and Payroll Taxes	37,679	23,114	-	-	-	-	60,793
Retainage Payable	-	-	-	-	99,422	-	99,422
Total Liabilities	48,660	23,667	-	-	105,071	67,915	245,313
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue:							
Property Taxes	6,857	905	-	3,056	-	2,070	12,888
Special Assessments	151,264	-	-	116,935	372,537	229,626	870,362
Notes Receivable	-	-	193,179	-	-	13,255	206,434
Total Deferred Inflows of Resources	158,121	905	193,179	119,991	372,537	244,951	1,089,684
<b>FUND BALANCES</b>							
Nonspendable	45,005	12,593	-	120,000	845,000	199,652	1,222,250
Restricted	-	-	-	446,699	-	728,462	1,175,161
Assigned	526,204	831,122	41,062	-	301,915	689,633	2,389,936
Unassigned	2,243,241	-	-	-	-	(61,008)	2,182,233
Total Fund Balances	2,814,450	843,715	41,062	566,699	1,146,915	1,556,739	6,969,580
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,021,231</b>	<b>\$ 868,287</b>	<b>\$ 234,241</b>	<b>\$ 686,690</b>	<b>\$ 1,624,523</b>	<b>\$ 1,869,605</b>	<b>\$ 8,304,577</b>

See accompanying notes.

**CITY OF FOLEY, MINNESOTA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

Total Fund Balance for Governmental Funds		\$ 6,969,580
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets (net of accumulated depreciation of \$5,960,838) used in governmental activities are not financial resources and, therefore, are not reported in the funds:		8,628,830
The net pension asset/liability and related outflows/inflows represent the allocation of pension obligations to the City. Such balances are not reported in the funds:		
Net Pension Asset	\$ 217,396	
Net Pension Liability	(436,362)	
Deferred Outflows - Pensions	322,941	
Deferred Inflows - Pensions	(411,224)	
		(307,249)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Property Taxes Receivable	12,888	
Special Assessments Receivable	870,362	
Notes Receivable	206,434	
		1,089,684
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:		(67,276)
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	(31,097)	
Unamortized Bond Premium	(69,105)	
Accrued Severance	(32,626)	
Bonds Due Within One Year	(440,000)	
Bonds Due In More Than One Year	(5,370,000)	
		(5,942,828)
<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ 10,370,741</b>

See accompanying notes.



**CITY OF FOLEY, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Fire Service Fund	EDA Fund	2008 Improvement Bond Fund	2018 Capital Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 578,966	\$ 81,474	\$ -	\$ 190,045	\$ -	\$ 182,150	\$ 1,032,635
Tax Increment	-	-	-	-	-	62,312	62,312
Franchise Fees	8,313	-	-	-	-	-	8,313
Special Assessments	18,058	-	-	-	-	-	-
Licenses, Permits and Fees	94,291	-	-	31,636	109,094	34,761	193,549
Intergovernmental	833,819	53,830	-	-	-	-	94,291
Charges for Services	58,105	209,244	-	-	167,200	-	1,054,849
Fines	14,060	-	-	-	-	77,881	345,230
Investment Income	82,223	22,036	154	1,312	-	-	14,060
Loan Repayment	-	-	5,000	-	4,899	13,455	124,079
Miscellaneous	2,000	81,525	-	-	-	2,207	7,207
<b>TOTAL REVENUES</b>	<b>1,689,835</b>	<b>448,109</b>	<b>5,154</b>	<b>222,993</b>	<b>281,193</b>	<b>394,176</b>	<b>3,041,460</b>

**EXPENDITURES**

Current:

General Government:							
City Clerk	110,966	-	-	-	-	-	110,966
Council	9,452	-	-	-	-	-	9,452
General Government	440,667	-	-	-	-	-	440,667
Total General Government	561,085	-	-	-	-	-	561,085
Public Safety:							
Police	371,094	-	-	-	-	-	371,094
Fire	-	210,760	-	-	-	-	210,760
Other	54,688	-	-	-	-	-	54,688
Total Public Safety	425,782	210,760	-	-	-	-	636,542
Public Works	216,866	-	-	-	-	-	216,866
Parks and Recreation	48,486	-	-	-	-	-	131,834
Economic Development	-	-	46	-	-	83,348	70,358
Debt Service:							
Principal	-	-	-	280,000	-	135,000	415,000
Interest and Other Charges	-	-	-	39,930	70,754	55,534	166,218
Total Debt Service	-	-	-	319,930	70,754	190,534	581,218
Capital Outlay	11,005	15,599	-	-	484,275	352,078	862,957
<b>TOTAL EXPENDITURES</b>	<b>1,263,224</b>	<b>226,359</b>	<b>46</b>	<b>319,930</b>	<b>555,029</b>	<b>696,272</b>	<b>3,060,860</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, 2019**

	General Fund	Fire Service Fund	EDA Fund	2008 Improvement Bond Fund	2018 Capital Improvement Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ 426,611	\$ 221,750	\$ 5,108	\$ (96,937)	\$ (273,836)	\$ (302,096)	\$ (19,400)
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of Assets	8,939	-	-	-	-	5,500	14,439
Operating Transfers In	-	-	-	-	-	388,000	388,000
Operating Transfers Out	(388,000)	-	-	-	-	-	(388,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(379,061)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393,500</u>	<u>14,439</u>
<b>NET CHANGE IN FUND BALANCES</b>	47,550	221,750	5,108	(96,937)	(273,836)	91,404	(4,961)
<b>FUND BALANCES - BEGINNING</b>	<u>2,766,900</u>	<u>621,965</u>	<u>35,954</u>	<u>663,636</u>	<u>1,420,751</u>	<u>1,465,335</u>	<u>6,974,541</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,814,450</u>	<u>\$ 843,715</u>	<u>\$ 41,062</u>	<u>\$ 566,699</u>	<u>\$ 1,146,915</u>	<u>\$ 1,556,739</u>	<u>\$ 6,969,580</u>

See accompanying notes.

**CITY OF FOLEY, MINNESOTA**  
**RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ (4,961)

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	\$	710,750
Capital Assets Acquired via Trade-In		5,500
Transfer of Capital Assets		(975,000)
Net Loss on the Disposal of Assets		(14,001)
Depreciation Expense		<u>(472,400)</u>

(745,151)

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

(2,817)

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

3,224

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	(7,339)	
Change in Accrued Severance		<u>(2,219)</u>

(9,558)

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

415,000

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

9,039

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:

32,922

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

\$ (302,302)

See accompanying notes.

**CITY OF FOLEY, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2019**

	Water Fund	Sewer Fund	Totals
<b>ASSETS</b>			
Current Assets			
Cash, Cash Equivalents and Investments	\$ 1,941,711	\$ 2,423,682	\$ 4,365,393
Assessments Receivable	4,061	10,168	14,229
Accounts Receivable	141,029	147,177	288,206
Prepays	5,106	7,463	12,569
Total Current Assets	2,091,907	2,588,490	4,680,397
Noncurrent Assets			
Assessments Receivable	25,662	13,654	39,316
Capital Assets not Being Depreciated	38,262	3,000	41,262
Capital Assets Being Depreciated (Net)	2,240,360	2,545,006	4,785,366
Total Noncurrent Assets	2,304,284	2,561,660	4,865,944
<b>TOTAL ASSETS</b>	4,396,191	5,150,150	9,546,341
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	5,923	6,459	12,382
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	621	8,890	9,511
Accrued Expenses	3,577	3,151	6,728
Accrued Vacation	8,082	8,082	16,164
Due to Other Funds	68,000	57,000	125,000
Total Current Liabilities	80,280	77,123	157,403
Noncurrent Liabilities			
Accrued Severance	25,750	25,750	51,500
Advances From Other Funds	651,877	508,877	1,160,754
Net Pension Liability	54,344	55,864	110,208
Total Noncurrent Liabilities	731,971	590,491	1,322,462
<b>TOTAL LIABILITIES</b>	812,251	667,614	1,479,865
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	10,337	10,626	20,963
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,278,622	2,548,006	4,826,628
Unrestricted	1,300,904	1,930,363	3,231,267
<b>TOTAL NET POSITION</b>	<u>\$ 3,579,526</u>	<u>\$ 4,478,369</u>	<u>\$ 8,057,895</u>

See accompanying notes.

**CITY OF FOLEY, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Water Fund	Sewer Fund	Totals
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 502,196	\$ 504,701	\$ 1,006,897
<b>OPERATING EXPENSES</b>			
Personnel Services	83,923	98,727	182,650
Utilities	20,524	9,919	30,443
Materials and Supplies	35,067	10,934	46,001
Repairs and Maintenance	12,904	12,915	25,819
Insurance	7,757	10,728	18,485
Water and Wastewater Analysis	1,515	6,896	8,411
Office Expense	7,170	8,879	16,049
Professional Services	1,459	14,507	15,966
Other Services and Charges	6,001	28,745	34,746
Depreciation	84,041	125,455	209,496
<b>TOTAL OPERATING EXPENSES</b>	<u>260,361</u>	<u>327,705</u>	<u>588,066</u>
<b>NET OPERATING INCOME</b>	241,835	176,996	418,831
<b>NONOPERATING INCOME</b>			
Special Assessments	1,930	17,730	19,660
Other Income	3,460	14,404	17,864
Investment Income (Loss)	22,531	76,393	98,924
<b>NONOPERATING INCOME</b>	<u>27,921</u>	<u>108,527</u>	<u>136,448</u>
<b>CHANGE IN NET POSITION PRIOR TO TRANSFERS</b>	269,756	285,523	555,279
<b>TRANSFERS</b>			
Capital Transfers	570,000	405,000	975,000
<b>CHANGE IN NET POSITION</b>	839,756	690,523	1,530,279
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>2,739,770</u>	<u>3,787,846</u>	<u>6,527,616</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,579,526</u>	<u>\$ 4,478,369</u>	<u>\$ 8,057,895</u>

See accompanying notes.

**CITY OF FOLEY, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Water Fund	Sewer Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 489,096	\$ 492,213	\$ 981,309
Cash Paid to Suppliers	(91,764)	(99,435)	(191,199)
Cash Paid to Employees	(82,417)	(95,034)	(177,451)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	314,915	297,744	612,659
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Nonoperating Receipts	10,578	26,655	37,233
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Payments on Interfund Advances	(68,000)	(57,000)	(125,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income	6,129	9,176	15,305
Net Change in Cash and Cash Equivalents	263,622	276,575	540,197
Cash and Cash Equivalents - Beginning of Year	1,471,580	1,500,666	2,972,246
Cash and Cash Equivalents - End of Year	1,735,202	1,777,241	3,512,443
Investments	206,509	646,441	852,950
Total Cash, Cash Equivalents and Investments	<u>\$ 1,941,711</u>	<u>\$ 2,423,682</u>	<u>\$ 4,365,393</u>
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Change in Fair Value of Investments	\$ 16,402	\$ 67,217	\$ 83,619
Contribution of Capital Assets from Governmental Funds	<u>\$ 570,000</u>	<u>\$ 405,000</u>	<u>\$ 975,000</u>

See accompanying notes.

**CITY OF FOLEY, MINNESOTA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Water Fund	Sewer Fund	Totals
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Net Operating Income	\$ 241,835	\$ 176,996	\$ 418,831
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	84,041	125,455	209,496
Change in Assets, Liabilities, and Deferred Outflows/Inflows:			
Accounts Receivable	(13,100)	(12,488)	(25,588)
Prepays	88	(481)	(393)
Accounts Payable	545	4,569	5,114
Accrued Expenses	790	252	1,042
Accrued Vacation	200	200	400
Accrued Severance	1,168	1,168	2,336
Deferred Outflows of Resources - Pensions	5,173	4,254	9,427
Net Pension Liability	71	3,003	3,074
Deferred Inflows of Resources - Pensions	(5,896)	(5,184)	(11,080)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 314,915</u>	<u>\$ 297,744</u>	<u>\$ 612,659</u>

See accompanying notes.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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.

**Related Organizations**

The Foley Fire Relief Association is organized as a non-profit organization by its members to provide benefits to such members in accordance with Minnesota Statutes. Its Board of Directors is appointed by the membership of the organization. The City has no significant influence over the management, budget or policies of the Association. All funding is conducted in accordance with Minnesota Statutes, whereby State aids flow through the City to the Association.

**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 nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.



**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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. 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 *EDA Fund* is a special revenue fund used to account for funds received by the City for economic development expenditures.

The *2008 Improvement Bond Fund* is a debt service fund used to 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.

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 fund types:

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, 2019**

**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, liabilities and deferred inflows, and disclosure of contingent assets and liabilities 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, 2019**

**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 2.A. for additional information related to Cash and Cash Equivalents.

**Investments**

Investments are stated at their fair value as determined in accordance with the fair value hierarchy. 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 2.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 2.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 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. Revenues collectible but not available are deferred in the fund financial statements in accordance with the 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, 2019**

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

**Notes Receivable**

Notes Receivable consists of two loans made to local entities. The first note was made in 2015, has a remaining balance of \$13,255 at December 31, 2019, and is payable to the City in monthly installments of \$184 through July 2026. The second note was made in 2019, has a remaining balance of \$193,179 at December 31, 2019, and is payable in annual installments of \$24,444 through March 2028.

**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 acquisition 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.

**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.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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 Foley Fire Relief Association's net pension asset as of the most recent actuarial valuation date. The net pension liability represents the City's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Administration.

**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 that time. 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.

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 taxes, special assessments and notes receivable as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available. 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 the pension fund plans in which City employees participate.

See Note 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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, 2019 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.

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 budgeted operating expenditures.

See Note 2.F. for additional disclosures.

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

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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.

**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 2.E.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2     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.

**2.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.

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, 2019, 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, 2019, the City has the following deposits:

Cash in Checking and Savings Accounts	\$ 368,035
Money Market Savings Accounts	<u>7,592,507</u>
Total Carrying Amount of Deposits Balance	<u>\$ 7,960,542</u>



**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**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, 2019 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	\$ 38,196	1.71
U.S. Government Mortgage Securities	N/A	N/A	N/A	1,257,336	56.55
U.S. Government Securities	N/A	N/A	N/A	928,048	41.74
Total Investments				<u>\$ 2,223,580</u>	<u>100.00</u>

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 above. 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, 2019, 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 of credit 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.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2     DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

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, 2019:

- U.S. Government securities of \$928,048, U.S. Government mortgage securities of \$1,257,336, and money market funds of \$38,196 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	\$ 7,960,542
Investments	<u>2,223,580</u>
Total Cash, Cash Equivalents and Investments	<u><u>\$ 10,184,122</u></u>

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

Governmental Funds	
Cash and Cash Equivalents	\$ 4,448,099
Investments	<u>1,370,630</u>
	5,818,729
Proprietary Funds	
Cash and Cash Equivalents	3,512,443
Investments	<u>852,950</u>
	<u>4,365,393</u>
Total Cash, Cash Equivalents and Investments	<u><u>\$ 10,184,122</u></u>

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.B.    CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 is as follows:

	Balance at 01/01/19	Additions	Disposals	Transfers	Balance at 12/31/19
Governmental Activities:					
Capital Assets not Being Depreciated					
Land	\$ 340,324	\$ -	\$ 14,001	\$ -	\$ 326,323
Construction In Progress	1,964,795	316,667	-	(2,281,462)	-
Total Capital Assets not Being Depreciated	2,305,119	316,667	14,001	(2,281,462)	326,323
Capital Assets Being Depreciated					
Buildings	2,379,017	35,108	-	-	2,414,125
Infrastructure	7,198,228	235,849	-	1,306,462	8,740,539
Improvements	478,330	-	-	-	478,330
Equipment	790,603	128,626	26,506	-	892,723
Vehicles	1,737,628	-	-	-	1,737,628
Total Capital Assets Being Depreciated	12,583,806	399,583	26,506	1,306,462	14,263,345
Less: Accumulated Depreciation					
Buildings	1,191,234	58,598	-	-	1,249,832
Infrastructure	2,405,167	273,676	-	-	2,678,843
Improvements	331,691	10,007	-	-	341,698
Equipment	433,635	38,659	26,506	-	445,788
Vehicles	1,153,217	91,460	-	-	1,244,677
Total Accumulated Depreciation	5,514,944	472,400	26,506	-	5,960,838
Total Capital Assets Being Depreciated, Net	7,068,862	(72,817)	-	1,306,462	8,302,507
Capital Assets, Net	<u>\$ 9,373,981</u>	<u>\$ 243,850</u>	<u>\$ 14,001</u>	<u>\$ (975,000)</u>	<u>\$ 8,628,830</u>

Depreciation is charged to governmental activities as follows:

General Government	\$ 40,275
Pool	14,044
Parks and Recreation	15,219
Police	11,492
Public Works	310,633
Fire	80,737
Total Depreciation Expense	<u>\$ 472,400</u>

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

	Balance at 01/01/19	Additions	Disposals	Transfers	Balance at 12/31/19
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	-	-	975,000	5,739,992
Lagoons	1,918,257	-	-	-	1,918,257
Improvements	12,334	-	-	-	12,334
Lift Stations	352,394	-	-	-	352,394
Equipment	409,928	-	-	-	409,928
Vehicles	180,000	-	-	-	180,000
Total Capital Assets Being Depreciated	7,841,678	-	-	975,000	8,816,678
Less: Accumulated Depreciation					
Buildings	158,950	4,101	-	-	163,051
Infrastructure	2,012,033	123,366	-	-	2,135,399
Lagoons	1,054,882	31,971	-	-	1,086,853
Improvements	12,334	-	-	-	12,334
Lift Stations	149,652	7,048	-	-	156,700
Equipment	315,465	25,010	-	-	340,475
Vehicles	118,500	18,000	-	-	136,500
Total Accumulated Depreciation	3,821,816	209,496	-	-	4,031,312
Total Capital Assets Being Depreciated, Net	4,019,862	(209,496)	-	975,000	4,785,366
Capital Assets, Net	<u>\$ 4,061,124</u>	<u>\$ (209,496)</u>	<u>\$ -</u>	<u>\$ 975,000</u>	<u>\$ 4,826,628</u>

**2.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 eight full time employees who qualify for the benefit.

See Note 2.D. for changes in accrued severance.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D.    NONCURRENT LIABILITIES**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities (of which, the City has none). All bonds set forth below are direct obligations of the City and pledge the full faith and credit of the City.

**Debt Detail**

As of December 31, 2019, the long-term debt of the financial reporting entity, excluding the bond premium of \$69,105, 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
G.O. Improvement Bonds, 2011A	11/11	\$ 1,320,000	\$75,000-\$105,000	1.00-4.00%	02/28	\$ 845,000
G.O. Improvement Crossover Refunding Bonds, 2012A	03/12	\$ 2,875,000	\$265,000-\$315,000	2.00-2.20%	02/25	1,785,000
G.O. Bonds, 2015A	08/15	\$ 995,000	\$30,000-\$75,000	3.00-3.25%	02/31	840,000
G.O. Improvement Bonds, 2018A	08/18	\$ 2,340,000	\$20,000-\$330,000	3.00-3.25%	02/34	2,340,000
Total Governmental Activities Bonds Payable						5,810,000
Bonds Due Within One Year						440,000
Bonds Due After One Year						<u>\$ 5,370,000</u>

**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, 2019:

Type of Debt	Balance 1/1/19	Additions	Deductions	Balance 12/31/19	Amounts Due Within One Year
<u>Governmental Activities:</u>					
G.O. Bonds	\$ 4,160,000	\$ -	\$ (135,000)	\$ 4,025,000	\$ 155,000
G.O. Crossover Refunding Bonds	2,065,000	-	(280,000)	1,785,000	285,000
Unamortized Bond Premium	78,144	-	(9,039)	69,105	-
Accrued Severance	30,407	3,923	(1,704)	32,626	-
Total	<u>\$ 6,333,551</u>	<u>\$ 3,923</u>	<u>\$ (425,743)</u>	<u>\$ 5,911,731</u>	<u>\$ 440,000</u>
<u>Business-Type Activities:</u>					
Accrued Severance	<u>\$ 49,164</u>	<u>\$ 2,336</u>	<u>\$ -</u>	<u>\$ 51,500</u>	<u>\$ -</u>

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, 2019**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**Annual Debt Service Requirements**

At December 31, 2019, 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 Activities		
	G.O. Bonds		
	Principal	Interest	Total
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	485,000	112,872	597,872
2025-2029	2,080,000	375,013	2,455,013
2030-2034	1,395,000	92,100	1,487,100
Totals	<u>\$ 5,810,000</u>	<u>\$ 1,142,710</u>	<u>\$ 6,952,710</u>

Interest expense totals \$162,005 in the Statement of Activities (included in Debt Service line). Interest expense totals \$165,229 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges).

**2.E.    INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers consist of the following for the year ended December 31, 2019:

Major Funds	Transfers Out	Transfers In		Total
		Nonmajor Funds		
		Street	Equipment	
		Projects Fund	Fund	
General	\$ 388,000	\$ 173,000	\$ 215,000	\$ 388,000

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, 2019**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (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
2018 Capital Improvement Fund	Water Fund	38,000	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
2018 Capital Improvement Fund	Sewer Fund	27,000	Current portion of loan repayment
Total Short-Term Interfund Balance		125,000	
Long-Term Balances			
Advance From Fund	Advance to Fund		
2008 Improvement Bond Fund	Water Fund	60,000	Long-term interfund loan
2015 Improvement Bond Fund	Water Fund	97,877	Long-term interfund loan
2018 Capital Improvement Fund	Water Fund	494,000	Long-term interfund loan
2008 Improvement Bond Fund	Sewer Fund	60,000	Long-term interfund loan
2015 Improvement Bond Fund	Sewer Fund	97,877	Long-term interfund loan
2018 Capital Improvement Fund	Sewer Fund	351,000	Long-term interfund loan
Total Long-Term Interfund Balance		1,160,754	
Total Interfund Balances		1,285,754	
Government Fund Elimination		-	
Government-wide Internal Balances		\$ 1,285,754	

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, 2019**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.F.    FUND EQUITY**

At December 31, 2019, governmental fund equity consists of the following:

General Fund	
Nonspendable - Prepaids	\$ 45,005
Assigned	526,204
Unassigned	2,243,241
Total General Fund Balance	<u>\$ 2,814,450</u>
Fire Service Fund	
Nonspendable - Prepaids	\$ 12,593
Assigned	831,122
Total Fire Service Fund Balance	<u>\$ 843,715</u>
EDA Fund	
Assigned	<u>\$ 41,062</u>
2008 Improvement Bond Fund	
Nonspendable - Advances to Other Funds	\$ 120,000
Restricted	446,699
Total 2008 Improvement Bond Fund Balance	<u>\$ 566,699</u>
2018 Capital Improvement Fund	
Nonspendable - Advances to Other Funds	\$ 845,000
Assigned	301,915
Total 2018 Capital Improvement Fund Balance	<u>\$ 1,146,915</u>
Nonmajor Governmental Funds	
Nonspendable - Prepaids	\$ 3,898
Nonspendable - Advances to Other Funds	195,754
Restricted for 2011 Improvement Bond Fund	250,685
Restricted for 2015 Improvement Bond Fund	248,656
Restricted for TIF District 1-8	10,473
Restricted for TIF District 1-9	8,526
Restricted for Revolving Loan Fund	77,611
Restricted for Small Cities Development Grant Fund	132,511
Assigned for Swimming Pool Fund	415,475
Assigned for Equipment Fund	274,158
Unassigned	(61,008)
Total Nonmajor Governmental Funds Balance	<u>\$ 1,556,739</u>



**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3    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

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

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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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, 2019**

**NOTE 3    EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**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 2019 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, 2019 were \$31,952. The City's contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$40,432. 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, 2019, the City reported a liability of \$326,198 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 2019. 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 \$10,166. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0059 percent which was an increase of 0.0001 percent from its proportion measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$326,198
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>10,166</u>
Total	<u>\$336,364</u>

For the year ended December 31, 2019, the City recognized pension expense of \$30,203 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$761 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.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3    EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

At December 31, 2019, 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	\$ 8,825	\$ -
Change in Actuarial Assumptions	-	24,868
Difference Between Projected and Actual Investment Earnings	-	31,090
Changes in Proportionate Share	10,545	6,090
Contributions Paid to PERA Subsequent to the Measurement Date	16,007	-
	<hr/>	<hr/>
Total City Deferred Outflows/Inflows	\$ 35,377	\$ 62,048

The \$16,007 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, 2020. 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
2020	\$ (17,490)
2021	\$ (20,686)
2022	\$ (5,027)
2023	\$ 525

**Police and Fire Fund Pension Costs**

At December 31, 2019, the City reported a liability of \$220,372 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0207 percent which was a decrease of 0.0002 percent from its proportionate share measured as of June 30, 2018.

The City also recognized \$2,794 for the year ended December 31, 2019, 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 until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the State will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct State aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$36,383 for its proportionate share of the Police and Fire Plan's pension expense.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3 EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

At December 31, 2019, 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	\$ 8,696	\$ 30,788
Change in Actuarial Assumptions	167,857	204,914
Difference Between Projected and Actual Investment Earnings	-	40,220
Changes in Proportionate Share	36,903	41,908
Contributions Paid to PERA Subsequent to the Measurement Date	21,077	-
	<u>21,077</u>	<u>-</u>
Total City Deferred Outflows/Inflows	<u>\$ 234,533</u>	<u>\$ 317,830</u>

The \$21,077 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, 2020. 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
2020	\$ (8,187)
2021	\$ (25,023)
2022	\$ (78,850)
2023	\$ 8,226
2024	\$ (540)

**Total Pension Expense**

The total pension expense for all plans recognized by the City for the year ended December 31, 2019 was \$66,586.

**Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	Rates
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 for both plans 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.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3    EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
	100%	

**Discount Rate**

The discount rate used to measure the total pension liability in 2019 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 the 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.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3    EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

**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 Analysis					
Net Pension Liability at Different Discount Rates					
	General Employees Fund			Police and Fire Fund	
1% Increase in Discount Rate	8.50%	\$	152,757	8.50%	\$ 4
Current Discount Rate	7.50%	\$	326,198	7.50%	\$ 220,372
1% Decrease in Discount Rate	6.50%	\$	536,252	6.50%	\$ 481,693

**Pension Plan Fiduciary Net Position**

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

**NOTE 4    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.

**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, 2019 total \$7,500.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Pension Costs**

At December 31, 2019, the City of Foley reported a net pension asset of \$217,396 for the Fire Relief Association's plan. The net pension asset was measured as of December 31, 2018, as determined by an actuarial valuation as of that date.

For the year ended December 31, 2019, the City recognized pension expense of negative \$26,269 for the Association. The City also recognized \$52,434 for the year ended December 31, 2019, 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 12/31/17	\$ 653,311	\$ 896,855	\$ (243,544)
Service Cost	30,013	-	30,013
Interest Cost	32,458	-	32,458
Assumption Changes	(5,265)	-	(5,265)
Projected Investment Return	-	44,010	(44,010)
Contributions (Employer)	-	13,200	(13,200)
Contributions (State)	-	52,434	(52,434)
Asset (Gain)/Loss	(10,278)	(82,574)	72,296
Administrative Fee	-	(6,290)	6,290
Net Changes	<u>46,928</u>	<u>20,780</u>	<u>26,148</u>
Balance End of Year 12/31/18	<u>\$ 700,239</u>	<u>\$ 917,635</u>	<u>\$ (217,396)</u>

At December 31, 2019, the City of Foley reported deferred outflows of resources 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	\$ -	\$ 47,523
Changes in Actuarial Assumptions	8,288	4,786
Difference Between Projected and Actual Investment Earnings	49,625	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>7,500</u>	<u>-</u>
Total City Deferred Outflows/Inflows	<u>\$ 65,413</u>	<u>\$ 52,309</u>

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

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, 2020. 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
2020	\$ 13,986
2021	\$ 4,854
2022	\$ 67
2023	\$ 11,781
2024	\$ (4,734)
2025 - 2029	\$ (20,350)

**Actuarial Assumptions**

The net pension asset at December 31, 2018 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	Rates
Investment Rate of Return (Discount)	5.00%
Expected Long-Term Rate of Return	5.00%
20-Year Municipal Bond Yield	3.50%
Salary Increases	2.50%
Interest on Deferred Amounts	0.00%

The following change in actuarial assumptions occurred in 2018:

- A benefit level changed from 4.75 percent to 5.00 percent.

**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 (4.00%)	Discount Rate (5.00%)	1% Increase in Discount Rate (6.00%)
Net Pension Asset	\$ (196,016)	\$ (217,396)	\$ (237,891)



**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

**Plan Investments**

Asset Allocation

The long-term expected rate of return on pension plan investments is 5.00 percent. The asset allocation 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:

<u>Asset Class</u>	<u>Portfolio Weight</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	7%	2.25%
Fixed Income	54%	3.80%
Equities	38%	7.30%
Other	1%	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 2019.

**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.

**NOTE 5    OTHER NOTES**

**5.A.    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.

**5.B.    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.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 OTHER NOTES (Continued)**

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>\$ 4,728</u>

Captured Net Tax Capacity:	
Retained by City	\$ 1,528
Shared with Other Taxing Districts	<u>\$ -</u>
Taxes Abated in 2019:	<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:	\$ 5,576
Current Net Tax Capacity:	<u>\$ 42,562</u>

Captured Net Tax Capacity:	
Retained by City	\$ 36,986
Shared with Other Taxing Districts	<u>\$ -</u>
Taxes Abated in 2019:	<u>\$ 69,599</u>

**5.C. COMMITMENTS**

The City entered into several contracts during the year for the purchase of equipment. Remaining commitments under these contracts at December 31, 2019 total \$1,049,853.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5    OTHER NOTES (Continued)**

**5.D.    SUBSEQUENT EVENTS**

**Public Health Emergency**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the City operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the City, to date, the City has not experienced any significant negative effects on its operations.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF FOLEY, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>REVENUES</b>			
<b>Taxes</b>			
Property Taxes	\$ 578,147	\$ 578,966	\$ 819
Franchise Taxes	10,000	8,313	(1,687)
<b>Total Taxes</b>	588,147	587,279	(868)
<b>Special Assessments</b>	4,000	18,058	14,058
<b>Licenses and Permits</b>	31,800	94,291	62,491
<b>Intergovernmental Revenue</b>			
State Grants			
Local Government Aid	768,328	769,979	1,651
Market Value Credit	-	224	224
PERA Aid	-	1,356	1,356
Police and Fire Aid	20,000	31,686	11,686
County Revenue			
Highways	6,360	5,704	(656)
Other County Grants	10,000	24,870	14,870
<b>Total Intergovernmental Revenue</b>	804,688	833,819	29,131
<b>Charges for Services</b>			
General Government	2,150	7,266	5,116
Police and Fire Contracts	4,000	35,754	31,754
Streets and Highways	-	350	350
Parks and Recreation	4,100	4,500	400
<b>Total Charges for Services</b>	10,250	47,870	37,620
<b>Fines and Forfeitures</b>	17,500	14,060	(3,440)
<b>Miscellaneous Revenue</b>			
Investment Earnings	2,000	82,223	80,223
Refunds and Reimbursements	2,000	6,497	4,497
Contributions and Donations	3,000	2,000	(1,000)
Insurance Proceeds	12,000	3,738	(8,262)
<b>Total Miscellaneous Revenue</b>	19,000	94,458	75,458
<b>TOTAL REVENUES</b>	1,475,385	1,689,835	214,450

**CITY OF FOLEY, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>EXPENDITURES</b>			
<b>General Government</b>			
Mayor and Council	\$ 11,850	\$ 9,452	\$ (2,398)
Administration and Finance	108,850	110,966	2,116
Other General Government	429,550	440,667	11,117
Capital Outlay	10,000	11,005	1,005
<b>Total General Government</b>	560,250	572,090	11,840
<b>Public Safety</b>			
Police			
Current	385,300	371,094	(14,206)
Other Public Safety			
Current	25,500	54,688	29,188
<b>Total Public Safety</b>	410,800	425,782	14,982
<b>Public Works</b>			
Street Maintenance and Storm Sewers	154,910	149,991	(4,919)
Snow and Ice Removal	66,000	66,875	875
Capital Outlay - Street Construction	25,000	-	(25,000)
Capital Outlay - Other	215,000	-	(215,000)
<b>Total Public Works</b>	460,910	216,866	(244,044)
<b>Culture and Recreation</b>			
Parks and Recreation			
Current	43,425	48,486	5,061
<b>TOTAL EXPENDITURES</b>	1,475,385	1,263,224	(212,161)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	426,611	426,611
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Assets			
Transfers	-	8,939	8,939
To Other Funds	-	(388,000)	(388,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	(379,061)	(379,061)
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	47,550	\$ 47,550
<b>FUND BALANCE - BEGINNING</b>		2,766,900	
<b>FUND BALANCE - ENDING</b>		\$ 2,814,450	

**CITY OF FOLEY, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE – FIRE SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>REVENUES</b>			
<b>Taxes</b>			
Property Taxes	\$ 81,500	\$ 81,474	\$ (26)
<b>Intergovernmental Revenue</b>			
State Grants			
Police and Fire Aid	3,000	53,830	50,830
Other State Grants and Aids	-	10,500	10,500
<b>Total Intergovernmental Revenue</b>	<u>3,000</u>	<u>64,330</u>	<u>61,330</u>
<b>Charges for Services</b>			
Police and Fire Contracts	194,000	209,244	15,244
<b>Miscellaneous Revenue</b>			
Investment Earnings	500	22,036	21,536
Contributions and Donations	-	71,025	71,025
<b>Total Miscellaneous Revenue</b>	<u>500</u>	<u>93,061</u>	<u>92,561</u>
<b>TOTAL REVENUES</b>	279,000	448,109	169,109
<b>EXPENDITURES</b>			
<b>Public Safety</b>			
Fire			
Current	193,000	210,760	17,760
Capital Outlay	86,000	15,599	(70,401)
<b>Total Public Safety</b>	<u>279,000</u>	<u>226,359</u>	<u>(52,641)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	221,750	<u>\$ 221,750</u>
<b>FUND BALANCE - BEGINNING</b>		<u>621,965</u>	
<b>FUND BALANCE - ENDING</b>		<u>\$ 843,715</u>	

**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		State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's		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
		Proportionate Share of the Net Pension Liability (Asset) (a)	Proportionate Share of the Net Pension Liability Associated with the City (a+b)						
General Employees Retirement Pension Plan									
2019	0.0059%	\$ 326,198	\$ 10,166	\$ 336,364	\$ 416,815	80.7%		80.2%	
2018	0.0058%	\$ 321,760	\$ 10,571	\$ 332,331	\$ 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%	
Public Employees Police and Fire Pension Plan									
2019	0.0207%	\$ 220,372	-	\$ 220,372	\$ 217,825	101.2%		89.3%	
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>					
2019	\$ 31,952	\$ 31,952	\$ -	\$ 426,021	7.5%
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>					
2019	\$ 40,432	\$ 40,432	\$ -	\$ 238,536	17.0%
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>					
2019	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
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 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 CHANGES IN NET PENSION LIABILITY (ASSET)**  
**FIRE RELIEF ASSOCIATION**  
**LAST TEN YEARS (Presented Prospectively)**

	2018	2017	2016	2015
<b>Changes in Total Pension Liability (TPL)</b>				
Balance at January 1st	\$ 653,311	\$ 517,148	\$ 500,316	\$ 451,715
Service Cost	30,013	25,324	27,648	28,458
Interest on the TPL	32,458	25,767	29,038	24,718
Assumption Changes	(5,265)	-	11,051	-
Plan Changes	-	85,072	-	-
Actuarial Experience (Gains)/Losses	(10,278)	-	(50,905)	-
Benefit Payments	-	-	-	(4,575)
Balance at December 31st	\$ 700,239	\$ 653,311	\$ 517,148	\$ 500,316
<b>Plan Fiduciary Net Position (PFNP)</b>				
Balance at January 1st	\$ 896,855	\$ 743,270	\$ 670,255	\$ 626,807
Fire State Aid	52,434	51,416	51,569	50,835
Municipal Contributions	13,200	12,720	7,500	7,500
Projected Investment Income	44,010	36,691	38,472	35,937
Net Investment Income (Loss)	(82,574)	58,568	(23,936)	(45,659)
Total Additions	27,070	159,395	73,605	48,613
Benefit Payments	-	-	-	(4,575)
Administrative Expenses	(6,290)	(5,810)	(590)	(590)
Total Reductions	(6,290)	(5,810)	(590)	(5,165)
Balance at December 31st	\$ 917,635	\$ 896,855	\$ 743,270	\$ 670,255
Net Pension Liability (Asset) - December 31st	\$ (217,396)	\$ (243,544)	\$ (226,122)	\$ (169,939)
Plan Fiduciary Net Position as a Percentage of Total Pension Asset	131%	137%	144%	134%

Note: The schedule is provided prospectively with the City's fiscal year ended December 31, 2016 (December 31, 2015 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2019**

**NOTE 1 BUDGETARY COMPARISON SCHEDULE**

The City did not budget for any revenues or expenditures in the EDA Fund in the current year. Because of this, a budget to actual schedule has not been presented for this major special revenue fund.

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND**

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**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.

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 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 postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2019**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

Changes in Plan Provisions

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

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed postretirement 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 changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions

- The assumed postretirement 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.

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 increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND**

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2018 Changes**

Changes in Actuarial Assumptions

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

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2019**

**NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)**

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 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 3.00 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 65.00 percent to 60.00 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 postretirement 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 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.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)**

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

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.

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.

**NOTE 4 DEFINED BENEFIT PLAN – FIRE RELIEF ASSOCIATION**

**2018 Changes**

Changes in Actuarial Assumptions

- The benefit level changed from 4.75 percent to 5.00 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2017 Changes**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

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

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**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, 2019**

	Nonmajor Debt Service Funds	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash, Cash Equivalents and Investments	\$ 497,025	\$ 625,165	\$ 281,065	\$ 1,403,255
Property Taxes Receivable	2,014	1,203	-	3,217
Assessments Receivable	230,224	-	-	230,224
Accounts Receivable	-	2	-	2
Notes Receivable	-	13,255	-	13,255
Due From Other Funds	20,000	-	-	20,000
Advance To Other Funds	195,754	-	-	195,754
Prepays	-	3,898	-	3,898
<b>TOTAL ASSETS</b>	<u>\$ 945,017</u>	<u>\$ 643,523</u>	<u>\$ 281,065</u>	<u>\$ 1,869,605</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ 67,915	\$ 67,915
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue:				
Property Taxes	1,297	773	-	2,070
Special Assessments	229,626	-	-	229,626
Notes Receivable	-	13,255	-	13,255
Total Deferred Inflows of Resources	230,923	14,028	-	244,951
<b>FUND BALANCES</b>				
Nonspendable	195,754	3,898	-	199,652
Restricted	518,340	210,122	-	728,462
Assigned	-	415,475	274,158	689,633
Unassigned	-	-	(61,008)	(61,008)
Total Fund Balances	<u>714,094</u>	<u>629,495</u>	<u>213,150</u>	<u>1,556,739</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 945,017</u>	<u>\$ 643,523</u>	<u>\$ 281,065</u>	<u>\$ 1,869,605</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, 2019**

	Nonmajor Debt Service Funds	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 112,906	\$ 69,244	\$ -	\$ 182,150
Tax Increment	62,312	-	-	62,312
Special Assessments	34,761	-	-	34,761
Intergovernmental	-	-	-	-
Charges for Services	-	49,022	28,859	77,881
Investment Income	1,261	12,194	-	13,455
Loan Repayment	-	2,207	-	2,207
Miscellaneous	-	21,410	-	21,410
<b>TOTAL REVENUES</b>	<u>211,240</u>	<u>154,077</u>	<u>28,859</u>	<u>394,176</u>
<b>EXPENDITURES</b>				
Current:				
Parks and Recreation	-	83,348	-	83,348
Economic Development	70,312	-	-	70,312
Debt Service:				
Principal	135,000	-	-	135,000
Interest and Other Charges	55,534	-	-	55,534
Total Debt Service	190,534	-	-	190,534
Capital Outlay	296	19,932	331,850	352,078
<b>TOTAL EXPENDITURES</b>	<u>261,142</u>	<u>103,280</u>	<u>331,850</u>	<u>696,272</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(49,902)	50,797	(302,991)	(302,096)
<b>OTHER FINANCING SOURCES</b>				
Sale of Assets	-	-	5,500	5,500
Operating Transfers In	-	-	388,000	388,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>-</u>	<u>393,500</u>	<u>393,500</u>
<b>NET CHANGE IN FUND BALANCES</b>	(49,902)	50,797	90,509	91,404
<b>FUND BALANCES - BEGINNING</b>	<u>763,996</u>	<u>578,698</u>	<u>122,641</u>	<u>1,465,335</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 714,094</u>	<u>\$ 629,495</u>	<u>\$ 213,150</u>	<u>\$ 1,556,739</u>

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS**  
**DECEMBER 31, 2019**

	2011	2015	TIF 1-8	TIF 1-9	Total Nonmajor
	Improvement Bond Fund	Improvement Bond Fund	Senior Prairie Cottages Fund	Silt Sock, Inc. Fund	Debt Service Funds
<b>ASSETS</b>					
Cash, Cash Equivalents and Investments	\$ 249,580	\$ 228,446	\$ 10,473	\$ 8,526	\$ 497,025
Property Taxes Receivable	1,451	563	-	-	2,014
Assessments Receivable	136,990	93,234	-	-	230,224
Due From Other Funds	-	20,000	-	-	20,000
Advance To Other Funds	-	195,754	-	-	195,754
<b>TOTAL ASSETS</b>	<u>\$ 388,021</u>	<u>\$ 537,997</u>	<u>\$ 10,473</u>	<u>\$ 8,526</u>	<u>\$ 945,017</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue:					
Property Taxes	\$ 944	\$ 353	-	-	\$ 1,297
Special Assessments	136,392	93,234	-	-	229,626
Total Deferred Inflows of Resources	<u>137,336</u>	<u>93,587</u>	<u>-</u>	<u>-</u>	<u>230,923</u>
<b>FUND BALANCES</b>					
Nonspendable	-	195,754	-	-	195,754
Restricted	250,685	248,656	10,473	8,526	518,340
Total Fund Balances	<u>250,685</u>	<u>444,410</u>	<u>10,473</u>	<u>8,526</u>	<u>714,094</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 388,021</u>	<u>\$ 537,997</u>	<u>\$ 10,473</u>	<u>\$ 8,526</u>	<u>\$ 945,017</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, 2019**

	2011	2015	TIF 1-8	TIF 1-9	Total Nonmajor
	Improvement Bond Fund	Improvement Bond Fund	Senior Prairie Cottages Fund	Silt Sock, Inc. Fund	Debt Service Funds
<b>REVENUES</b>					
Taxes	\$ 78,954	\$ 33,952	\$ -	\$ -	\$ 112,906
Tax Increment	-	-	1,619	60,693	62,312
Special Assessments	22,420	12,341	-	-	34,761
Investment Income	798	463	-	-	1,261
<b>TOTAL REVENUES</b>	<u>102,172</u>	<u>46,756</u>	<u>1,619</u>	<u>60,693</u>	<u>211,240</u>
<b>EXPENDITURES</b>					
Current:					
Economic Development	-	-	-	70,312	70,312
Debt Service:					
Principal	80,000	55,000	-	-	135,000
Interest and Other Charges	28,759	26,775	-	-	55,534
Total Debt Service	108,759	81,775	-	-	190,534
Capital Outlay	-	296	-	-	296
<b>TOTAL EXPENDITURES</b>	<u>108,759</u>	<u>82,071</u>	<u>-</u>	<u>70,312</u>	<u>261,142</u>
<b>NET CHANGE IN FUND BALANCES</b>	(6,587)	(35,315)	1,619	(9,619)	(49,902)
<b>FUND BALANCES - BEGINNING</b>	<u>257,272</u>	<u>479,725</u>	<u>8,854</u>	<u>18,145</u>	<u>763,996</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 250,685</u>	<u>\$ 444,410</u>	<u>\$ 10,473</u>	<u>\$ 8,526</u>	<u>\$ 714,094</u>

**CITY OF FOLEY, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2019**

	Swimming Pool Fund	Revolving Loan Fund	Small Cities Development Grant Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>				
Cash, Cash Equivalents and Investments	\$ 415,045	\$ 77,609	\$ 132,511	\$ 625,165
Property Taxes Receivable	1,203	-	-	1,203
Accounts Receivable	-	2	-	2
Notes Receivable	-	13,255	-	13,255
Prepays	3,898	-	-	3,898
<b>TOTAL ASSETS</b>	<b>\$ 420,146</b>	<b>\$ 90,866</b>	<b>\$ 132,511</b>	<b>\$ 643,523</b>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable Revenue:				
Property Taxes	\$ 773	\$ -	\$ -	\$ 773
Notes Receivable	-	13,255	-	13,255
Total Deferred Inflows of Resources	773	13,255	-	14,028

**FUND BALANCES**

Nonspendable	3,898	-	-	3,898
Restricted	-	77,611	132,511	210,122
Assigned	415,475	-	-	415,475
Total Fund Balances	419,373	77,611	132,511	629,495

**TOTAL DEFERRED INFLOWS OF RESOURCES  
AND FUND BALANCES**

\$ 420,146	\$ 90,866	\$ 132,511	\$ 643,523
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**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, 2019**

	Swimming Pool Fund	Revolving Loan Fund	Small Cities Development Grant Fund	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>				
Taxes	\$ 69,244	\$ -	\$ -	\$ 69,244
Charges for Services	49,022	-	-	49,022
Investment Income	11,463	25	706	12,194
Loan Repayment	-	2,207	-	2,207
Miscellaneous	-	-	21,410	21,410
<b>TOTAL REVENUES</b>	<b>129,729</b>	<b>2,232</b>	<b>22,116</b>	<b>154,077</b>
<b>EXPENDITURES</b>				
Current:				
Parks and Recreation	83,348	-	-	83,348
Capital Outlay	19,932	-	-	19,932
<b>TOTAL EXPENDITURES</b>	<b>103,280</b>	<b>-</b>	<b>-</b>	<b>103,280</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>26,449</b>	<b>2,232</b>	<b>22,116</b>	<b>50,797</b>
<b>FUND BALANCES - BEGINNING</b>	<b>392,924</b>	<b>75,379</b>	<b>110,395</b>	<b>578,698</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 419,373</b>	<b>\$ 77,611</b>	<b>\$ 132,511</b>	<b>\$ 629,495</b>

**CITY OF FOLEY, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECT FUNDS  
DECEMBER 31, 2019**

	Equipment Fund	Street Projects Fund	Total Nonmajor Capital Project Funds
<b>ASSETS</b>			
Cash, Cash Equivalents and Investments	\$ 274,158	\$ 6,907	\$ 281,065
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 67,915	\$ 67,915
<b>FUND BALANCES</b>			
Assigned	274,158	-	274,158
Unassigned	-	(61,008)	(61,008)
Total Fund Balances	274,158	(61,008)	213,150
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 274,158	\$ 6,907	\$ 281,065

**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, 2019**

	Equipment Fund	Street Projects Fund	Total Nonmajor Capital Project Funds
<b>REVENUES</b>			
Charges for Services	\$ 28,859	\$ -	\$ 28,859
<b>EXPENDITURES</b>			
Capital Outlay	<u>96,000</u>	<u>235,850</u>	<u>331,850</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(67,141)	(235,850)	(302,991)
<b>OTHER FINANCING SOURCES</b>			
Sale of Assets	5,500	-	5,500
Operating Transfers In	<u>215,000</u>	<u>173,000</u>	<u>388,000</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>220,500</u>	<u>173,000</u>	<u>393,500</u>
<b>NET CHANGE IN FUND BALANCES</b>	153,359	(62,850)	90,509
<b>FUND BALANCES - BEGINNING</b>	<u>120,799</u>	<u>1,842</u>	<u>122,641</u>
<b>FUND BALANCES - ENDING</b>	<u><u>\$ 274,158</u></u>	<u><u>\$ (61,008)</u></u>	<u><u>\$ 213,150</u></u>

**CITY OF FOLEY, MINNESOTA**  
**SCHEDULE OF INDEBTEDNESS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

**GOVERNMENTAL ACTIVITIES**

General Obligation Bonds

G.O. Improvement Bonds, Series 2011A  
G.O. Improvement Crossover Refunding Bonds, Series 2012A  
G.O. Bonds, Series 2015A  
G.O. Improvement Bonds, Series 2018A

Issue Date	Interest Rates	Maturity Date	Initial Authorized Issue	Outstanding Balance 01/01/19	Issued	Paid	Outstanding Balance 12/31/19	Principal Due in 2020
11/1/2011	1.00 - 4.00%	2/1/2028	\$ 1,320,000	\$ 925,000	\$ -	\$ 80,000	\$ 845,000	\$ 85,000
3/26/2012	2.00 - 2.20%	2/1/2025	2,875,000	2,065,000	-	280,000	1,785,000	285,000
8/4/2015	3.00 - 3.25%	2/1/2031	995,000	895,000	-	55,000	840,000	70,000
8/7/2018	3.00 - 3.25%	2/1/2034	2,340,000	2,340,000	-	-	2,340,000	-
			<u>\$ 7,530,000</u>	<u>\$ 6,225,000</u>	<u>\$ -</u>	<u>\$ 415,000</u>	<u>\$ 5,810,000</u>	<u>\$ 440,000</u>

**TOTAL GOVERNMENTAL ACTIVITY DEBT**



## **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**

Report Date

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated Report Date.

**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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

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### **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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

Report Date

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, 2019, and the related notes to the financial statements, and have issued our report thereon dated Report Date.

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

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**CITY OF FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019**

**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, 2019**

**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.

5/27/2020  
1:42 PM

Client: 2187 - City of Foley  
Engagement: 12-19 AUD - City of Foley  
Period Ending: 12/31/2019  
Trial Balance: 3000.00 - TB  
Workpaper: 0204.00 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
	PER CLIENT - To record receivable for SRO billing	4200's		
100-11500	Accounts Receivable			
100-42100-34902	Reimbursable Expenses		7,591.00	
<b>Total</b>			<u>7,591.00</u>	<u>7,591.00</u>
<b>Adjusting Journal Entries JE # 2</b>				
	To record depreciation expense.	4600.20		
601-49400-420	Depreciation expense			
602-49450-450	Depreciation Expense		84,041.00	
601-16050	Accumulated Depreciation		125,455.00	
602-16050	Accumulated Depreciation			84,041.00
<b>Total</b>			<u>209,496.00</u>	<u>209,496.00</u>
<b>Adjusting Journal Entries JE # 3</b>				
	To adjust current special assessments receivable to tie to client schedule.	7100.10		
211-12100	Special Assessments Receivable			
211-49511-31000	General Property Taxes		598.00	
211-10600	Current Taxes Receivable		598.00	
211-49511-36100	Special Assessments			598.00
<b>Total</b>			<u>1,196.00</u>	<u>1,196.00</u>
<b>Adjusting Journal Entries JE # 4</b>				
	To adjust receivable to tie to client schedule and reclass parking fine receivable to proper revenue account	4200.20		
100-42100-35101	Court Fines			
100-42100-35102	Parking Fines		150.00	
100-11500	Accounts Receivable		1,327.00	
100-42100-35102	Parking Fines			1,327.00
<b>Total</b>			<u>1,477.00</u>	<u>1,477.00</u>
<b>Adjusting Journal Entries JE # 5</b>				
	To adjust Fire Department receivable to match client schedule.	4200.21		
699-42200-34208	Individual Fire Calls			
699-11500	Accounts Receivable		5,324.00	
<b>Total</b>			<u>5,324.00</u>	<u>5,324.00</u>

5/27/2020  
1:42 PM

Client: 2187 - City of Foley  
Engagement: 12-19 AUD - City of Foley  
Period Ending: 12/31/2019  
Trial Balance: 3000.00 - TB  
Workpaper: 0204.00 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 6</b>		4200.30		
To adjust special assessments receivable.				
100-22250	Deferred Revenue: Spec Assmts		12,460.00	
208-22200	Deferred Revenues		35,403.00	
211-22200	Deferred Revenues		17,049.00	
215-22200	Deferred Revenues		8,476.00	
218-22200	Deferred Revenues		121,745.00	
601-36100-39200	Assessments		6,486.00	
602-12300	Special Assess Rec-Deferred		4,626.00	
100-12300	Special Assess Rec-Deferred			12,460.00
208-12300	Special Assess Rec-Deferred			35,403.00
211-12300	Special Assess Rec-Deferred			17,049.00
215-12300	Special Assess Rec-Deferred			8,476.00
218-12300	Special Assess Rec-Deferred			121,745.00
601-12300	Special Assess Rec-Deferred			6,486.00
602-36100-36100	Special Assessments			4,626.00
<b>Total</b>			<b>206,245.00</b>	<b>206,245.00</b>
<b>Adjusting Journal Entries JE # 7</b>		5200.20		
To record current year pension activity for the water/sewer funds.				
601-24100	Deferred Inflows		5,896.00	
602-24100	Deferred Inflows		5,184.00	
602-49450-120	Pension Expense		2,203.00	
601-17000	Deferred Outflows - Pension			5,173.00
601-24000	Net Pension Liability			71.00
601-49400-120	Pension Expense			525.00
601-49400-37170	Other			127.00
602-17000	Deferred Outflows - Pension			4,254.00
602-24000	Net Pension Liability			3,003.00
602-49450-37170	Other			130.00
<b>Total</b>			<b>13,283.00</b>	<b>13,283.00</b>
<b>Adjusting Journal Entries JE # 8</b>		4200.00		
To reverse 2018 current property taxes receivable and special assessment balances				
100-41000-31000	General Property Taxes		4,429.00	
100-41000-39210	Alley Assessments		291.00	
208-49508-31000	General Property Taxes		1,348.00	
208-49508-39200	Assessments		436.00	
211-49511-31000	General Property Taxes		540.00	
215-49514-31000	General Property Taxes		235.00	
616-45124-31000	General Property Taxes		467.00	
699-42200-31000	General Property Taxes		558.00	
100-10600	Current Taxes Receivable			4,429.00
100-12100	Special Assessments Receivable			291.00
208-10600	Current Taxes Receivable			1,348.00
208-12100	Special Assessments Receivable			436.00
211-10600	Current Taxes Receivable			540.00
215-10600	Current Taxes Receivable			235.00
616-10600	Current Taxes Receivable			467.00
699-10600	Current Taxes Receivable			558.00
<b>Total</b>			<b>8,304.00</b>	<b>8,304.00</b>



5/27/2020  
1:42 PM

Client: 2187 - City of Foley  
Engagement: 12-19 AUD - City of Foley  
Period Ending: 12/31/2019  
Trial Balance: 3000.00 - TB  
Workpaper: 0204.00 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 9</b>				
	To correct cash and record a prepaid expense for Healthpartners January 2020 health insurance paid in December.	4100.02		
100-15500	Prepaid Insurance		7,057.00	
100-10100	Checking			7,057.00
<b>Total</b>			<u>7,057.00</u>	<u>7,057.00</u>
<b>Adjusting Journal Entries JE # 10</b>				
	To record additional payable discovered during fieldwork.	5100.01, 5100.02		
602-49450-303	Engineering Fees		8,058.00	
602-20200	Accounts Payable			8,058.00
<b>Total</b>			<u>8,058.00</u>	<u>8,058.00</u>
<b>Adjusting Journal Entries JE # 11</b>				
	To remove deferred revenue in the water and sewer funds	4200.15		
601-22250	Deferred Revenue: Spec Assmts			
602-22250	Deferred Revenue: Spec Assmts		1,298.00	
601-36100-39200	Assessments		853.00	
602-36100-36100	Special Assessments			1,298.00
<b>Total</b>			<u>2,151.00</u>	<u>2,151.00</u>
<b>Adjusting Journal Entries JE # 12</b>				
	To adjust loans receivable for down payment received	4200.25		
500-22200	Deferred Revenues			
500-12902	Loans Receivable		5,000.00	
<b>Total</b>			<u>5,000.00</u>	<u>5,000.00</u>
<b>Adjusting Journal Entries JE # 13</b>				
	To reverse immaterial payroll liability accounts	5200.00		
100-21701	Federal Withholding			
100-21702	State Withholding		680.00	
100-21703	FICA Tax Withholding		1,355.00	
100-41000-107	Salary			271.00
<b>Total</b>			<u>2,035.00</u>	<u>1,764.00</u>
<b>Adjusting Journal Entries JE # 14</b>				
	To record the water/sewer fund portion of the 2018 Dewey Street Project completed during the current year	4600.12		
601-16000	Fixed Assests			
602-16000	Fixed Assests		570,000.00	
601-49400-35000	Contributed Capital In		405,000.00	
602-49450-35000	Contributed Capital In			570,000.00
<b>Total</b>			<u>975,000.00</u>	<u>405,000.00</u>
				<u>975,000.00</u>

I have reviewed the above proposed adjusting journal entries recommended by Schlenner Wenner & Co. and find them to be complete and accurate, and I take responsibility for the journal entries.

Sarah Brunn, Administrator

Date



5/15/2020

**BCPWD  
Project Bid Abstract**

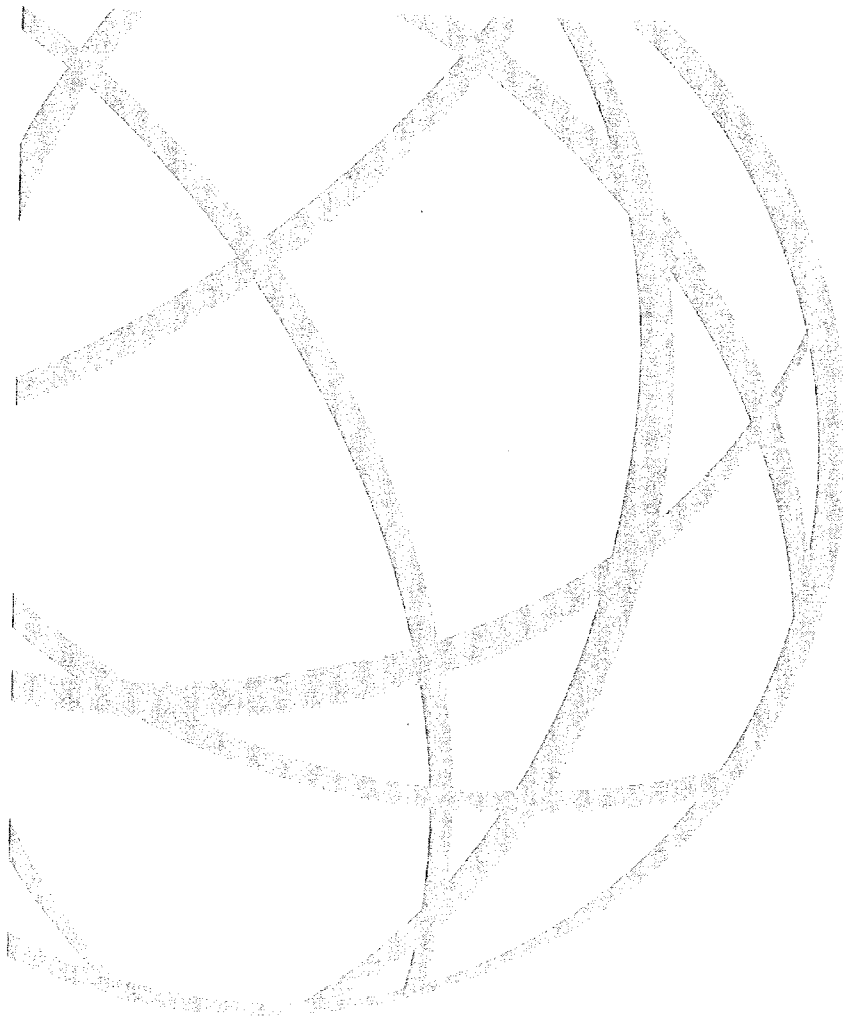
Project Name: TH 25 TRAIL (SAFE ROUTES TO SCHOOL) Contract No.: 2020-06  
 Client: Benton County Highway Dept Project No.: SP 005-090-003  
 Bid Opening: 05/15/2020 10:00 AM Owner: Benton County Hwy Dept

Project: SP 005-090-003 - TH 25 TRAIL (SAFE ROUTES TO SCHOOL)									
Line No.	Item	Units	Quantity	Engineers Estimate		Helmin Construction		Ferche J R	
				Unit Price	Total Price	Unit Price	Total Price	Unit Price	Total Price
1	2021.501 MOBILIZATION	LUMP SUM	1	\$15,000.00	\$15,000.00	\$19,800.00	\$19,800.00	\$35,200.00	\$35,200.00
2	2101.524 CLEARING	TREE	1	\$350.00	\$350.00	\$500.00	\$500.00	\$250.00	\$250.00
3	2101.524 GRUBBING	TREE	1	\$350.00	\$350.00	\$500.00	\$500.00	\$250.00	\$250.00
4	2104.502 SALVAGE SIGN	EACH	2	\$100.00	\$200.00	\$200.00	\$400.00	\$50.00	\$100.00
6	2104.503 SAWING CONCRETE PAVEMENT	LIN FT	22	\$10.00	\$220.00	\$5.00	\$110.00	\$10.00	\$220.00
7	2104.503 SAWING BITUMINOUS PAVEMENT	LIN FT	174	\$5.00	\$870.00	\$3.00	\$522.00	\$5.00	\$870.00
5	2104.503 REMOVE CONCRETE CURB & GUTTER	LIN FT	80	\$15.00	\$1,200.00	\$10.00	\$800.00	\$10.00	\$800.00
9	2104.504 REMOVE CONCRETE PAVEMENT	SQ YD	11	\$10.00	\$110.00	\$10.00	\$110.00	\$25.00	\$275.00
8	2104.504 REMOVE BITUMINOUS PAVEMENT	SQ YD	44	\$5.00	\$220.00	\$10.00	\$440.00	\$25.00	\$1,100.00
10	2105.507 COMMON EXCAVATION (P)	CU YD	75	\$40.00	\$3,000.00	\$20.00	\$1,500.00	\$125.00	\$9,375.00
11	2105.507 COMMON BORROW (LV) (P)	CU YD	460	\$25.00	\$11,500.00	\$20.00	\$9,200.00	\$25.00	\$11,500.00
12	2211.607 AGGREGATE BASE (CV) CLASS 5	CU YD	235	\$40.00	\$9,400.00	\$30.00	\$7,050.00	\$45.00	\$10,575.00
13	2231.604 BITUMINOUS PATCH SPECIAL	SQ YD	44	\$100.00	\$4,400.00	\$32.80	\$1,443.20	\$50.00	\$2,200.00
14	2360.504 TYPE SP 9.5 WEAR CRS MIX(3;C)2.5" THICK	SQ YD	1250	\$23.50	\$29,375.00	\$22.35	\$27,937.50	\$18.00	\$22,500.00
15	2501.502 12" RC PIPE APRON	EACH	2	\$800.00	\$1,600.00	\$700.00	\$1,400.00	\$950.00	\$1,900.00
16	2501.503 12" RC PIPE CULVERT CLASS III	LIN FT	16	\$50.00	\$800.00	\$70.00	\$1,120.00	\$50.00	\$800.00
17	2503.603 8" PVC PIPE SEWER	LIN FT	62	\$40.00	\$2,480.00	\$50.00	\$3,100.00	\$35.00	\$2,170.00
18	2521.518 8" CONCRETE WALK	SQ FT	420	\$12.00	\$5,040.00	\$19.00	\$7,980.00	\$25.00	\$10,500.00
19	2531.503 CONCRETE CURB & GUTTER DESIGN D418	LIN FT	80	\$30.00	\$2,400.00	\$55.00	\$4,400.00	\$70.00	\$5,600.00
20	2531.618 TRUNCATED DOMES	SQ FT	96	\$50.00	\$4,800.00	\$55.00	\$5,280.00	\$45.00	\$4,320.00
21	2563.601 TRAFFIC CONTROL	LUMP SUM	1	\$3,000.00	\$3,000.00	\$4,000.00	\$4,000.00	\$3,000.00	\$3,000.00
22	2564.502 INSTALL SIGN	EACH	2	\$150.00	\$300.00	\$250.00	\$500.00	\$250.00	\$500.00
23	2572.602 TREE PRUNING	EACH	1	\$150.00	\$150.00	\$250.00	\$250.00	\$500.00	\$500.00
24	2573.501 STABILIZED CONSTRUCTION EXIT	LUMP SUM	1	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$4,000.00	\$4,000.00
25	2573.502 CULVERT END CONTROLS	EACH	7	\$150.00	\$1,050.00	\$100.00	\$700.00	\$200.00	\$1,400.00

Project: SP 005-090-003 - TH 25 TRAIL (SAFE ROUTES TO SCHOOL)									
Line No.	Item	Units	Quantity	Engineers Estimate		Helmin Construction		Ferche J R	
				Unit Price	Total Price	Unit Price	Total Price	Unit Price	Total Price
26	2573.503 SILT FENCE, TYPE MS	LIN FT	175	\$3.00	\$525.00	\$4.00	\$700.00	\$6.00	\$1,050.00
27	2574.508 FERTILIZER TYPE 2	POUND	135	\$1.00	\$135.00	\$1.50	\$202.50	\$1.25	\$168.75
28	2575.505 SEEDING	ACRE	0.34	\$5,000.00	\$1,700.00	\$5,000.00	\$1,700.00	\$6,500.00	\$2,210.00
29	2575.505 RAPID STABILIZATION METHOD 1	ACRE	0.34	\$1,000.00	\$340.00	\$600.00	\$204.00	\$600.00	\$204.00
30	2575.508 SEED MIXTURE 22-111	POUND	24	\$3.50	\$84.00	\$1.50	\$36.00	\$1.25	\$30.00
31	2575.508 SEED MIXTURE 25-121	POUND	85	\$5.00	\$425.00	\$7.00	\$595.00	\$7.00	\$595.00
32	2575.508 HYDRAULIC MULCH MATRIX	POUND	850	\$1.00	\$850.00	\$0.70	\$595.00	\$1.00	\$850.00
33	2575.508 HYDRAULIC BONDED FIBER MATRIX	POUND	1180	\$1.00	\$1,180.00	\$2.10	\$2,478.00	\$3.00	\$3,540.00
34	2582.503 24" SOLID LINE PAINT	LIN FT	16	\$25.00	\$400.00	\$10.00	\$160.00	\$7.00	\$112.00
35	2582.618 PAVEMENT MARKING SPECIAL	SQ FT	312	\$10.00	\$3,120.00	\$10.00	\$3,120.00	\$6.00	\$1,872.00
Totals for Project SP 005-090-003									
% of Estimate for Project SP 005-090-003					\$107,574.00		\$109,833.20		\$140,536.75
							2.10%		30.64%

I hereby certify that this is an exact reproduction of bids received.

Certified By: Christopher R. Byrd License No. 49719  
Date: 5-20-20



# Water Tank Evaluation

## 200,000 Gallon Elevated Water Tower

City of Foley, Minnesota

FOLEY 154580 | May 19, 2020



Building a Better World  
for All of Us®

Engineers | Architects | Planners | Scientists



Building a Better World  
for All of Us®

May 19, 2020

RE: 200,000 Gallon Elevated Water Tower  
Water Tank Evaluation  
City of Foley, Minnesota  
SEH No. FOLEY 154580 4.00

Mr. Mark Pappenfus  
City of Foley, Minnesota  
251 North 4th Avenue  
Foley, MN 56329

Dear Mr. Pappenfus:

We are submitting three copies of the Water Tower Evaluation that Short Elliott Hendrickson conducted on the City 200,000 Gallon Elevated Water. At this time we are also providing you with supplemental information and the supporting Remote Operated Vehicle and Drone video.

The enclosed report is separated into four sections: general information, recommendations, summary, and appendices. The recommendation section includes our proposal for the maintenance and or reconditioning for this tank, prioritized, with a corresponding cost estimate. Structural commentary referencing the foundation and plate condition, applicable coating analysis, coating summary and accessory sheets are located in the summary section of this report. The evaluation criteria and methods, photographs and associated standards are found in the Appendix.

Both the interior and exterior of the tank appear to be in good structural condition. A number of minor coating failures were observed along the interior surfaces. The tanks exterior coating is in fair to poor condition with advanced chalking, spot rusting, poor adhesion and abrasions observed.

Based on our evaluation, SEH recommends future maintenance of tank interior surfaces, specific areas and repair methods are defined within the recommendation section of this report. A complete exterior reconditioning of the tank is recommended. Scheduling of this work should be considered within the next 24 months to prevent deterioration to the exposed steel substrate based on observed failures and the age of the current system. At the same time, SEH recommends that maintenance work be considered within the next 12 months to include the tank exterior spot coating repair.

The estimated cost for this reconditioning project is \$308,200.00. The maintenance repairs recommended to be completed in 2020 are estimated to cost \$50,000.

A cost breakdown is included in this report, along with an estimated construction duration. Accomplishing the recommended work, and continuing with minor periodic maintenance, should enable this facility to provide uninterrupted service over the next 5-10 years.

Engineers | Architects | Planners | Scientists

Short Elliott Hendrickson Inc., 3535 Vadnais Center Drive, St. Paul, MN 55110-3507

SEH is 100% employee-owned | [sehinc.com](http://sehinc.com) | 651.490.2000 | 800.325.2055 | 888.908.8166 fax

Mr. Mark Pappenfus  
May 19, 2020  
Page 2

Finally, at the City request, SEH will prepare a complete set of contract documents to solicit bids for the repair work specific to the reconditioning requirements of this tank. SEH can also provide inspection services with our in-house staff of trained personnel.

Thank you for allowing SEH to provide these services to the City. We look forward to the opportunity to further assist the City in developing contract documents and inspection services related to the recommendations outlined in this report.

We would be glad to meet with you to discuss the details of this report at a time convenient to you. Should you have any questions, please contact me at 763.482.9542.

Sincerely,

A handwritten signature in black ink, appearing to read 'Patrick Skodje', written over a horizontal line.

Patrick Skodje  
Project Manager

dmk

c:\users\dkoontz\desktop\lwt evaluation report 051420.docx

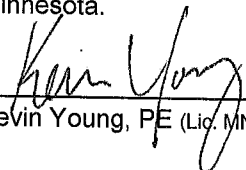
# Water Tank Evaluation

200,000 Gallon Elevated Water Tower  
City of Foley, Minnesota

SEH No. FOLEY 154580

May 19, 2020

I hereby certify that this report was prepared by me or under my direct supervision, and that I am a duly Licensed Professional Engineer under the laws of the State of Minnesota.

  
\_\_\_\_\_  
Kevin Young, PE (Lic. MN)

Date: May 15, 2020

License No.: 54828

Reviewed By: Patrick Skodje

Date: May 15, 2020

Short Elliott Hendrickson Inc.  
3535 Vadnais Center Drive  
St. Paul, MN 55110-3507  
651.490.2000



# Executive Summary

## 200,000 Gallon Legged Tank

- The tank interior immersion surfaces are generally in good condition experiencing only minor discrepancies at this time. SEH recommends power-washing with maintenance work. However the City should continue to monitor this portion of the tank through periodic inspection.
- The tank exterior surfaces were observed to be in fair to poor general condition at this time. SEH does recommend that a complete reconditioning be planned for some time in the next 2-years as the results of testing for adhesion of the present coating system were identified as poor in the 2014 evaluation as well as advanced chalking. It should be noted that due to the presence of lead and chromium, and to prohibit dust emissions, a full-containment system will be required during this work. Prior to the commencement of this work the tank interior surface should be re-evaluated.
- Recommendations specific to structural repairs include the addition of 2-pressure manways at both the catwalk (optional) and at the wet riser, 180 degrees from the existing manway to provide proper egress in accordance with AWWA design guidelines, as well as the removal of existing obstruction lighting and replacement with a new LED obstruction light.

2020 Estimated Construction Cost – Maintenance Repairs: \$50,000.00

2022 Estimated Construction Cost – Reconditioning: \$308,200.00



# Contents

Letter of Transmittal  
Certification Page  
Executive Summary  
Contents

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2.3	No CP System – No New System .....	2
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3	Engineers Estimate .....	3
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## List of Appendices

Appendix A	Evaluation Procedures
Appendix B	ASTM Standards
Appendix C	Photos

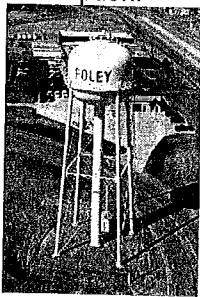
# Tank Evaluation Field Report

## General Information

Project:	Water Tower Maintenance	
Project No.	FOLEY 154580	
Owner:	City of Foley, Minnesota	
Contact:	Mr. Mark Pappenfus	
Address:	241 North 4 <sup>th</sup> Ave   Foley, MN 56329	
Evaluation Date:	April 21,2020	Amad Richardson NACE No.76881

### Site

Address:	Glen Street and 3 <sup>rd</sup> Avenue West
Description:	North: Commercial Property
	South: Commercial Property
	East: Commercial Property
	West: Commercial Property
	Security: Perimeter fence with barbed wire
	Obstructions: Building and power pole to the west
	Overflow Discharge Orientation: Southwest support column
	Direction of Site Drainage: South



### Tank Information

Manufacturer: PDM		Year Built: 1980	Contract No: 29653		
Capacity (Gallons)	Construction		Height to Overflow (Feet)	Diameter (Feet)	Drawings
	Style	Type			
200,000	Elevated Legged	Steel Welded	116' – 8"	36'	n/a

### Coating Information

	INTERIOR WET	INTERIOR DRY	EXTERIOR
Date Last Painted	2006	n/a	2006
Painting Contractor	Leadcon		Leadcon
Total or Partial	Total		Partial
Surface Preparation	SP-10		PW/Sp-11
Coating System	Epoxy		WB
Coating Manufacturer	SW		SW

# Water Tank Evaluation

## 200,000 Gallon Elevated Water Tower

Prepared for City of Foley

### 1 Remaining Tank Life

#### 1.1 Complete Reconditioning

Information from our field evaluation process indicates that the City of Foley should consider reconditioning of this facility. Based on the degree of failures observed along with the age of both the interior and exterior coating systems, work should be scheduled for sometime within the next 24 months. This will prevent any serious damage to already exposed surfaces.

Upon completion of the recommended modifications, repairs, and coating application, this tank should continue to provide service to the City of Foley for many years to come. The normal expectancy of an elevated tower is 60+ years when prescribed periodic maintenance is followed.

Periodic maintenance following guidelines as prescribed by AWWA in Manual M42 is recommended.

#### 1.1.1 Limited Maintenance Repairs

As an alternative, the City may wish to limit interior and exterior work to maintenance painting until the long-term status of this facility is identified. Painting with regard to the interior and exterior surfaces would be limited to maintenance repairs to extend the service life of the coating system. This work should also be scheduled for sometime within the next 12 months.

Upon completion of the recommended repairs, and coating application, this tank should continue to provide service to the City of Foley until complete restoration of the exterior coating system is required in the next 2 years.

### 2 Recommendations

Based on the information obtained during our Field Evaluation Process we recommend the following:

#### 2.1 Structural

##### 2.1.1 Interior Structural

1. Seal the following with elastomeric caulk to inhibit the occurrence of rust bleed:
  - Gaps in the lapped plates including the collar to roof plate, and roof to roof radial/torus plates (seams above the normal waterline)
  - Roof openings and other roof penetrations

### 2.1.2 Exterior Structural

1. Add a new 24" pressure man-way through the shell plate just above the catwalk
2. Add a new 24" pressure man-way 180 degrees from the existing shell man way in compliance with AWWA and OSHA confine space guidelines
3. Remove and replace the existing splash pad at the overflow discharge
4. Provide new locks for all roof hatches
5. Replace shell man-way bolts and gaskets
6. Repair the concrete footing and splash pad as noted in the summary. Remove all spalled and loose concrete, drill holes into the foundation and tie-in reinforcement bars, and patch with concrete. Repair cracks utilizing epoxy injection or as directed by an engineer
7. Remove the existing Obstruction Light and install a new LED Obstruction Light

### 2.2 Telecommunication

- Install signage at the point-of-entry indicating the possibility of radio frequency (RF) exposure
- Current routing of coaxial cables presents a tripping hazard on the tank roof
- Current location of ground equipment presents an obstruction for the erection of any containment enclosure

### 2.3 Cathodic Protection System

This tank is not equipped with a cathodic protection (CP) system. Based on the condition of this tank, as observed during our investigation, the addition of a CP system is not warranted.

### 2.4 Interior Coating

As stated earlier, the interior coating system is generally in good condition with only minor isolated repairs needed at points identified in the ROV video and report.

Failed areas should be spot abrasive blasted to an SSPC-SP10 Near-White standard of cleanliness or prepared to an SSPC SP-11 Power Tool Cleaning to Bare Metal standard of cleanliness and feathered to create a smooth transition. After cleaning, exposed surfaces should be painted with two-coats of a compatible epoxy-polyamide system meeting standard NSF 61.

### 2.5 Exterior Coating

The general condition of the exterior coating system is poor, as based on the adhesion results and chalking stated in the Coating Summary Report. The system is representative of the original system applied in 1980 and top-coated in 2006. Based on this assessment SEH recommends complete reconditioning of the tanks exterior surfaces.

Complete removal and replacement with a new zinc/epoxy/polyurethane coating system offers a long-term solution to the existing system. All surfaces should be prepared to an SSPC SP-6 or equal "Commercial Blast" level of cleanliness. This should be followed by an organic-zinc/polyamide-epoxy/acrylic-polyurethane coating system. Due to the presence of lead/chromium and to avoid fugitive dust emissions and/or paint drift, a full-containment structure will need to be constructed.

### 3 Cost Estimate

Item Description	Units	Cost
Mobilization	LS	\$12,500
Containment (Side)	LS	\$50,000
Containment (Bonnet)	LS	\$5,000
Dust Collection	LS	\$7,500
Disinfection	LS	\$2,500
Site Clean Up / Restoration	LS	\$2,500
<b>Interior Coating:</b>		
Pressure Water Interior Wet	LS	\$2,500
Spot Repair Interior Wet	LS	\$5,000
<b>Exterior Structural</b>		
Install manways - shell	LS	\$15,000
Install manway – wet riser	LS	\$15,000
Remove existing Obstruction Light and Install new LED Obstruction Light	LS	\$4,000
Grout replacement & repair	LF	\$5,000
Splash pad	LS	\$1,500
<b>Exterior Coating:</b>		
Removal and Replacement	LS	\$140,000
<b>Subtotal</b>		\$268,000
<b>15% Contingency</b>		\$40,200
<b>Estimated Project Cost</b>		\$308,200

The above project costs are based on current pricing derived from consultation with area contractors, suppliers, and manufacturers as applicable to the scope of work. SEH suggests that the project be bid several months prior to the anticipated start date attract competitive bids. We estimate the exterior maintenance project to be completed in 3 weeks. Recommended reconditioning is estimated to be completed in 10 weeks.

SEH also recommends inspection during critical operations on the project to ensure proper surface preparation and coating system application, along with any other work noted herein.

### 4 Schedule

The exterior of the tank should be spot-repaired to maintain the coatings life until it can be fully re-habilitated. This work should be completed in the summer of 2020.

The spot repairs are anticipated to extend the life of the coating system by 2 years. It is recommended to place the exterior re-habilitation project on the City's capital improvements plan with the project being completed during the summer of 2022.

## 5 Summary

### 5.1 Standard of Care

The conclusions and recommendations contained in this report were developed in accordance with generally accepted professional engineering practices at this time and location. Other than this, no warranty is implied or intended.

#### 5.1.1 Structural Evaluation

*Structural commentary under this section refers to the general condition of the foundation, and plate sections of the tank.*

Based on our visual examination of the tank structure and footings, it appears that the facility is in good to fair condition at this time. However, modifications are necessary to bring it into compliance with current standards with respect to both ventilation and personal access.

Specific references to items requiring maintenance repair, replacement, or installations to provide code compliance are included in the Recommendation section of this report under *Interior or Exterior Structural*.

Our inspection of the tanks footing revealed loose and spalled concrete on the footing of the southwest support column. The grout between the base plates and foundation was also found to be in good condition. The surrounding area is level with the tank. The wet riser footing is slightly below grade allowing for water to pond. Anchor bolts securing support columns/base plate are in good conditions.

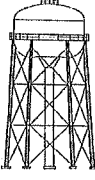
The interior of the tank is in good condition, with no observed pitting of steel plates. Few deficiencies were identified with regard to weld finish.

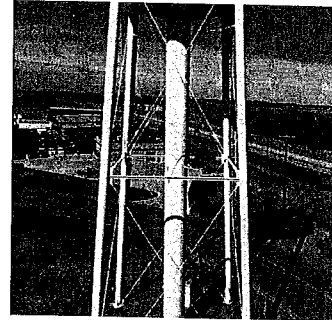
#### 5.1.2 Paint chip information by City

Paint chips were not extracted from the interior and exterior surfaces of the tank during our investigation. However, the City had provided information from field testing completed by others. These sample(s) revealed that the exterior coating system, contains both lead and chromium that; based on percentage of total weight, is outside the limit established by current federal and state regulations. Therefore, provisions would be required for any reconditioning to include lead abatement, containment, and the disposal of hazardous waste. Containment may also be necessary during coating application to assist in the prevention of possible paint drift.

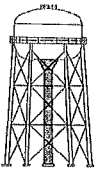
dmk

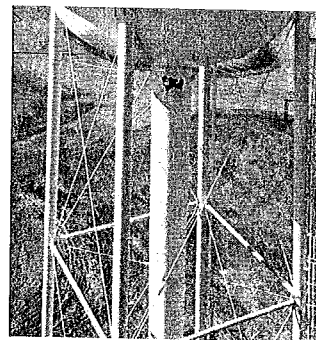
## Exterior Coating Summary

<b>Location:</b>	Exterior							
<b>Area:</b>	Support Columns							
<b>Adhesion:</b>	None Taken							
<b>Overall Condition:</b>	Fair							
<b>Dry Film Thickness:</b>	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <th style="width: 33%;">Minimum</th> <th style="width: 33%;">Maximum</th> <th style="width: 33%;">Average</th> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">16.0</td> </tr> </table>	Minimum	Maximum	Average			16.0	
Minimum	Maximum	Average						
		16.0						



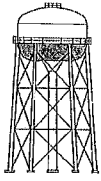
Condition	Severe	Advanced	Moderate	Slight	None/NA
Rusting			●		
Blistering					●
Cracking					●
Peeling					●
Pitting					●
Chalking			●		
Delamination					●
Comments:					

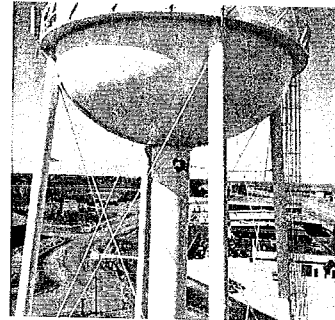
<b>Location:</b>	Exterior							
<b>Area:</b>	Wet Riser							
<b>Adhesion:</b>	None Taken							
<b>Overall Condition:</b>	Fair to poor							
<b>Dry Film Thickness:</b>	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <th style="width: 33%;">Minimum</th> <th style="width: 33%;">Maximum</th> <th style="width: 33%;">Average</th> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">11.00</td> </tr> </table>	Minimum	Maximum	Average			11.00	
Minimum	Maximum	Average						
		11.00						



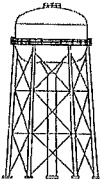
Condition	Severe	Advanced	Moderate	Slight	None/NA
Rusting			●		
Blistering					●
Cracking					●
Peeling					●
Pitting					●
Chalking		●			
Delamination					●
Comments: Area of rust/delamination at northeast strut/riser connection area and turnbuckles					

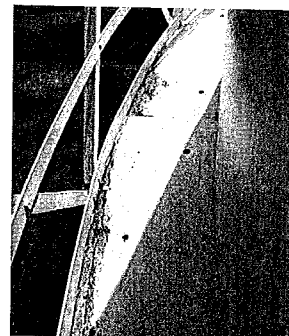
## Exterior Coating Summary

<b>Location:</b>	Exterior							
<b>Area:</b>	Bottom Bowl							
<b>Adhesion:</b>	None Taken							
<b>Overall Condition:</b>	Fair							
<b>Dry Film Thickness:</b>	<table border="1" style="display: inline-table; width: 100%; border-collapse: collapse;"> <tr> <th style="width: 33%;">Minimum</th> <th style="width: 33%;">Maximum</th> <th style="width: 33%;">Average</th> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> </table>	Minimum	Maximum	Average				
Minimum	Maximum	Average						



Condition	Severe	Advanced	Moderate	Slight	None/NA
Rusting			●		
Blistering					●
Cracking			●		
Peeling					●
Pitting					●
Chalking		●			●
Delamination					●
Comments: Dirt, mildew and small failures visible					

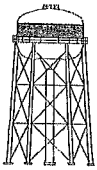
<b>Location:</b>	Exterior							
<b>Area:</b>	Catwalk							
<b>Adhesion:</b>	None Taken							
<b>Overall Condition:</b>	Fair							
<b>Dry Film Thickness:</b>	<table border="1" style="display: inline-table; width: 100%; border-collapse: collapse;"> <tr> <th style="width: 33%;">Minimum</th> <th style="width: 33%;">Maximum</th> <th style="width: 33%;">Average</th> </tr> <tr> <td> </td> <td> </td> <td>13.0</td> </tr> </table>	Minimum	Maximum	Average			13.0	
Minimum	Maximum	Average						
		13.0						

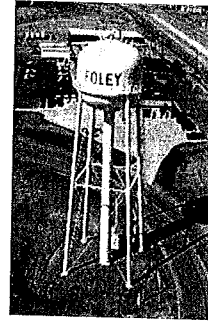


Condition	Severe	Advanced	Moderate	Slight	None/NA
Rusting			●		
Blistering					●
Cracking			●		
Peeling					●
Pitting					●
Chalking		●			●
Delamination					●
Comments: Dirt, mildew and bird refuse visible					

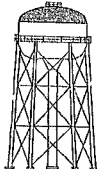


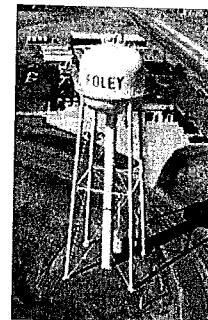
## Exterior Coating Summary

<b>Location:</b>	Exterior							
<b>Area:</b>	Shell							
<b>Adhesion:</b>	None Taken							
<b>Overall Condition:</b>	Fair							
<b>Dry Film Thickness:</b>	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <th style="width: 33%;">Minimum</th> <th style="width: 33%;">Maximum</th> <th style="width: 33%;">Average</th> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">12.0</td> </tr> </table>	Minimum	Maximum	Average			12.0	
Minimum	Maximum	Average						
		12.0						



Condition	Severe	Advanced	Moderate	Slight	None/NA
Rusting			●		
Blistering					●
Cracking			●		
Peeling					●
Pitting					●
Chalking		●			●
Delamination					●
Comments: Dirt, mildew and bird refuse visible					

<b>Location:</b>	Exterior							
<b>Area:</b>	Roof							
<b>Adhesion:</b>	1A per 2014 report							
<b>Overall Condition:</b>	Poor							
<b>Dry Film Thickness:</b>	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <th style="width: 33%;">Minimum</th> <th style="width: 33%;">Maximum</th> <th style="width: 33%;">Average</th> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">14.0</td> </tr> </table>	Minimum	Maximum	Average			14.0	
Minimum	Maximum	Average						
		14.0						



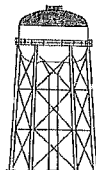
Condition	Severe	Advanced	Moderate	Slight	None/NA
Rusting			●		
Blistering					●
Cracking			●		
Peeling				●	
Pitting					●
Chalking		●			●
Delamination					●
Comments: Condition rated poor due to adhesion concerns, peeling cracking & rusting					

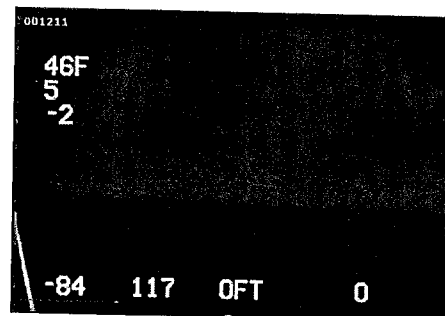
## Exterior Accessories

Exterior						
	Level	Condition	Agency Compliant		Comments	
Ladders	Support Column	Good	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Bird refuse visible	
Ladders	Shell	Good	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Bird Refuse visible	
Ladder Cage	Support Column	Good	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
Ladder Cage	Shell	Good	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
Climb Device	All	Good	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Cable	
Handrail	Catwalk	Good	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Angle	
Handrail	Roof	Good	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Pipe	
	Level	Condition	Type	Size	Agency Compliant	Comments
Confined Space Entry					<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	No Signage
Manways	Wet Riser	Good	Bolted	24"	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Add additional at 180'
Manways	Roof	Good	Hinged	24"	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Manways	Roof	Good	Hinged	30"	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Vent	Roof	Very Good	Screened	24"	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
	Level	Number	Comments			
Lights	Roof	1	Aviation Dual			
	Size	Insul.	Condition		Agency Compliant	Comments
Wet Riser	5'		Good		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Fill Pipe		<input type="checkbox"/> Yes <input type="checkbox"/> No	Good		<input type="checkbox"/> Yes <input type="checkbox"/> No	
	Level	Size	Mud Valve	Piped	Condition	Comments
Drain	Bot. bowl		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	Good	Recommend 2 <sup>nd</sup> manway
	Level	No.	Interference		Comments	
Antenna	Roof	4	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		2 dish at roof, 2 panel at catwalk	
	Size	Type	Condition		Agency Compliant	Comments
Overflow/Splash-pad	8"	Screen	Good		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Pad - Cracks and spalling


	Condition	Comments
Foundation/ Footings	Good	Settlement <input type="checkbox"/> Cracks <input checked="" type="checkbox"/> Spalling <input type="checkbox"/> Grout: Repair
Anchor Bolts	Good 1 ½ "	Slight rust bleed
Sway Rods	Good 1 1/4"	Slight rust bleed
Struts	Good	Slight rust bleed
	Level	Comments
Paint Sample	n/a	Paint samples taken during previous evaluation

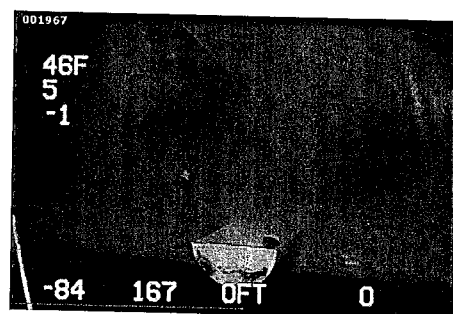
## Interior Coating Summary

<b>Location:</b>	Interior Wet									
<b>Area:</b>	Roof									
<b>Adhesion:</b>	None Take									
<b>Overall Condition:</b>										
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"><b>Dry Film Thickness:</b></td> <td style="width: 33%;"><b>Minimum</b></td> <td style="width: 33%;"><b>Maximum</b></td> <td style="width: 33%;"><b>Average</b></td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </table>			<b>Dry Film Thickness:</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Average</b>				
<b>Dry Film Thickness:</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Average</b>							



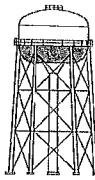
Condition	Severe	Advanced	Moderate	Slight	None/NA
Rusting					●
Blistering					●
Cracking					●
Peeling					●
Pitting					●
Chalking				●	●
Delamination					●
Comments: Very good condition					

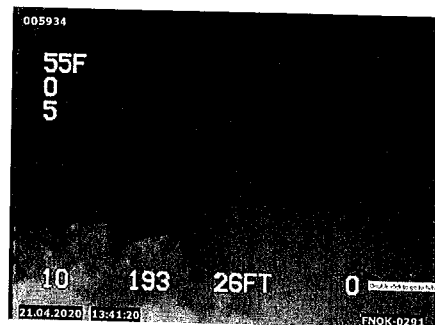
<b>Location:</b>	Interior Wet									
<b>Area:</b>	Shell									
<b>Adhesion:</b>	None Take									
<b>Overall Condition:</b>										
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"><b>Dry Film Thickness:</b></td> <td style="width: 33%;"><b>Minimum</b></td> <td style="width: 33%;"><b>Maximum</b></td> <td style="width: 33%;"><b>Average</b></td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </table>			<b>Dry Film Thickness:</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Average</b>				
<b>Dry Film Thickness:</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Average</b>							



Condition	Severe	Advanced	Moderate	Slight	None/NA
Rusting				●	
Blistering					●
Cracking				●	
Peeling					●
Pitting					●
Chalking				●	●
Delamination					●
Comments: Severe staining and slight spot rust					

## Interior Coating Summary

<b>Location:</b>	Interior Wet							
<b>Area:</b>	Bottom Bowl							
<b>Adhesion:</b>	None Taken							
<b>Overall Condition:</b>								
<b>Dry Film Thickness:</b>	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <th style="width: 33%;">Minimum</th> <th style="width: 33%;">Maximum</th> <th style="width: 33%;">Average</th> </tr> <tr> <td style="height: 20px;"></td> <td></td> <td></td> </tr> </table>	Minimum	Maximum	Average				
Minimum	Maximum	Average						



Condition	Severe	Advanced	Moderate	Slight	None/NA
Rusting				●	
Blistering					●
Cracking				●	
Peeling					●
Pitting					●
Chalking				●	
Delamination					●
Comments: Severe staining and spot rust					

## Interior Accessories

Interior Wet						
	Level	Condition	Type	Size	Agency Compliant	Comments
Manway 1	Shell	Good	Hinged	24"	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Manway 2	Shell	Good	Hinged	30"	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
	Level	Number				
Lights	Roof	1				
					Comments	
					Aviation - Dual	
			Agency Compliant		Comment	
Grating	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
Sediment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		<b>Depth</b> 2"-3"		Distributed evenly	<b>Removed:</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Sump Pit	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
		Agency Compliant	Condition	Comment		
Silt Stop	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Good	Based on 2014 Evaluation data		
Cathodic Protection		Type		Comments		
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No						

# Appendix A

Evaluation Procedures

# Evaluation Procedures

## Tank Evaluation Methods

The exterior of the tank was evaluated in conformance with the following:

- The guidelines set forth in AWWA D101, "Inspecting Steel Tank Standpipes, and Elevated Tanks for Water Storage," and Manual M42. The condition of ladders, bolted connections, and other appurtenances not specifically mentioned in the summary sections, or *Coating Summary Report*, should be assumed satisfactory.
- Inspection of the exterior coated surfaces was limited to areas accessible without special rigging. The surface of the interior coating system was examined by ROV dive inspection.
- No structural analysis was conducted to determine if the tank's design complies with current standards of AWWA D100, "Welded Steel Tanks for Water Storage." However a physical assessment of tank appurtenances in accordance with current design standards was conducted and discoveries noted in this report.
- As part of the evaluation, conditions that appeared unsafe or not in conformance with current OSHA regulations were recorded and are contained in this report.

## Coating Serviceability

The estimated remaining service life of the coating systems is evaluated through the use of these instruments: dry film thickness gage, cross-cut guide kit, putty knife, and 30X microscope.

Interior and exterior coatings, where accessible, were evaluated in accordance with Society for Protective Coatings SSPC PA-2 "Measurement of Dry Film Thickness with Magnetic Gages", using a Type 2 field probe and magnetic flux gage. In addition, a Tooke gage was utilized to identify the number of coating applications and estimated thickness of each coat. Since steel plates and structural members appeared visually to be in good condition, an ultrasonic thickness gage was not used during our evaluation. Where steel plates and structural members were assumed to be in poor condition based on the age of the facility, an ultrasonic thickness and or pit gage was used during the evaluation.

The use of inspection instruments was combined with a thorough visual examination of accessible exterior areas for holidays (voids), runs, sags, surface contaminants, overspray, dry spray, delamination, steel condition under the coating system, and any other questionable deficiencies as objectively compared to ASTM and industry standards.

## Coating Assessment Criteria

The overall condition of each area of the tank has been assessed within the following categories: severe, advanced moderate, slight and none to determine the necessity for maintenance, if any. These categories have been devised by SEH to assist in quantifying the degree of failure observed, and are based on applicable ASTM standards. See Appendix B.

These standards include, but are not limited to:

- ASTM D 3359 Test Method for Measuring Adhesion by Tape
- ASTM D 610 Method for Evaluating Degree of Rusting
- ASTM D 714 Test Method for Evaluating the Degree of Blistering of Paints

Standard	ASTM	Severe (Very poor)	Advanced (Poor)	Moderate (Fair)	Slight (Good)	None (Excellent)
Adhesion	D 3359	0	1	2	3 to 4	5
Rusting	D 610	4	5	6 to 7	8 to 9	10
Blistering	D 714	Dense	Medium Dense	Medium	Few	
Pitting	G-46	5	4	3	1 to 2	



**EMERGENCY RESPONSE SOLUTIONS**

651-464-1010  
4817 Viking Blvd NE

**Quote**

Date	Estimate #
5/21/2020	5161

Name / Address
Foley Fire Dept PO Box 709 251 4th Ave N Foley, MN 56329

				Project
Item	Description	Qty	Rate	Total
GLB ATX FOLE...	H-GAC CONTRACT PRICING FOR 2020  Globe Mfg. ATHLETIX™ PBI® STRETCH Gold in Color Outer Shell, CALDURA® W/ NOMEX® NANO Thermal Liner, and CROSSTECH® BLACK Moisture Barrier Turn Out Coat and Pant, Per Foley FD Globe ATHLETIX™ Gear Spec 05-13-2020 (THL= 303.0, TPP= 42.1)	15	4,103.81	61,557.15
GLB 530A400-XX	Globe SUPRAFLEX™ 14" Pull-On Leather Structural Fire Fighting Boot w/ Flex Panels and VIBRAM® ARCTIC GRIP PRO Outsoles. Certified to NFPA 1971 (Structural Fire Fighting) and NFPA 1992 (Liquid Splash) Standards. Black w/ Yellow Stitching in Color. Made in USA *Choice Of Size (Including Women's)* **Current List Price: \$719.00**  **ERS 2020 GLOBE ATHLETIX™ SPECIAL PROMOTIONAL OFFER** For Every (1) Full Set (Coat and Pant) of Globe ATHLETIX™ Turn Out Gear Purchased, ERS will provide (1) Pair of Globe SUPRAFLEX™ 14" Pull-On Boot w/ VIBRAM® ARCTIC GRIP PRO Outsoles for FREE (List Price Value of Boot= \$719.00) - Boot(s) must be Sized at the same time as the scheduled gear sizing and cannot be combined, added, and/or reserved for a later date - - This offer is only valid with the purchase of GLOBE ATHLETIX™ Gear	15	0.00	0.00
Quote Valid for 30 Days			<b>Total</b>	

**EMERGENCY RESPONSE SOLUTIONS**

651-464-1010

4817 Viking Blvd NE

**Quote**

Date	Estimate #
5/21/2020	5161

Name / Address
Foley Fire Dept PO Box 709 251 4th Ave N Foley, MN 56329

				Project
Item	Description	Qty	Rate	Total
	****THIS QUOTE DOES NOT INCLUDE THE COST OF ADDED LETTERING FOR NAME PANELS, ANY OVERSIZE CHARGES WHERE APPLICABLE, AND/OR THE COST OF SHIPPING FOR GEAR ONLY****			
Quote Valid for 30 Days		<b>Total</b>		
		\$61,557.15		



# Foley Fire Department

81 Norman Avenue South • P.O. Box 709 • Foley, MN 56329 • 320-968-7260

5-29-2020

Foley City Council,

The Foley Fire Department has purchased 25 new structural Firefighting Helmets through donations from ONEOK Foundation and Sam's Club to replace our outdated helmets. According to OSHA, the life of a Structural Firefighting Helmet is 10 years. Most of our current helmets were purchased in 2008 so they are out dated and have no value and should be disposed of when our new helmets are placed in service. I would like to ask the City Council to approve allowing our 21 Firefighters (Non-Probationary) to be able to take their old, unusable helmet home instead of throwing them out. One thing that I would like to see added to this is that several years back the City Council approved presenting a Firefighter retiring with a full 20 years of service their helmet at the time of their retirement. Since all Firefighter's will be receiving their helmet at this time, a retiring Firefighter will not be presented another helmet for any retirements happening through December 31, 2023.

Thanks,

Mark Pappenfus  
Foley Fire Chief

**City of Foley, Minnesota**  
**Overview of General Obligation Refunding Bonds, Series 2020A**  
**(Interest Rates Assume a Bond Sale amongst Local Banks as of 5/20/20)**

Following is a summary of the refunding of the following two existing bond issues:  
 1) General Obligation Improvement Bonds, Series 2011A  
 2) General Obligation Improvement Crossover Refunding Bonds, Series 2012A

	General Obligation Improvement Crossover Refunding Bonds, Series 2012A				TOTAL
	General Obligation Improvement Bonds, Series 2011A				
Principal Remaining	\$ 760,000	\$	1,500,000	\$	2,260,000
New Bond Size	\$ 780,000	\$	1,540,000	\$	2,320,000
Final Maturity ORIGINAL Bonds	2/1/2028		2/1/2025		
Final Maturity NEW Bonds	2/1/2028		2/1/2025		
Avg. Remaining Interest Rate ORIGINAL Bonds	3.63%		2.10%		
Avg. Interest Rate NEW Bonds	1.16%		1.00%		1.07%
Net Debt Service Reduction	\$ 59,304	\$	4,600	\$	63,904
Present Value Savings	\$ 57,111	\$	4,664	\$	61,775
Average Annual Debt Service Savings	\$ 6,589	\$	920		
Net Present Value Savings %	6.81%		0.30%		2.60%



Northland Securities, Inc., 150 South 5th Street, Suite 3300, Minneapolis, MN 55402  
 800-851-2920 Member FINRA & SIPC



May 28, 2020

Sarah Brunn  
City Administrator  
City of Foley  
251 4<sup>th</sup> Ave N.  
PO Box 709  
Foley, MN 56329

**RE: Engagement of Northland Securities as Placement Agent**

Dear Sarah:

The purpose of this letter is to comply with federal regulations. Federal security regulations require you to affirmatively engage Northland Securities before we can provide you with advice on the issuance of municipal securities acting in the capacity of placement agent. This letter establishes the engagement.

The City of Foley, Minnesota (the "City") seeks to engage Northland Securities to serve as placement agent for the issuance of General Obligation Refunding Bonds, Series 2020 to refund the City's outstanding Series 2011A Bonds (the "Issue"). This engagement applies solely to the Issue. The engagement is nonbinding. The City is under no obligation to undertake the Issue. The City may determine not to undertake a private placement and to engage Northland in a role other than a placement agent.

The City desires Northland to provide all of the services needed to create and execute a plan to privately place the Issue, including:

1. Advice regarding the structure, timing, terms, and other similar matters (including actions needed to authorize the issuance) of the Issue.
2. Assistance in the preparation of a placement term sheet.
3. Assistance with the closing of the Issue, including discussion with respect to all documents, certificates, and opinions needed for such closing.
4. Coordination with respect to obtaining CUSIP numbers and the registration of the Issue as typewritten bonds.
5. Preparation of post-sale reports for such municipal securities.

In acting as placement agent, Northland has a duty under rules of the Municipal Securities Rulemaking Board (MSRB) to make certain disclosures to the City concerning its role, its compensation, and actual or potential material conflicts of interest. In engaging Northland in this capacity, the Issuer should be aware of the following:

1. Acting as placement agent for the Issue, Northland will provide advice to the City with respect to the structure, timing, terms, and other similar matters concerning the Issue. The City is responsible for understanding and assessing the implications of the Issue.

Main 612-851-5900 | Toll Free 800-851-2920  
150 South 5<sup>th</sup> Street, Suite 3300 | Minneapolis, MN 55402

NorthlandSecurities.com | Member FINRA and SIPC | Registered with SEC and MSRB

2. Northland will arrange for the placement of the Issue in an arm's-length commercial transaction with the City. In this process, Northland is required to deal fairly at all times with both the City and the purchaser of the Issue (the "Purchaser"). Northland has a duty to place the Issue with a Purchaser who will purchase the Issue from the City at a fair and reasonable price, but must balance that duty with its duty to place municipal securities with the Purchaser at a price that is fair and reasonable.
3. Under federal securities laws Northland does not have a legal fiduciary duty to the City (unlike a municipal advisor) and is, therefore, not required by federal law to act in the best interests of the City without regard to its own financial or other interests. Northland has financial and other interests that differ from those of the Issuer.
4. Northland will coordinate the issuance process including closing and delivery of proceeds.
5. Northland will disclose any potential or actual material conflicts related to this engagement.
6. Northland's compensation is based on the size of the Issue and is contingent on the closing of the Issue (see below). The MSRB has identified this means of compensation as presenting a conflict of interest, because it may cause Northland to recommend a transaction that it is unnecessary or to recommend that the size of the transaction be larger than is necessary.

For serving as placement agent with respect to the Issue, Northland shall be paid a placement fee based on the total par amount of the Issue. A "not to exceed" amount for the placement fee will be determined when the actual terms of the Issue have been set and therefore compensation is not included as part of this letter. The compensation due to Northland shall be deducted from proceeds at closing.

Northland agrees to pay the following expenses from its fee:

- Out-of-pocket expenses such as travel, long distance phone, and copy costs.
- Preparation of the bond transcript.

The City agrees to pay for all other expenses related to the processing of the Issue including, but not limited to, the following:

- Engineering and/or architectural fees.
- Publication of legal notices.
- Bond counsel and local attorney fees.
- Fees for various debt certificates.
- City staff expenses.
- Accounting and other related fees.

It is expressly understood that there is no obligation on the part of the City under the terms of this engagement to undertake the Issue. If not issued, Northland agrees to pay its own expenses and receive no fee for any services it has rendered.

To engage Northland Securities as placement agent for the Issue as described in this letter, please sign and return this letter. In signing this letter, the City acknowledges and accepts the representations made in this letter. We look forward to working with you on this Issue. I would be happy to discuss this letter, our relationship with the City for the Issue, or other aspects of applicable federal securities regulations.

Sincerely,

A handwritten signature in black ink that reads "George Eilertson". The signature is written in a cursive style with a long horizontal flourish at the end.

George Eilertson  
Managing Director

Engagement of Northland Securities as placement agent and receipt of related disclosures  
acknowledged by City of Foley, Minnesota.

Date: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**TO:** FOLEY CITY COUNCIL  
**FROM:** SARAH BRUNN, CITY ADMINISTRATOR  
**SUBJECT:** 06-02-2020 COUNCIL MEETING – 5:30PM  
**DATE:** MAY 29, 2020

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This meeting will be held at Foley City Hall. Social distancing will be practiced. Due to group size limits, we will have times slots identified so people can move in and out throughout the meeting.

#### **Consent Agenda**

We have a resolution to appoint a couple more election judges – the others were appointed prior to the March presidential primary election. I also have placed a COVID-19 Preparedness Plan on the agenda. I worked with department heads and staff on developing this plan. It specifically calls out safety precautions, cleaning schedules and other guidance as we continue to work through the COVID-19 pandemic.

Our accountant is out with a sick child today so the bills list was not completed and we will email it out next week along with the police report for May.

#### **Liquor Licenses Public Hearing**

All applications have been received and backgrounds have been completed for the liquor license renewals. Chief McMillin found all backgrounds to be clear. I did not put the applications in the packet because they contain sensitive information. The listing is on the agenda. If you have any questions and would like to view the full applications please set up a time with me. We are still waiting for payment on a couple entities which will be coming in next week. In addition to paying the license fee, all establishments must have also paid their property taxes. Following the public hearing the council will need to motion to approve all the liquor licenses as presented on the agenda. Once approved I will forward to the state for review.

#### **Tobacco Licenses**

No public hearing is required for tobacco licenses. Chief McMillin has no concerns with the backgrounds. The council will need to motion to approve the establishments as listed on the agenda.

#### **Update from Legislators Matthews and Mekeland**

Both are representatives are planning to attend the meeting on Tuesday. I have them scheduled from 5:35pm-5:55pm. They can update the council on the session and bonding bill and also the potential special session.

#### **2019 Audit Report**

At 5:55pm we will have the 2019 audit report. The entire preliminary report is in your packet. Jon Archer, from Schlenner & Wenner, will be presenting. He will provide a bound copy of the reports and summary printouts at the meeting. The presentation format will be very similar to years past. Following the presentation and any questions, the council will need to motion to approve the audit report.



### **Hwy 25 Trail Project**

City Engineer Jon Halter will overview the bids on the Highway 25 trail project at the meeting. Since it is a county sponsored project, they will be the official approval on the bids and will also be addressing them in June. Information is in your packet.

### **Discussion on Water Tower Inspection Report**

A copy of the report is in your packet. Halter & Pappenfus can explain more on staff recommendations for moving forward.

### **Fire Department – Turnout Gear & Helmets**

Fire Chief Mark Pappenfus will be presenting the turnout gear quote. We had received a monetary donation this past fall to cover these costs. Pappenfus will also review the helmet disposal to department members. The council will need to approve both items.

### **Downtown Art Project**

The City in partnership with the Economic Development Committee was awarded a \$12,000 grant for the art mural project. The group will be working towards completing that project soon.

### **Water/Sewer Late Fees**

The council will need to decide whether or not to impose the late fee on the water/sewer bills after June 30, 2020. The late fee is currently a flat \$25. We are still not doing any shut-offs either.

### **City Hall Re-Opening**

I reached out to area cities and found St. Cloud, St. Augusta, Sartell, Sauk Rapids and St. Joseph to be coordinating their re-opening of City Halls on June 15<sup>th</sup>. I also spoke to Benton County and they just opened Wednesday but staff their front entrance with security in order to limit the amount of people inside at a time. They have not publicized their re-opening much and so far, it's been manageable. They expect traffic to increase once people realize the DMV is re-opened. We can discuss this item further at the meeting.

### **Discussion on Bond Refinancing**

I have been running debt scenarios for future capital project needs as well as cost saving potentials of existing debt. As you know interest has decreased considerably in the past few months. In your packet is a proposal to do a private placement and refund our 2011 bonds. This really is the only existing debt we can refund with significant savings. We also ran the 2012 but that generated minimal savings. Both are reflected in the handout. The advantages of doing a private placement is we could have both our local banks (Falcon & Frandsen) bid on it, it would not require a full credit review - so much lower issuance costs, and it could be done in matter of weeks versus months like a traditional bond issuance. I will explain more at the meeting. An engagement letter is also provided should the council wish to proceed.

### **Upcoming Reminders:**

June 8, 2020 – Planning Commission Meeting – No agenda items as of now so may be cancelled.

July 14, 2020 – City Council Meeting (No meeting on July 7<sup>th</sup>)

July 28, 2020 – Mayor/Council Filings Open!