



City of Foley, Minnesota

Presentation of the Audited Financial Statements

Fiscal Year Ended December 31, 2020



Audit Process and Opinion

Detail Testing Sampling General Procedures Analytical Procedures Inquiries Obtain Records

Unmodified (Clean) Opinion





Audit went smoothly



Positive Working Relationship with Management



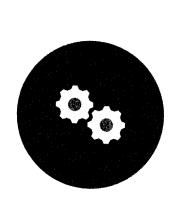
Nothing unusual noted in terms of recorded transactions or accounting policies/treatments



Significant estimates include the calculation of Net Pension Asset/Liability and related balances

Controls and Compliance







AUDIT ADJUSTMENT

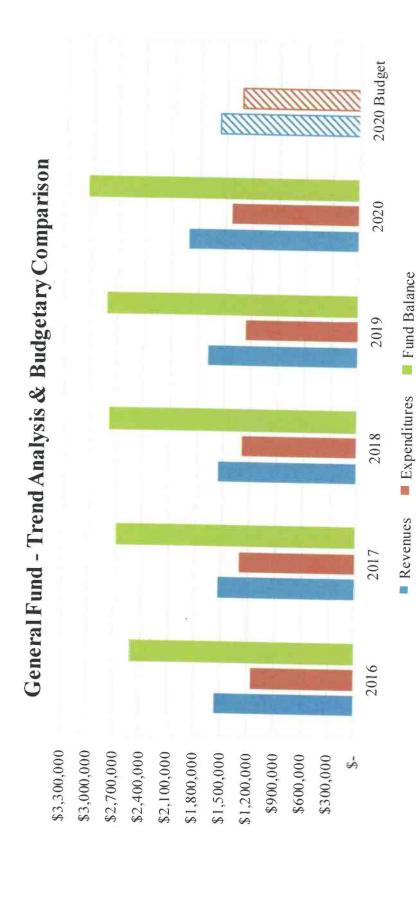
We proposed no material audit adjustments

INTERNAL CONTROLS

- Your City has a lack of proper segregation of duties, which is very common for a City of your size
- Schlenner Wenner & Co. has drafted your City's financial statements

MINNESOTA LEGAL COMPLIANCE

No instances of
 noncompliance were
 identified as a result of
 our procedures

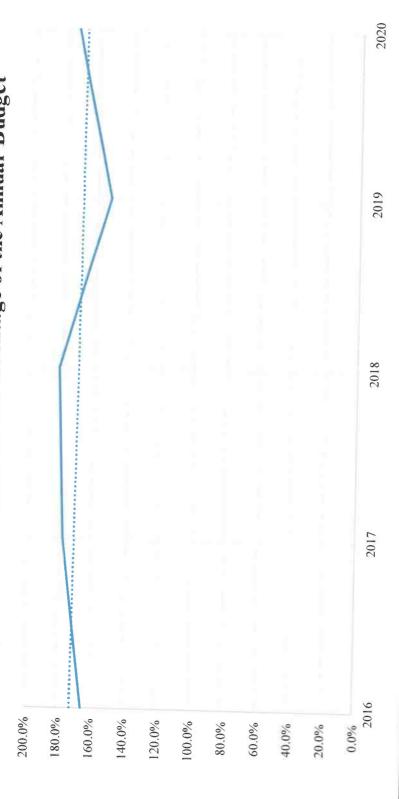




Actual expenditures exceeded budget, primarily due to unbudgeted capital outlay purchases, primarily attributable to the spending of Coronavirus Relief

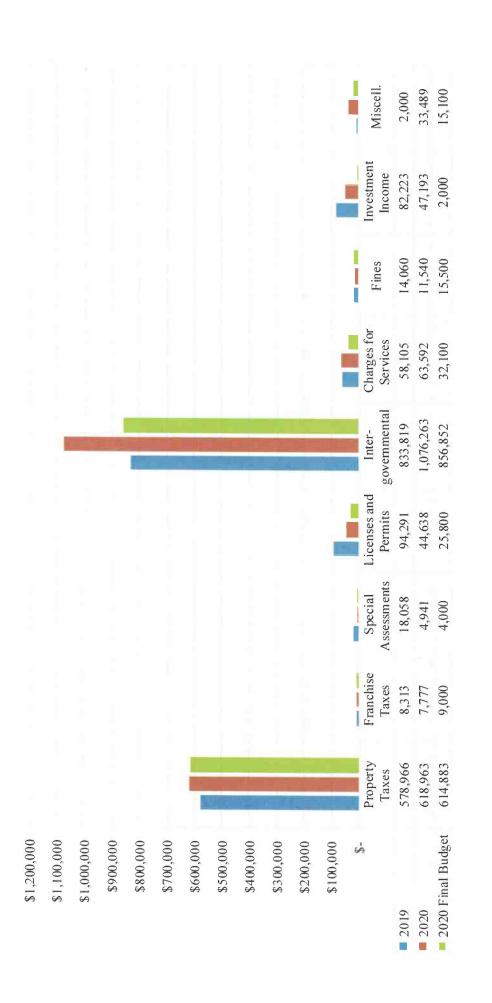
2020 Budget	\$ 1,575,235	1,325,235	(250,000)		
2020	1,908,396	1,439,846	(247,250)	221,300	3,035,750
	€9				€9
2019	1,689,835	1,263,224	(379,061	47,550	2,814,450 \$
	69				∨
	Revenues	Expenditures	Other Uses	Change in Fund Balance	I Fund Balance

Unassigned Fund Balance as a Percentage of the Annual Budget

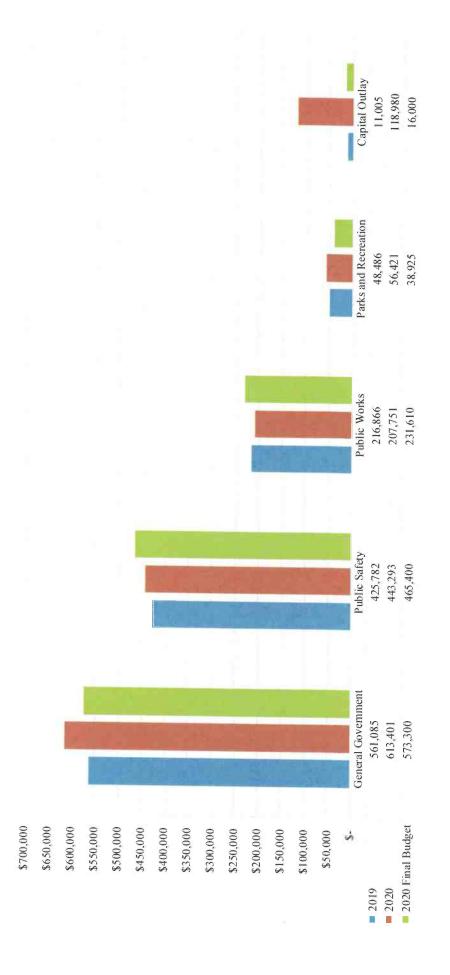


		annionimately 500/ 10 650/ 05	approximately 20% to 02% of annual budgeted operating expenditures		
Percentage	165.2%	177.5%	181.4%	152.0%	173.3%
Year	2016	2017	2018	2019	2020

Detailed Revenue Analysis General Fund





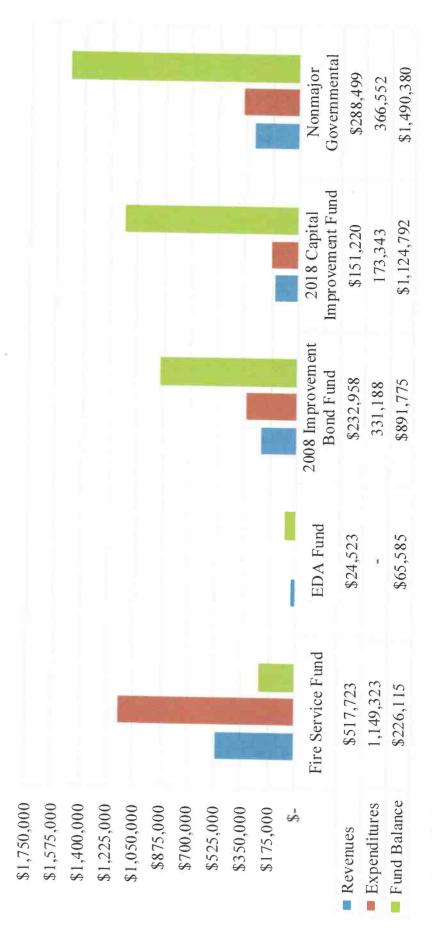




Cash Trend Analysis

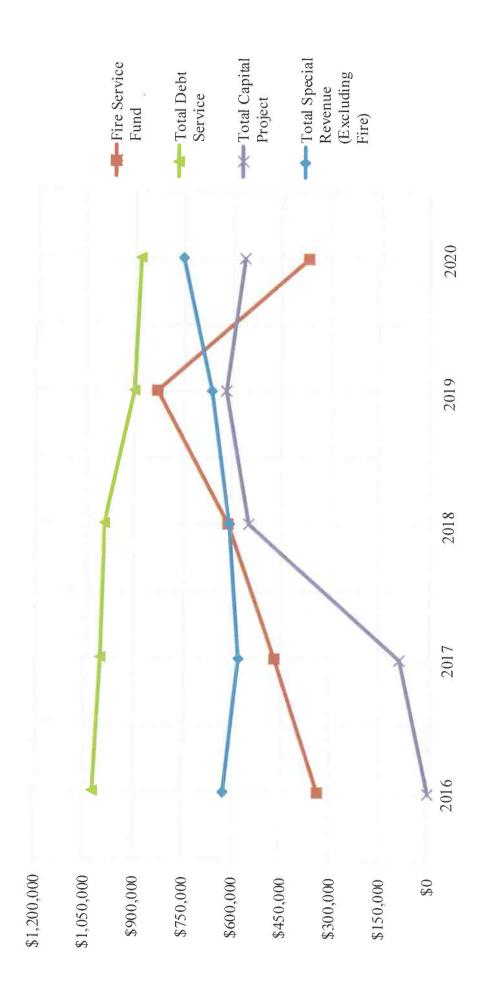


Financial Highlights Remaining Governmental Funds



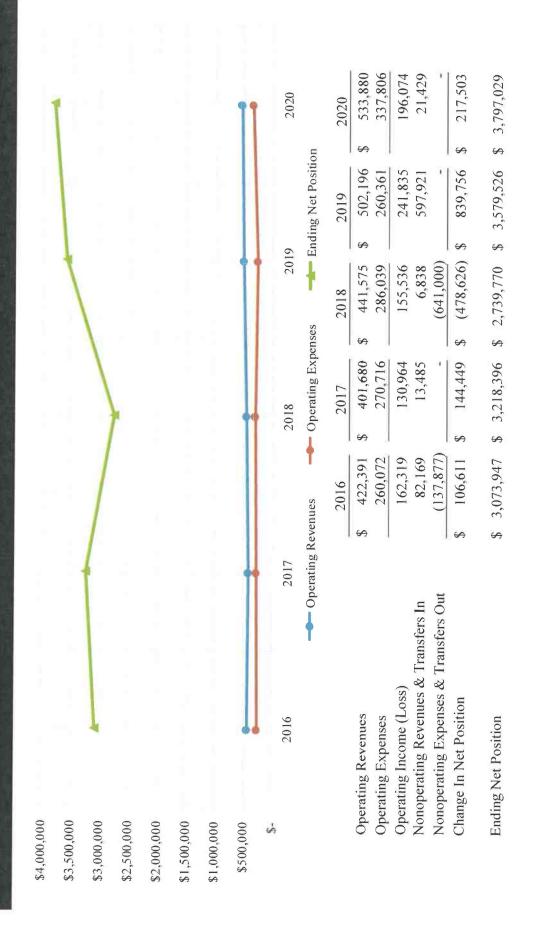
* Details for remaining nonmajor governmental funds can be found on pages 71-78 in the audited financial statements.

Cash Trend Analysis Remaining Governmental Funds



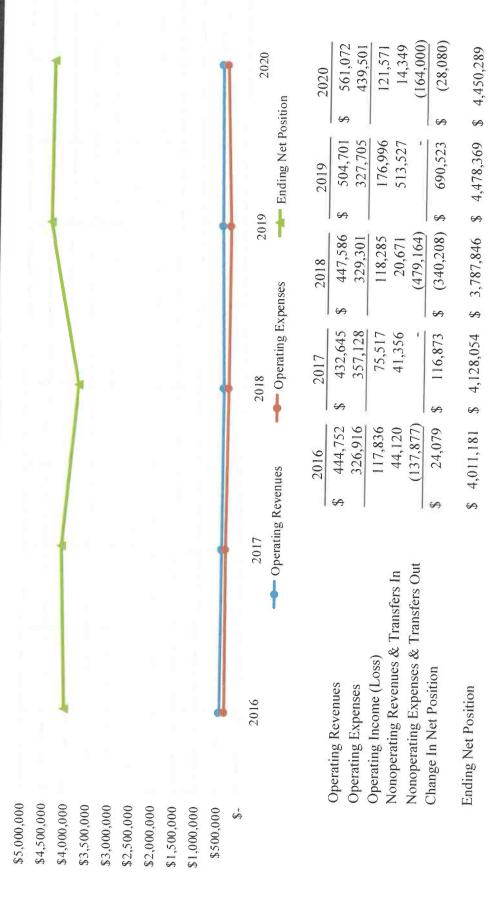
Water Fund

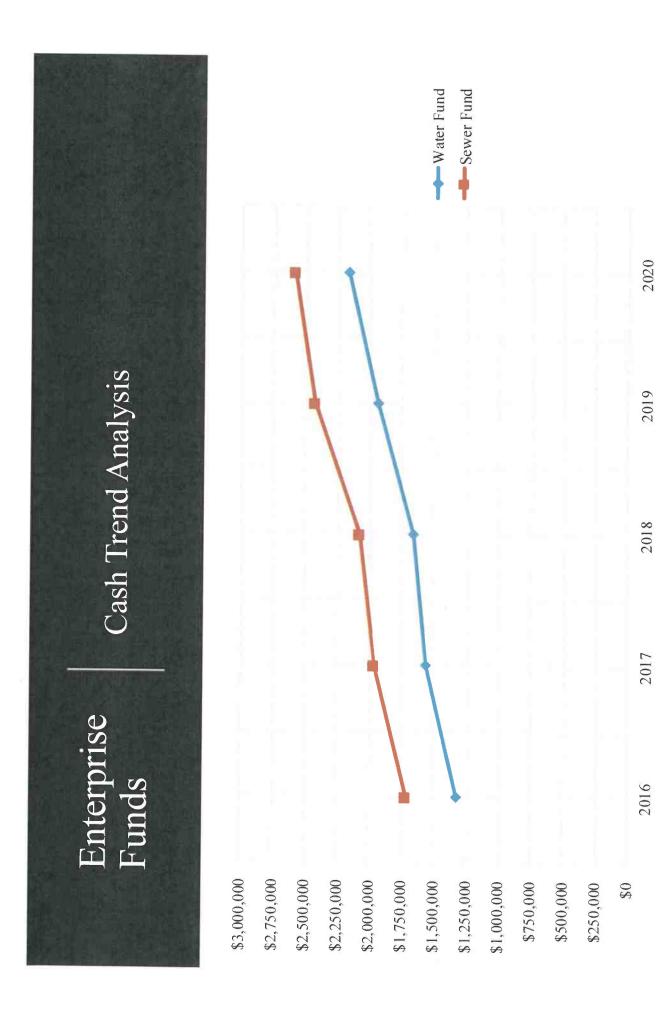
Historical Trends

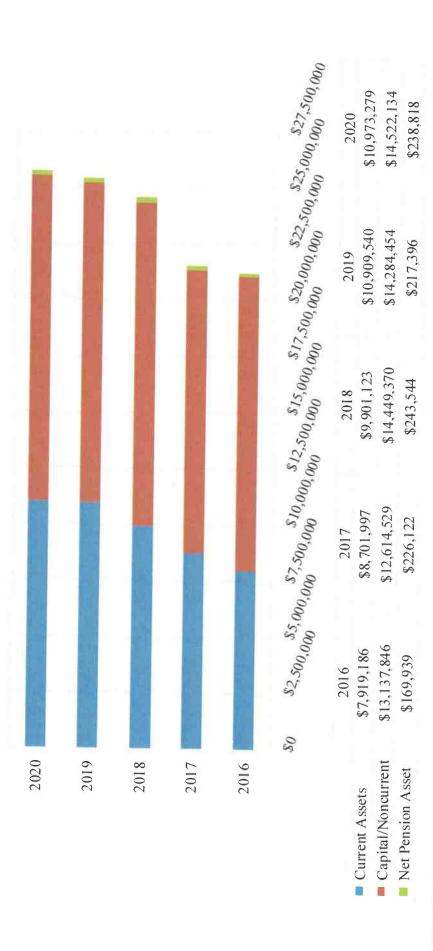


Sewer Fund

Historical Trends

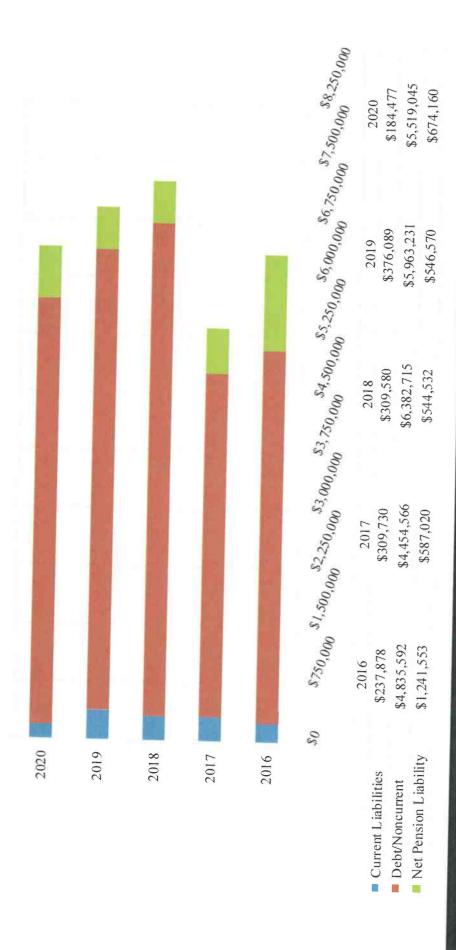






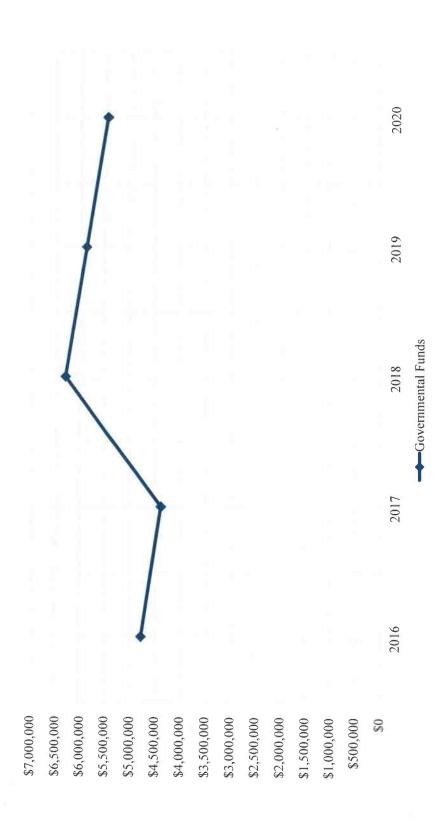
Financial Highlights Total Government-Wide Assets

• Increase in total assets is primarily due to various capital related equipment purchases in the current year (fire truck, fire department gear, etc.).



Financial Highlights Total Government-Wide Liabilities

 Your City's long-term liabilities decreased in the current year. More detail on this is shown on the next page.



• G.O. Improvement Bonds, 2011A (Refunded)

• G.O. Improvement Crossover Refunding Bonds, 2012A (Refunded)

G.O. Bonds, 2015A

Outstanding

Long Term Debt

• G.O. Improvement Bonds, 2018A

G.O. Improvement Refunding Bonds, 2020A

Questions?

Ashley Meagher, CPA
Manager
ameagher@swcocpas.com
320-251-0286

CITY OF FOLEY, MINNESOTA

May 28, 2021

Schlenner Wenner & Co. St. Cloud, MN 56302

This representation letter is provided in connection with your audit of the basic financial statements of the City of Foley, Minnesota (the City) as of and for the year ended December 31, 2020 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of May 28, 2021:

Financial Statements

- 1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 23, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
- 2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- 4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
- 5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related party transactions engaged in by the City include:
 - a. Those with other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.
 - b. Interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees.
- 6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as amended.
- 7. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
- 8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

- 9. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
- 10. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
- 11. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

- 12. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence; and
 - d. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.
- 14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
- 15. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
- 16. We have no knowledge of allegations of fraud or suspected fraud affecting the City's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the basic financial statements.
- 17. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's basic financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.
- 18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

- 19. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements. We have not consulted legal counsel concerning litigation or claims.
- 20. We have disclosed to you the identity of the City's related parties and all the related-party relationships and transactions of which we are aware.
- 21. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize and report financial data.
- 22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 23. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

- 24. With respect to the supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement and presentation have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 25. With respect to the Budgetary Comparison Schedules, Schedule of City's Proportionate Share of Net Pension Liability, Schedule of City Pension Contributions, and Schedule of Changes in Net Pension Liability (Asset) presented as required by Governmental Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Compliance Considerations

In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm that management:

- 26. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- 27. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
- 28. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 29. Has identified and disclosed to the auditor all instances, that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
- 30. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of waste or abuse that could be quantitatively or qualitatively material to the financial statements.
- 31. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 32. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 33. Has a process to track the status of audit findings and recommendations.
- 34. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
- 35. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
- 36. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.
- 37. We are in agreement with the proposed adjusting journal entries you have recommended (as shown in Exhibit A), and they have been recorded in the City's accounting records.

arah Brunn, City Administrator

EXHIBIT A ADJUSTING JOURNAL ENTRIES

City of Foley Year End: December 31, 2020 Recorded Misstatements Date: 1/1/2020 To 12/31/2020

1	10/04/0000		Account No	Reference Annotation	on Debi	t Credit	Recurrence	
1	12/31/2020	Accumlated Depreciation	601-16050 ENT01				resurrence	Misstate
1	12/31/2020	Unreserved Fund Balance	601-25300 ENT01			168,082.00		
1	12/31/2020	Accumlated Depreciation	602-16050 ENT02		168,083.00			
1	12/31/2020	Unreserved Fund Balance	602-25300 ENT02			250,910.00		
4	12/31/2020		601-49400-445 ENT01		250,912.00			
1	12/31/2020	Misc.				1.00		
	-	To the part have	602-49450-445 ENT02			2.00		
		Fo tie out beginning equity in the water and sewer funds					Recurring	Factua
2	12/31/2020 (Other Investments			_		· · · · · · · · · · · · · · · · · · ·	raciua
2	12/31/2020	Other Investments	609-10150 GF01	5910 GOV LE/	100 000 00			
2	12/31/2020 7	ransfers	699-10150 SRF01	5910 GOV LE,	160,000.00			
2	12/31/2020 C		609-37900-999 GF01	5910 GOV LE/		160,000.00		
			699-42200-37170 SRF01	5910 GOV LE/		160,000.00		
	т	O eliminata antico		10.000 [2]	160,000.00			
		o eliminate portion of transfer						
		E (Batch #					Recurring	F
		020CLOS-1)					rtodarring	Factual
	re	lated to 609/699, due to this \$160,0	000 being moved with closing entry #4.					
	12/31/2020 Ad	ccumlated Depreciation						
	12/31/2020 Ad	ccumlated Depreciation	601-16050 ENT01	5520				
	12/31/2020 De	epreciation expense	602-16050 ENT02	5520		105,481.00		
	12/31/2020 Da	epreciation Expense	601-49400-420 ENT01	5520	4.5	129,812.00		
		President Experise	602-49450-450 ENT02	5520	105,481.00			
	To	record current year		4020	129,812.00			
	do	propieties						
		preciation expense					Recurring	Factual
	12/31/2020 Lo	ans Receivable		- 			ŭ	i deldai
	12/31/2020 De	ferred Revenues	500-12902 SRF02	5652				
	12/31/2020 Sile	Sock Loan Principal	500-22200 SRF02	5652		2,937.00		
	12/31/2020 8:14	Sock Loan Interest	500-50000-36242 SRF02	5652	2,937.00			
	12/31/2020 Fix	Suck Loan Interest	500-50000-36243 SRF02	5652		21,586.00		
	12/3 1/2020 FIX	ed Asset Sale	500-50000-39101 SRF02			2,858.00		
			3110101102	5652	24,444.00			
	_							
	То	adjust Silt Stock Loan Rec per						
	To amo	adjust Silt Stock Loan Rec per ortization table and to reclass the pr	incipal and interest amounts to				D	
	amo	adjust Silt Stock Loan Rec per ortization table and to reclass the pr ounts	incipal and interest amounts to separate				Recurring	Factual
	amo amo	ortization table and to reclass the propunts					Recurring	Factual
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	12/31/2020 Bon 12/31/2020 Bon	ortization table and to reclass the propunts d Interest d Refunding Payment	208-49508-450 DSF01 208-49508-451 DSF01	6001	2,656.00		Recurring	Factual
	12/31/2020 Bon 12/31/2020 Bon 12/31/2020 Bon	ortization table and to reclass the pr ounts d Interest d Refunding Payment d Issuance Costs	208-49508-450 DSF01 208-49508-451 DSF01	6001 6001	2,260,000.00		Recurring	Factual
	12/31/2020 Bon 12/31/2020 Bon 12/31/2020 Bon 12/31/2020 Bon	ortization table and to reclass the pr punts d Interest d Refunding Payment d Issuance Costs d Proceeds	208-49508-450 DSF01 208-49508-451 DSF01 208-49508-630 DSF01	6001 6001 6001			Recurring	Factual
	12/31/2020 Bon 12/31/2020 Bon 12/31/2020 Bon	ortization table and to reclass the pr punts d Interest d Refunding Payment d Issuance Costs d Proceeds	208-49508-450 DSF01 208-49508-451 DSF01 208-49508-630 DSF01 208-49508-39310 DSF01	6001 6001 6001 6001	2,260,000.00		Recurring	Factual
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	Number Date Name	Account No	Referenc	e Annotation				
	7 12/31/2020 Assessments 7 12/31/2020 Special Assessments	601-36100-39200 ENTO		- Tuniotation	Debi	it Cr	edit Recurren	ce Misstat
	opedial Assessments	602-36100-36100 ENTO	1 5203 2 5203		471.00			
	To agree delinquent taxes and		3230			934.	00	
	assessments to client prepared sched	ule						
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	12/01/2020 Special Assess Pag-Doformal	100-12300 GF01	F0.5.1					
8	8 12/31/2020 Deferred Revenue: Spec Assmts 12/31/2020 Special Assess Rec-Deferred	100-22250 GF01	5204 5204			3,536.	20	
8	12/31/2020 Deferred Revenues	208-12300 DSF01	5204 5204		3,536.00	-,,		
	12/31/2020 Special Assess Rec-Deformal	208-22200 DSF01	5204			30,997.0	00	
8	12/31/2020 Deferred Revenues	211-12300 DSF02	5204		30,997.00			
8	12/31/2020 Special Assess Recalleformed	211-22200 DSF02	5204		17.040.00	17,049.0	10	
8	12/31/2020 Deferred Revenues	215-12300 DSF03	5204		17,049.00			
8	12/01/2020 Special Assess Rec-Deformed	215-22200 DSF03 218-12300 CPF01	5204		20,450.00	20,450.0	0	
8	12/31/2020 Deferred Revenues	218-22200 CPF01	5204		20,400.00	42 020 0	•	
8	1270 1/2020 Special Assess Rec-Deformed	601-12300 ENT01	5204		42,029.00	42,029.0	U	
8	12/31/2020 Special Assess Rec-Deferred 12/31/2020 Assessments	602-12300 ENT02	5204 5204		4,403.00			
8	12/31/2020 Special Assessments	601-36100-39200 ENT01	5204 5204		1,568.00			
	The state of the s	602-36100-36100 ENT02	5204			4,403.00)	
	To adjust ending deferred					1,568.00)	
	assessment amounts per client prepared	Schedule						
9							Recurring	Factua
9	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable	100-11500 GF01						
9	12/31/2020 Accounts Receivable	208-11500 DSF01	7011			106.00		
9	12/31/2020 Accounts Receivable	211-11500 DSF02	7011 7011			857.00		
9	12/31/2020 Assessments	218-11500 CPF01	7011			271.00		
9	12/31/2020 Assessments	100-41000-39200 GF01	7011			10,906.00		
9	12/31/2020 2007 Alley Assessments	100-41000-39200 GF01	7011		106.00			
9	12/31/2020 Assessments	100-41000-39210 GF01	7011			95.00		
9	12/31/2020 Special Assessments	208-49508-39200 DSF01	7011		95.00			
9	12/31/2020 Reimbursable Expenses	211-49511-36100 DSF02	7011		857.00 271.00			
9	12/31/2020 Reimbursable Expenses	218-49518-34902 CPF01 218-49518-34902 CPF01	7011		45,109.00			
_	12/31/2020 Special Assessments	218-49518-36100 CPF01	7011		10,906.00			
	To reclass Dewey assessment	20,00001-01	7011			45,109.00		
	collections to proper assessment					11,100.00		
	collections to proper account and to revers 20RECEIVABLE (310) and 20PROPTAXRE	e doubled up SA receivables (client o	entries				Recurring	Factual
0								
0	12/31/2020 Deferred Outflows - Pension 12/31/2020 Net Pension Liability	601-17000 ENT01	00544					
0	12/31/2020 Deferred Inflows	601-24000 ENT01	6354A 6354A		1,601.00			
0	12/31/2020 Deferred Outflows - Pension	601-24100 ENT01	6354A			9,387.00		
0	12/31/2020 Net Pension Liability	602-17000 ENT02	6354A		7,788.00	,		
)	12/31/2020 Deferred Inflows	602-24000 ENT02	6354A		1,593.00			
)	12/31/2020 Pension Expense	602-24100 ENT02	6354A			12,539.00		
	12/31/2020 Pension Expense	601-49400-120 ENT01	6354A		7,890.00			
)	12/31/2020 Other	602-49450-120 ENT02	6354A		168.00			
'	12/31/2020 Other	601-49400-37170 ENT01 602-49450-37170 ENT02	6354A		3,239.00			
	T	502-49450-37170 ENT02	6354A			170.00		
	To record current year pension	•				183.00		
	activity for enterprise funds						Daniel	
							Recurring	Factual
	12/31/2020 Accounts Receivable						·	
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable	100-11500 GF01	5200 LEAD					
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable	100-11500 GF01	5200 LEAD 5200 LEAD			1,327.00		
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable 12/31/2020 Other Receipts	100-11500 GF01 699-11500 SRF01				1,325.00		
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable 12/31/2020 Other Receipts 12/31/2020 Parking Fines	100-11500 GF01 699-11500 SRF01 100-41000-34900 GF01	5200 LEAD		1 325 00	•		
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable 12/31/2020 Other Receipts	100-11500 GF01 699-11500 SRF01 100-41000-34900 GF01 100-42100-35102 GF01	5200 LEAD 5200 LEAD 5200 LEAD 5200 LEAD		1,325.00 1,327.00	1,325.00		
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable 12/31/2020 Other Receipts 12/31/2020 Parking Fines 12/31/2020 Individual Fire Calls	100-11500 GF01 699-11500 SRF01 100-41000-34900 GF01	5200 LEAD 5200 LEAD 5200 LEAD	•	1,325.00 1,327.00 2,758.00	1,325.00		
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable 12/31/2020 Other Receipts 12/31/2020 Parking Fines 12/31/2020 Individual Fire Calls To adjust year end receivable to	100-11500 GF01 699-11500 SRF01 100-41000-34900 GF01 100-42100-35102 GF01 699-42200-34208 SRF01	5200 LEAD 5200 LEAD 5200 LEAD 5200 LEAD	•	1,327.00	1,325.00		
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable 12/31/2020 Other Receipts 12/31/2020 Parking Fines 12/31/2020 Individual Fire Calls To adjust year end receivable to tie to the Client's AR Listing (Do not reverse in	100-11500 GF01 699-11500 SRF01 100-41000-34900 GF01 100-42100-35102 GF01 699-42200-34208 SRF01	5200 LEAD 5200 LEAD 5200 LEAD 5200 LEAD	•	1,327.00	1,325.00	Recurring	Factual
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable 12/31/2020 Other Receipts 12/31/2020 Parking Fines 12/31/2020 Individual Fire Calls To adjust year end receivable to tie to the Client's AR Listing (Do not reverse in	100-11500 GF01 699-11500 SRF01 100-41000-34900 GF01 100-42100-35102 GF01 699-42200-34208 SRF01	5200 LEAD 5200 LEAD 5200 LEAD 5200 LEAD	•	1,327.00	1,325.00	Recurring	Factual
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable 12/31/2020 Other Receipts 12/31/2020 Parking Fines 12/31/2020 Individual Fire Calls To adjust year end receivable to tie to the Client's AR Listing (Do not reverse in	100-11500 GF01 699-11500 SRF01 100-41000-34900 GF01 100-42100-35102 GF01 699-42200-34208 SRF01 2021)	5200 LEAD 5200 LEAD 5200 LEAD 5200 LEAD 5200 LEAD	•	1,327.00 2,758.00	1,325.00 2,758.00	Recurring	Factual
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable 12/31/2020 Other Receipts 12/31/2020 Parking Fines 12/31/2020 Individual Fire Calls To adjust year end receivable to tie to the Client's AR Listing (Do not reverse in 12/31/2020 Accounts Receivable 12/31/2020 Construction	100-11500 GF01 699-11500 SRF01 100-41000-34900 GF01 100-42100-35102 GF01 699-42200-34208 SRF01	5200 LEAD 5200 LEAD 5200 LEAD 5200 LEAD 5200 LEAD	. 2	1,327.00 2,758.00	1,325.00	Recurring	Factual
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable 12/31/2020 Other Receipts 12/31/2020 Parking Fines 12/31/2020 Individual Fire Calls To adjust year end receivable to tie to the Client's AR Listing (Do not reverse in 12/31/2020 Accounts Receivable 12/31/2020 Construction To back out doubled up receivable	100-11500 GF01 699-11500 SRF01 100-41000-34900 GF01 100-42100-35102 GF01 699-42200-34208 SRF01 2021) 218-11500 CPF01 218-49518-497 CPF01	5200 LEAD 5200 LEAD 5200 LEAD 5200 LEAD 5200 LEAD	. 2	1,327.00 2,758.00	1,325.00 2,758.00	Recurring	Factual
	12/31/2020 Accounts Receivable 12/31/2020 Accounts Receivable 12/31/2020 Other Receipts 12/31/2020 Parking Fines 12/31/2020 Individual Fire Calls To adjust year end receivable to tie to the Client's AR Listing (Do not reverse in 12/31/2020 Accounts Receivable 12/31/2020 Construction	100-11500 GF01 699-11500 SRF01 100-41000-34900 GF01 100-42100-35102 GF01 699-42200-34208 SRF01 2021) 218-11500 CPF01 218-49518-497 CPF01	5200 LEAD 5200 LEAD 5200 LEAD 5200 LEAD 5200 LEAD	. 2	1,327.00 2,758.00	1,325.00 2,758.00 71,653.00	Recurring Recurring	Factual Factual

City of Foley Year End: December 31, 2020 Recorded Misstatements Date: 1/1/2020 To 12/31/2020

Annotation	1,511,00	500.00 300.00 4,125.00	Recurrence	Misstatemen
,	920.00 4,925.00 5,005.00	3,845.00 1,160.00 1,511.00 920.00		Factual
_	3,1	5,005.00	5,005.00 1,511.00 920.00	5,005.00 1,511.00 920.00

City of Foley, Minnesota

Report to the Members of Governance

May 28, 2021



CITY OF FOLEY, MINNESOTA TABLE OF CONTENTS

Introductory Letter	1
required Communications	2



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 (the City) as of and for the year ended December 31, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

This report is intended solely for the information and use of the members of governance and management, 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.

chlemm Wenner & Co.

St. Cloud, Minnesota May 28, 2021

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 11, 2021 regarding the planned scope and timing of our audit

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

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 overall net pension asset/liability and deferred outflows/inflows of resources for the pension plans in which the City's employees participate.

Audit Adjustments and Uncorrected Misstatements

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

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

CITY OF FOLEY, MINNESOTA REQUIRED COMMUNICATIONS

Departure From the Auditor's Standard Report

Our Independent Auditor's Report includes several additional or non-standard paragraphs that you should be aware of

- Other Matters related to Required Supplementary Information and Supplementary Information
- Other Reporting Required by Government Auditing Standards

Observations About the Audit Process

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

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 difficulties in dealing with management during the audit.

Internal Control Matters

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

Significant Written Communications Between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter

City of Foley, Minnesota

Audited Financial Statements

December 31, 2020



CITY OF FOLEY, MINNESOTA TABLE OF CONTENTS

INTRODUCT	ORY	SECTION:
-----------	-----	----------

CITY COUNCIL AND OFFICIALS	
FINANCIAL SECTION:	
INDEPENDENT AUDITOR'S REPORT	•
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	
BASIC FINANCIAL STATEMENTS:	7
Government-wide Financial Statements	
Statement of Net Position	
Statement of Activities	18
Fund Financial Statements	
Balance Sheet – Governmental Funds	
Reconciliation of the Balance Sheet – Governmental Funds	20
to the Statement of Net Position	
Statement of Revenues, Expenditures and	21
Changes in Fund Balances – Governmental Funda	
Reconciliation of Changes in Fund Balances of Governmental	22
Tulius to the Statement of Activities	
Statement of Net Position – Proprietary Funds Statement of Revenues, Expenses and	24
Statement of Revenues, Expenses and	25
Changes in Net Position – Proprietary Funds Statement of Cash Flows – Proprietary Funds	
Statement of Cash Flows – Proprietary Funds Notes to the Basic Financial Statements	26
Notes to the Basic Financial Statements.	27
REQUIRED SUPPLEMENTARY INFORMATION:	29
Budgetary Comparison Schedule Consults 1	
Budgetary Comparison Schedule – General Fund	50
Budgetary Comparison Schedule – General Fund. Schedule of City's Proportionate Share of the Net Pension Liability. Schedule of City Pension Contributions.	61
Schedule of City Pension Contributions	62
Schedule of City Pension Contributions Schedule of Changes in Net Pension Liability (Asset) – Fire	63
Relief Association	
Relief Association	
	65
SUPPLEMENTARY INFORMATION.	
Combining Balance Sheet – All Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and	
Combining Statement of Revenues, Expenditures and	71
Changes in Fund Balances – All Normaior Governmental E	
Combining Balance Sheet – Nonmajor Governmental Funds –	72
Debt Service Flinds	
Combining Statement of Revenues, Expenditures and	73
Ulauyes in Flind Ralangoa Marror ' G	
Door Bervice Funds	
Combining Balance Sheet – Nonmajor Governmental Funds –	74
Special Revenue Finns	
Combining Statement of Revenues, Expenditures and	75
Changes in Fund Balances - Nonmajor Government 1 E 1	
Special Revenue Filings	7.0
Combining Balance Sheet – Nonmajor Governmental Funds –	/6
Capital Project Funds	77
Combining Statement of Revenues, Expenditures and	77
Changes in Fund Balances – Nonmajor Governmental Funds –	
	70
Schedule of Indebtedness	/8
	/9

CITY OF FOLEY, MINNESOTA TABLE OF CONTENTS (Continued)

` ` ` ` ` ` ` ` ` ` ` ` ` ` ` ` ` ` ` `	
OTHER REQUIRED REPORTS:	
Independent Auditor's Report on Internal Control	
Over Financial Reporting and on Compliance and Other	
refugicis based on an Audit of Financial States	
Performed in Accordance with Government A. Iti. Government	
Schedule of Findings and Responses Corrective Action Plans	
Corrective Action Plans	83
	0.

INTRODUCTORY SECTION

CITY OF FOLEY, MINNESOTA CITY COUNCIL AND OFFICIALS FOR THE YEAR ENDED DECEMBER 31, 2020

Gerard Bettendorf Mayor December 31, 2022

Jack Brosh Council Member December 31, 2024

Jeff Gondeck Council Member December 31, 2024

Rosalie Musachio Council Member December 31, 2022

Council Member

CITY OFFICIALS

Gary Swanson

Sarah Brunn City Administrator

December 31, 2022

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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 (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Foley, Minnesota as of December 31, 2020, 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 Unites States of America.

An Independently Owned Member, RSM US Alliance

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 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

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2021 on our consideration of the City of Foley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Foley's internal control over financial reporting and compliance.

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

May 28, 2021

REQUIRED SUPPLEMENTARY INFORMATION

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, 2020. Please read it in conjunction with the independent auditor's report on page four and the City's financial statements, which begin on page eighteen.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Foley exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,331,218 (net position).
- The City's net position increased \$902,582 compared to the prior year as a result of this year's operations.
- In the City's business-type activities, revenues decreased \$12,615 (or 1.10 percent) while program expenses increased \$189,241 (or 32.18 percent). These changes are discussed in greater detail throughout the following pages.
- Total cost of all of the City's programs increased \$271,114 (or 9.17 percent).
- The City of Foley received local government aid in the amount of \$814,953.
- In the current year, the City's General Fund generated more revenue than budgeted by \$333,161. Expenditures exceeded the budget by \$114,611. See additional details starting on page fifty-nine.

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 eighteen and nineteen) 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 twenty. 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 nine. 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.

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 eleven. The fund financial statements begin on page twenty 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.

THE CITY AS A WHOLE

The City's combined net position increased \$902,582 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

		nmental ivities	Business-Type Activities			Total ernment	
-	2020	2019	2020	2019	2020	2019	
Current and Other Assets Net Capital Assets	\$ 8,090,113 <u>9,201,348</u>	\$ 7,514,897 9,635,906	\$ 3,851,435 4,591,335	\$ 3,394,643 4,865,944	\$11,941,548 13,792,683	\$10,909,540 14,501,850	
Total Assets	17,291,461	17,150,803	8,442,770	8,260,587	25,734,231	25,411,390	
Deferred Outflows of Resources	233,426	322,941	15,576	12,382	249,002	335,323	
Current Liabilities Noncurrent Liabilities Total Liabilities	149,258 6,022,681 6,171,939	343,686 6,348,093 6,691,779	35,219 170,524 205,743	32,403 161,708 194,111	184,477 6,193,205 6,377,682	376,089 6,509,801 6,885,890	
Deferred Inflows of Resources	269,048	411,224	5,285	20,963	274,333	432,187	
Net Position: Net Investment in						,	
Capital Assets Restricted Unrestricted	3,750,282 1,350,812 5,982,806	2,749,725 1,107,885 6,513,131	4,591,335 - 3,655,983	4,826,628 3,231,267	8,341,617 1,350,812 9,638,789	7,576,353 1,107,885 _9,744,398	
Total Net Position	\$11,083,900	\$10,370,741	\$ 8,247,318	\$ 8,057,895	\$19,331,218	\$18,428,636	

The net position of the City's governmental activities increased by \$713,159 (or 6.88 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) decreased by \$530,325 (or 8.14 percent) compared to the prior year.

The net position of the City's business-type activities increased by \$189,423 (or 2.35 percent). Revenues were fairly comparable to the prior year, with exception of no capital asset transfer in the current year. Expenses increased due to various repair and maintenance projects and I/I study and wastewater expansion costs.

THE CITY AS A WHOLE (Continued)

Table 2 Changes in Net Position

		ernmental tivities	Business-Type Activities			Total vernment
D.E. Inn. v.	2020	2019	2020	2019	2020	
REVENUE Charges for Services Operating Grants and	\$ 377,314	\$ 453,58				2019 5 \$ 1,478,342
Contributions Capital Grants and	30,024	33,23	30		30,024	33,230
Contributions Property Taxes Tax Increment	260,560 1,075,342 61,513	1,033,05 62,31	6 .) 19,660 	283,169 1,075,342 61,513	1,033,056
Intergovernmental Franchise Taxes Investment Income	1,102,902 7,777 50,026	8,31	3 .		1,102,902 7,777	858,979 8,313
Other Total Revenues	<u>17,111</u> 2,982,569	103,28	3		17,111	103,283
PROGRAM EXPENSES General Government Public Safety Public Works Parks and Recreation Economic Development Debt Service	665,498 846,017 671,114 82,496 43,426 141,609	581,266 705,947 695,793 160,976 70,358 153,955	7 - 1 - 5 - 3 -	- - - -	665,498 846,017 671,114 82,496 43,426	581,260 705,947 695,791 160,976 70,358
Water Sewer Total Expenses	2,450,160	2,368,287	337,806 439,501	260,361 327,705 588,066	141,609 337,806 439,501 3,227,467	153,955 260,361 327,705 2,956,353
Gain on Disposal of Assets Capital Asset Transfers Transfers	16,750 - 164,000	14,438 (975,000		975,000	16,750	14,438
Change in Net Position	713,159	(302,302)	189,423	1,530,279	902,582	1,227,977
Net Position - Beginning of Year	10,370,741	10,673,043	8,057,895	6,527,616	18,428,636	17,200,659
Net Position - End of Year	\$11,083,900	\$10,370,741	\$ 8,247,318	\$ 8,057,895	\$19,331,218	\$18,428,636

The City's total revenues decreased by \$56,593 (or 1.36 percent), primarily due to closures, such as the swimming pool, as a response to the pandemic as well as decreases in donations and contributions and investment income. Other revenue areas saw increases such as property taxes and intergovernmental revenues. The intergovernmental increase is due to Coronavirus Relief Fund and FEMA grants received in 2020. The total cost of all programs and services increased by \$271,114 (or 9.17 percent), primarily due to costs incurred in response to the pandemic, using coronavirus relief funding received from the State.

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

THE CITY AS A WHOLE (Continued)

Governmental Activities

Revenue for the City's governmental activities decreased by \$43,978 (or 1.45 percent) and total expenses increased by \$81,873 (or 3.46 percent). Revenues and expenses were generally consistent year to year, with the exception of the matters previously noted.

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:

- Parks and Recreation net cost of services decreased significantly primarily due to the closure of the swimming pool (discussed above).
- Economic Development net cost of services increased primarily due to the sale of four parcels of land in the prior year.

Table 3
Governmental Activities

	 Total Cost of Services			Net Cost of Services			
Company 1 Co	 2020		2019		2020		2019
General Government Public Safety Public Works Parks and Recreation Economic Development Debt Service	\$ 665,498 846,017 671,114 82,496 43,426 141,609	\$	581,260 705,947 695,791 160,976 70,358 153,955	\$	599,453 364,062 554,141 79,571 43,426 141,609	\$	461,978 381,248 540,948 107,454 (113,821) 153,955
Totals	\$ 2,450,160	<u>\$</u>	2,368,287	\$	1,782,262	<u>\$</u>	1,531,762

Business-type Activities

Revenues of the City's business-type activities, including investment income (see Table 2) decreased by \$12,615 (or 1.10 percent) and program expenses increased by \$189,241 (or 32.18 percent). Revenues decreased from the prior year as a result of a decrease in investment income. Expenses increased primarily due to an increase in wastewater expansion costs incurred in the current year.

THE CITY'S FUNDS

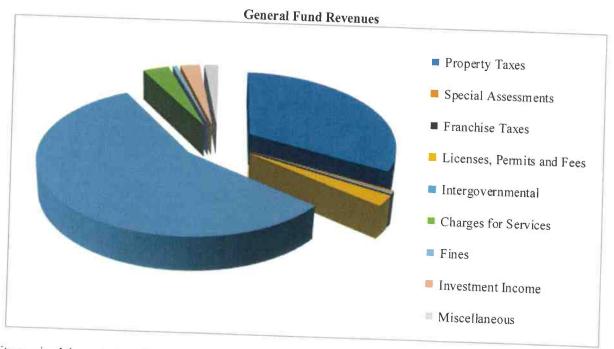
Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet on page twenty) reported a combined fund balance of \$6,834,397. This is a decrease of \$135,183 from the prior year. This decrease is primarily due to capital outlay expenditures in the current year.

M		Fund Balance	Dec	ember 31,		Increase
Major Funds General	 -	2020 3,035,750	<u> </u>	2019	<u>•</u>	(Decrease)
		-,000,700	Ψ	2,014,430	Ф	221,300

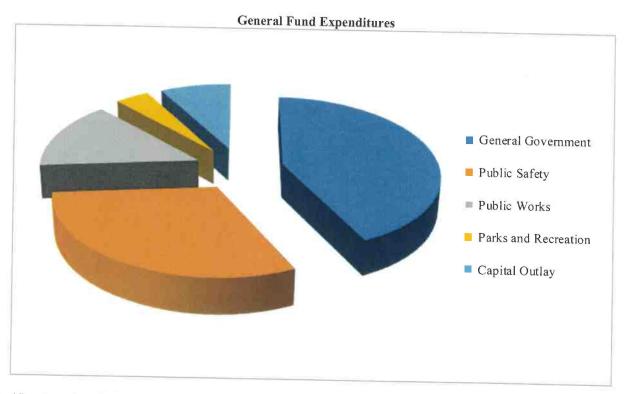
The fund balance of the General Fund increased by \$221,300 compared to 2019. Details of the General Fund's revenues and expenditures are displayed on the following page.

THE CITY'S FUNDS (Continued)



The City received the majority of its funding in the General Fund from grants and other governmental agencies (56.40 percent) and property taxes (32.43 percent). General Fund revenues have increased from the prior year, largely due to an increase in intergovernmental revenues and property taxes.

THE CITY'S FUNDS (Continued)



A significant portion of the City's General Fund expenditures are used for general government operations (42.60 percent). Remaining expenditures are used for public safety (30.79 percent), public works (14.43 percent), parks and recreation (3.92 percent) and capital outlay (8.26 percent). Expenditures have increased from the prior year, largely due to increased expenditures for capital outlay.

	Fund Balance December 31,					
Major Funds	2020	2019		(Increase (Decrease)	
Fire Service Fund	\$ 226,115	\$	843,715	\$	(617,600)	

The Fire Service fund balance decreased due to a purchase of a fire truck in the current year.

		Fund Balance December 31,					Increase	
Major Funds			2020	2019		(Decrease)		
EDA Fund		\$	65,585	\$	41,062	\$	24,523	

The EDA fund balance increased primarily due to loan collections.

	Fund Balance December 31,				
Major Funds	 2020	2019		Increase (Decrease)	
2008 Improvement Bond Fund	\$ 891,775	\$	566,699	\$	325 076

The 2008 Improvement Bond fund balance increased primarily due to issuing refunding debt in the current year and closing the 2011 Improvement Bond Fund to this fund as of December 31, 2020.

THE CITY'S FUNDS (Continued)

N (=	Fund Balance I			ember 31,	Increase			
Major Funds		2020		2019		(Decrease)		
2018 Capital Improvement Fund	\$	1,124,792	\$	1,146,915	\$	(22,123)		

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 \$333,161. Expenditures exceeded those budgeted by \$114,611. Revenues over budget in the current year are primarily due to unbudgeted revenue from investment earnings as well as additional Federal funding received as a result of the coronavirus pandemic. Expenditures over budget is primarily due additional expenses incurred because of the pandemic, which were fully reimbursed by the Federal funding received.

Proprietary Funds

As the City completed the year, its business-type activities reported a combined net position of \$8,247,318. This is an increase of \$189,423 from the prior year. The following is a summary of the City's major proprietary funds:

		Net Position December 31,					Increase		
***	Major Funds		2020		2019		Decrease)		
Water	\$	3,797,029	\$	3,579,526	\$	217,503			
Sewer	·	\$	4,450,289	\$	4,478,369	\$	(28,080)		

The Net Position of the Water fund increased in the current year due to an increase in charges for services in the current year. The Net Position of the Sewer fund decreased in the current year due to an increase in expenses for the wastewater expansion. Overall, the City's operations were generally comparable to the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the City had \$24,466,292 (excluding accumulated depreciation of \$10,673,609) 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 \$1,018,684 (or 4.34 percent) over last year.

Table 4
Capital Assets Net of Depreciation

	Acti	nmental vities		ess-Type ivities	To	otals
Land	2020	2019	2020	2019	2020	2019
Buildings Infrastructure Lagoons Improvements	\$ 326,323 2,420,529 8,773,927 - 525,275	\$ 326,323 2,414,126 8,740,537 478,330	\$ 41,262 203,773 5,739,992 1,918,257 12,334	\$ 41,262 203,773 5,739,992 1,918,257 12,334	\$ 367,585 2,624,302 14,513,919 1,918,257	\$ 367,585 2,617,899 14,480,529 1,918,257
Lift Stations Equipment 1,230,815	892,724 	352,394 409,928 180,000	352,394 409,928 180,000	537,609 352,394 1,640,743 2,511,483	490,664 352,394 1,302,652 1,917,628	
Totals	<u>\$15,608,352</u>	<u>\$14,589,668</u>	<u>\$ 8,857,940</u>	\$ 8,857,940	\$24,466,292	\$23,447,608

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

Debt

At year-end, the City had \$5,451,066 in debt versus a balance of \$5,879,105 in the prior (a decrease of 7.28 percent), as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	GovernmentalActivities							
Comment Of the state of		2020		2019				
General Obligation Bonds Crossover Refunding Bonds Refunding Bonds Unamortized Bond Premium	\$	3,110,000 - 2,281,000 60,066	\$	4,025,000 1,785,000 - 69,105				
Totals	\$	5,451,066	\$	5,879,105				

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the 2021 budget, tax rates and fees that will be charged for the business-type activities. The Council elected to increase the 2021 tax levy by 0.93% from the 2020 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, 2020

	(Governmental	В	usiness-Type		
		Activities		Activities		Totals
ASSETS						101113
Cash, Cash Equivalents, and Investments	\$	5,420,848	\$	4,754,601	¢	10 175 440
Property Taxes Receivable		20,779		7,757,001	\$	10,175,449
Assessments Receivable		88,159		10,521		20,779
Accounts Receivable		112,695		305,787		98,680
Loans Receivable		182,943		303,787		418,482
Internal Balances		1,283,754		(1 292 754)	`	182,943
Prepaids		62,123		(1,283,754)	,	
Noncurrent Assets:		02,123		14,823		76,946
Assessments Receivable		679,994		40.455		
Capital Assets Not Being Depreciated		326,323		49,457		729,451
Capital Assets Being Depreciated (Net)		8,875,025		41,262		367,585
Net Pension Asset				4,550,073		13,425,098
TOTAL ASSETS		238,818				238,818
		17,291,461		8,442,770		25,734,231
DEFERRED OUTFLOWS OF RESOURCES						
Pensions						
		233,426		15,576	-	249,002
LIABILITIES						·
Accounts Payable						
Salaries Payable		23,052		17,848		40,900
Payroll Deductions and Employer Contributions		35,618		5,040		40,658
Deposits Payable		3,752		763		4,515
Accrued Interest Payable		5,000		_		5,000
Accrued Vacation		47,562		-		47,562
Noncurrent Liabilities:		34,274		11,568		45,842
Amount Due Within One Year						. ,
Amount Due After One Year		463,000		-		463,000
Net Pension Liability		5,017,655		38,390		5,056,045
		<u>5</u> 42,026		132,134		674,160
TOTAL LIABILITIES		6,171,939		205,743		6,377,682
DEFENDED DIET ONES OF THE				200,7 15		0,377,082
DEFERRED INFLOWS OF RESOURCES						
Pensions		269,048		5,285		274 222
NEW DOCUMENT		, -		3,203		274,333
NET POSITION						
Net Investment in Capital Assets		3,750,282		4,591,335		0.241.61=
Restricted		1,350,812		7,551,555		8,341,617
Unrestricted		5,982,806		3 655 002		1,350,812
TOTAL NET POSITION	\$		Φ.	3,655,983		9,638,789
. = 2.	φ	11,083,900	\$	8,247,318	\$	19,331,218

CITY OF FOLEY, MINNESOTA STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

					Progr	am Revenues	3		N	let (Expense) Re
					C	Operating		Capital		Pı
77 (* 75		_	•	Charges for		rants and		Grants and	G	overnmental
Functions/Programs		Expenses		Services	Co	ntributions	_Cc	ntributions		Activities
Governmental Activities:										
General Government	\$	665,498	\$	38,329	\$	23,664	\$	4,052	\$	(599,453)
Public Safety		846,017		335,460		-		146,495		(364,062)
Public Works		671,114		600		6,360		110,013		(554,141)
Parks and Recreation		82,496		2,925		-		· -		(79,571)
Economic Development		43,426		-		_		-		(43,426)
Debt Service		141,609						-		(141,609)
Total Governmental Activities		2,450,160		377,314		30,024		260,560		(1,782,262)
Business-Type Activities:										
Water		337,806		533,880		_		9,221		
Sewer		439,501		561,072		_		13,388		
Total Business-Type Activities		777,307		1,094,952				22,609		<u> </u>
TOTALS	\$	3,227,467	\$	1,472,266	\$	30,024	\$	283,169		(1,782,262)
		D								(1,702,202)
		Revenues:								
		erty Taxes ncrement								1,075,342
		ncrement hise Taxes								61,513
										7,777
		overnmental tment Income								1,102,902
		on Sale of Ass	4-							50,026
		on Sale of Ass ellaneous	seis							16,750
										17,111
		neral Revenue	S							2,331,421
	Transfers									164,000
	Total General	Revenues an	d Tra	nsfers						2,495,421
	CHANGE IN	NET POSIT	ΓΙΟΝ	1						713,159
	NET POSIT	ION - BEGIN	ININ	G OF YEAR						10,370,741
	NET POSIT	ION - END O	F Y	EAR					\$	11,083,900
See accompanying notes.									*	

CITY OF FOLEY, MINNESOTA BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2020

		eneral Fund	Fire	Service Fund		EDA Fund		2008 Improvement Bond Fund	Im	2018 Capita
ASSETS									_	
Cash, Cash Equivalents, and Investments Property Taxes Receivable	\$	2,856,084 11,987	\$	367,735 1,560	\$	65,585	\$	645,229 5,341	\$	197,2
Assessments Receivable		147,545		-		-		206,410		341,4
Accounts Receivable		13,843		27,200				-		71,6
Prepaids		41,254		16,140		-		-		,-
Loans Receivable		-		-		171,593		-		
Advances to Other Funds		160,000					_	243,000	_	845,0
TOTAL ASSETS	\$	3,230,713	\$	412,635	\$	237,178	\$	1,099,980	<u>\$</u>	1,455,3
LIABILITIES										
Accounts Payable	\$	21,921	\$	1,131	\$		\$		ф	
Salaries Payable	•	12,773	Ψ	22,845	Ψ	-	Ф	-	\$	
Payroll Deductions and Employer Contributions		2,003		1,749		_		-		
Deposits Payable		5,000				_		-		
Advances from Other Funds		_		160,000		_		<u>-</u>		
Total Liabilities		41,697		185,725		-	_	_	_	
DEFERRED INFLOWS OF RESOURCES										
Unavailable Revenue:										
Property Taxes		5,827		795		_		2,924		
Special Assessments		147,439		-		_		205,281		330,5
Loans Receivable				_		171,593		203,201		330,3
Total Deferred Inflows of Resources		153,266		795		171,593	-	208,205		330,5
FUND BALANCES										,
Nonspendable		201,254		16,140				242.000		0.45.0
Restricted		=01,201		10,140		-		243,000		845,0
Assigned		537,307		209,975		65,585		648,775		270.7
Unassigned		2,297,189		200,070		05,565		-		279,7
Total Fund Balances		3,035,750		226,115		65,585		891,775	_	1,124,7
TOTAL LIABILITIES, DEFERRED INFLOWS										
OF RESOURCES, AND FUND BALANCES	\$	3,230,713	\$	412,635	\$	237,178	\$	1,099,980	\$	1,455,3

See accompanying notes.

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

Total Fund Balances - Governmental Funds		\$	6,834,397
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not current financial resources			
and, therefore, are not reported as assets in governmental funds:		-	
Capital Assets	\$ 15,608,352		
Accumulated Depreciation	(6,407,004)		
Capital Assets (Net)	(0,407,004)		
1.7-1.1.1.2.5.5.0 (1.10)			9,201,348
Long-term liabilities are not due and payable in the current period and, therefore,			
are not reported as liabilities in the governmental funds:			
Bond Principal Payable	(5 201 000)		
Bond Premium, Net of Accumulated Amortization	(5,391,000)		
Accrued Vacation	(60,066)		
Accrued Severance	(34,274)		
	(29,589)		
The net pension asset/liability and related deferred outflows/inflows represent			(5,514,929)
the allocation of the pension obligations of the statewide plans to the City.			
Such balances are not reported in the governmental funds:			
Net Pension Asset			
Net Pension Liability	238,818		
Deferred Outflows - Pensions	(542,026)		
Deferred Inflows - Pensions Deferred Inflows - Pensions	233,426		
Deferred innows - Pensions	(269,048)		
Intercet would be a second of the second of			(338,830)
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:			
Balance Sneet:			(47,562)
Other land terms and the state of the state			,
Other long-term assets are not available to pay for current-period expenditures			
and, therefore, are reported as unavailable in the governmental funds:			
Property Taxes Receivable	10,521		
Special Assessments Receivable	756,012		
Loans Receivable	182,943		
			949,476
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		\$	11,083,900

CITY OF FOLEY, MINNESOTA STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

DEVENTUR	Ger	neral Fund	Fire	Service Fund	EDA	\ Fund	Impr	2008 rovement nd Fund	2018 Capital Improvement Fund
REVENUES									
Property Taxes	\$	618,963	\$	86,815	\$	_	\$	190,827	\$ -
Tax Increment		-		-			,		Ψ -
Franchise Taxes		7,777		-		_		_	-
Special Assessments		4,941		-		-		41,460	68,007
Licenses, Permits, and Fees		44,638		-		-		-	08,007
Intergovernmental		1,076,263		197,811		_		_	90.020
Charges for Services		63,592		230,751		_		_	80,930
Fines		11,540		· -		-			-
Investment Income (Loss)		47,193		(1,024)		79		671	- 2 222
Loan Collections		-		-		24,444		0/1	2,283
Miscellaneous		33,489		3,370		21,111		-	-
TOTAL REVENUES		1,908,396		517,723		24,523		232,958	151,220
EXPENDITURES									,
Current:									
General Government		613,401		_					
Public Safety		443,293		196,359		-		-	-
Public Works		207,751		150,559		-			-
Parks and Recreation		56,421		_		-		-	-
Economic Development		-		-		-		-	-
Capital Outlay		118,980		952,964		-		-	-
Debt Service:		110,500		932,904				-	101,401
Principal		_							
Interest and Other Charges		-		-		-		285,000	~
TOTAL EXPENDITURES		1 420 046						46,188	71,942
TO THE EMPITURES		1,439,846		1,149,323				331,188	173,343

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, 2020

	General Fund	Fire Service Fund	EDA Fund	2008 Improvement Bond Fund	2018 Capital Improvement Fund
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 468,550	\$ (631,600)	\$ 24,523	\$ (98,230)	
OTHER FINANCING SOURCES (USES)					
Sale of Assets	2,750	14,000	_	_	_
Bond Issuance	-	-	-	2,281,000	_
Bond Refunding Payment	-	-	-	(2,260,000)	_
Transfers In	-	_	-	402,306	_
Transfers Out	(250,000)		-	-	_
TOTAL OTHER FINANCING					
SOURCES (USES)	(247,250)	14,000		423,306	
NET CHANGE IN FUND BALANCES	221,300	(617,600)	24,523	325,076	(22,123
FUND BALANCES - BEGINNING	2,814,450	843,715	41,062	566,699	1,146,915
FUND BALANCES - ENDING	\$ 3,035,750	\$ 226,115	\$ 65,585	\$ 891,775	\$ 1,124,792

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, 2020

Net Change in Fund Balances - Total Governmental Funds			\$ (135,183)
Amounts reported for governmental activities in the Statement of Activities are different due to the following:			(, ,,
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense: Capital Outlay Capitalized			
Depreciation Expense	\$	1,119,835 (547,317)	
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of provides the consumer to the effect of the effect			572,518
whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long-term debt and related items:			
Bond Principal Repayments Bond Issuance Bond Refunding Payments Amortization of Bond Premium		440,000 (2,281,000) 2,260,000 9,039	
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:			428,039
Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period: Property Taxes			19,714
Special Assessments Loans Receivable		(2,367) (114,350) (23,491)	
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 the governmental funds: Accrued Vacation	ť		(140,208)
Accrued Severance		(3,177) 3,037	
Net pension liability and asset do not represent the impending use of current resources. Therefore, the change in this liability and asset and related deferrals are not reported in the governmental funds:			(140) (31,581)
IANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		•	 713,159

CITY OF FOLEY, MINNESOTA STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2020

	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets			
Cash, Cash Equivalents and Investments	\$ 2,170,625	\$ 2,583,976	\$ 4,754,601
Assessments Receivable	4,588	5,933	10,521
Accounts Receivable	152,234	153,553	305,787
Prepaids	6,273	8,550	14,823
Total Current Assets	2,333,720	2,752,012	5,085,732
Noncurrent Assets			
Assessments Receivable	29,067	20,390	49,457
Capital Assets Not Being Depreciated	38,262	3,000	41,262
Capital Assets Being Depreciated (Net)	2,134,879	2,415,194	4,550,073
Total Noncurrent Assets	2,202,208	2,438,584	4,640,792
TOTAL ASSETS	4,535,928	5,190,596	9,726,524
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	7,524	8,052	15,576
LIABILITIES			
Current Liabilities			
Accounts Payable	2,813	15,035	17,848
Salaries Payable	412	4,628	5,040
Payroll Deductions and			,
Employer Contributions	62	701	763
Accrued Vacation	5,784	5,784	11,568
Total Current Liabilities	9,071	26,148	35,219
Noncurrent Liabilities			
Accrued Severance	19,195	19,195	38,390
Advances from Other Funds	651,877	631,877	1,283,754
Net Pension Liability	63,731	68,403	132,134
Total Noncurrent Liabilities	734,803	719,475	1,454,278
TOTAL LIABILITIES	743,874	745,623	1,489,497
DEFERRED INFLOWS OF RESOURCES			
Pensions	2,549	2,736	5,285
NET POSITION			
Net Investment in Capital Assets	2,173,141	2,418,194	4,591,335
Unrestricted	1,623,888	2,032,095	3,655,983
TOTAL NET POSITION	\$ 3,797,029	\$ 4,450,289	\$ 8,247,318

CITY OF FOLEY, MINNESOTA STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

	Water Fund	Sewer Fund		Totals
OPERATING REVENUES				
Charges for Services	\$ 533,880	\$ 561,072	\$	1,094,952
OPERATING EXPENSES				
Wages and Benefits	94,991	106 020		201.010
Materials and Supplies	48,347	106,028		201,019
Repairs and Maintenance	45,945	20,479		68,826
Professional Services	5,653	24,116		70,061
Water and Wastewater Analysis	1,540	8,235		13,888
Insurance	8,254	5,945		7,485
Utilities	•	11,756		20,010
Miscellaneous	21,500 6,095	9,307		30,807
Depreciation	105,481	123,823		129,918
TOTAL OPERATING EXPENSES	 	 129,812		235,293
TOTAL OF EXALING EXPENSES	 337,806	 439,501		777,307
NET OPERATING INCOME	196,074	121,571		317,645
NONOPERATING INCOME				
Special Assessments	9,221	12 200		
Investment Income	12,208	13,388		22,609
TOTAL NONOPERATING INCOME		 961		13,169
TO THE HOROTERATING INCOME	 21,429	 14,349	_	35,778
CHANGE IN NET POSITION PRIOR TO TRANSFERS	217,503	135,920		353,423
TRANSFERS				
Operating Transfers Out	 	 (164,000)		(164,000)
CHANGE IN NET POSITION	217,503	(28,080)		189,423
NET POSITION - BEGINNING OF YEAR	 3,579,526	 4,478,369		8,057,895
NET POSITION - END OF YEAR	\$ 3,797,029	\$ 4,450,289	\$	8,247,318

CITY OF FOLEY, MINNESOTA STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

CASH EV ONES ED OAS OAD	 Water Fund	 Sewer Fund		Totals
CASH FLOWS FROM OPERATING ACTIVITIES Cash Received from Customers Cash Paid to Suppliers Cash Paid to Employees NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 522,675 (136,309) (106,949)	\$ (198,603) (109,647)	\$	1,077,371 (334,912) (216,596)
	279,417	246,446		525,863
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Special Assessments Payments on Interfund Advances NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	 5,289 (68,000) (62,711)	 10,887 (98,000) (87,113)	-	16,176 (166,000) (149,824)
CASH FLOWS FROM INVESTING ACTIVITIES Investment Income	 12,208	 961		13,169
Net Change in Cash, Cash Equivalents, and Investments	228,914	160,294		389,208
Cash, Cash Equivalents, and Investments - Beginning of Year	 1,941,711	2,423,682		4,365,393
Cash, Cash Equivalents, and Investments - End of Year	\$ 2,170,625	\$ 2,583,976	\$	4,754,601

CITY OF FOLEY, MINNESOTA STATEMENT OF CASH FLOWS (CONTINUED) PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

RECONCILIATION OF NET OPERATING INCOME TO		Water Fund	Sewer Fund	Totals
NET CASH PROVIDED BY OPERATING ACTIVITI Net Operating Income Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	ES \$	196,074	\$ 121,571 \$	317,645
Depreciation Expense Changes in Assets, Liabilities, and Deferrals:		105,481	129,812	235,293
Accounts Receivable Prepaids Accounts Payable Salaries Payable Payroll Deductions and Employer Contributions Net Pension Liability Deferred Outflows of Resources - Pensions Deferred Inflows of Resources - Pensions Accrued Vacation Accrued Severance		(11,205) (1,167) 2,192 (2,705) (398) 9,387 (1,601) (7,788) (2,298) (6,555)	(6,376) (1,087) 6,145 1,881 297 12,539 (1,593) (7,890) (2,298) (6,555)	(17,581) (2,254) 8,337 (824) (101) 21,926 (3,194) (15,678) (4,596) (13,110)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$</u>	279,417 \$	246,446 \$	525,863

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (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 expenditures.

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 a capital project fund 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).

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, liabilities and deferred outflows/inflows 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 cash, cash equivalents, and 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.

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.

Loans Receivable

Loans Receivable consists of two loans made to local entities. The first note was made in 2015, has a remaining balance of \$11,350 at December 31, 2020, 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 \$171,593 at December 31, 2020, and is payable in annual installments of \$24,444 through March 2028.

Prepaids

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Infrastructure	20 years 25 years
Buildings and Structures Distribution System Lagoons	20-50 years 40-50 years
Machinery and Equipment	60 years 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 1,240 hours. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 or fund balance 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 loans 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 Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (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, 2020 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. The City had no committed fund balances at December 31, 2020.

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.

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 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) Capital Outlav

Debt Service

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.

1.G. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation in the City's Management's Discussion and Analysis. Such reclassifications have no impact on the change in net position.

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, 2020, 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, 2020, the City has the following deposits:

Cash in Checking and Savings Accounts Money Market Savings Accounts	\$ 396,889 7,506,508
Total Carrying Amount of Deposits Balance	\$ 7,903,397

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

2.A. CASH, CASH EQUIVALENTS AND INVESTMENTS (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, 2020 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	\$	38,300	1.68
U.S. Government Mortgage Securities	N/A	N/A	N/A		1,248,446	54.95
U.S. Government Securities	N/A	N/A	N/A		985,306	43.37
Total Investments				\$	2,272,052	100.00

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

- <u>Credit risk</u> 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.
- <u>Custodial credit risk</u> 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, 2020, 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).
- <u>Concentration of credit risk</u> 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.
- <u>Interest rate risk</u> 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.

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

2.A. CASH, CASH EQUIVALENTS AND INVESTMENTS (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, 2020:

• U.S. Government securities of \$985,306, U.S. Government mortgage securities of \$1,248,446, and money market funds of \$38,300 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 Investments	\$ 7,903,397 2,272,052
Total Cash, Cash Equivalents and Investments	\$ 10,175,449
A reconciliation of cash, cash equivalents and investments are as follows:	
Governmental Funds	
Cash and Cash Equivalents	\$ 4,007,358
Investments	1,413,490
Proprietary Funds	5,420,848
Cash and Cash Equivalents	3,896,039
Investments	858,562
	4,754,601
Total Cash, Cash Equivalents and Investments	\$ 10,175,449

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

2.B. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 is as follows:

Balan 01/01	1/20	Additions		Disposals		Balance at 12/31/20
Governmental Activities:				- 100 0000		12/31/20
Capital Assets not Being						
Depreciated						
Land \$	326,323	\$ -	\$	-	\$	326,323
Capital Assets Being						
Depreciated						
Buildings 2.4	414,125	6,404				0.400
T 0 .	740,539	33,388		-		2,420,529
	478,330	61,945		15 000		8,773,927
	892,723	355,036		15,000		525,275
	737,628	663,062		16,944 69,207		1,230,815
Total Capital Assets Being	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	 003,002	-	09,207		2,331,483
D	263,345	1,119,835		101,151		15,282,029
Less: Accumulated Depreciation						
Th. 11.11	249,832	60.370				
T. C.	578,843	60,379		-		1,310,211
T	341,698	333,543		15.000		3,012,386
	145,788	11,119		15,000		337,817
	244,677	42,530 99,746		16,944		471,374
Total Accumulated	777,077	 99,740		69,207		1,275,216
	60,838	547,317		101,151		6,407,004
T + 10 + 1 + 5 +						_
Total Capital Assets Being						
Depreciated, Net 8,3	02,507	 572,518		_		8,875,025
Capital Assets, Net \$ 8,6	28,830	\$ 572,518	\$	_	\$	0.201.249
			<u>Ψ</u>		Ψ	9,201,348
Depreciation is charged to governmental activities as follows:	ows:					
General Government		\$ 37,519				
Pool		13,566				
Parks and Recreation		17,022				
Police		11,782				
Public Works		377,553				
Fire		89,875				
Total Depreciation Expense	- - -	\$ 547,317				

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

2.B. CAPITAL ASSETS (Continued)

	-	Balance at 01/01/20		Additions		Disposals		Balance at 12/31/20
Business-Type Activities:								
Capital Assets not Being								
Depreciated Land	\$	41,262	\$		\$		\$	41,262
Land	Φ	41,202	Ф	-	Φ	-	Φ	41,202
Capital Assets Being								
Depreciated								
Buildings		203,773		-				203,773
Infrastructure		5,739,992		_		-		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		8,816,678		-		-		8,816,678
Less: Accumulated Depreciation								
Buildings		163,051		4,100		-		167,151
Infrastructure		2,135,399		162,373		-		2,297,772
Lagoons		1,086,853		31,970		-		1,118,823
Improvements		12,334				-		12,334
Lift Stations		156,700		7,047		-		163,747
Equipment		340,475		11,803		-		352,278
Vehicles		136,500		18,000				154,500
Total Accumulated								
Depreciation		4,031,312		235,293		-		4,266,605
Total Capital Assets Being								
Depreciated, Net		4,785,366	_	(235,293)		-	_	4,550,073
Capital Assets, Net	\$	4,826,628	\$	(235,293)	\$	-	\$	4,591,335

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.

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, 2020, the long-term debt of the financial reporting entity, excluding the bond premium of \$60,066, 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. Bonds, 2015A	08/15	\$ 995,000	\$30,000-\$75,000	3.00-3.25%	02/31	\$ 770,000	
G.O. Improvement Bonds, 2018A G.O. Improvement	08/18	\$ 2,340,000	\$20,000-\$330,000	3.00-3.25%	02/34	2,340,000	
Refunding Bonds, 2020A	08/20	\$ 2,281,000	\$99,000-\$409,000	0.75-1.35%	02/28	2,281,000	
		Total Governmental Activities Bonds Payable Bonds Due Within One Year					
		Bonds Due Afte	r One Year			\$ 4,928,000	

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, 2020:

Type of Debt		Balance 01/01/20		Additions	_]	Deductions_	 Balance 12/31/20		mounts Due Within One Year
Governmental Activities: G.O. Bonds G.O. Crossover Refunding Bonds	\$	4,025,000 1,785,000	\$	-	\$	(915,000) (1,785,000)	\$ 3,110,000	\$	90,000
G.O. Refunding Bonds Unamortized Bond Premium Accrued Severance		69,105 32,626		2,281,000		(9,039)	2,281,000 60,066		373,000
Total	<u>\$</u>	5,911,731	<u>\$</u>	7,803 2,288,803	\$	(10,840)	\$ 29,589 5,480,655	<u>\$</u>	463,000
Business-Type Activities: Accrued Severance	\$	51,500	<u>\$</u>	8,573	\$	(21,683)	\$ 38,390	\$	_

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.

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

2.D. NONCURRENT LIABILITIES (Continued)

Annual Debt Service Requirements

At December 31, 2020, the estimated annual debt service requirements to maturity, including principal and interest, and excluding accrued severance and net pension liability, are as follows:

	Governmen	tal Ac	tivities				
Years Ending	 G.O. Bonds						
December 31,	 Principal Interest				Total		
2021	\$ 463,000	\$	112,872	\$	575,872		
2022	485,000		108,355		593,355		
2023	489,000		102,335		591,335		
2024	489,000		95,844		584,844		
2025	504,000		89,231		593,231		
2026-2030	1,961,000		299,188		2,260,188		
2031-2034	 1,000,000		54,644		1,054,644		
Totals	\$ 5,391,000	\$	862,469	\$	6,253,469		

Interest expense totals \$139,440 in the Statement of Activities (included in Debt Service line). Interest expenditures total \$159,154 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, 2020:

					Trans	fers	In	
]	Major Fund		Nonmaj	or F	unds	
	Transfers	200	8 Improvement		Street		Equipment	
Major Funds	 Out		Bond Fund	I	Projects Fund		Fund	 Total
General	\$ 250,000	\$	-	\$	50,000	\$	200,000	\$ 250,000
Sewer	164,000		164,000		-		-	164,000
Nonmajor Funds								
Equipment Fund	45,000		-		45,000		-	45,000
2011 Improvement Bond	 238,306		238,306		_			 238,306
	\$ 697,306	\$	402,306	\$	95,000	\$	200,000	\$ 697,306

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.

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

2.E. INTERFUND TRANSACTIONS AND BALANCES (Continued)

The interfund balances at December 31, 2020 are as follows:

Long-Term Ba			
Advance From Fund	Advance to Fund		
2008 Improvement Bond Fund 2015 Improvement Bond Fund 2018 Capital Improvement Fund 2008 Improvement Bond Fund 2015 Improvement Bond Fund 2018 Capital Improvement Fund General Fund	Water Fund Water Fund Water Fund Sewer Fund Sewer Fund Sewer Fund Fire Service Fund	\$ 60,000 97,877 494,000 183,000 97,877 351,000 160,000	Long-term interfund loan
Total Long-Term Interfund Balance		1,443,754	
Government Fund Elimination		(160,000)
Government-wide Internal Balances		\$ 1,283,754	

It is the City's intent to remit \$20,000 per year from the Water Fund and \$61,000 per year from the Sewer Fund to the 2008 Improvement Bond Fund, as well as \$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. Also, the City intends to remit \$40,000 each year for four years to the Fire Service Fund from the General Fund (via the expendable trust).

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

2.F. FUND EQUITY

At December 31, 2020, governmental fund equity consists of the following:

Assigned Unassigned Total General Fund Balance Fire Service Fund Nonspendable - Prepaids Assigned Total Fire Service Fund Balance 16 2,29 \$ 3,03	1,254 0,000 7,307 7,189 5,750 5,140 0,975 5,115
Nonspendable - Advances to Other Funds Assigned Unassigned Total General Fund Balance Fire Service Fund Nonspendable - Prepaids Assigned Total Fire Service Fund Balance 16 2,29 \$ 3,03	0,000 7,307 7,189 5,750 6,140 0,975
Assigned Unassigned Total General Fund Balance Fire Service Fund Nonspendable - Prepaids Assigned Total Fire Service Fund Balance Total Fire Service Fund Balance	0,000 7,307 7,189 5,750 6,140 0,975
Unassigned Total General Fund Balance Fire Service Fund Nonspendable - Prepaids Assigned Total Fire Service Fund Balance 53 \$ 3,035 \$ 16 209	7,307 7,189 5,750 6,140 0,975
Total General Fund Balance 2,29 \$ 3,03 Fire Service Fund Nonspendable - Prepaids Assigned Total Fire Service Fund Balance \$ 16	7,189 5,750 6,140 9,975
Fire Service Fund Nonspendable - Prepaids Assigned Total Fire Service Fund Balance \$ 3,03: \$ 16	5,750 5,140 9,975
Fire Service Fund Nonspendable - Prepaids Assigned Total Fire Service Fund Balance \$ 16	5,140 9,975
Assigned \$ 16 Total Fire Service Fund Balance	,975
Assigned \$ 16 Total Fire Service Fund Balance	,975
- Tand Datamor	
\$ 226	<u>,115</u>
	
EDA Fund	
Assigned	
2008 Improvement Bond Fund	,585
Nonspendable Advisor of the	
Nonspendable - Advances to Other Funds Restricted \$ 243.	000
resulter	
Total 2008 Improvement Bond Fund	
2018 Capital Improvement Fund	773
Nonspendable - Advances to Other Funds	
Assigned \$ 845,	000
Total 2018 Capital Improvement Fund Balance	792
$\Phi_{}$ 1,124,	792
Nonmajor Governmental Funds	
Nonspendable - Prepaids	
1 Tayanoes to Other runds	729
Restricted for 2015 Improvement Bond Fund	
Restricted for TIF District 1-8	
Restricted for TIF District 1-9	
Restricted for Revolving Loan Fund	
Restricted for Small Cities Development Grant Fund	39
Assigned for Swimming Pool Fund	57
Assigned for Equipment Fund 466,6	95
Assigned for Street Projects Fund 364,1	55
Total Nonmajor Governmental Funds Balance	<u>04</u>
\$ 1,490,33	80

NOTE 3 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

The General Employees Retirement Plan covers certain full time and part-time employees of the City of Foley. 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 members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 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. 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. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Benefit increases are provided to benefit recipients each January. 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. 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 2020 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, 2020 were \$33,692. 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 11.3 percent of their annual covered salary to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020 were \$51,273. 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, 2020, the City reported a liability of \$365,723 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$11,299. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0061 percent at the end of the measurement period and 0.0059 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$365,723
State of Minnesota's proportionate share of the net pension liability associated with the City	11,299
Total	<u>\$377,022</u>

For the year ended December 31, 2020, the City recognized pension expense of \$35,242 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$983 as grant revenue for its proportionate share of the State of Minnesota's pension expense of the annual \$16 million contribution.

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

At December 31, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Difference D	ed Outflows of esources	Deferred Inflows of Resources		
Differences Between Expected and Actual Economic Experience Change in Actuarial Assumptions Difference Between Projected	\$ 3,223	\$	1,384 13,242	
and Actual Investment Earnings Changes in Proportionate Share Contributions Paid to PERA Subsequent	8,314 14,259		-	
to the Measurement Date	 17,058		-	
Total City Deferred Outflows/Inflows	\$ 42,854	\$	14,626	

The \$17,058 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, 2021. 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,	Pens	ion Expense
2021	\$	
2022	\$	(11,512)
2023	\$ \$	4,147
2024		9,700
2021	\$	8,835

Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$308,437 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0234 percent at the end of the measurement period and 0.0207 percent for the beginning of the period.

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

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$58,114 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$2,240 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$2,106 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's onbehalf contribution to the Police and Fire Fund.

City's proportionate share of the net pension liability	\$308,437
State of Minnesota's proportionate share of the net pension	
liability associated with the City	7,281
Total	\$315,718

At December 31, 2020, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences Between Expected	-			
and Actual Economic Experience	\$	12,301	\$	11,893
Change in Actuarial Assumptions		83,928		142,397
Difference Between Projected		,		, , , ,
and Actual Investment Earnings		18,231		
Changes in Proportionate Share		50,281		28,177
Contributions Paid to PERA Subsequent				20,177
to the Measurement Date		26,540		
Total City Deferred Outflows/Inflows	\$	191,281	\$	182,467

The \$26,540 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, 2021. 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,	Pens	ion Expense
2021	\$	(6,659)
2022	\$	(60,486)
2023	\$	26,590
2024	\$	17,822
2025	\$	5,007

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2020 was \$93,355.

Actuarial Assumptions

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

Assumptions	General Employees Fund	Police and Fire Fund
Inflation Active Member Payroll Growth Investment Rate of Return	2.25 percent per year3.00 percent per year7.50 percent	2.50 percent per year 3.25 percent per year 7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire Plan 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. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0 percent per year as set by State Statute.

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

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

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

• There have been no changes since the prior valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	100%	0.0070

Discount Rate

The discount rate used to measure the total pension liability in 2020 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.

NOTE 3 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:

	Sensit	ivity Ar	alysis			
Net Pen	sion Liability	at Diff	erent Discount	Rates		
	General 1	Employ	ees Fund	Police	and Fire	e Fund
1% Increase in Discount Rate	8.50%	\$	183,907	8.50%	\$	55,009
Current Discount Rate	7.50%	\$	365,723	7.50%	\$	308,437
1% Decrease in Discount Rate	6.50%	\$	586,127	6.50%	\$	614,759

Pension Plan Fiduciary Net Position

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

NOTE 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, 2020 total \$7,500.

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

Pension Costs

At December 31, 2020, the City of Foley reported a net pension asset of \$238,818 for the Fire Relief Association's plan. The net pension asset was measured as of December 31, 2019, as determined by an actuarial valuation as of January 1, 2019.

For the year ended December 31, 2020, the City recognized pension expense of \$50,644 for the Association. The City also recognized \$53,830 for the year ended December 31, 2020, 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:

Reginning Delega 1/1/10	tal Pension iability	n Fiduciary et Position	et Pension pility (Asset)
Beginning Balance 1/1/19	\$ 700,239	\$ 917,635	\$ (217,396)
Service Cost Interest Cost Plan Changes Projected Investment Return Contributions (Employer) Contributions (State) Asset (Gain)/Loss Administrative Fee Net Changes	33,593 36,692 90,525 - - - - 160,810	 47,333 10,987 53,830 76,863 (6,781) 182,232	 33,593 36,692 90,525 (47,333) (10,987) (53,830) (76,863) 6,781 (21,422)
Balance End of Year 12/31/19	\$ 861,049	\$ 1,099,867	\$ (238,818)

At December 31, 2020, the City of Foley reported deferred outflows of resources and inflows of resources related to the pension from the following sources:

Differences Between Expected	ed Outflows of esources	_	d Inflows of sources
and Actual Economic Experience Changes in Actuarial Assumptions Difference Between Projected	\$ - 7,367	\$	42,346 4,308
and Actual Investment Earnings Contributions Paid to PERA Subsequent	-		30,586
to the Measurement Date	 7,500		
Total City Deferred Outflows/Inflows	\$ 14,867	\$	77,240

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, 2021. 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,	Pensio	on Expense
2021 2022 2023 2024 2025 2026 - 2029	\$ \$ \$ \$ \$ \$	(10,518) (15,306) (3,592) (20,107) (4,734) (15,616)

Actuarial Assumptions

The net pension asset at December 31, 2019, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

The following changes in plan provisions occurred in 2019:

- A benefit increase from \$3,700 to \$4,100 was reflected in the active liability.
- The vesting schedule was updated to reflect the table in the current plan bylaws.

Pension Asset 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:

Net Pension Asset	1% Decrease in <u>Discount Rate (4.00%)</u> \$ (217,190)	Discount Rate (5.00%) \$ (238,818)	1% Increase in Discount Rate (6.00%) \$ (259,453)
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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:

Asset Class Cash Fixed Income Equities Other	Portfolio Weight 7% 54% 38% 1%	Long-Term Expected Real Rate of Return 2.25% 3.80% 7.30%
	170	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 2020.

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

Claims and Judgements

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.

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.

NOTE 5 OTHER NOTES (Continued)

5.B. TAX INCREMENT FINANCING DISTRICTS

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

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

Name of District: Business Name: Purpose: Authorizing Law: Year Established: Duration of District:	Housing District #1-8 Prairie Cottages Assisted Living Project Housing MN Statutes Sections 469.174 2012 25 Years	
Original Base Net Tax Capacity:	\$	2 200
Current Net Tax Capacity:	\$	3,200 4,965
Captured Net Tax Capacity: Retained by City Shared with Other Taxing Districts Taxes Abated in 2020:	\$ \$ \$	1,765
Name of District: Business Name: Purpose: Authorizing Law: Year Established: Duration of District:	Economic Development District #1-9 Silt Sock, Inc. Economic Development MN Statutes Sections 469.174, Subd. 12 2018 20 Years	
Original Base Net Tax Capacity: Current Net Tax Capacity:	\$\$	5,331 43,587
Captured Net Tax Capacity: Retained by City Shared with Other Taxing Districts Taxes Abated in 2020:	<u>\$</u> <u>\$</u> \$	38,257

5.C. COMMITMENTS

The City entered into several contracts during the year for the purchase of equipment and construction. Remaining commitments under these contracts at December 31, 2020 total \$420,796.

NOTE 5 OTHER NOTES (Continued)

5.D. OTHER EMPLOYEE BENEFITS

The City provides eligible employees future retirement benefits through a voluntary retirement savings plan (the Plan) authorized under Section 457 of the internal revenue code. The City has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The City Council acts as the plan administrator, but the City is not involved with the investment decisions for plan assets. Eligible employees of the City may begin participating in the Plan commencing on the date of their employment by electing to have a percentage of their pay contributed to the Plan. The City does not make any contributions to the Plan.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOLEY, MINNESOTA BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2020

	_	Budget Amounts - Original and Final		Actual Amounts Budgetary Basis	V	ariance with Budget Over (Under)
REVENUES						
Taxes						
Property Taxes	\$	614.002	Ф	640.044		
Franchise Taxes	Ф	614,883	\$	618,963	\$	4,080
Total Taxes		9,000	_	7,777		(1,223)
		623,883		626,740		2,857
Special Assessments		4,000		4,941		941
Licenses and Permits		25,800		44,638		18,838
Intergovernmental Revenue Federal Revenue						
Coronavirus Relief Funds		_		205,830		205.020
State Revenue				203,630		205,830
Local Government Aid		813,492		814,953		1 461
Market Value Credit		,		218		1,461
Police and Fire Aid		25,000		25,203		218
County Revenue				23,203		203
Highways		6,360		5,471		(000)
Other County Grants and Aids		12,000		18,664		(889)
Local Revenue		7		10,004		6,664
Other Local Grants		_		5,924		5.024
Total Intergovernmental Revenue		856,852		1,076,263		5,924 219,411
Charges for Services						
General Government		2,100		2 (71		
Police and Fire Contracts		26,000		3,671		1,571
Streets and Highways		20,000		56,396		30,396
Parks and Recreation		4,000		600		600
Total Charges for Services		32,100		2,925		(1,075)
		32,100		63,592		31,492
Fines and Forfeitures		15,500		11,540		(3,960)
Miscellaneous Revenue						
Investment Earnings		2,000		47.102		
Refunds and Reimbursements		6,000		47,193		45,193
Contributions and Donations		3,000		13,724		7,724
Other Miscellaneous		6,100		6,575		3,575
Total Miscellaneous Revenue				13,190		7,090
	-	17,100		80,682		63,582
OTAL REVENUES		1,575,235		1,908,396		333,161

CITY OF FOLEY, MINNESOTA BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2020

		Budget Amounts - Original and Final		Actual Amounts Budgetary Basis		Variance with Budget Over (Under)
EXPENDITURES						
General Government						
Mayor and Council	\$	13,800	\$	0.053	•	(
Administration and Finance	Ψ	112,850	Φ	9,053 113,661	\$	(4,747)
Other General Government		446,650		*		811
Capital Outlay		11,000		490,687 85,767		44,037
Total General Government		584,300		699,168		74,767 114,868
Public Safety						•
Police						
Current						
Other Public Safety		448,000		421,353		(26,647)
Current		1= 400				
Total Public Safety		17,400		21,940		4,540
Total I ubile Safety		465,400		443,293		(22,107)
Public Works						
Street Maintenance and Storm Sewers		160 610		4.5.4.5.4		
Snow and Ice Removal		162,610		156,172		(6,438)
Total Public Works		69,000		51,579		(17,421)
Town I don't will have		231,610		207,751		(23,859)
Culture and Recreation						
Parks and Recreation						
Current		38,925		56 401		
Capital Outlay		5,000		56,421		17,496
Total Culture and Recreation				33,213		28,213
The state of the s	-	43,925		89,634		45,709
TOTAL EXPENDITURES		1,325,235		1,439,846		114 611
				1,432,040		114,611
EXCESS OF REVENUES		ŕ				
OVER EXPENDITURES		250,000		468,550		218,550
OTHER FINANCING SOURCES (USES)						
Sale of Assets				2.550		
Transfers Out		(250,000)		2,750		2,750
TOTAL OTHER FINANCING SOURCES (USES)				(250,000)		-
of the control of the		(250,000)		(247,250)	-	2,750
NET CHANGE IN FUND BALANCE	\$	_		221,300	\$	221,300
ELINID DALLANCE DECENSOR		-				
FUND BALANCE - BEGINNING				2,814,450		
FUND BALANCE - ENDING			ф			
ELIDING			<u>\$</u>	3,035,750		

CITY OF FOLEY, MINNESOTA BUDGETARY COMPARISON SCHEDULE – FIRE SERVICE FUND FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget Amounts - Original and Final			Actual Amounts sudgetary Basis	Variance with Budget Over (Under)	
REVENUES						
Taxes						
Property Taxes	\$	86,500	\$	86,815	\$	315
Intergovernmental Revenue						
Federal Revenue						
Other Federal Grants		_		135,571		135,571
State Revenue				200,0.2		100,071
Police and Fire Aid		-		57,240		57,240
Local Revenue				,		07,210
Other Local Grants		3,000		5,000		2,000
Total Intergovernmental Revenue	-	3,000		197,811		194,811
Charges for Services						
Police and Fire Contracts		194,000		230,751		36,751
Miscellaneous Revenue						
Investment Earnings (Loss)		500		(1,024)		(1,524)
Contributions and Donations		-		3,370		3,370
Total Miscellaneous Revenue		500		2,346		1,846
					-	1,010
TOTAL REVENUES		284,000		517,723		233,723
EXPENDITURES						
Public Safety						
Fire						
Current		234,000		196,359		(37,641)
Capital Outlay		50,000		952,964		902,964
Total Public Safety		284,000		1,149,323		865,323
DEFICIENCY OF REVENUES						
UNDER EXPENDITURES		-		(631,600)		(631,600)
OTHER FINANCING SOURCES						
Sale of Assets		_		14,000		14,000
NET CHANGE IN FUND BALANCE	\$	-		(617,600)	\$	(617,600)
FUND BALANCE - BEGINNING				843,715		
FUND BALANCE - ENDING			\$	226,115		

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

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

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

For the Fiscal Year Ended December 31		Statutorily Required Contribution	F	Contributions in Relation to the Statutorily Required Contribution		Contribution Deficiency (Excess)	cy Covered		Contributions as a Percentage of Covered Payroll
General Employee	es Re	tirement Pensio	n Pla	ın					
2020	\$	33,692	\$	33,692	\$	_	\$	440 227	
2019	\$	31,952	\$	31,952	\$		\$	449,227	7.5%
2018	\$	30,382	\$	30,382	\$	-	\$	426,021	7.5%
2017	\$	28,579	\$	28,579	\$	-		405,096	7.5%
2016	\$	25,976	\$	25,976	\$	-	\$	381,053	7.5%
2015	\$	28,875	\$	28,875	\$	-	\$ \$	346,347	7.5%
		.,	*	20,075	Ψ	-	Ф	392,909	7.3%
Public Employees	Polic	e and Fire Pens	ion i	Plan					
2020	\$	51,273	\$	51,273	\$		ø	200 (70	
2019	\$	40,432	\$	40,432	\$	-	\$	289,678	17.7%
2018	\$	35,956	\$	35,956	\$	-	\$	238,536	17.0%
2017	\$	30,452	\$	30,452	\$	-	\$	221,951	16.2%
2016	\$	29,329	\$	29,329	\$	_	\$	187,975	16.2%
2015	\$	29,034	\$	29,034	.Ф \$	-	\$	181,043	16.2%
		->,001	Ψ	29,034	Ф	-	\$	179,221	16.2%
Volunteer Fire Rel	ief A	ssociation							
2020	\$	-	\$	7,500	\$	(7.500)		3.7/4	
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	ъ \$	(7,500)		N/A	N/A
2015	\$	_	\$	7,500	ъ \$	(7,500)		N/A	N/A
	•		Ψ	7,500	Ф	(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)

	Measurement Year Ended Decembe									
		2019		2018						
Changes in Total Pension Liability (TPL) Balance at January 1st	\$	700,239	\$	653,311	\$	517,148	\$			
Service Cost Interest on the TPL Assumption Changes Plan Changes Actuarial Experience (Gains)/Losses Benefit Payments		33,593 36,692 - 90,525		30,013 32,458 (5,265) - (10,278)		25,324 25,767 - 85,072				
Balance at December 31st	\$	861,049	\$	700,239	<u>\$</u>	653,311	\$			
Plan Fiduciary Net Position (PFNP) Balance at January 1st	\$	917,635	\$	896,855	\$	743,270	\$			
Fire State Aid Municipal Contributions Projected Investment Income Gain or Loss Total Additions		53,830 10,987 47,333 76,863 189,013		52,434 13,200 44,010 (82,574) 27,070		51,416 12,720 36,691 58,568 159,395				
Benefit Payments Administrative Expenses Total Reductions		(6,781) (6,781)		(6,290) (6,290)		(5,810) (5,810)				
Balance at December 31st	\$	1,099,867	\$	917,635	\$	896,855	\$			
Net Pension Asset - December 31st	\$	(238,818)	\$	(217,396)	\$	(243,544)	\$			
Plan Fiduciary Net Position as a Percentage of Total Pension Asset		128%		131%		137%				

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

NOTE 1 BUDGETARY COMPARISON SCHEDULE

	Budgeted		Actual
Fund	 xpenditures	Ex	penditures
General	\$ 1,325,235	\$	1,439,846
Fire Service	\$ 284,000	\$	1,149,323

The expenditures in excess of budget for the General Fund are primarily due to unbudgeted Coronavirus Relief Fund expenditures, which were fully paid for by the Coronavirus Relief Fund Federal Grants.

The expenditures in excess of budget for the Fire Service Fund are primarily due to purchasing a fire truck and gear for the fire department.

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

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December
 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020

2019 Changes

Changes in Actuarial Assumptions

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

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

2019 Changes (Continued)

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 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.

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.

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

2016 Changes (Continued)

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

• There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 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.

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

2018 Changes (Continued)

- 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.

Changes in Plan Provisions

• There have been no changes since the prior valuation.

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

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 90.00 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

2019 Changes

Changes in Actuarial Assumptions

• There have been no changes since the prior valuation.

Changes in Plan Provisions

- A benefit increase from \$3,700 to \$4,100 was reflected in the active liability.
- The vesting schedule was updated to reflect the table in the current plan bylaws.

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, 2020

	Total Nonmajor Debt Service Funds		Total Nonmajor Special Revenue Funds		Total Nonmajor Capital Project Funds		al Nonmajor vernmental Funds
ASSETS							
Cash, Cash Equivalents, and Investments	\$ 2	236,549	\$	686,173	\$	366,259	\$ 1,288,981
Property Taxes Receivable		615		1,276		-	1,891
Assessments Receivable		72,784				-	72,784
Prepaids		-		4,729		-	4,729
Loans Receivable		-		11,350		-	11,350
Advances to Other Funds		95,754		-			 195,754
TOTAL ASSETS	\$ 5	505,702	\$	703,528	\$	366,259	\$ 1,575,489
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue:							
Property Taxes	\$	317	\$	658	\$	-	\$ 975
Special Assessments		72,784		-		-	72,784
Loans Receivable		-		11,350		<u> </u>	 11,350
Total Deferred Inflows of Resources		73,101		12,008		-	85,109
FUND BALANCES							
Nonspendable		195,754		4,729		-	200,483
Restricted	2	236,847		220,096		-	456,943
Assigned		_		466,695		366,259	832,954
Total Fund Balances		132,601		691,520		366,259	 1,490,380
TOTAL DEFERRED INFLOWS OF							
RESOURCES AND FUND BALANCES	\$:	505,702	\$	703,528	\$	366,259	\$ 1,575,489

CITY OF FOLEY, MINNESOTA COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

	Total Nonmajor Debt Service Funds	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Property Taxes	\$ 111,347	\$ 69,757	\$ -	\$ 181,104
Tax Increment	61,513			61,513
Special Assessments	33,966	_		33,966
Investment Income	645	179	-	824
Loan Collections	-	2,207	_	2,207
Miscellaneous		7,385	1,500	8,885
TOTAL REVENUES	207,471	79,528	1,500	288,499
EXPENDITURES				
Current:				
Parks and Recreation		11.046	•	
Economic Development	43,426	11,046	-	11,046
Capital Outlay	43,420	- - 457	-	43,426
Debt Service:	-	6,457	98,391	104,848
Principal	155,000			
Interest and Other Charges	52,232	-	-	155,000
TOTAL EXPENDITURES		15.500		52,232
TOTAL EXIENDITURES	250,658	17,503	98,391	366,552
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	(43,187)	62,025	(96,891)	(78,053)
OTHER FINANCING SOURCES (USES) Transfers In				
Transfers Out	(020.204)	-	295,000	295,000
·	(238,306)		(45,000)	(283,306)
TOTAL OTHER FINANCING				
SOURCES (USES)	(238,306)		250,000	11,694
NET CHANGE IN FUND BALANCES	(281,493)	62,025	153,109	(66,359)
FUND BALANCES - BEGINNING	714,094	629,495	213,150	1,556,739
FUND BALANCES - ENDING	\$ 432,601	\$ 691,520	\$ 366,259	\$ 1,490,380

CITY OF FOLEY, MINNESOTA COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS DECEMBER 31, 2020

	2011 Improvement Bond Fund	2015 Improvement Bond Fund	TIF 1-8 Senior Prairie Cottages Fund	TIJ
ASSETS				
Cash, Cash Equivalents, and Investments	\$ -	\$ 199,463	\$ 13,271	\$
Property Taxes Receivable Assessments Receivable	-	615		
Advances to Other Funds	-	72,784		
Advances to Other rungs		195,754		
TOTAL ASSETS	\$	\$ 468,616	\$ 13,271	<u>\$</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Property Taxes	\$ -	\$ 317	\$ -	\$
Special Assessments		72,784	•	Ψ
Total Deferred Inflows of Resources		73,101		
FUND BALANCES				
Nonspendable	_	195,754	_	
Restricted	-	199,761	13,271	
Total Fund Balances	_	395,515		
TOTAL DEFERRED INFLOWS OF				
RESOURCES AND FUND BALANCES	\$	\$ 468,616	\$ 13,271	\$

CITY OF FOLEY, MINNESOTA COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALA' NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

REVENUES	20 Improv Bond		2015 Improveme Bond Fund		TIF 1-8 Senior Prairie Cottages Fund	So
Property Taxes Tax Increment	\$	77,248	\$ 34,	099	\$ -	\$
Special Assessments Investment Income		21,822	12,	- 144	3,788	
TOTAL REVENUES		408 99,478	46,	2 <u>37</u> 480	3,788	
EXPENDITURES Current:					ŕ	
Economic Development Debt Service:		-		-	990	
Principal Interest and Other Charges		85,000 26,857	70,0 25,3		-	
TOTAL EXPENDITURES		111,857	95,3		990	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		(12,379)	(48,8	395)	2,798	
OTHER FINANCING USES Transfers Out	(238,306)				
NET CHANGE IN FUND BALANCES	(2	250,685)	(48,8	395)	2,798	
FUND BALANCES - BEGINNING		250,685	444,4	110	10,473	
FUND BALANCES - ENDING	\$	_	\$ 395,5	515	\$ 13,271	<u>\$</u>

CITY OF FOLEY, MINNESOTA COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS DECEMBER 31, 2020

		•					
	Swimming Pool Fund		Revolving Loan Fund	Small Cities Development Grant Fund		Total Nonmajor Special Revenue	
ASSETS	Tunt		1 dild	- Grant Fund		Funds	
Cash, Cash Equivalents, and Investments Property Taxes Receivable Prepaids Loans Receivable	\$	466,077 1,276 4,729	\$ 79,839 - - 11,350	\$	140,257	\$	686,173 1,276 4,729 11,350
TOTAL ASSETS	\$	472,082	\$ 91,189	\$	140,257	\$	703,528
DEFERRED INFLOWS OF RESOURCES Unavailable Revenue:							
Property Taxes	\$	658	\$ -	\$	_	\$	658
Loans Receivable			11,350	•	-	Ψ	11,350
Total Deferred Inflows of Resources		658	11,350		-		12,008
FUND BALANCES							
Nonspendable		4,729	-		_		4,729
Restricted		-	79,839		140,257		220,096
Assigned		466,695	_				466,695
Total Fund Balances	_	471,424	79,839		140,257		691,520
TOTAL DEFERRED INFLOWS OF							
RESOURCES AND FUND BALANCES	\$	472,082	\$ 91,189	\$	140,257	<u>\$</u>	703,528

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, 2020

	Swimming Pool Fund	Revolving Loan Fund	Small Cities Development Grant Fund	Total Nonmajor Special Revenue Funds	
REVENUES			-		
Property Taxes	\$ 69,757	\$ -	\$ -	\$ 69,757	
Investment Income (Loss)	(203)	21	361	179	
Loan Collections	-	2,207	-	2,207	
Miscellaneous		-	7,385	7,385	
TOTAL REVENUES	69,554	2,228	7,746	79,528	
EXPENDITURES					
Current:					
Parks and Recreation	11,046	-	-	11,046	
Capital Outlay	6,457		-	6,457	
TOTAL EXPENDITURES	17,503	-	_	17,503	
NET CHANGE IN FUND BALANCES	52,051	2,228	7,746	62,025	
FUND BALANCES - BEGINNING	419,373	77,611	132,511	629,495	
FUND BALANCES - ENDING	\$ 471,424	\$ 79,839	\$ 140,257	\$ 691,520	

CITY OF FOLEY, MINNESOTA COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECT FUNDS DECEMBER 31, 2020

	Equipment Fund	Street Projects Fund	Total Nonmajor Capital Project Funds	
ASSETS Cash, Cash Equivalents, and Investments	\$ 364,155	\$ 2,104	\$ 366,259	
FUND BALANCES Assigned	\$ 364,155	\$ 2,104	\$ 366,259	

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, 2020

REVENUES	Equipment Fund	Street Projects Fund	Total Nonmajor Capital Project Funds	
Miscellaneous	\$ -	\$ 1,500	\$ 1,500	
EXPENDITURES				
Capital Outlay	65,003	33,388	98,391	
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(65,003	(31,888)	(96,891)	
OTHER FINANCING SOURCES (USES)				
Transfers In	200,000	95,000	295,000	
Transfers Out	(45,000	,	(45,000)	
TOTAL OTHER FINANCING SOURCES	155,000	95,000	250,000	
NET CHANGE IN FUND BALANCES	89,997	63,112	153,109	
FUND BALANCES- BEGINNING	274,158	(61,008)	213,150	
FUND BALANCES - ENDING	\$ 364,155	\$ 2,104	\$ 366,259	

CITY OF FOLEY, MINNESOTA SCHEDULE OF INDEBTEDNESS FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

	Issue Dates	Interest Rates	MaturityDates	Initial Authorized Issue	Outstanding Balance 01/01/20	Issued	I
GOVERNMENTAL INDEBTEDNESS							
 G.O. Improvement Bonds, Series 2011A G.O. Improvement Crossover Refunding Bonds, 2012A G.O. Bonds, 2015A G.O. Improvement Bonds, 2018A G.O. Improvement Refunding Bonds, 2020A 	11/1/2011 3/26/2012 8/4/2015 8/7/2018 8/18/2020	1.00 - 4.00% 2.00 - 2.20% 3.00 - 3.25% 3.00 - 3.25% 0.75 - 1.35%	2/1/2028 2/1/2025 2/1/2031 2/1/2034 2/1/2028	\$ 1,320,000 2,875,000 995,000 2,340,000 	\$ 845,000 1,785,000 840,000 2,340,000	\$ - - - 2,281,000	\$; 1,'
TOTAL GOVERNMENTAL DEBTS				\$ 9,811,000	\$ 5,810,000	\$ 2,281,000	\$ 2,'

OTHER REQUIRED REPORTS



INDEPENDENT AUDITOR'S 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

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, 2020, and the related notes to the financial statements, which collectively comprise the City of Foley's basic financial statements, and have issued our report thereon dated May 28, 2021.

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

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 material weaknesses and significant deficiencies.

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the City of Foley failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide* for Cities, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

City's Response to Findings

The City of Foley's response to the internal control findings identified in our audit have been included 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 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

SCHLENNER WENNER & CO.

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St. Cloud, Minnesota

May 28, 2021

CITY OF FOLEY, MINNESOTA SCHEDULE OF FINDINGS AND RESPONSES **DECEMBER 31, 2020**

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

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. It is important that the Council is aware of this condition and monitor all

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. drafts the financial statements for the City. These financial statements,

including disclosures, were reviewed by management and management has taken responsibility for them. However, we believe that management would require additional training in accounting principles generally accepted in the United States of America to adequately apply such standards

Criteria: The City is required to report accurate financial information.

Cause: The City's staff does not possess the expertise to prepare financial statements internally. This is not

unusual for a City of your size.

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

Recommendation: While the City may not have adequate controls in place to eliminate this finding, the City should

document its annual review of the financial statements.

Views of Responsible Officials And Planned

Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

CITY OF FOLEY, MINNESOTA CORRECTIVE ACTION PLANS DECEMBER 31, 2020

FINANCIAL STATEMENT FINDINGS

Finding 2012-001 Limited Segregation of Duties

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

Finding 2012-002 Financial Statement Preparation

- Explanation of Disagreement with Audit Finding
 There is no disagreement with the audit finding.
- 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.
- Office Responsible
 The City Administrator is the official responsible for ensuring corrective action.
- Planned Completion Date
 The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
- Plan to Monitor Completion
 The City Council will be monitoring this Corrective Action Plan.