



**City Council- Meeting Agenda**  
**June 20, 2023 – 2:00 P.M. – Foley City Hall**

1. Call the meeting to order.
2. Pledge of Allegiance.
3. Approve the agenda.
4. 2022 Audit Presentation & Report
  - Accept 2022 Audit Report.
5. Other Business
6. Adjourn

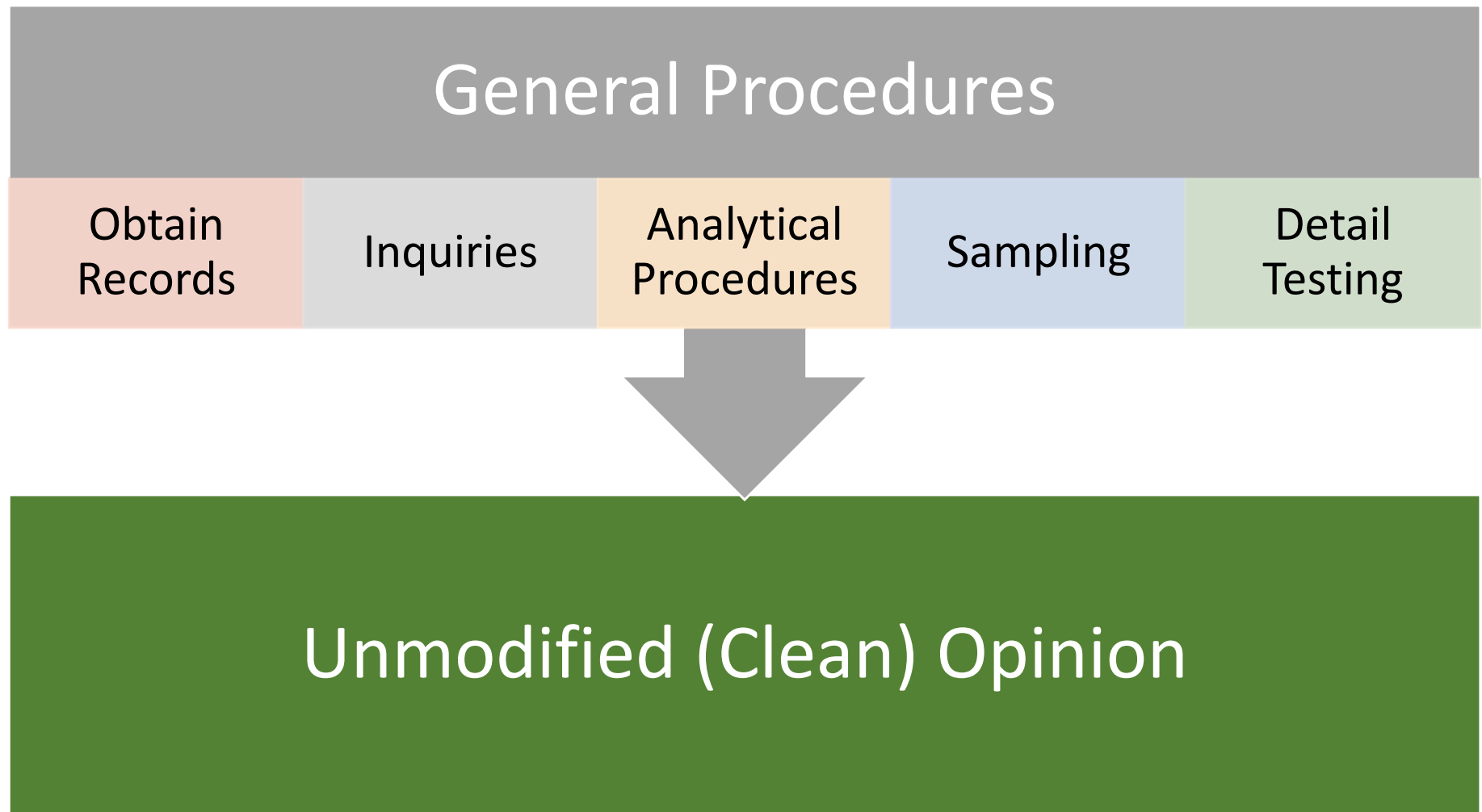


## **City of Foley, Minnesota**

Presentation of the Audited Financial Statements

Fiscal Year Ended December 31, 2022

# Audit Process and Opinion



## Required Communications



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 ADJUSTMENTS

- Various adjustments recorded during our audit process, the majority of which were not material



## 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, except for:
  - Broker Acknowledgement Certification Finding

# Single Audit (Federal Program Compliance)

## Major Programs Tested

- Capitalization Grants for Clean Water State Revolving Funds (PFA)

## Opinion

- Unmodified (Clean) Opinion on the Schedule of Expenditures of Federal Awards

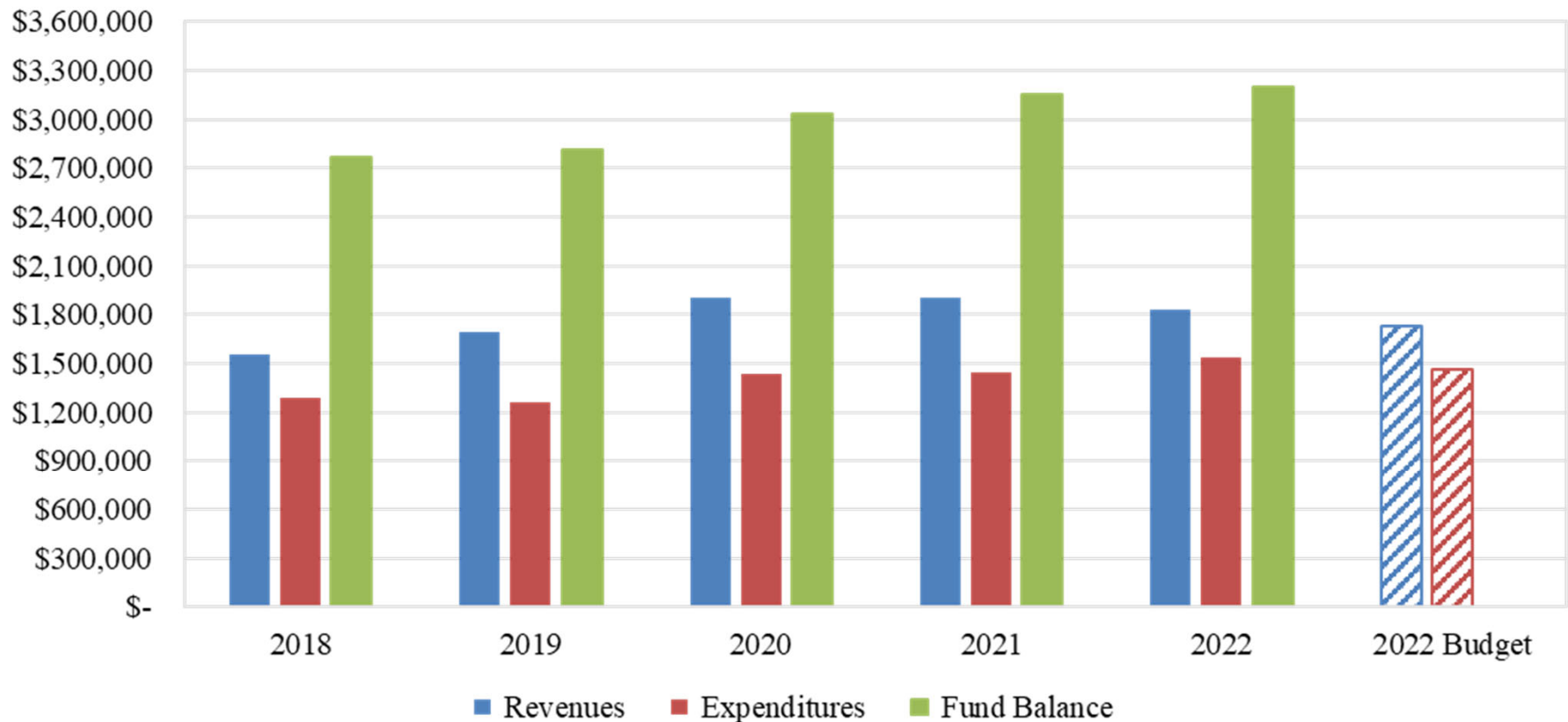
## Compliance

- No Findings Identified

## Internal Control Over Compliance

- No Findings Identified

## General Fund - Trend Analysis & Budgetary Comparison



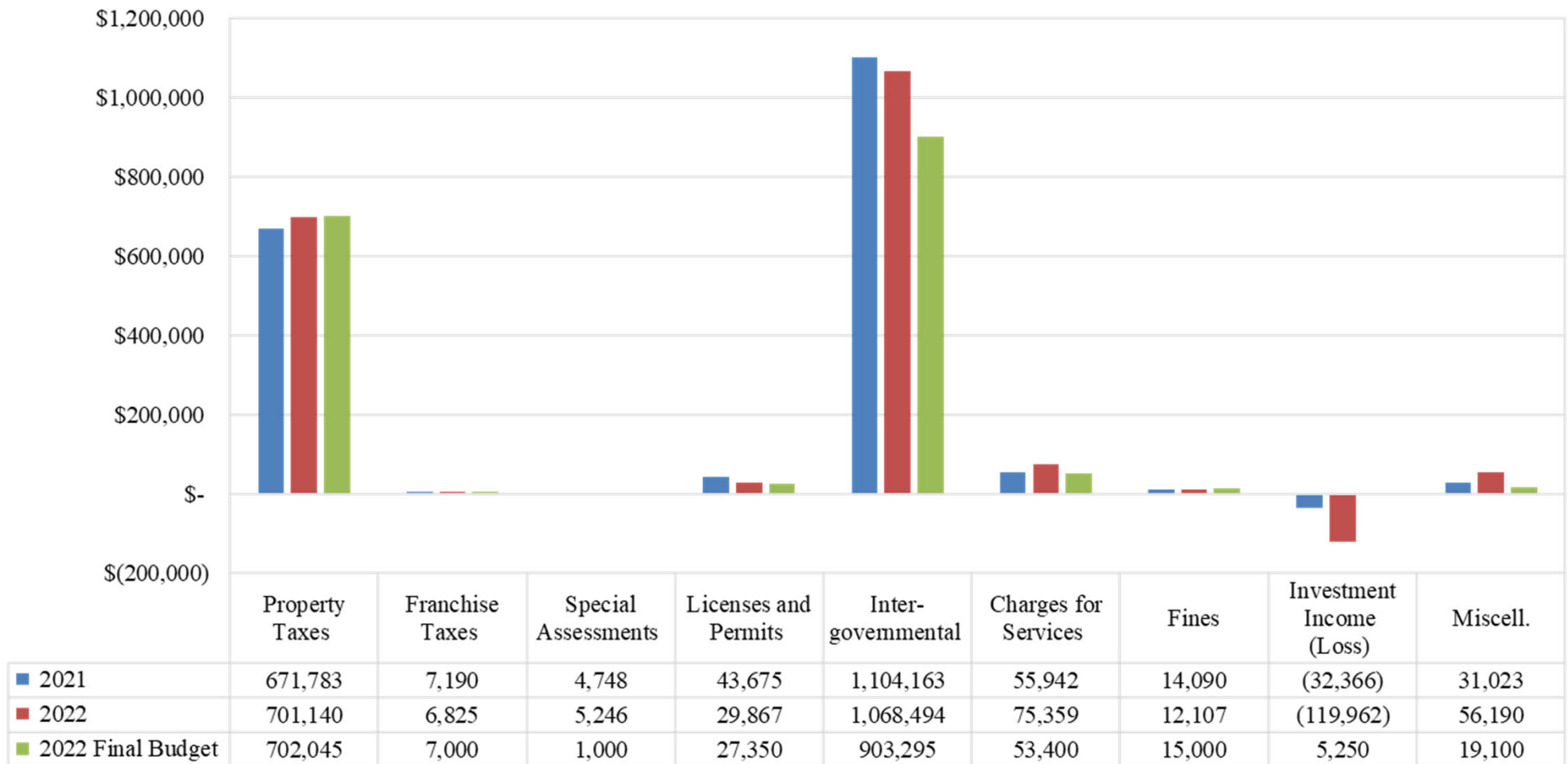
- ❑ Revenues exceeded budget, primarily due to unbudgeted revenue from Federal Grants (American Rescue Plan Act Funds).

- ❑ Actual expenditures exceeded budget, primarily due to unbudgeted capital outlay costs.

	2021	2022	2022 Budget
Revenues	\$ 1,900,248	\$ 1,835,266	\$ 1,733,440
Expenditures	1,447,465	1,533,578	1,463,940
Other Uses	(340,000)	(250,630)	(269,500)
Change in Fund Balance	112,783	51,058	-
Fund Balance	\$ 3,148,533	\$ 3,199,591	

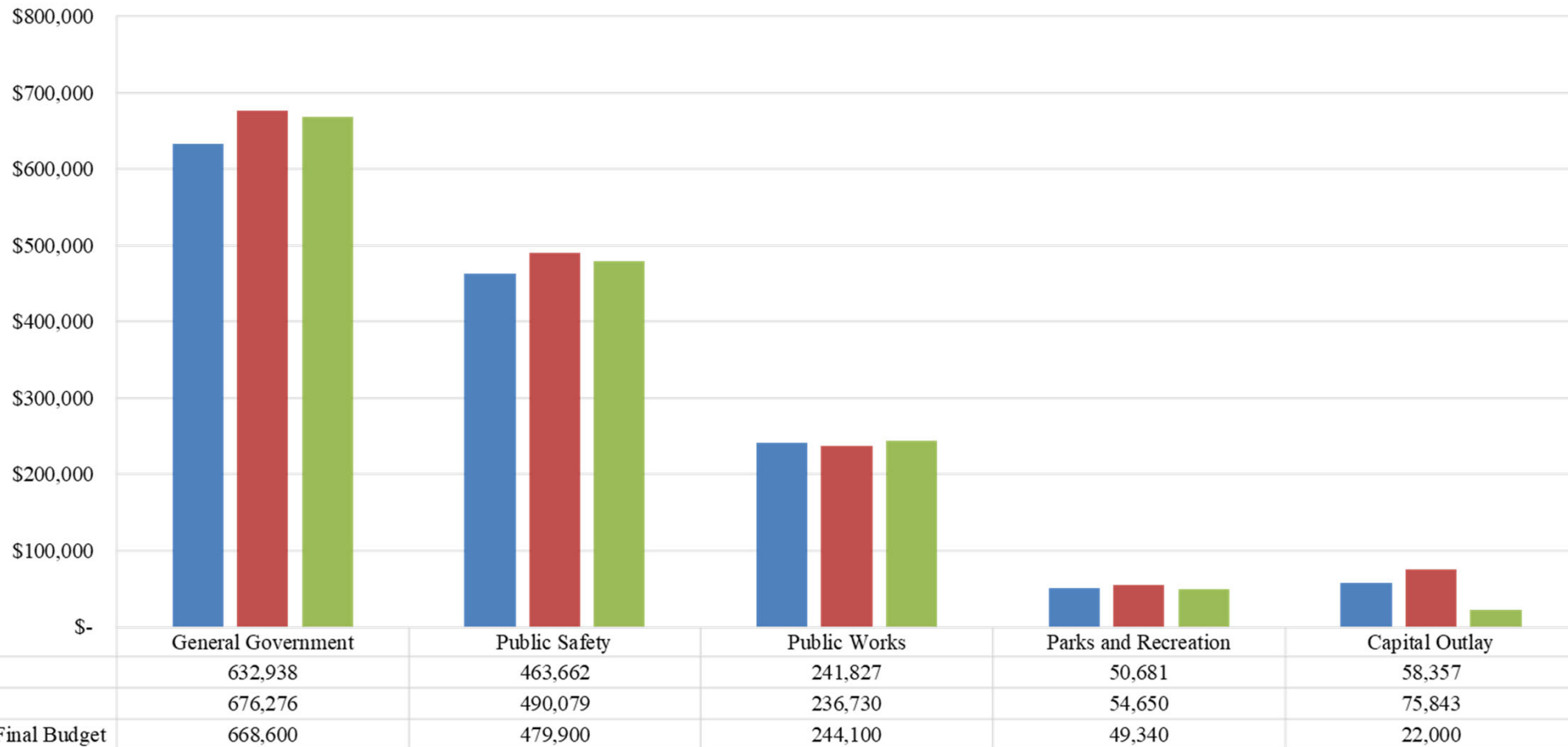
# General Fund

## Detailed Revenue Analysis

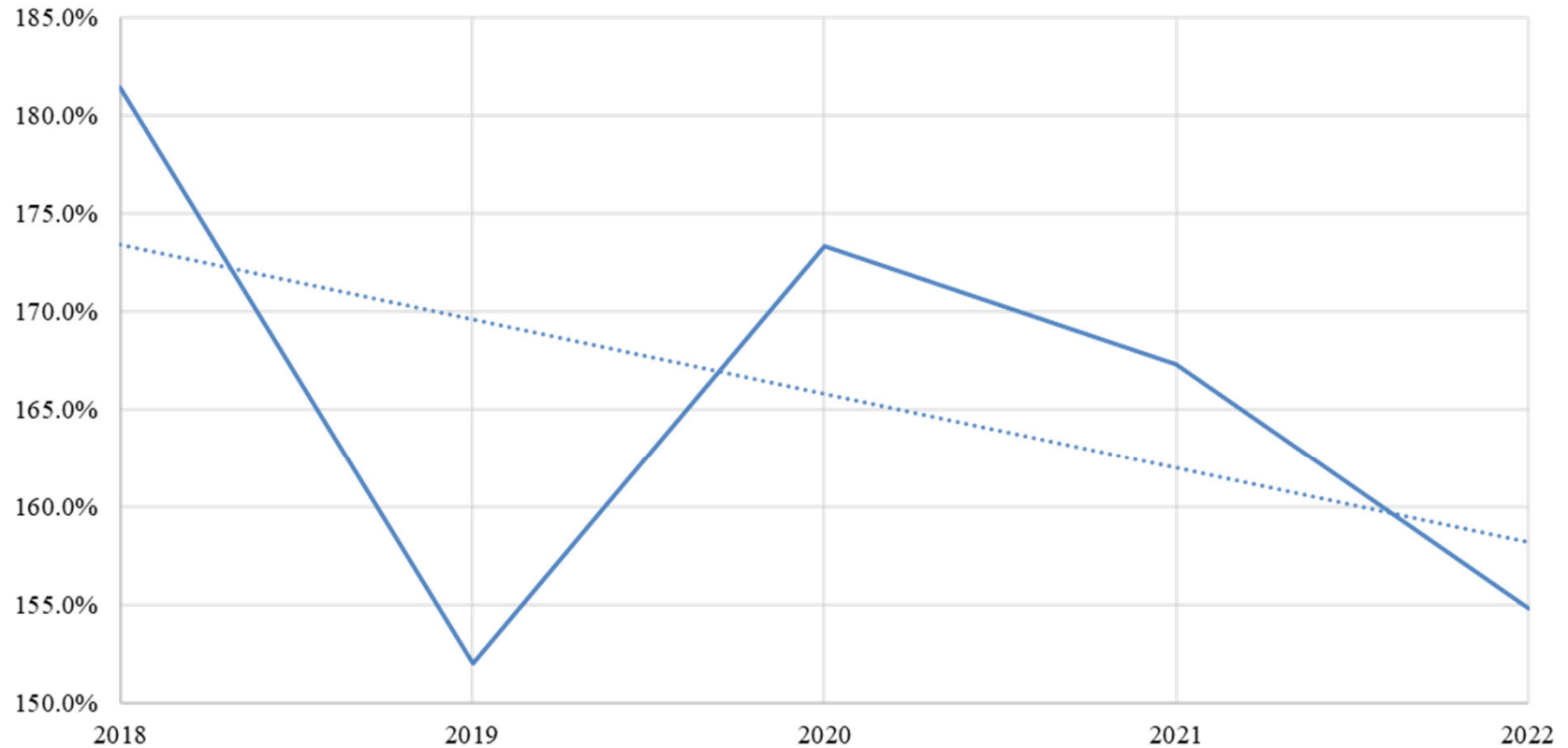


# General Fund

## Detailed Expenditure Analysis



## Unassigned Fund Balance as a Percentage of the Annual Budget

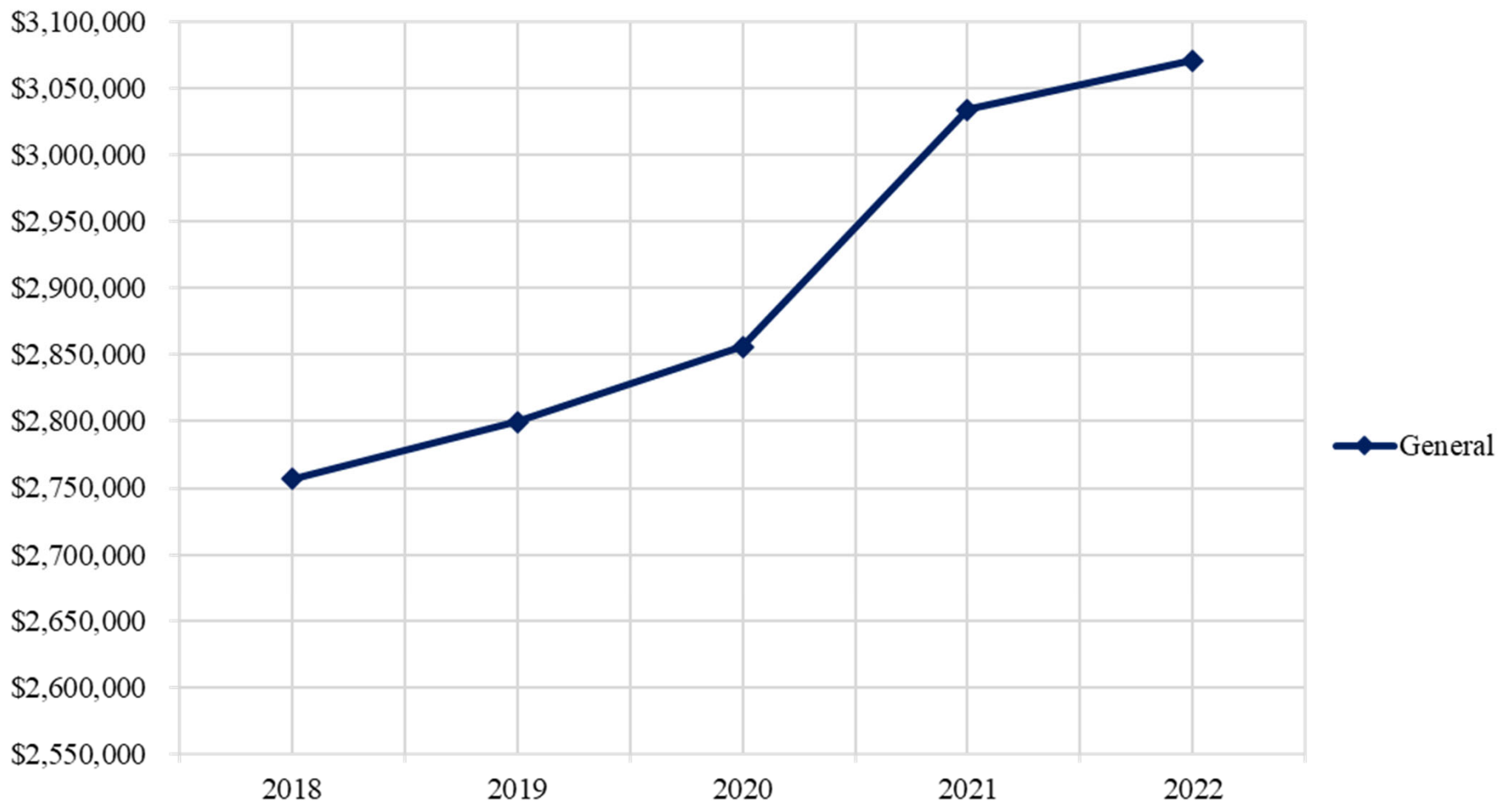


<u>Year</u>	<u>Percentage</u>
2018	181.4%
2019	152.0%
2020	173.3%
2021	167.3%
2022	154.8%

- ❑ Fund balance policy sets a target fund balance of approximately 50% to 65% of annual budgeted operating expenditures.

# General Fund

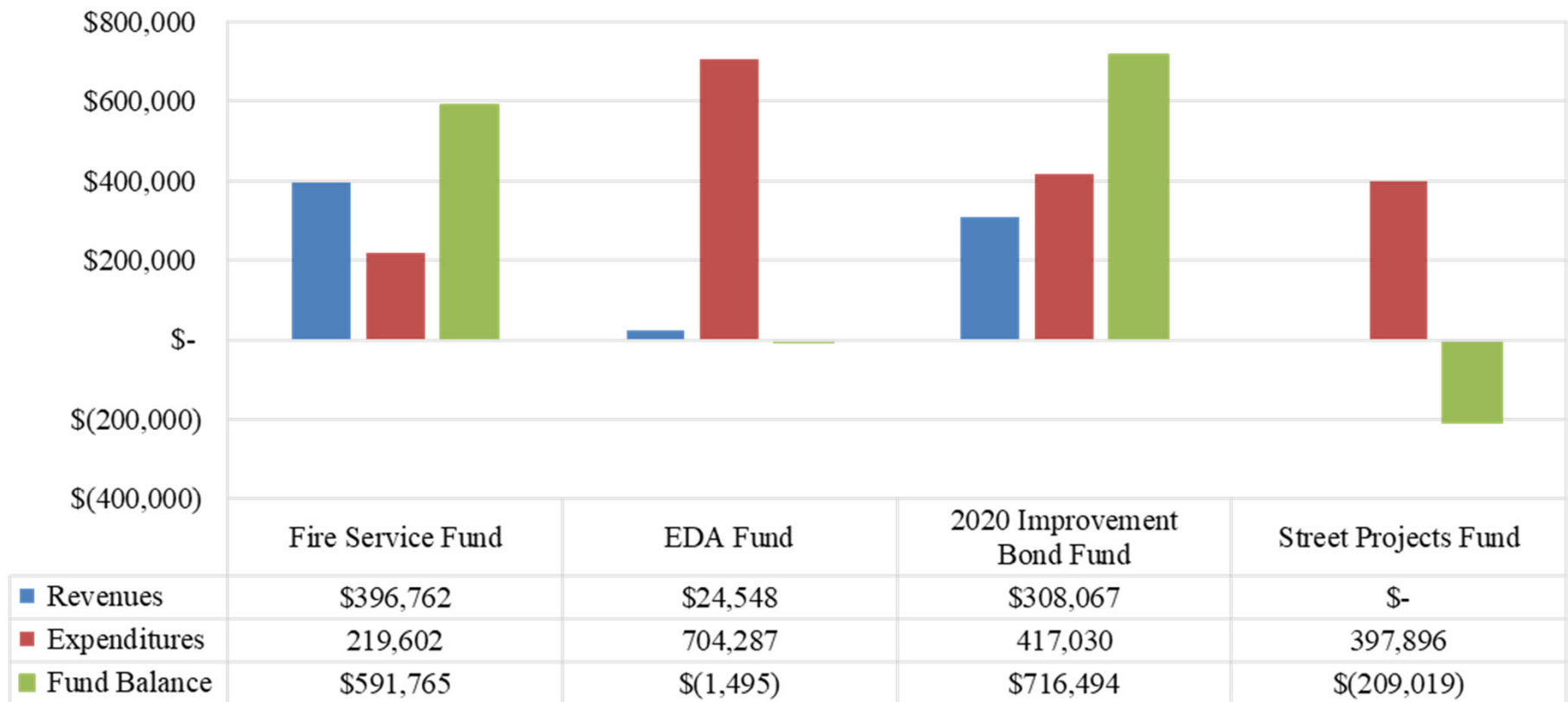
## Cash Trend Analysis



Note: Amounts here exclude any short-term interfund balances

# Financial Highlights

## Remaining Governmental Funds

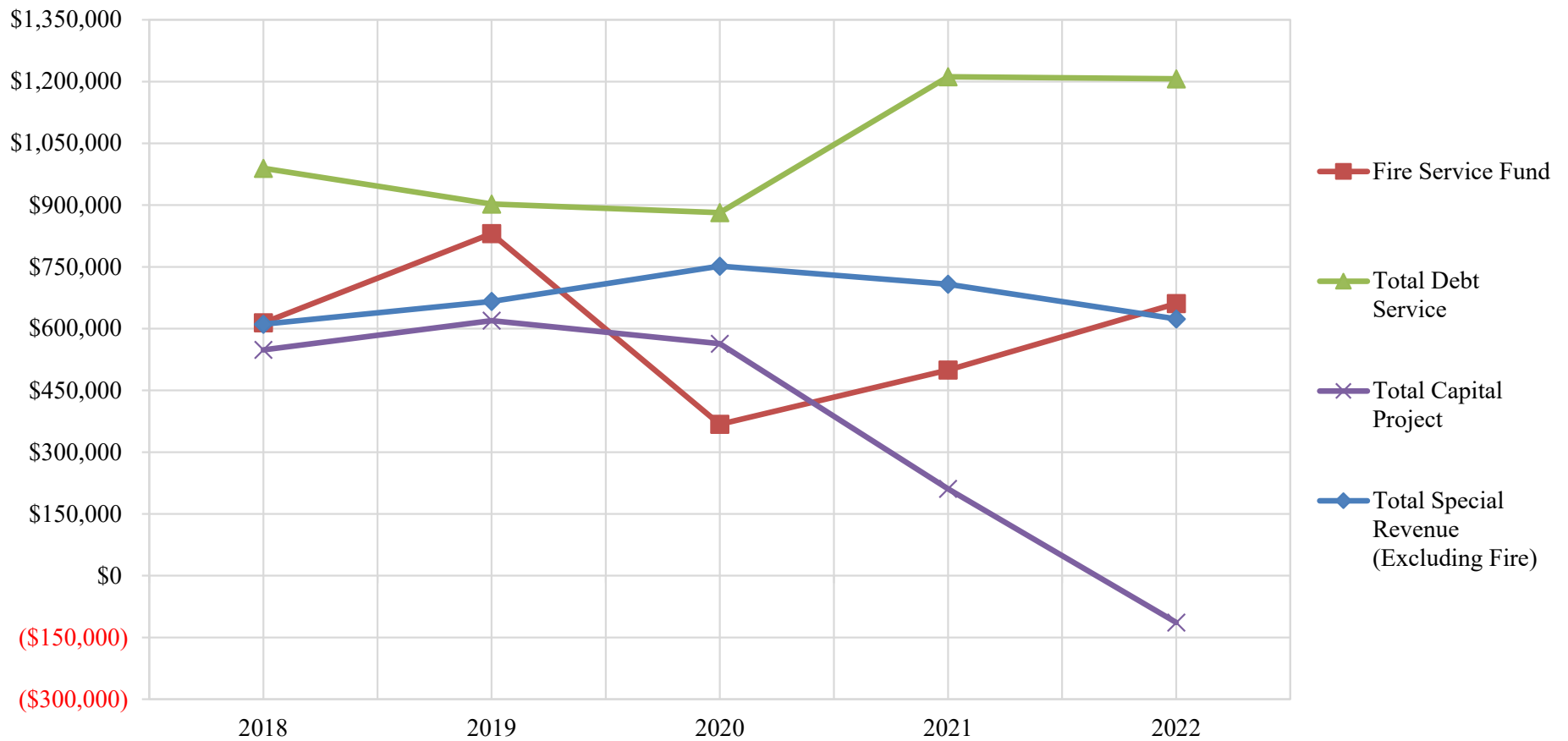


\* Details for remaining nonmajor governmental funds can be found on pages 75-80 in the audited financial statements.



# Remaining Governmental Funds

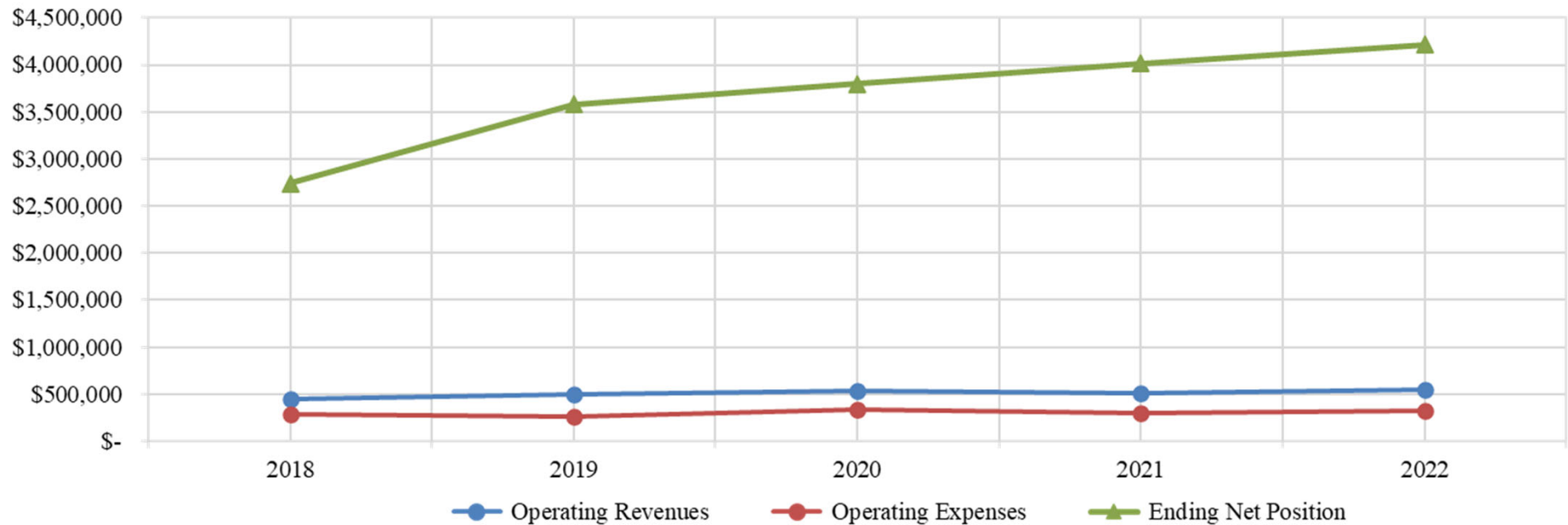
## Cash Trend Analysis



Note: Amounts here exclude any short-term interfund balances

# Water Fund

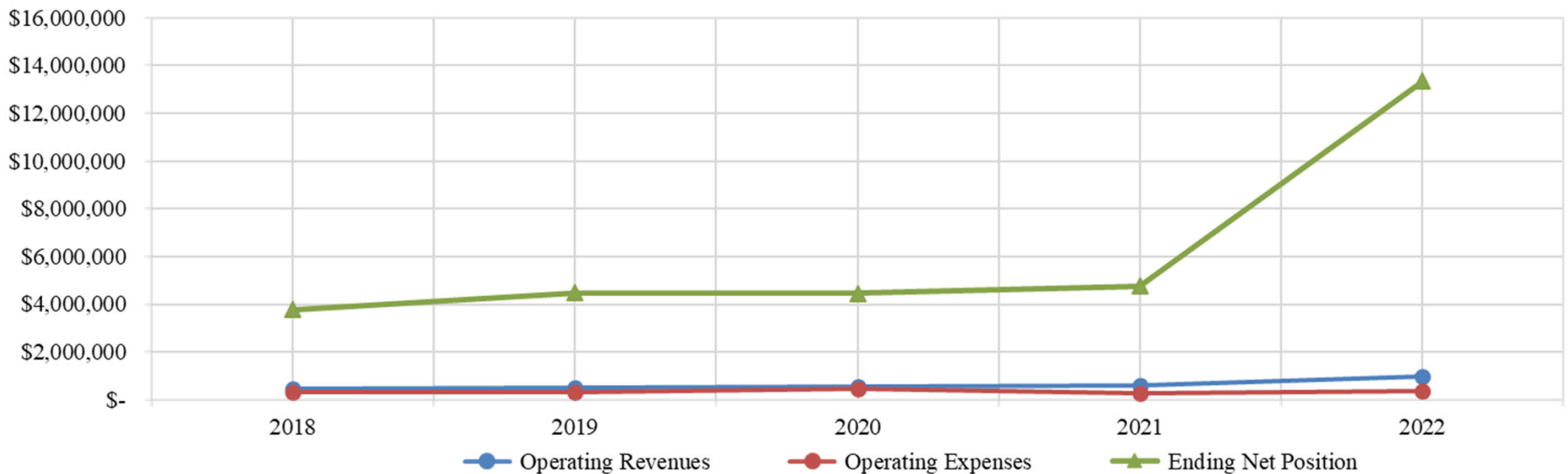
## Historical Trends



	2018	2019	2020	2021	2022
Operating Revenues	\$ 441,575	\$ 502,196	\$ 533,880	\$ 506,393	\$ 548,410
Operating Expenses	286,039	260,361	337,806	292,963	328,472
Operating Income (Loss)	155,536	241,835	196,074	213,430	219,938
Nonoperating Revenues & Transfers In	6,838	597,921	21,429	12,384	1,733
Nonoperating Expenses & Transfers Out	(641,000)	-	-	(6,563)	(21,970)
Change In Net Position	\$ (478,626)	\$ 839,756	\$ 217,503	\$ 219,251	\$ 199,701
Ending Net Position	\$ 2,739,770	\$ 3,579,526	\$ 3,797,029	\$ 4,016,280	\$ 4,215,981

# Sewer Fund

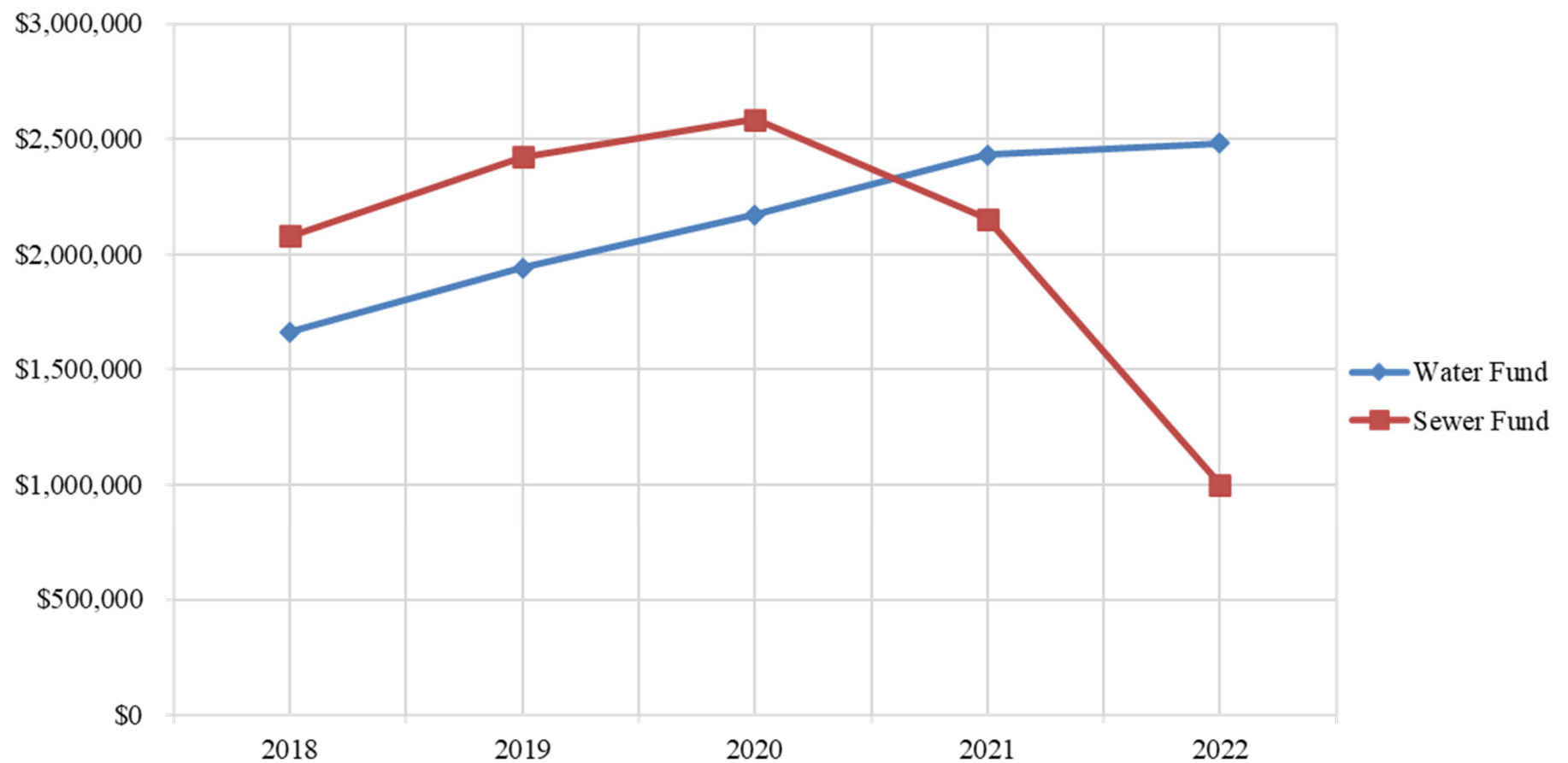
## Historical Trends

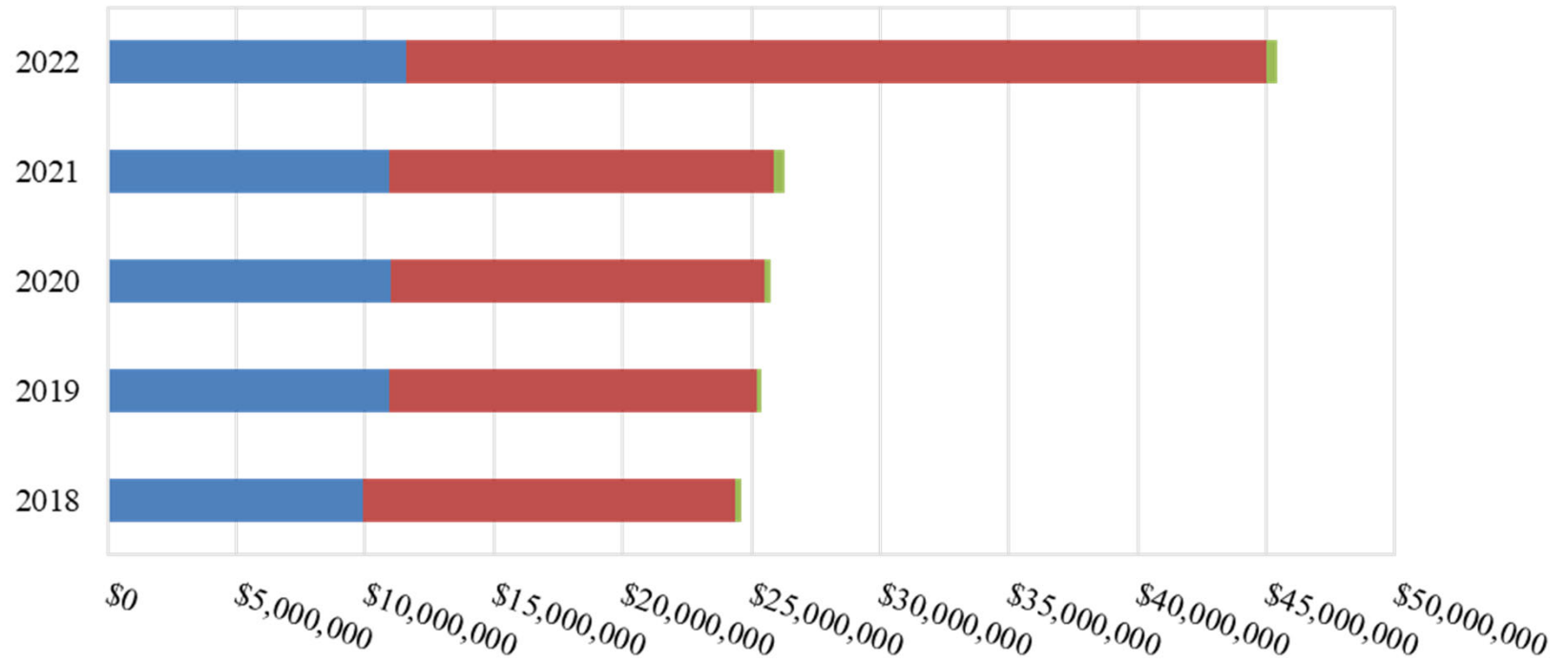


	2018	2019	2020	2021	2022
Operating Revenues	\$ 447,586	\$ 504,701	\$ 561,072	\$ 592,007	\$ 971,425
Operating Expenses	329,301	327,705	439,501	257,601	354,447
Operating Income (Loss)	118,285	176,996	121,571	334,406	616,978
Nonoperating Revenues & Transfers In	20,671	513,527	14,349	11,203	8,031,683
Nonoperating Expenses & Transfers Out	(479,164)	-	(164,000)	(25,106)	(80,048)
Change In Net Position	\$ (340,208)	\$ 690,523	\$ (28,080)	\$ 320,503	\$ 8,568,613
Ending Net Position	\$ 3,787,846	\$ 4,478,369	\$ 4,450,289	\$ 4,770,792	\$ 13,339,405

# Enterprise Funds

## Cash Trend Analysis



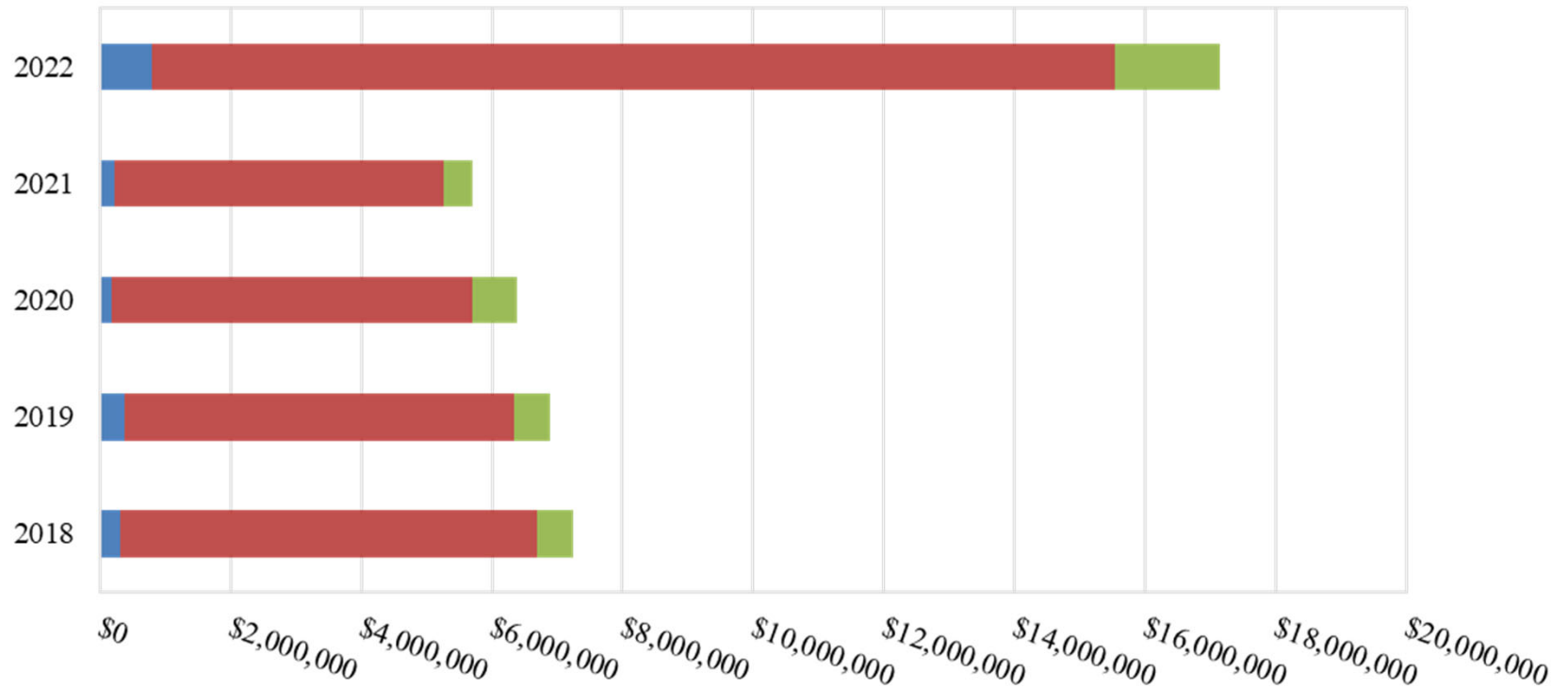


	2018	2019	2020	2021	2022
■ Current Assets	\$9,901,123	\$10,909,540	\$10,973,279	\$10,963,990	\$11,574,244
■ Capital/Noncurrent	\$14,449,370	\$14,284,454	\$14,522,134	\$14,917,436	\$33,446,770
■ Net Pension Asset	\$243,544	\$217,396	\$238,818	\$402,168	\$372,219

## Financial Highlights

### Total Government-Wide Assets

- Increase in total assets is primarily due to various capital related equipment purchases and construction in progress in the current year.

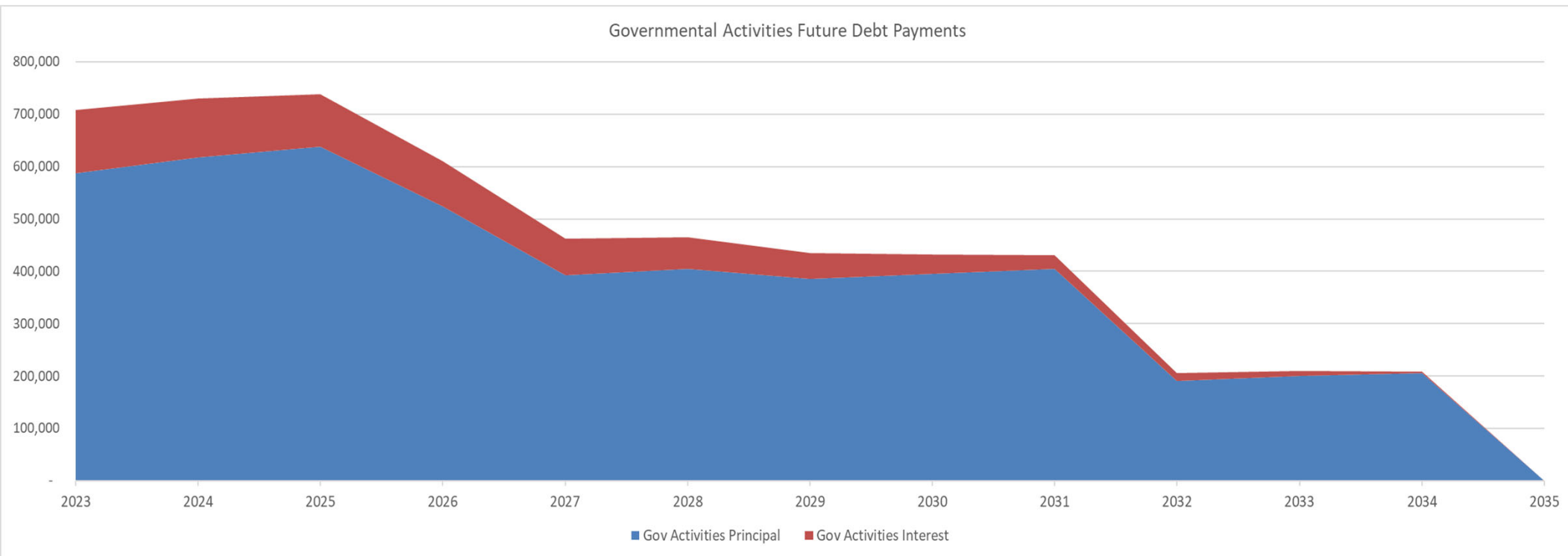


	2018	2019	2020	2021	2022
■ Current Liabilities	\$309,580	\$376,089	\$184,477	\$220,130	\$788,858
■ Debt/Noncurrent	\$6,382,715	\$5,963,231	\$5,519,045	\$5,048,155	\$14,743,582
■ Net Pension Liability	\$544,532	\$546,570	\$674,160	\$443,025	\$1,611,407

## Financial Highlights

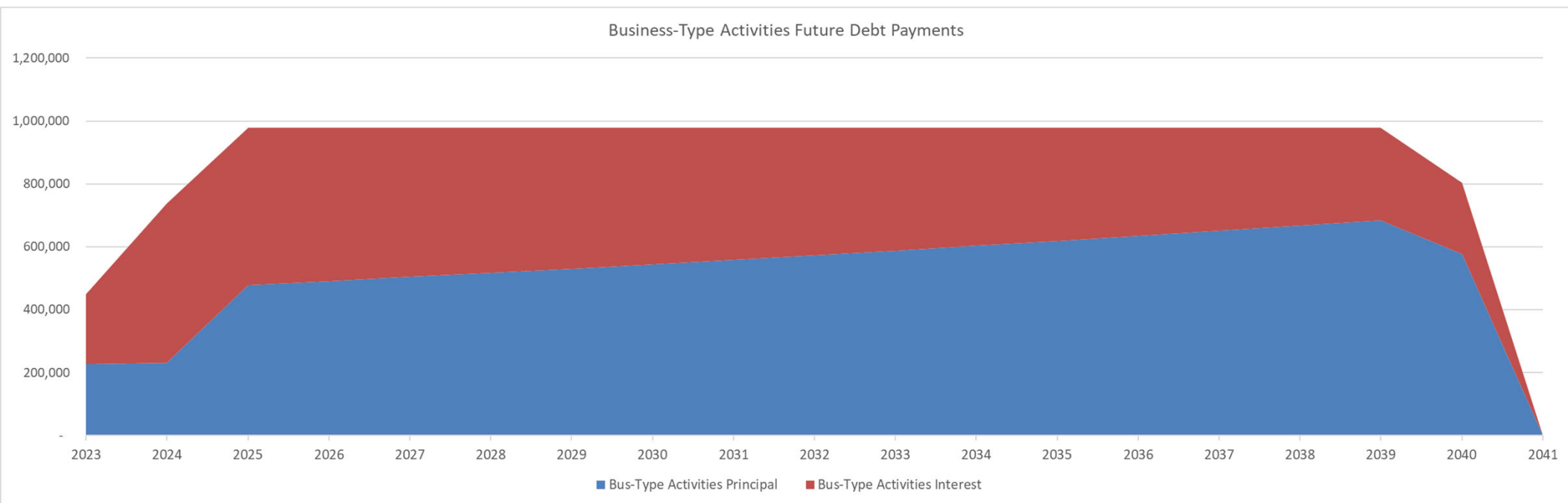
### Total Government-Wide Liabilities

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



## Long Term Debt Outstanding

- G.O. Bonds, 2015A
- G.O. Improvement Bonds, 2018A
- G.O. Improvement Refunding Bonds, 2020A
- Industrial Park Land Financing Arrangement



Long Term Debt  
Outstanding

- G.O. Sewer Revenue Note, 2022A



# Upcoming Accounting Standard – GASB 96

## *Subscription-Based Information Technology Arrangements (SBITA's)*

### Old Method

- Record subscription expenses over the life of the arrangement

### New Method

- A “subscription liability” and corresponding “right-to-use subscription asset” will need to be calculated and recorded for any SBITA's
- Implementation will be similar to GASB 87, *Leases*

### Effective Date

- Effective for the 2023 calendar year

Questions?

Ashley Meagher, CPA  
Manager

[ameagher@schlennerwenner.cpa](mailto:ameagher@schlennerwenner.cpa)

320-251-0286

# City of Foley, Minnesota

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## Audited Financial Statements

December 31, 2022

Preliminary Draft  
Subject to Revision

**SCHLENNER  
WENNER & CO.**  
CPAs

**CITY OF FOLEY, MINNESOTA  
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Preliminary Draft  
Subject to Revision

**INTRODUCTORY  
SECTION**

**CITY OF FOLEY, MINNESOTA  
CITY COUNCIL AND OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**CITY COUNCIL**

Term Expires

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
Gary Swanson	Council Member	December 31, 2022

**CITY OFFICIALS**

Sarah Brunn	City Administrator
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Preliminary Draft  
Subject to Revision

**FINANCIAL  
SECTION**



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Foley, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Foley, Minnesota, as of December 31, 2022, and respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

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

The City of Foley's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

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

## ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Foley, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor governmental funds financial statements, schedule of indebtedness, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor governmental funds financial statements and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor governmental funds financial statements and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE on our consideration of the City of Foley's internal control over financial reporting and 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 the City of Foley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Foley's internal control over financial reporting and compliance.

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

**REQUIRED SUPPLEMENTARY  
INFORMATION**

Preliminary Draft  
Subject to Revision

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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, 2022. 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 \$29,054,323 (net position).
- The City's net position increased \$8,766,099 compared to the prior year as a result of this year's operations.
- In the City's business-type activities, revenues increased \$8,353,003 while program expenses increased \$154,443 (or 28.05 percent). These changes are discussed in greater detail throughout the following pages.
- Total cost of all of the City's programs increased \$522,578 (or 17.74 percent).
- The City of Foley received local government aid in the amount of \$844,945.
- In the current year, the City's General Fund generated more revenue than budgeted by \$101,826. Expenditures exceeded the budget by \$69,638. See additional details starting on page sixty-one.

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

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

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

**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 twelve. 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.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

**THE CITY AS A WHOLE**

The City's combined net position increased \$8,766,099 from a year ago. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 7,614,085	\$ 8,138,142	\$ 4,824,695	\$ 3,831,290	\$ 12,438,780	\$ 11,969,432
Net Capital and Intangible Assets	9,775,885	9,190,676	23,178,568	5,123,486	32,954,453	14,314,162
Total Assets	17,389,970	17,328,818	28,003,263	8,954,776	45,393,233	26,283,594
Deferred Outflows of Resources	926,631	518,332	56,766	62,786	983,397	581,118
Current Liabilities	173,039	198,159	615,819	21,971	788,858	220,130
Noncurrent Liabilities	6,469,407	5,364,808	9,885,582	126,372	16,354,989	5,491,180
Total Liabilities	6,642,446	5,562,967	10,501,401	148,343	17,143,847	5,711,310
Deferred Inflows of Resources	175,218	783,031	3,242	82,147	178,460	865,178
Net Position:						
Net Investment in						
Capital Assets	4,790,864	4,211,649	13,503,964	5,123,486	18,294,828	9,335,135
Restricted	1,813,857	2,054,926	-	-	1,813,857	2,054,926
Unrestricted	4,894,216	5,234,577	4,051,422	3,663,586	8,945,638	8,898,163
Total Net Position	<u>\$ 11,498,937</u>	<u>\$ 11,501,152</u>	<u>\$ 17,555,386</u>	<u>\$ 8,787,072</u>	<u>\$ 29,054,323</u>	<u>\$ 20,288,224</u>

The net position of the City's governmental activities decreased by \$2,215 (or 0.02 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 \$340,361 (or 6.50 percent) compared to the prior year.

The net position of the City's business-type activities increased by \$8,768,314. Expenses were fairly comparable to the prior year. Revenues increased due to receiving a grant for the City's Wastewater Improvement project in the current year.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
<b>REVENUE</b>						
Charges for Services	\$ 453,821	\$ 429,778	\$ 1,519,835	\$ 1,098,400	\$ 1,973,656	\$ 1,528,178
Operating Grants and Contributions	40,382	39,975	-	-	40,382	39,975
Capital Grants and Contributions	23,295	33,937	8,003,416	23,587	8,026,711	57,524
Property Taxes	1,123,253	1,083,190	-	-	1,123,253	1,083,190
Tax Increment	60,750	60,090	-	-	60,750	60,090
Intergovernmental	1,103,534	1,127,412	-	-	1,103,534	1,127,412
Franchise Taxes	6,825	7,190	-	-	6,825	7,190
Investment Income (Loss)	(143,466)	(43,877)	(79,930)	(31,669)	(223,396)	(75,546)
Other	68,762	75,670	-	-	68,762	75,670
<b>Total Revenues</b>	<b>2,737,156</b>	<b>2,813,365</b>	<b>9,443,321</b>	<b>1,090,318</b>	<b>12,180,477</b>	<b>3,903,683</b>
<b>PROGRAM EXPENSES</b>						
General Government	765,353	692,384	-	-	765,353	692,384
Public Safety	963,277	742,100	-	-	963,277	742,100
Public Works	658,772	634,135	-	-	658,772	634,135
Parks and Recreation	208,280	177,981	-	-	208,280	177,981
Economic Development	37,228	43,517	-	-	37,228	43,517
Debt Service	130,831	105,489	-	-	130,831	105,489
Water	-	-	328,472	292,963	328,472	292,963
Sewer	-	-	376,535	257,601	376,535	257,601
<b>Total Expenses</b>	<b>2,763,741</b>	<b>2,395,606</b>	<b>705,007</b>	<b>550,564</b>	<b>3,468,748</b>	<b>2,946,170</b>
Gain (Loss) on Disposal of Assets	24,370	(507)	30,000	-	54,370	(507)
<b>Change in Net Position</b>	<b>(2,215)</b>	<b>417,252</b>	<b>8,768,314</b>	<b>539,754</b>	<b>8,766,099</b>	<b>957,006</b>
<b>Net Position - Beginning of Year</b>	<b>11,501,152</b>	<b>11,083,900</b>	<b>8,787,072</b>	<b>8,247,318</b>	<b>20,288,224</b>	<b>19,331,218</b>
<b>Net Position - End of Year</b>	<b>\$ 11,498,937</b>	<b>\$ 11,501,152</b>	<b>\$ 17,555,386</b>	<b>\$ 8,787,072</b>	<b>\$ 29,054,323</b>	<b>\$ 20,288,224</b>

The City's total revenues increased by \$8,276,794, primarily due to receiving a grant for the City's Wastewater Improvement project in the current year. Other revenue areas saw increases such as charges for services, primarily due to increases in water and sewer rates. The total cost of all programs and services increased by \$522,578 (or 17.74 percent), primarily due to pension related expenses, salary and benefit increases, and general cost increases for supplies, services, and utilities.

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



**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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

**Governmental Activities**

Revenue for the City's governmental activities decreased by \$76,209 (or 2.71 percent) and total expenses increased by \$368,135 (or 15.37 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:

- General Government, Public Safety, and Public Works net cost of services increased, primarily due to matters already discussed.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
General Government	\$ 765,353	\$ 692,384	\$ 730,392	\$ 639,936
Public Safety	963,277	742,100	600,794	402,509
Public Works	658,772	634,135	618,926	590,346
Parks and Recreation	208,280	177,981	128,072	110,119
Economic Development	37,228	43,517	37,228	43,517
Debt Service	130,831	105,489	130,831	105,489
Totals	<u>\$ 2,763,741</u>	<u>\$ 2,395,606</u>	<u>\$ 2,246,243</u>	<u>\$ 1,891,916</u>

**Business-type Activities**

Revenues of the City's business-type activities, including investment income (see Table 2) increased by \$8,353,003 and program expenses increased by \$154,443 (or 28.05 percent). Revenues increased from the prior year as a result of receiving a grant for the City's Wastewater Improvement project in the current year. Expenses increased primarily due to salary and benefit increases and general cost increases for supplies, services, and utilities.

**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 \$6,470,809. This is a decrease of \$327,256 from the prior year. This decrease includes an investment loss of \$143,466 in the current year.

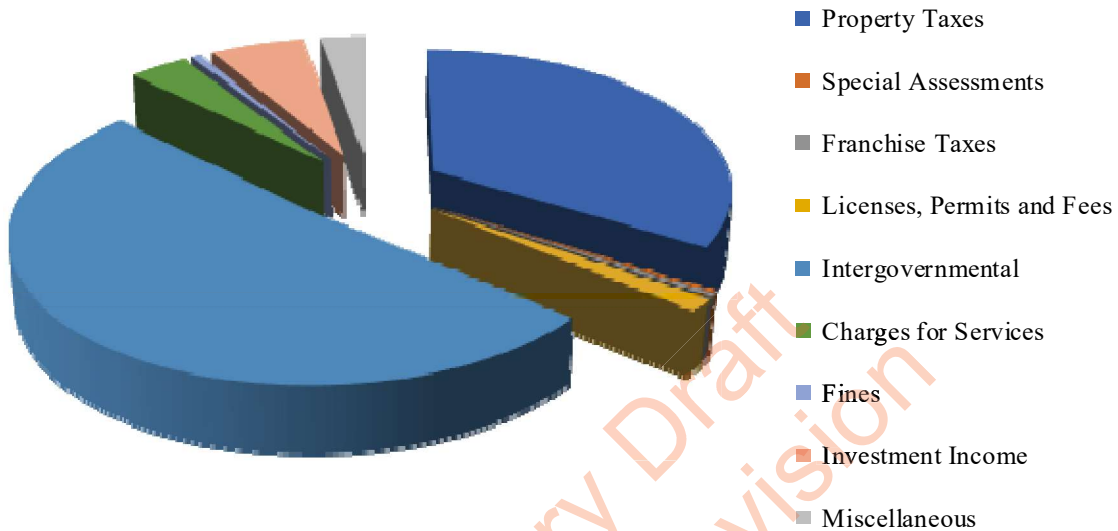
Major Funds	Fund Balance December 31,		Increase (Decrease)
	2022	2021	
<b>General</b>	\$ 3,199,591	\$ 3,148,533	\$ 51,058

The fund balance of the General Fund increased by \$51,058 compared to 2021. Details of the General Fund's revenues and expenditures are displayed on the following page.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

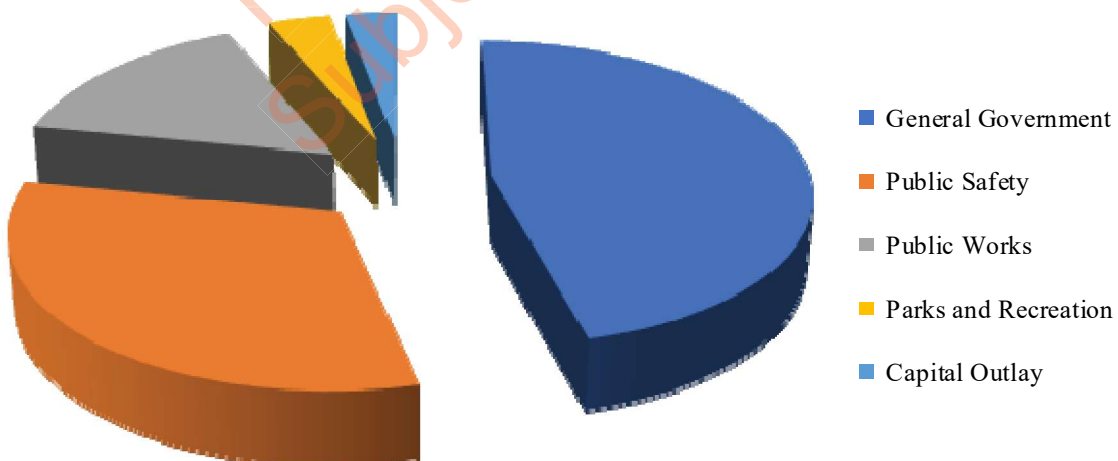
**THE CITY'S FUNDS (Continued)**

**General Fund Revenues**



The City received the majority of its funding in the General Fund from grants and other governmental agencies (58.22 percent) and property taxes (38.20 percent). General Fund revenues have decreased from the prior year, primarily due to a decrease in investment income in the current year.

**General Fund Expenditures**



**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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

A significant portion of the City's General Fund expenditures are used for general government operations (44.10 percent). Remaining expenditures are used for public safety (31.96 percent), public works (15.44 percent), parks and recreation (3.56 percent) and capital outlay (4.95 percent). Expenditures have increased from the prior year, largely due to increased expenditures for capital outlay.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2022	2021	
<b>Fire Service Fund</b>	\$ 591,765	\$ 414,605	\$ 177,160

The Fire Service Fund balance increased due to fewer capital purchases and revenues exceeding expenditures in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2022	2021	
<b>EDA Fund</b>	\$ (1,495)	\$ 90,044	\$ (91,539)

The EDA Fund balance decreased primarily due to debt service payments on a new contract for deed exceeding revenues in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2022	2021	
<b>2020 Improvement Bond Fund</b>	\$ 716,494	\$ 825,457	\$ (108,963)

The 2020 Improvement Bond Fund balance decreased primarily due to debt service payments exceeding revenues in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2022	2021	
<b>Street Projects Fund</b>	\$ (209,019)	\$ 38,877	\$ (247,896)

The Street Projects Fund balance decreased primarily due to capital outlay expenditures from the highway 23 and storage shed projects exceeding revenues in the current year.

**General Fund Budgetary Highlights**

The City's General Fund generated more revenue than budgeted of \$101,826. Expenditures exceeded those budgeted by \$69,638. Revenues over budget in the current year are primarily due to unbudgeted revenue from Federal funding received as a result of the coronavirus pandemic. Expenditures over budget is primarily due to unbudgeted capital outlay costs.

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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

**Proprietary Funds**

As the City completed the year, its business-type activities reported a combined net position of \$17,555,386. This is an increase of \$8,768,314 from the prior year. The following is a summary of the City's major proprietary funds:

Major Funds	Net Position December 31,		Increase (Decrease)
	2022	2021	
<b>Water</b>	\$ 4,215,981	\$ 4,016,280	\$ 199,701
<b>Sewer</b>	\$ 13,339,405	\$ 4,770,792	\$ 8,568,613

The Net Position of the Water Fund increased in the current year due to an increase in charges for services and revenues exceeding expenses in the current year. The Net Position of the Sewer Fund increased primarily due to receiving a grant for the City's Wastewater Improvement project in the current year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital and Intangible Assets**

At the end of 2022, the City had \$32,954,453 invested in a broad range of capital assets, including land, infrastructure, buildings, equipment, improvements, vehicles, lagoons, lift stations, and intangible assets. This amount represents a net increase of \$18,640,291 (or 130.22 percent) over last year.

**Table 4  
Capital and Intangible Assets Net of Depreciation and Amortization**

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 919,523	\$ 326,323	\$ 49,087	\$ 49,087	\$ 968,610	\$ 375,410
Construction In Progress	336,327	-	18,648,943	730,306	18,985,270	730,306
Buildings	1,288,035	1,233,504	28,420	32,521	1,316,455	1,266,025
Infrastructure	5,178,576	5,471,848	3,154,894	3,309,162	8,333,470	8,781,010
Lagoons	-	-	735,492	767,463	735,492	767,463
Improvements	169,050	181,567	-	-	169,050	181,567
Lift Stations	-	-	174,550	181,599	174,550	181,599
Equipment	799,240	744,149	34,454	45,848	833,694	789,997
Vehicles	1,051,676	1,197,393	333,916	7,500	1,385,592	1,204,893
	<u>9,742,427</u>	<u>9,154,784</u>	<u>23,159,756</u>	<u>5,123,486</u>	<u>32,902,183</u>	<u>14,278,270</u>
Intangible Assets	<u>33,458</u>	<u>35,892</u>	<u>18,812</u>	<u>-</u>	<u>52,270</u>	<u>35,892</u>
Totals	<u>\$ 9,775,885</u>	<u>\$ 9,190,676</u>	<u>\$23,178,568</u>	<u>\$ 5,123,486</u>	<u>\$32,954,453</u>	<u>\$14,314,162</u>

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

**CITY OF FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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

**Debt**

At year-end, the City had \$14,659,625 in debt versus a balance of \$4,979,027 in the prior, as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 2,935,000	\$ 3,020,000	\$ -	\$ -	\$ 2,935,000	\$ 3,020,000
Refunding Bonds	1,508,000	1,908,000	-	-	1,508,000	1,908,000
Unamortized Bond Premium	41,988	51,027	-	-	41,988	51,027
Financing Arrangement	500,033	-	-	-	500,033	-
General Obligation Note	-	-	9,674,604	-	9,674,604	-
Totals	<u>\$ 4,985,021</u>	<u>\$ 4,979,027</u>	<u>\$ 9,674,604</u>	<u>\$ -</u>	<u>\$ 14,659,625</u>	<u>\$ 4,979,027</u>

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

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

The City's elected and appointed officials considered many factors when setting the 2023 budget, tax rates and fees that will be charged for the business-type activities. The Council elected to increase the 2023 tax levy by 13.87% from the 2022 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**

Preliminary Draft  
Subject to Revision

**CITY OF FOLEY, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash, Cash Equivalents, and Investments	\$ 5,448,534	\$ 3,482,561	\$ 8,931,095
Property Taxes Receivable	29,444	-	29,444
Assessments Receivable	72,005	16,937	88,942
Accounts Receivable	48,701	162,646	211,347
Loans Receivable	139,817	-	139,817
Due from Other Governments	-	2,078,189	2,078,189
Internal Balances	947,754	(947,754)	-
Prepays	81,125	14,285	95,410
Noncurrent Assets:			
Assessments Receivable	474,486	17,831	492,317
Capital Assets Not Being Depreciated	1,255,850	18,698,030	19,953,880
Capital Assets Being Depreciated (Net)	8,486,577	4,461,726	12,948,303
Intangible Assets Not Being Amortized	-	18,812	18,812
Intangible Assets Being Amortized (Net)	33,458	-	33,458
Net Pension Asset	372,219	-	372,219
<b>TOTAL ASSETS</b>	<b>17,389,970</b>	<b>28,003,263</b>	<b>45,393,233</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	926,631	56,766	983,397
<b>LIABILITIES</b>			
Accounts Payable	17,463	132,303	149,766
Salaries Payable	44,877	2,572	47,449
Payroll Deductions and Employer Contributions	9,152	390	9,542
Construction Contracts Payable	-	438,444	438,444
Deposits Payable	5,000	-	5,000
Accrued Interest Payable	48,929	22,088	71,017
Accrued Vacation	47,618	20,022	67,640
Noncurrent Liabilities:			
Amount Due Within One Year	587,807	226,428	814,235
Amount Due After One Year	4,436,321	9,493,026	13,929,347
Net Pension Liability	1,445,279	166,128	1,611,407
<b>TOTAL LIABILITIES</b>	<b>6,642,446</b>	<b>10,501,401</b>	<b>17,143,847</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	175,218	3,242	178,460
<b>NET POSITION</b>			
Net Investment in Capital and Intangible Assets	4,790,864	13,503,964	18,294,828
Restricted	1,813,857	-	1,813,857
Unrestricted	4,894,216	4,051,422	8,945,638
<b>TOTAL NET POSITION</b>	<b>\$ 11,498,937</b>	<b>\$ 17,555,386</b>	<b>\$ 29,054,323</b>

**CITY OF FOLEY, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$ 765,353	\$ 11,346	\$ 18,369	\$ 5,246	\$ (730,392)	\$ -	\$ (730,392)
Public Safety	963,277	354,820	7,663	-	(600,794)	-	(600,794)
Public Works	658,772	7,447	14,350	18,049	(618,926)	-	(618,926)
Parks and Recreation	208,280	80,208	-	-	(128,072)	-	(128,072)
Economic Development	37,228	-	-	-	(37,228)	-	(37,228)
Debt Service	130,831	-	-	-	(130,831)	-	(130,831)
Total Governmental Activities	2,763,741	453,821	40,382	23,295	(2,246,243)	-	(2,246,243)
Business-Type Activities:							
Water	328,472	548,410	-	1,733	-	221,671	221,671
Sewer	376,535	971,425	-	8,001,683	-	8,596,573	8,596,573
Total Business-Type Activities	705,007	1,519,835	-	8,003,416	-	8,818,244	8,818,244
<b>TOTALS</b>	<b>\$ 3,468,748</b>	<b>\$ 1,973,656</b>	<b>\$ 40,382</b>	<b>\$ 8,026,711</b>	<b>(2,246,243)</b>	<b>8,818,244</b>	<b>6,572,001</b>
General Revenues:							
Property Taxes					1,123,253	-	1,123,253
Tax Increment					60,750	-	60,750
Franchise Taxes					6,825	-	6,825
Intergovernmental					1,103,534	-	1,103,534
Investment Income (Loss)					(143,466)	(79,930)	(223,396)
Gain (Loss) on Sale of Assets					24,370	30,000	54,370
Miscellaneous					68,762	-	68,762
Total General Revenues					2,244,028	(49,930)	2,194,098
<b>CHANGE IN NET POSITION</b>					(2,215)	8,768,314	8,766,099
<b>NET POSITION - BEGINNING OF YEAR</b>					11,501,152	8,787,072	20,288,224
<b>NET POSITION - END OF YEAR</b>					<u>\$ 11,498,937</u>	<u>\$ 17,555,386</u>	<u>\$ 29,054,323</u>

See accompanying notes.



**CITY OF FOLEY, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	Special Revenue			Debt Service	Capital Project		
	General Fund	Fire Service Fund	EDA Fund	2020 Improvement Bond Fund	Street Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash, Cash Equivalents, and Investments	\$ 2,860,591	\$ 660,972	\$ -	\$ 637,190	\$ -	\$ 1,289,781	\$ 5,448,534
Property Taxes Receivable	18,874	2,176	-	6,237	-	2,157	29,444
Assessments Receivable	140,591	-	-	110,314	-	295,586	546,491
Accounts Receivable	28,501	20,200	-	-	-	-	48,701
Due from Other Funds	210,514	-	-	-	-	-	210,514
Prepays	59,565	17,641	-	-	-	3,919	81,125
Loans Receivable	-	-	132,420	-	-	7,397	139,817
Advances to Other Funds	80,000	-	-	77,000	-	870,754	1,027,754
<b>TOTAL ASSETS</b>	<b>\$ 3,398,636</b>	<b>\$ 700,989</b>	<b>\$ 132,420</b>	<b>\$ 830,741</b>	<b>\$ -</b>	<b>\$ 2,469,594</b>	<b>\$ 7,532,380</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ 16,183	\$ 1,243	\$ -	\$ -	\$ -	\$ 37	\$ 17,463
Salaries Payable	20,191	24,686	-	-	-	-	44,877
Payroll Deductions and Employer Contributions	7,263	1,889	-	-	-	-	9,152
Deposits Payable	5,000	-	-	-	-	-	5,000
Due to Other Funds	-	-	1,495	-	209,019	-	210,514
Advances from Other Funds	-	80,000	-	-	-	-	80,000
<b>Total Liabilities</b>	<b>48,637</b>	<b>107,818</b>	<b>1,495</b>	<b>-</b>	<b>209,019</b>	<b>37</b>	<b>367,006</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue:							
Property Taxes	10,861	1,406	-	3,934	-	1,425	17,626
Special Assessments	139,547	-	-	110,313	-	287,262	537,122
Loans Receivable	-	-	132,420	-	-	7,397	139,817
<b>Total Deferred Inflows of Resources</b>	<b>150,408</b>	<b>1,406</b>	<b>132,420</b>	<b>114,247</b>	<b>-</b>	<b>296,084</b>	<b>694,565</b>
<b>FUND BALANCES</b>							
Nonspendable	139,565	17,641	-	77,000	-	874,673	1,108,879
Restricted	-	-	-	639,494	-	808,854	1,448,348
Assigned	793,471	574,124	-	-	-	489,946	1,857,541
Unassigned	2,266,555	-	(1,495)	-	(209,019)	-	2,056,041
<b>Total Fund Balances</b>	<b>3,199,591</b>	<b>591,765</b>	<b>(1,495)</b>	<b>716,494</b>	<b>(209,019)</b>	<b>2,173,473</b>	<b>6,470,809</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,398,636</b>	<b>\$ 700,989</b>	<b>\$ 132,420</b>	<b>\$ 830,741</b>	<b>\$ -</b>	<b>\$ 2,469,594</b>	<b>\$ 7,532,380</b>

See accompanying notes.

**CITY OF FOLEY, MINNESOTA**  
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

Total Fund Balances - Governmental Funds \$ 6,470,809

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

Capital and intangible assets used in governmental activities are not current financial  
resources and, therefore, are not reported as assets in governmental funds:

Capital Assets	\$ 17,327,606	
Accumulated Depreciation	(7,585,179)	
Intangible Assets	36,500	
Accumulated Amortization	<u>(3,042)</u>	
Capital and Intangible Assets (Net)		9,775,885

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	(4,443,000)	
Bond Premium, Net of Accumulated Amortization	(41,988)	
Financing Arrangement	(500,033)	
Accrued Vacation	(47,618)	
Accrued Severance	<u>(39,107)</u>	
		(5,071,746)

The net pension asset/liability and related deferred outflows/inflows represent  
the allocation of pension obligations to the City. Such balances are not reported  
in the governmental funds:

Net Pension Asset	372,219	
Net Pension Liability	(1,445,279)	
Deferred Outflows - Pensions	926,631	
Deferred Inflows - Pensions	<u>(175,218)</u>	
		(321,647)

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:

(48,929)

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	17,626	
Special Assessments Receivable	537,122	
Loans Receivable	<u>139,817</u>	
		<u>694,565</u>

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 11,498,937**

**CITY OF FOLEY, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Special Revenue		Debt Service	Capital Project		
			2020		Total Nonmajor	Total
	General Fund	Fire Service Fund	Improvement Bond Fund	Street Projects Fund	Governmental Funds	Governmental Funds
		EDA Fund				
<b>REVENUES</b>						
Property Taxes	\$ 701,140	\$ 86,173	\$ -	\$ 251,253	\$ -	\$ 1,123,240
Tax Increment	-	-	-	-	60,750	60,750
Franchise Taxes	6,825	-	-	-	-	6,825
Special Assessments	5,246	-	-	55,402	66,219	126,867
Licenses, Permits, and Fees	29,867	-	-	-	-	29,867
Intergovernmental	1,068,494	63,580	-	-	-	1,132,074
Charges for Services	75,359	262,280	-	-	74,208	411,847
Fines	12,107	-	-	-	-	12,107
Investment Income (Loss)	(119,962)	(19,672)	103	1,412	(5,347)	(143,466)
Loan Collections	-	-	24,445	-	2,207	26,652
Miscellaneous	56,190	4,401	-	-	10,516	71,107
<b>TOTAL REVENUES</b>	<b>1,835,266</b>	<b>396,762</b>	<b>24,548</b>	<b>308,067</b>	<b>293,227</b>	<b>2,857,870</b>
<b>EXPENDITURES</b>						
Current:						
General Government	676,276	-	-	-	3,000	679,276
Public Safety	490,079	214,998	-	-	-	705,077
Public Works	236,730	-	-	-	-	236,730
Parks and Recreation	54,650	-	-	-	114,899	169,549
Economic Development	-	-	-	-	42,228	42,228
Capital Outlay	75,843	4,604	588,200	-	397,896	1,249,424
Debt Service:						
Principal	-	-	88,167	400,000	85,000	573,167
Interest and Other Charges	-	-	27,920	17,030	92,295	137,245
<b>TOTAL EXPENDITURES</b>	<b>1,533,578</b>	<b>219,602</b>	<b>704,287</b>	<b>417,030</b>	<b>520,303</b>	<b>3,792,696</b>

See accompanying notes.

**CITY OF FOLEY, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Special Revenue			Debt Service	Capital Project		
	General Fund	Fire Service Fund	EDA Fund	2020 Improvement Bond Fund	Street Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ 301,688	\$ 177,160	\$ (679,739)	\$ (108,963)	\$ (397,896)	\$ (227,076)	\$ (934,826)
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of Assets	19,370	-	-	-	-	-	19,370
Issuance of Debt	-	-	588,200	-	-	-	588,200
Transfers In	-	-	-	-	150,000	120,000	270,000
Transfers Out	(270,000)	-	-	-	-	-	(270,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(250,630)</u>	<u>-</u>	<u>588,200</u>	<u>-</u>	<u>150,000</u>	<u>120,000</u>	<u>607,570</u>
<b>NET CHANGE IN FUND BALANCES</b>	51,058	177,160	(91,539)	(108,963)	(247,896)	(107,076)	(327,256)
<b>FUND BALANCES - BEGINNING</b>	<u>3,148,533</u>	<u>414,605</u>	<u>90,044</u>	<u>825,457</u>	<u>38,877</u>	<u>2,280,549</u>	<u>6,798,065</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 3,199,591</u>	<u>\$ 591,765</u>	<u>\$ (1,495)</u>	<u>\$ 716,494</u>	<u>\$ (209,019)</u>	<u>\$ 2,173,473</u>	<u>\$ 6,470,809</u>

See accompanying notes.

**CITY OF FOLEY, MINNESOTA  
RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ (327,256)

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 and amortization expense:

Capital Outlay Capitalized - Capital Assets	\$ 1,238,947	
Depreciation Expense	(651,304)	
Amortization Expense	<u>(2,434)</u>	
		585,209

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 premiums and discounts when debt is first issued, 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	485,000	
Financing Arrangement Principal Repayments	88,167	
Debt Issuance	(588,200)	
Amortization of Bond Premium	<u>9,039</u>	
		(5,994)

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: (2,625)

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	5,913	
Special Assessments	(109,472)	
Loans Receivable	<u>(21,877)</u>	
		(125,436)

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	(13,671)	
Accrued Severance	<u>(8,397)</u>	
		(22,068)

Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net Pension Asset/Liability and Deferred Outflows/Inflows of Resources		<u>(104,045)</u>
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**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (2,215)**

**CITY OF FOLEY, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022**

	Water Fund	Sewer Fund	Totals
<b>ASSETS</b>			
Current Assets			
Cash, Cash Equivalents and Investments	\$ 2,482,493	\$ 1,000,068	\$ 3,482,561
Assessments Receivable	9,478	7,459	16,937
Accounts Receivable	60,292	102,354	162,646
Due from Other Governments	-	2,078,189	2,078,189
Prepays	6,362	7,923	14,285
Total Current Assets	2,558,625	3,195,993	5,754,618
Noncurrent Assets			
Capital Assets Not Being Depreciated	343,829	18,354,201	18,698,030
Capital Assets Being Depreciated (Net)	1,942,396	2,519,330	4,461,726
Intangible Assets Not Being Amortized	-	18,812	18,812
Assessments Receivable	10,604	7,227	17,831
Total Noncurrent Assets	2,296,829	20,899,570	23,196,399
<b>TOTAL ASSETS</b>	4,855,454	24,095,563	28,951,017
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	28,733	28,033	56,766
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	32,767	99,536	132,303
Salaries Payable	1,331	1,241	2,572
Payroll Deductions and Employer Contributions	202	188	390
Construction Contracts Payable	-	438,444	438,444
Accrued Interest	-	22,088	22,088
Accrued Vacation	10,011	10,011	20,022
Debt Due Within One Year	-	226,428	226,428
Total Current Liabilities	44,311	797,936	842,247
Noncurrent Liabilities			
Accrued Severance	22,425	22,425	44,850
Advances from Other Funds	515,877	431,877	947,754
Debt Due After One Year	-	9,448,176	9,448,176
Net Pension Liability	83,955	82,173	166,128
Total Noncurrent Liabilities	622,257	9,984,651	10,606,908
<b>TOTAL LIABILITIES</b>	666,568	10,782,587	11,449,155
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	1,638	1,604	3,242
<b>NET POSITION</b>			
Net Investment in Capital and Intangible Assets	2,286,225	11,198,927	13,485,152
Unrestricted	1,929,756	2,140,478	4,070,234
<b>TOTAL NET POSITION</b>	\$ 4,215,981	\$ 13,339,405	\$ 17,555,386

**CITY OF FOLEY, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Water Fund	Sewer Fund	Totals
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 548,410	\$ 971,425	\$ 1,519,835
<b>OPERATING EXPENSES</b>			
Wages and Benefits	111,537	107,464	219,001
Materials and Supplies	47,321	20,348	67,669
Repairs and Maintenance	24,024	25,907	49,931
Professional Services	1,133	8,016	9,149
Water and Wastewater Analysis	1,155	6,480	7,635
Insurance	9,801	12,915	22,716
Utilities	24,181	11,791	35,972
Miscellaneous	13,183	24,352	37,535
Depreciation	96,137	137,174	233,311
<b>TOTAL OPERATING EXPENSES</b>	<u>328,472</u>	<u>354,447</u>	<u>682,919</u>
<b>NET OPERATING INCOME</b>	219,938	616,978	836,916
<b>NONOPERATING INCOME (EXPENSE)</b>			
Special Assessments	1,733	1,683	3,416
Intergovernmental	-	8,000,000	8,000,000
Investment Income (Loss)	(21,970)	(57,960)	(79,930)
Gain (Loss) on Sale of Assets	-	30,000	30,000
Interest and Other Charges	-	(22,088)	(22,088)
<b>NET NONOPERATING INCOME (EXPENSE)</b>	<u>(20,237)</u>	<u>7,951,635</u>	<u>7,931,398</u>
<b>CHANGE IN NET POSITION</b>	199,701	8,568,613	8,768,314
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>4,016,280</u>	<u>4,770,792</u>	<u>8,787,072</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 4,215,981</u>	<u>\$ 13,339,405</u>	<u>\$ 17,555,386</u>

**CITY OF FOLEY, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Water Fund	Sewer Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 623,385	\$ 1,022,779	\$ 1,646,164
Cash Paid to Suppliers	(119,837)	(108,565)	(228,402)
Cash Paid to Employees	(103,373)	(99,457)	(202,830)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>400,175</u>	<u>814,757</u>	<u>1,214,932</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Special Assessments	14,142	11,253	25,395
Intergovernmental and Other	-	8,000,000	8,000,000
Purchases of Capital and Intangible Assets	(272,493)	(17,449,536)	(17,722,029)
Proceeds from Sale of Capital Assets	-	30,000	30,000
Payments on Interfund Advances	(68,000)	(100,000)	(168,000)
Proceeds from Debt Issuance	<u>-</u>	<u>7,596,415</u>	<u>7,596,415</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(326,351)</u>	<u>(1,911,868)</u>	<u>(2,238,219)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income (Loss)	<u>(21,970)</u>	<u>(57,960)</u>	<u>(79,930)</u>
Net Change in Cash, Cash Equivalents, and Investments	51,854	(1,155,071)	(1,103,217)
Cash, Cash Equivalents, and Investments - Beginning of Year	<u>2,430,639</u>	<u>2,155,139</u>	<u>4,585,778</u>
Cash, Cash Equivalents, and Investments - End of Year	<u>\$ 2,482,493</u>	<u>\$ 1,000,068</u>	<u>\$ 3,482,561</u>



**CITY OF FOLEY, MINNESOTA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Water Fund	Sewer Fund	Totals
<b>RECONCILIATION OF NET OPERATING INCOME TO</b>			
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Net Operating Income	\$ 219,938	\$ 616,978	\$ 836,916
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	96,137	137,174	233,311
Changes in Assets, Liabilities, and Deferrals:			
Accounts Receivable	74,975	51,354	126,329
Prepays	245	1,014	1,259
Accounts Payable	716	230	946
Salaries Payable	207	345	552
Payroll Deductions and Employer Contributions	32	52	84
Net Pension Liability	39,658	38,516	78,174
Deferred Outflows of Resources - Pensions	2,879	3,141	6,020
Deferred Inflows of Resources - Pensions	(39,735)	(39,170)	(78,905)
Accrued Vacation	1,907	1,907	3,814
Accrued Severance	3,216	3,216	6,432
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 400,175</b>	<b>\$ 814,757</b>	<b>\$ 1,214,932</b>
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED</b>			
<b>FINANCING ACTIVITIES</b>			
Purchase of Capital Assets on Account	\$ 29,117	\$ 537,247	\$ 566,364
Issuance of Debt on Account	\$ -	\$ 2,078,189	\$ 2,078,189

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**1.A. FINANCIAL REPORTING ENTITY**

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

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

**Blended Component Units**

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

Economic Development Authority

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

**Discretely Presented Component Units**

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

**Related Organizations**

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

**1.B. BASIS OF PRESENTATION**

**Government-wide Financial Statements**

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

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**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 City has elected to present this fund as major in the current year.

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

The *2020 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 *Street Projects Fund* is a capital project fund used to account for the financial resources to be used for City street improvements.

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.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

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

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 Fund* accounts for financial resources to be used for the acquisition or construction of capital projects (other than capital projects funded by proprietary funds).

**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 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.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**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 contingencies related to these balances at the date of the financial statements. Estimates also affect reported amounts of revenues and expenditures/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 Statements 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.

**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 goods 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.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

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

**Loans Receivable**

Loans Receivable consists of two loans made to local entities. The first note was made in 2015, has a remaining balance of \$7,397 at December 31, 2022, 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 \$132,420 at December 31, 2022, and is payable in annual installments of \$24,444 through March 2028.

**Prepays**

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

**Capital Assets**

The accounting treatment over property, plant and equipment (capital assets) and intangible 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. The City's capital assets at year-end also consist of tangible and intangible assets. Tangible assets are similar to those previously described and include buildings, infrastructure and machinery and equipment. Intangible assets consist of non-physical assets such as easements, software, and City land-use development plans.

Capital assets are defined by the City as assets, both tangible and intangible, with an initial, individual cost of more than \$10,000 for vehicles and equipment, and \$25,000 for buildings, improvements, and infrastructure, and an estimated useful life in excess of one year. Intangible assets follow the same capitalization policies as tangible assets and are reported similarly, except that such assets are considered to be amortized over time, not depreciated as further discussed below.

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

Land Improvements	10-50 years
Intangible Assets	15 years
Infrastructure	25-50 years
Buildings and Structures	25-50 years
Distribution System	25-50 years
Lagoons	25-50 years
Machinery and Equipment	3-20 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 and amortization reflected in the Statement of Net Position. Depreciation and amortization are 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.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

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

**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.

**Long-Term Debt**

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 measurement 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 Association (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 report 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.



**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

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

In addition to liabilities, the Statements of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position 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.

**Equity Classifications**

Government-wide Statements

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

Net Investment in Capital and Intangible Assets – Consists of capital and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization, 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 and intangible 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, 2022 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, 2022.

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.



**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

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

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 percent 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 on the previous page.

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

**Property Tax**

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

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

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

**Operating Revenues and Expenses**

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

**Expenditures/Expenses**

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

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

Governmental Funds - By Character

Current (further classified by Function)  
Capital Outlay  
Debt Service

Proprietary Funds - By Operating and Nonoperating

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

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

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.

**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). 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.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

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

At December 31, 2022, the City has the following deposits:

Cash in Checking and Savings Accounts	\$ 3,568,776
Money Market Savings Accounts	<u>3,411,303</u>
Total Carrying Amount of Deposits Balance	<u>\$ 6,980,079</u>

**Investments**

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

Investment balances at December 31, 2022 are as follows:

Type of Investments	Interest Rate	Credit Rating	Segmented Time Distribution	Fair Value	Percent of Total
Money Market Fund - U.S. Government Securities	N/A	N/A	Less than 1 year	\$ 39,046	2.00
U.S. Government Mortgage Securities	N/A	N/A	N/A	1,066,297	54.65
U.S. Government Securities	N/A	N/A	N/A	<u>845,673</u>	<u>43.35</u>
Total Investments				<u>\$ 1,951,016</u>	<u>100.00</u>

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

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk as indicated in the table above. Minnesota Statutes limit the City's investments.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments. At December 31, 2022, 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).

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

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

- Concentration of credit risk is the risk associated with investing a significant portion of the City's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools and mutual funds. The City has no formal policy limiting the amounts that may be invested in any one issuer.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no formal policy to address interest rate risk.

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, 2022:

- U.S. Government securities of \$845,673, U.S. Government mortgage securities of \$1,066,297, and money market funds (consisting of U.S. Government securities) of \$39,046 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	\$ 6,980,079
Investments	<u>1,951,016</u>
 Total Cash, Cash Equivalents and Investments	 <u><u>\$ 8,931,095</u></u>

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

Governmental Funds	
Cash and Cash Equivalents	\$ 4,236,658
Investments	<u>1,211,876</u>
	5,448,534
Proprietary Funds	
Cash and Cash Equivalents	2,743,421
Investments	<u>739,140</u>
	<u>3,482,561</u>
 Total Cash, Cash Equivalents and Investments	 <u><u>\$ 8,931,095</u></u>

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**2.B.     CAPITAL AND INTANGIBLE ASSETS**

Capital asset activity for the year ended December 31, 2022 is as follows:

	Balance at 01/01/22	Additions	Disposals	Transfers	Balance at 12/31/22
Governmental Activities:					
Capital Assets not Being Depreciated					
Land	\$ 326,323	\$ 593,200	\$ -	\$ -	\$ 919,523
Construction In Progress	-	336,327	-	-	336,327
Total Capital Assets not Being Depreciated	326,323	929,527	-	-	1,255,850
Capital Assets Being Depreciated					
Buildings	2,607,456	126,831	-	-	2,734,287
Infrastructure	8,819,513	44,714	-	-	8,864,227
Improvements	531,555	-	-	-	531,555
Equipment	1,293,549	137,875	51,916	-	1,379,508
Vehicles	2,577,456	-	15,277	-	2,562,179
Total Capital Assets Being Depreciated	15,829,529	309,420	67,193	-	16,071,756
Less: Accumulated Depreciation					
Buildings	1,373,952	72,300	-	-	1,446,252
Infrastructure	3,347,665	337,986	-	-	3,685,651
Improvements	349,988	12,517	-	-	362,505
Equipment	549,400	82,784	51,916	-	580,268
Vehicles	1,380,063	145,717	15,277	-	1,510,503
Total Accumulated Depreciation	7,001,068	651,304	67,193	-	7,585,179
Total Capital Assets Being Depreciated, Net	8,828,461	(341,884)	-	-	8,486,577
Capital Assets, Net	\$ 9,154,784	\$ 587,643	\$ -	\$ -	\$ 9,742,427

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**2.B.     CAPITAL AND INTANGIBLE ASSETS (Continued)**

Depreciation is charged to governmental activities as follows:

General Government	\$     47,593
Pool	16,828
Parks and Recreation	17,996
Police	18,772
Public Works	407,073
Fire	<u>143,042</u>
Total Depreciation Expense	<u>\$    651,304</u>

Intangible asset activity for the year ended December 31, 2022 is as follows:

	Balance at 01/01/22	Additions	Disposals	Transfers	Balance at 12/31/22
Governmental Activities:					
Intangible Assets Being Amortized					
Intangible Assets	\$    36,500	\$       -	\$       -	\$       -	\$    36,500
Less: Accumulated Amortization					
Intangible Assets	<u>608</u>	<u>2,434</u>	<u>-</u>	<u>-</u>	<u>3,042</u>
Total Intangible Assets Being Amortized, Net	<u>35,892</u>	<u>(2,434)</u>	<u>-</u>	<u>-</u>	<u>33,458</u>
Intangible Assets, Net	<u>\$    35,892</u>	<u>\$    (2,434)</u>	<u>\$       -</u>	<u>\$       -</u>	<u>\$    33,458</u>

Amortization is charged to governmental activities as follows:

General Government	<u>\$       2,434</u>
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**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**2.B.     CAPITAL AND INTANGIBLE ASSETS (Continued)**

	Balance at 01/01/22	Additions	Disposals	Transfers	Balance at 12/31/22
Business-Type Activities:					
Capital Assets not Being					
Depreciated					
Land	\$ 49,087	\$ -	\$ -	\$ -	\$ 49,087
Construction In Progress	730,306	17,918,637	-	-	18,648,943
Total Capital Assets not Being					
Depreciated	779,393	17,918,637	-	-	18,698,030
Capital Assets Being					
Depreciated					
Buildings	203,773	-	-	-	203,773
Infrastructure	5,760,686	-	-	-	5,760,686
Lagoons	1,918,257	-	-	-	1,918,257
Improvements	12,334	-	-	-	12,334
Lift Stations	352,394	-	-	-	352,394
Equipment	409,928	-	9,942	-	399,986
Vehicles	180,000	350,944	180,000	-	350,944
Total Capital Assets Being					
Depreciated	8,837,372	350,944	189,942	-	8,998,374
Less: Accumulated Depreciation					
Buildings	171,252	4,101	-	-	175,353
Infrastructure	2,451,524	154,268	-	-	2,605,792
Lagoons	1,150,794	31,971	-	-	1,182,765
Improvements	12,334	-	-	-	12,334
Lift Stations	170,795	7,049	-	-	177,844
Equipment	364,080	11,394	9,942	-	365,532
Vehicles	172,500	24,528	180,000	-	17,028
Total Accumulated					
Depreciation	4,493,279	233,311	189,942	-	4,536,648
Total Capital Assets Being					
Depreciated, Net	4,344,093	117,633	-	-	4,461,726
Capital Assets, Net	\$ 5,123,486	\$ 18,036,270	\$ -	\$ -	\$ 23,159,756
	Balance at 01/01/22	Additions	Disposals	Transfers	Balance at 12/31/22
Business-Type Activities:					
Intangible Assets not Being					
Amortized					
Intangible Assets	\$ -	\$ 18,812	\$ -	\$ -	\$ 18,812

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**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 ten full-time employees who qualify for the benefit.

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

**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. 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, 2022, the long-term debt of the financial reporting entity, excluding the bond premium of \$41,988, 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	\$ 640,000
G.O. Improvement Bonds, 2018A	08/18	\$ 2,340,000	\$20,000-\$330,000	3.00-3.25%	02/34	2,295,000
G.O. Improvement Refunding Bonds, 2020A	08/20	\$ 2,281,000	\$99,000-\$409,000	0.75-1.35%	02/28	1,508,000
Total Governmental Activities Bonds Payable						<u>\$ 4,443,000</u>

Financing Arrangement						
Type of Debt	Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Industrial Park Land	08/22	\$ 588,200	\$88,167-\$138,595	4.00%	08/26	<u>\$ 500,033</u>

Business-Type Activities

Notes Payable						
Type of Debt	Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
G.O. Sewer Revenue Note, 2022A	8/22	\$ 19,790,428*	\$226,428-\$954,000	2.59%	8/52	<u>\$ 9,674,604</u>

\*As of December 31, 2022, this is the amount that the City of Foley has committed to borrowing. The City will be making additional draws upon this commitment.



**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

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

**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, 2022:

Type of Debt	Balance 1/1/2022	Additions	Deductions	Balance 12/31/2022	Amounts Due Within One Year
<b>Governmental Activities:</b>					
G.O. Bonds	\$ 3,020,000	\$ -	\$ (85,000)	\$ 2,935,000	\$ 90,000
G.O. Refunding Bonds	1,908,000	-	(400,000)	1,508,000	399,000
Financing Arrangement	-	588,200	(88,167)	500,033	98,807
Unamortized Bond Premium	51,027	-	(9,039)	41,988	-
Accrued Severance	30,710	8,397	-	39,107	-
Total	<u>\$ 5,009,737</u>	<u>\$ 596,597</u>	<u>\$ (582,206)</u>	<u>\$ 5,024,128</u>	<u>\$ 587,807</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ -	\$ 9,674,604	\$ -	\$ 9,674,604	\$ 226,428
Accrued Severance	38,418	6,432	-	44,850	-
Total	<u>\$ 38,418</u>	<u>\$ 9,681,036</u>	<u>\$ -</u>	<u>\$ 9,719,454</u>	<u>\$ 226,428</u>

Governmental activity debt is typically funded through the Debt Service Funds and EDA Fund. Business-type activity debt is funded through the Sewer Fund. Accrued severance is funded through the funds to which the respective employees' wages are allocated.

**Annual Debt Service Requirements**

At December 31, 2022, the estimated annual debt service requirements to maturity, including principal and interest, and excluding accrued severance and net pension liability, are as follows:

Years Ending December 31,	Governmental Activities		
	G.O. Bonds		
	Principal	Interest	Total
2023	\$ 489,000	\$ 102,335	\$ 591,335
2024	489,000	95,844	584,844
2025	504,000	89,231	593,231
2026	385,000	80,914	465,914
2027	392,000	70,925	462,925
2028-2032	1,779,000	188,749	1,967,749
2033-2034	405,000	13,244	418,244
Totals	<u>\$ 4,443,000</u>	<u>\$ 641,242</u>	<u>\$ 5,084,242</u>

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

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

Governmental Activities			
Years Ending December 31,	Financing Arrangement		
	Principal	Interest	Total
2023	\$ 98,807	\$ 17,280	\$ 116,087
2024	128,951	16,049	145,000
2025	133,679	11,321	145,000
2026	138,596	6,405	145,001
Totals	\$ 500,033	\$ 51,055	\$ 551,088

Business-Type Activities			
Years Ending December 31,	Notes Payable		
	Principal	Interest	Total
2023	\$ 226,428	\$ 222,441	\$ 448,869
2024	231,000	506,121	737,121
2025	479,000	500,145	979,145
2026	491,000	487,753	978,753
2027	504,000	475,051	979,051
2028-2032	2,722,000	2,172,847	4,894,847
2033-2037	3,093,000	1,802,053	4,895,053
2038	1,928,176	832,925	2,761,101
Totals	\$ 9,674,604	\$ 6,999,336	\$ 16,673,940

Interest expense totals \$160,988 in the Statement of Activities (included in Debt Service and Sewer lines). Interest expenditures total \$136,275 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges). Interest expenses total \$22,088 for the Statement of Revenues, Expenses and Changes in Net Position – Proprietary 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, 2022:

Major Funds	Transfers Out	Transfers In		Total
		Major Fund	Nonmajor Fund	
		Street Projects Fund	Equipment Fund	
General	\$ 270,000	\$ 150,000	\$ 120,000	\$ 270,000

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

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

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

The interfund balances at December 31, 2022 are as follows:

Short-Term Balances			
Due To Fund	Due From Fund	Amount	Reason
General Fund	EDA Fund	\$ 1,495	Negative cash
General Fund	2020 Improvement Bond Fund	209,019	Negative cash
Total Short-Term Interfund Balance		210,514	
Long-Term Balances			
Advance From Fund	Advance to Fund		
2020 Improvement Bond Fund	Water Fund	\$ 20,000	Long-term interfund loan
2015 Improvement Bond Fund	Water Fund	77,877	Long-term interfund loan
2018 Capital Improvement Fund	Water Fund	418,000	Long-term interfund loan
2020 Improvement Bond Fund	Sewer Fund	57,000	Long-term interfund loan
2015 Improvement Bond Fund	Sewer Fund	77,877	Long-term interfund loan
2018 Capital Improvement Fund	Sewer Fund	297,000	Long-term interfund loan
General Fund	Fire Service Fund	80,000	Long-term interfund loan
Total Long-Term Interfund Balance		1,027,754	
Total Interfund Balances		1,238,268	
Government Fund Elimination		(290,514)	
Government-wide Internal Balances		\$ 947,754	

It is the City's intent to remit \$20,000 per year from the Water Fund and \$57,000 per year from the Sewer Fund to the 2020 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. Lastly, the City intends to remit \$40,000 each year for five years to the Fire Service Fund from the General Fund (via the expendable trust).

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**2.F.     FUND EQUITY**

At December 31, 2022, governmental fund equity consists of the following:

	Nonspendable	Restricted	Assigned	Unassigned
General Fund				
Nonspendable - Prepaids	\$ 59,565	\$ -	\$ -	\$ -
Nonspendable - Advances to Other Funds	80,000	-	-	-
Assigned for American Rescue Plan Act Expenditures	-	-	292,112	-
Assigned	-	-	501,359	-
Unassigned	-	-	-	2,266,555
Total General Fund Balance	<u>\$ 139,565</u>	<u>\$ -</u>	<u>\$ 793,471</u>	<u>\$ 2,266,555</u>
Fire Service Fund				
Nonspendable - Prepaids	\$ 17,641	\$ -	\$ -	\$ -
Assigned for Fire Expenditures	-	-	574,124	-
Total Fire Service Fund Balance	<u>\$ 17,641</u>	<u>\$ -</u>	<u>\$ 574,124</u>	<u>\$ -</u>
EDA Fund				
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,495)</u>
2020 Improvement Bond Fund				
Nonspendable - Advances to Other Funds	\$ 77,000	\$ -	\$ -	\$ -
Restricted for Debt Service	-	639,494	-	-
Total 2020 Improvement Bond Fund Balance	<u>\$ 77,000</u>	<u>\$ 639,494</u>	<u>\$ -</u>	<u>\$ -</u>
Street Projects Fund				
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (209,019)</u>
Nonmajor Governmental Funds				
Nonspendable - Prepaids	\$ 3,919	\$ -	\$ -	\$ -
Nonspendable - Advances to Other Funds	870,754	-	-	-
Restricted for 2015 Improvement Bond Fund	-	179,885	-	-
Restricted for TIF District 1-8	-	48,447	-	-
Restricted for TIF District 1-9	-	23,734	-	-
Restricted for 2018 Improvement Bond Fund	-	325,994	-	-
Restricted for Revolving Loan Fund	-	84,295	-	-
Restricted for Small Cities Development Grant Fund	-	146,499	-	-
Assigned for Equipment Fund	-	-	95,268	-
Assigned for Swimming Pool Fund	-	-	394,678	-
Total Nonmajor Governmental Funds Balance	<u>\$ 874,673</u>	<u>\$ 808,854</u>	<u>\$ 489,946</u>	<u>\$ -</u>

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**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

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

Public Employees Police and Fire Plan

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

**Benefits Provided**

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 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.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

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 1.50 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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 2022 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, 2022 were \$39,864. The City's contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70 percent for the Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022 were \$55,931. 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, 2022, the City reported a liability of \$514,802 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 \$15,114.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0065 percent at the end of the measurement period and 0.0060 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$514,802
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State of Minnesota's proportionate share of the net pension liability associated with the City	<u>15,114</u>
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Total	<u>\$529,916</u>
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For the year ended December 31, 2022, the City recognized pension expense of \$85,066 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,258 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 4,300	\$ 5,084
Change in Actuarial Assumptions	107,818	1,965
Difference Between Projected and Actual Investment Earnings	22,848	-
Changes in Proportionate Share Contributions Paid to PERA Subsequent to the Measurement Date	18,779	2,998
	<u>21,549</u>	<u>-</u>
Total City Deferred Outflows/Inflows	<u>\$ 175,294</u>	<u>\$ 10,047</u>

The \$21,549 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2023	\$ 52,015
2024	\$ 51,151
2025	\$ (6,024)
2026	\$ 46,556

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,096,605 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0252 percent at the end of the measurement period and 0.0242 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. 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.

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 \$9 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, 2022, the City recognized pension expense of \$214,902 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$9,292 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$2,268 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City's proportionate share of the net pension liability:	\$1,096,605
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>47,904</u>
Total	<u>\$1,144,509</u>



**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

At December 31, 2022, 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	\$ 65,474	\$ -
Change in Actuarial Assumptions	636,445	5,764
Difference Between Projected and Actual Investment Earnings	24,540	-
Changes in Proportionate Share	36,610	710
Contributions Paid to PERA Subsequent to the Measurement Date	31,008	-
Total City Deferred Outflows/Inflows	\$ 794,077	\$ 6,474

The \$31,008 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2023	\$ 155,942
2024	\$ 147,174
2025	\$ 134,359
2026	\$ 226,593
2027	\$ 92,527

**Long-Term Expected Return on Investment**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1.00 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.00 percent after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. 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 most recent four-year experience study for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.40 percent.

Changes in Plan Provisions:

- There have been no changes in plan provisions since the previous valuation.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**Discount Rate**

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.50 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 position of the General Employees Fund was 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the fund's projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

**Pension Liability Sensitivity**

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

Sensitivity Analysis					
Net Pension Liability at Different Discount Rates					
	General Employees Fund			Police and Fire Fund	
1% Increase in Discount Rate	7.50%	\$	270,105	6.40%	\$ 641,480
Current Discount Rate	6.50%	\$	514,802	5.40%	\$ 1,096,605
1% Decrease in Discount Rate	5.50%	\$	813,157	4.40%	\$ 1,659,570

**Pension Plan Fiduciary Net Position**

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

**NOTE 4     DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION**

**Plan Description**

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

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**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, 2022 total \$8,500.

**Pension Costs**

At December 31, 2022, the City of Foley reported a net pension asset of \$372,219 for the Fire Relief Association's plan. The net pension asset was measured as of December 31, 2021, as determined by an actuarial valuation as of January 1, 2021.

For the year ended December 31, 2022, the City recognized pension expense of \$10,392 for the Association. The City also recognized \$62,480 for the year ended December 31, 2022, 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 measurement period:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance 1/1/2021	\$ 829,479	\$ 1,231,647	\$ (402,168)
Service Cost	44,867	-	44,867
Interest Cost	38,783	-	38,783
Plan Changes	85,440	-	85,440
Projected Investment Return	-	58,306	(58,306)
Contributions (Employer)	-	8,390	(8,390)
Contributions (State)	-	62,480	(62,480)
Asset (Gain)/Loss	-	14,535	(14,535)
Benefit Payouts	(197,356)	(197,356)	-
Administrative Fee	-	(4,570)	4,570
Net Changes	(28,266)	(58,215)	29,949
Balance End of Year 12/31/21	\$ 801,213	\$ 1,173,432	\$ (372,219)

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

At December 31, 2022, the City of Foley reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 66,558
Changes in Actuarial Assumptions	5,526	50,462
Difference Between Projected and Actual Investment Earnings	-	44,919
Contributions Paid to PERA Subsequent to the Measurement Date	8,500	-
Total City Deferred Outflows/Inflows	<u>\$ 14,026</u>	<u>\$ 161,939</u>

A total of \$8,500 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to the pension will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2023	\$ (20,278)
2024	\$ (36,793)
2025	\$ (21,420)
2026	\$ (15,066)
2027	\$ (12,159)
2028 - 2032	\$ (43,273)
2033	\$ (7,424)

**Actuarial Assumptions**

The net pension asset at December 31, 2021, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

There were no changes made to actuarial assumptions since the prior valuation.

There were no changes made to plan provisions during 2021 except that a benefit level increase from \$4,100 to \$4,500 was reflected in the active liability.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**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:

	1% Decrease in Discount Rate (4.00%)	Discount Rate (5.00%)	1% Increase in Discount Rate (6.00%)
Net Pension Asset	\$ (331,650)	\$ (372,219)	\$ (410,788)

**Plan Investments**

Asset Allocation

The long-term expected rate of return on pension plan investments is 5.00 percent. The target allocation and best estimates of geometric real rates of return for each major asset class of the Association's pension fund investments are summarized in the following table:

Asset Class	Portfolio Weight	Long-Term Expected Real Rate of Return
Cash	4%	1.75%
Fixed Income	56%	3.50%
Equities	39%	7.25%
Other	1%	6.00%

Description of significant investment policy changes during the year

The Fire Relief Association made no significant changes to their investment policy during Fiscal Year 2021.

**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.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 OTHER NOTES (Continued)**

**5.A. RISK MANAGEMENT (Continued)**

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

**5.B. TAX INCREMENT FINANCING 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:	Housing District #1-8
Business Name:	Prairie Cottages Assisted Living Project
Purpose:	Housing
Authorizing Law:	MN Statutes Sections 469.174
Year Established:	2012
Duration of District:	25 Years
Original Base Net Tax Capacity:	\$ 3,200
Current Net Tax Capacity:	\$ 5,213
Captured Net Tax Capacity:	
Retained by City	\$ 2,013
Shared with Other Taxing Districts	\$ -
Taxes Abated in 2022:	\$ -
Name of District:	Economic Development District #1-9
Business Name:	Silt Sock, Inc.
Purpose:	Economic Development
Authorizing Law:	MN Statutes Sections 469.174, Subd. 12
Year Established:	2016
Duration of District:	10 Years
Original Base Net Tax Capacity:	\$ 8,105
Current Net Tax Capacity:	\$ 50,201
Captured Net Tax Capacity:	
Retained by City	\$ 42,096
Shared with Other Taxing Districts	\$ -
Taxes Abated in 2022:	\$ 40,228

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5     OTHER NOTES (Continued)**

**5.C.     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.

**5.D.     COMMITMENTS**

**Construction Project**

During the year, the City began its wastewater expansion project. At December 31, 2022, remaining commitments related to this project total \$7,341,379, excluding retainage, which has been accrued for in these financial statements.

**5.E.     SUBSEQUENT EVENTS**

**Construction Grant**

Subsequent to year-end and prior to the issuance of these financial statements, the City was approved to receive a \$7 million Point Source Implementation Grant (PSIG) from the Minnesota Public Facilities Authority (PFA) to fund their wastewater project.

**5.F.     NEW ACCOUNTING STANDARDS**

In May 2020, the Government Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 (GASB 96) increases the usefulness of governmental financial statements by requiring recognition of right-to-use assets and liabilities for subscription-based information technology arrangements. GASB 96 will be effective for the City's year ended December 31, 2023. The effect on net position may be significant.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF FOLEY, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts - Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>REVENUES</b>			
<b>Taxes</b>			
Property Taxes	\$ 702,045	\$ 701,140	\$ (905)
Franchise Taxes	<u>7,000</u>	<u>6,825</u>	<u>(175)</u>
<b>Total Taxes</b>	709,045	707,965	(1,080)
 <b>Special Assessments</b>	 1,000	 5,246	 4,246
 <b>Licenses and Permits</b>	 27,350	 29,867	 2,517
 <b>Intergovernmental Revenue</b>			
Federal Revenue			
American Rescue Plan Act Funds	-	146,056	146,056
State Revenue			
Local Government Aid	844,945	844,945	-
Police and Fire Aid	32,000	39,231	7,231
Other State Grants and Aids	-	7,663	7,663
County Revenue			
Highways	14,350	14,350	-
Other County Grants and Aids	<u>12,000</u>	<u>16,249</u>	<u>4,249</u>
<b>Total Intergovernmental Revenue</b>	903,295	1,068,494	165,199
 <b>Charges for Services</b>			
General Government	2,600	2,336	(264)
Police and Fire Contracts	46,300	59,576	13,276
Streets and Highways	500	7,447	6,947
Parks and Recreation	<u>4,000</u>	<u>6,000</u>	<u>2,000</u>
<b>Total Charges for Services</b>	53,400	75,359	21,959
 <b>Fines and Forfeitures</b>	 15,000	 12,107	 (2,893)
 <b>Miscellaneous Revenue</b>			
Investment Earnings	5,250	(119,962)	(125,212)
Refunds and Reimbursements	5,000	224	(4,776)
Contributions and Donations	4,000	3,720	(280)
Other Miscellaneous	<u>10,100</u>	<u>52,246</u>	<u>42,146</u>
<b>Total Miscellaneous Revenue</b>	<u>24,350</u>	<u>(63,772)</u>	<u>(88,122)</u>
 <b>TOTAL REVENUES</b>	 1,733,440	 1,835,266	 101,826

**CITY OF FOLEY, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts - Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>EXPENDITURES</b>			
<b>General Government</b>			
Mayor and Council	\$ 16,850	\$ 13,457	\$ (3,393)
Administration and Finance	119,700	120,739	1,039
Other General Government	532,050	542,080	10,030
Capital Outlay	<u>17,000</u>	<u>60,506</u>	<u>43,506</u>
<b>Total General Government</b>	685,600	736,782	51,182
<b>Public Safety</b>			
Police			
Current	463,700	469,638	5,938
Other Public Safety			
Current	<u>16,200</u>	<u>20,441</u>	<u>4,241</u>
<b>Total Public Safety</b>	479,900	490,079	10,179
<b>Public Works</b>			
Street Maintenance and Storm Sewers	175,100	170,405	(4,695)
Snow and Ice Removal	<u>69,000</u>	<u>66,325</u>	<u>(2,675)</u>
<b>Total Public Works</b>	244,100	236,730	(7,370)
<b>Culture and Recreation</b>			
Parks and Recreation			
Current	49,340	54,650	5,310
Capital Outlay	<u>5,000</u>	<u>15,337</u>	<u>10,337</u>
<b>Total Culture and Recreation</b>	<u>54,340</u>	<u>69,987</u>	<u>15,647</u>
<b>TOTAL EXPENDITURES</b>	<u>1,463,940</u>	<u>1,533,578</u>	<u>69,638</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	269,500	301,688	32,188
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Assets	500	19,370	18,870
Transfers Out	<u>(270,000)</u>	<u>(270,000)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(269,500)</u>	<u>(250,630)</u>	<u>18,870</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	51,058	<u>\$ 51,058</u>
<b>FUND BALANCE - BEGINNING</b>		<u>3,148,533</u>	
<b>FUND BALANCE - ENDING</b>		<u>\$ 3,199,591</u>	

**CITY OF FOLEY, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE – FIRE SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts - Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>REVENUES</b>			
<b>Taxes</b>			
Property Taxes	\$ 86,500	\$ 86,173	\$ (327)
<b>Intergovernmental Revenue</b>			
State Revenue			
Police and Fire Aid	-	63,580	63,580
Local Revenue			
Other Local Grants	3,000	-	(3,000)
<b>Total Intergovernmental Revenue</b>	3,000	63,580	60,580
<b>Charges for Services</b>			
Police and Fire Contracts	214,000	262,280	48,280
<b>Miscellaneous Revenue</b>			
Investment Earnings (Loss)	500	(19,672)	(20,172)
Refunds and Reimbursements	-	3,701	3,701
Contributions and Donations	-	700	700
<b>Total Miscellaneous Revenue</b>	500	(15,271)	(15,771)
<b>TOTAL REVENUES</b>	304,000	396,762	92,762
<b>EXPENDITURES</b>			
<b>Public Safety</b>			
Fire			
Current	244,000	214,998	(29,002)
Capital Outlay	60,000	4,604	(55,396)
<b>Total Public Safety</b>	304,000	219,602	(84,398)
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	177,160	\$ 177,160
<b>FUND BALANCE - BEGINNING</b>		414,605	
<b>FUND BALANCE - ENDING</b>		\$ 591,765	

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

For the Measurement Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>General Employees Retirement Pension Plan</b>							
2022	0.0065%	\$ 514,802	\$ 15,114	\$ 529,916	\$ 485,320	109.2%	76.7%
2021	0.0060%	\$ 256,227	\$ 7,846	\$ 264,073	\$ 431,813	61.2%	87.0%
2020	0.0061%	\$ 365,723	\$ 11,299	\$ 377,022	\$ 435,213	86.6%	79.1%
2019	0.0059%	\$ 326,198	\$ 10,166	\$ 336,364	\$ 416,815	80.7%	80.2%
2018	0.0058%	\$ 321,760	\$ 10,571	\$ 332,331	\$ 391,702	84.8%	79.5%
2017	0.0056%	\$ 357,500	\$ 4,494	\$ 361,994	\$ 358,933	100.9%	75.9%
2016	0.0059%	\$ 479,051	\$ -	\$ 479,051	\$ 363,507	131.8%	68.9%
2015	0.0066%	\$ 342,046	\$ -	\$ 342,046	\$ 414,145	82.6%	78.2%
<b>Public Employees Police and Fire Pension Plan</b>							
2022	0.0252%	\$ 1,096,605	\$ 47,904	\$ 1,144,509	\$ 306,661	373.2%	70.5%
2021	0.0242%	\$ 186,798	\$ 8,402	\$ 195,200	\$ 285,463	68.4%	93.7%
2020	0.0234%	\$ 308,437	\$ 7,281	\$ 315,718	\$ 264,416	119.4%	87.2%
2019	0.0207%	\$ 220,372	\$ -	\$ 220,372	\$ 217,825	101.2%	89.3%
2018	0.0209%	\$ 222,772	\$ -	\$ 222,772	\$ 219,889	101.3%	88.8%
2017	0.0170%	\$ 229,520	\$ -	\$ 229,520	\$ 174,019	131.9%	85.4%
2016	0.0190%	\$ 762,503	\$ -	\$ 762,503	\$ 183,315	416.0%	63.9%
2015	0.0190%	\$ 215,884	\$ -	\$ 215,884	\$ 172,478	125.2%	86.6%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 (June 30, 2015 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

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

For the Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b><i>General Employees Retirement Pension Plan</i></b>					
2022	\$ 39,864	\$ 39,864	\$ -	\$ 531,520	7.5%
2021	\$ 33,412	\$ 33,412	\$ -	\$ 445,493	7.5%
2020	\$ 33,692	\$ 33,692	\$ -	\$ 449,227	7.5%
2019	\$ 31,952	\$ 31,952	\$ -	\$ 426,021	7.5%
2018	\$ 30,382	\$ 30,382	\$ -	\$ 405,096	7.5%
2017	\$ 28,579	\$ 28,579	\$ -	\$ 381,053	7.5%
2016	\$ 25,976	\$ 25,976	\$ -	\$ 346,347	7.5%
2015	\$ 28,875	\$ 28,875	\$ -	\$ 392,909	7.3%
<b><i>Public Employees Police and Fire Pension Plan</i></b>					
2022	\$ 55,931	\$ 55,931	\$ -	\$ 315,994	17.7%
2021	\$ 53,343	\$ 53,343	\$ -	\$ 301,373	17.7%
2020	\$ 51,273	\$ 51,273	\$ -	\$ 289,678	17.7%
2019	\$ 40,432	\$ 40,432	\$ -	\$ 238,536	17.0%
2018	\$ 35,956	\$ 35,956	\$ -	\$ 221,951	16.2%
2017	\$ 30,452	\$ 30,452	\$ -	\$ 187,975	16.2%
2016	\$ 29,329	\$ 29,329	\$ -	\$ 181,043	16.2%
2015	\$ 29,034	\$ 29,034	\$ -	\$ 179,221	16.2%
<b><i>Volunteer Fire Relief Association</i></b>					
2022	\$ -	\$ 8,500	\$ (8,500)	N/A	N/A
2021	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2020	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2019	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2018	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2017	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2016	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2015	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A

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

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

	Measurement Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
<b>Changes in Total Pension Liability (TPL)</b>							
Balance at January 1st	\$ 829,479	\$ 861,049	\$ 700,239	\$ 653,311	\$ 517,148	\$ 500,316	\$ 451,715
Service Cost	44,867	39,379	33,593	30,013	25,324	27,648	28,458
Interest on the TPL	38,783	44,547	36,692	32,458	25,767	29,038	24,718
Assumption Changes	-	(55,677)	-	(5,265)	-	11,051	-
Plan Changes	85,440	-	90,525	-	85,072	-	-
Actuarial Experience (Gains)/Losses	-	(40,850)	-	(10,278)	-	(50,905)	-
Benefit Payments	(197,356)	(18,969)	-	-	-	-	(4,575)
Balance at December 31st	<u>\$ 801,213</u>	<u>\$ 829,479</u>	<u>\$ 861,049</u>	<u>\$ 700,239</u>	<u>\$ 653,311</u>	<u>\$ 517,148</u>	<u>\$ 500,316</u>
<b>Plan Fiduciary Net Position (PFNP)</b>							
Balance at January 1st	\$ 1,231,647	\$ 1,099,867	\$ 917,635	\$ 896,855	\$ 743,270	\$ 670,255	\$ 626,807
Fire State Aid	62,480	57,240	53,830	52,434	51,416	51,569	50,835
Municipal Contributions	8,390	12,395	10,987	13,200	12,720	7,500	7,500
Projected Investment Income	58,306	56,091	47,333	44,010	36,691	38,472	35,937
Gain or Loss	14,535	31,768	76,863	(82,574)	58,568	(23,936)	(45,659)
Total Additions	143,711	157,494	189,013	27,070	159,395	73,605	48,613
Benefit Payments	(197,356)	(18,969)	-	-	-	-	(4,575)
Administrative Expenses	(4,570)	(6,745)	(6,781)	(6,290)	(5,810)	(590)	(590)
Total Reductions	(201,926)	(25,714)	(6,781)	(6,290)	(5,810)	(590)	(5,165)
Balance at December 31st	<u>\$ 1,173,432</u>	<u>\$ 1,231,647</u>	<u>\$ 1,099,867</u>	<u>\$ 917,635</u>	<u>\$ 896,855</u>	<u>\$ 743,270</u>	<u>\$ 670,255</u>
Net Pension Liability (Asset) - December 31st	<u>\$ (372,219)</u>	<u>\$ (402,168)</u>	<u>\$ (238,818)</u>	<u>\$ (217,396)</u>	<u>\$ (243,544)</u>	<u>\$ (226,122)</u>	<u>\$ (169,939)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	146%	148%	128%	131%	137%	144%	134%

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

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2022**

**NOTE 1 BUDGETARY COMPARISON SCHEDULES**

Fund	Budgeted Expenditures	Actual Expenditures
General	\$ 1,463,940	\$ 1,533,578

The expenditures in excess of budget for the General Fund are primarily due to unbudgeted capital outlay purchases and other general government costs during the year.

In aggregate, actual expenditures for the Fire Service Fund were within budgeted amounts.

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**

**2022 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**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.



**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2022**

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

- 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.

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.
- Annual 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 loads 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 annual increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2022**

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

Changes in Plan Provisions

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

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions

- The assumed annual 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 increased 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**

**2022 Changes**

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.40 percent.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2022**

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

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous 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 in plan provisions since the previous valuation.

**2018 Changes**

Changes in Actuarial Assumptions

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

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2022**

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed annual increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed annual 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 in plan provisions since the previous valuation.

**CITY OF FOLEY, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2022**

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

**2015 Changes**

Changes in Actuarial Assumptions

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

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

**2021 Changes**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- A benefit increase from \$4,100 to \$4,500 was reflected in the active liability.

**2020 Changes**

Changes in Actuarial Assumptions

- The retirement assumption changed from age 50 to a graded schedule based on age.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**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.

**CITY OF FOLEY, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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

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.

Preliminary Draft  
Subject to Revision

**SUPPLEMENTARY INFORMATION**

Preliminary Draft  
Subject to Revision

**CITY OF FOLEY, MINNESOTA  
COMBINING BALANCE SHEET  
ALL NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	Total Nonmajor Debt Service Funds	Total Nonmajor Special Revenue Funds	Capital Project Nonmajor Equipment Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash, Cash Equivalents, and Investments	\$ 569,436	\$ 625,077	\$ 95,268	\$ 1,289,781
Property Taxes Receivable	895	1,262	-	2,157
Assessments Receivable	295,586	-	-	295,586
Prepays	-	3,919	-	3,919
Loans Receivable	-	7,397	-	7,397
Advances to Other Funds	870,754	-	-	870,754
<b>TOTAL ASSETS</b>	<u>\$ 1,736,671</u>	<u>\$ 637,655</u>	<u>\$ 95,268</u>	<u>\$ 2,469,594</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 37	\$ -	\$ 37
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue:				
Property Taxes	595	830	-	1,425
Special Assessments	287,262	-	-	287,262
Loans Receivable	-	7,397	-	7,397
Total Deferred Inflows of Resources	287,857	8,227	-	296,084
<b>FUND BALANCES</b>				
Nonspendable	870,754	3,919	-	874,673
Restricted	578,060	230,794	-	808,854
Assigned	-	394,678	95,268	489,946
Total Fund Balances	<u>1,448,814</u>	<u>629,391</u>	<u>95,268</u>	<u>2,173,473</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 1,736,671</u>	<u>\$ 637,655</u>	<u>\$ 95,268</u>	<u>\$ 2,469,594</u>



**CITY OF FOLEY, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Total Nonmajor Debt Service Funds	Total Nonmajor Special Revenue Funds	Capital Project Nonmajor Equipment Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 33,850	\$ 50,824	\$ -	\$ 84,674
Tax Increment	60,750	-	-	60,750
Special Assessments	66,219	-	-	66,219
Charges for Services	-	74,208	-	74,208
Investment Income (Loss)	3,300	(8,647)	-	(5,347)
Loan Collections	-	2,207	-	2,207
Miscellaneous	-	5,516	5,000	10,516
<b>TOTAL REVENUES</b>	<u>164,119</u>	<u>124,108</u>	<u>5,000</u>	<u>293,227</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	3,000	-	3,000
Parks and Recreation	-	114,899	-	114,899
Economic Development	42,228	-	-	42,228
Capital Outlay	-	-	182,881	182,881
Debt Service:				
Principal	85,000	-	-	85,000
Interest and Other Charges	92,295	-	-	92,295
<b>TOTAL EXPENDITURES</b>	<u>219,523</u>	<u>117,899</u>	<u>182,881</u>	<u>520,303</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(55,404)	6,209	(177,881)	(227,076)
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	-	120,000	120,000
<b>NET CHANGE IN FUND BALANCES</b>	(55,404)	6,209	(57,881)	(107,076)
<b>FUND BALANCES - BEGINNING</b>	<u>1,504,218</u>	<u>623,182</u>	<u>153,149</u>	<u>2,280,549</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,448,814</u>	<u>\$ 629,391</u>	<u>\$ 95,268</u>	<u>\$ 2,173,473</u>

**CITY OF FOLEY, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS  
DECEMBER 31, 2022**

	2015 Improvement Bond Fund	TIF 1-8 Senior Prairie Cottages Fund	TIF 1-9 Silt Sock, Inc. Fund	2018 Improvement Bond Fund	Total Nonmajor Debt Service Funds
<b>ASSETS</b>					
Cash, Cash Equivalents, and Investments	\$ 179,585	\$ 48,447	\$ 23,734	\$ 317,670	\$ 569,436
Property Taxes Receivable	895	-	-	-	895
Assessments Receivable	43,399	-	-	252,187	295,586
Advances to Other Funds	155,754	-	-	715,000	870,754
<b>TOTAL ASSETS</b>	<u>\$ 379,633</u>	<u>\$ 48,447</u>	<u>\$ 23,734</u>	<u>\$ 1,284,857</u>	<u>\$ 1,736,671</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue:					
Property Taxes	\$ 595	\$ -	\$ -	\$ -	\$ 595
Special Assessments	43,399	-	-	243,863	287,262
Total Deferred Inflows of Resources	43,994	-	-	243,863	287,857
<b>FUND BALANCES</b>					
Nonspendable	155,754	-	-	715,000	870,754
Restricted	179,885	48,447	23,734	325,994	578,060
Total Fund Balances	<u>335,639</u>	<u>48,447</u>	<u>23,734</u>	<u>1,040,994</u>	<u>1,448,814</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 379,633</u>	<u>\$ 48,447</u>	<u>\$ 23,734</u>	<u>\$ 1,284,857</u>	<u>\$ 1,736,671</u>

**CITY OF FOLEY, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	2015 Improvement Bond Fund	TIF 1-8 Senior Prairie Cottages Fund	TIF 1-9 Silt Sock, Inc. Fund	2018 Improvement Bond Fund	Total Nonmajor Debt Service Funds
<b>REVENUES</b>					
Property Taxes	\$ 33,850	\$ -	\$ -	\$ -	\$ 33,850
Tax Increment	-	33,297	27,453	-	60,750
Special Assessments	14,299	-	-	51,920	66,219
Investment Income	309	-	-	2,991	3,300
<b>TOTAL REVENUES</b>	<u>48,458</u>	<u>33,297</u>	<u>27,453</u>	<u>54,911</u>	<u>164,119</u>
<b>EXPENDITURES</b>					
Current:					
Economic Development	-	-	42,228	-	42,228
Debt Service:					
Principal	65,000	-	-	20,000	85,000
Interest and Other Charges	21,400	-	-	70,895	92,295
<b>TOTAL EXPENDITURES</b>	<u>86,400</u>	<u>-</u>	<u>42,228</u>	<u>90,895</u>	<u>219,523</u>
<b>NET CHANGE IN FUND BALANCES</b>	(37,942)	33,297	(14,775)	(35,984)	(55,404)
<b>FUND BALANCES - BEGINNING</b>	<u>373,581</u>	<u>15,150</u>	<u>38,509</u>	<u>1,076,978</u>	<u>1,504,218</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 335,639</u>	<u>\$ 48,447</u>	<u>\$ 23,734</u>	<u>\$ 1,040,994</u>	<u>\$ 1,448,814</u>

**CITY OF FOLEY, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS  
DECEMBER 31, 2022**

	Swimming Pool Fund	Revolving Loan Fund	Small Cities Development Grant Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>				
Cash, Cash Equivalents, and Investments	\$ 394,283	\$ 84,295	\$ 146,499	\$ 625,077
Property Taxes Receivable	1,262	-	-	1,262
Prepays	3,919	-	-	3,919
Loans Receivable	-	7,397	-	7,397
<b>TOTAL ASSETS</b>	<u>\$ 399,464</u>	<u>\$ 91,692</u>	<u>\$ 146,499</u>	<u>\$ 637,655</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 37	\$ -	\$ -	\$ 37
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue:				
Property Taxes	830	-	-	830
Loans Receivable	-	7,397	-	7,397
Total Deferred Inflows of Resources	<u>830</u>	<u>7,397</u>	<u>-</u>	<u>8,227</u>
<b>FUND BALANCES</b>				
Nonspendable	3,919	-	-	3,919
Restricted	-	84,295	146,499	230,794
Assigned	<u>394,678</u>	<u>-</u>	<u>-</u>	<u>394,678</u>
Total Fund Balances	<u>398,597</u>	<u>84,295</u>	<u>146,499</u>	<u>629,391</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 399,464</u>	<u>\$ 91,692</u>	<u>\$ 146,499</u>	<u>\$ 637,655</u>

**CITY OF FOLEY, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Swimming Pool Fund	Revolving Loan Fund	Small Cities Development Grant Fund	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>				
Property Taxes	\$ 50,824	\$ -	\$ -	\$ 50,824
Charges for Services	74,208	-	-	74,208
Investment Income (Loss)	(9,139)	18	474	(8,647)
Loan Collections	-	2,207	-	2,207
Miscellaneous	-	-	5,516	5,516
<b>TOTAL REVENUES</b>	<b>115,893</b>	<b>2,225</b>	<b>5,990</b>	<b>124,108</b>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	3,000	3,000
Parks and Recreation	114,899	-	-	114,899
<b>TOTAL EXPENDITURES</b>	<b>114,899</b>	<b>-</b>	<b>3,000</b>	<b>117,899</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>994</b>	<b>2,225</b>	<b>2,990</b>	<b>6,209</b>
<b>FUND BALANCES - BEGINNING</b>	<b>397,603</b>	<b>82,070</b>	<b>143,509</b>	<b>623,182</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 398,597</b>	<b>\$ 84,295</b>	<b>\$ 146,499</b>	<b>\$ 629,391</b>

**CITY OF FOLEY, MINNESOTA  
SCHEDULE OF INDEBTEDNESS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/22	Issued	Paid	Outstanding Balance 12/31/22	Principal Due Within One Year
<b>GOVERNMENTAL INDEBTEDNESS</b>									
G.O. Bonds, 2015A	8/4/2015	3.00 - 3.25%	2/1/2031	\$ 995,000	\$ 705,000	\$ -	\$ 65,000	\$ 640,000	\$ 65,000
G.O. Improvement Bonds, 2018A	8/7/2018	3.00 - 3.25%	2/1/2034	2,340,000	2,315,000	-	20,000	2,295,000	25,000
G.O. Improvement Refunding Bonds, 2020A	8/18/2020	0.75 - 1.35%	2/1/2028	2,281,000	1,908,000	-	400,000	1,508,000	399,000
Industrial Park Land	8/15/2022	4.00%	8/15/2026	588,200	-	588,200	88,167	500,033	98,807
<b>TOTAL GOVERNMENTAL DEBTS</b>				6,204,200	4,928,000	588,200	573,167	4,943,033	587,807
<b>PROPRIETARY INDEBTEDNESS</b>									
G.O. Sewer Revenue Note, Series 2022A	8/10/2022	2.59%	8/20/2052	19,790,428	-	9,674,604	-	9,674,604	226,428
<b>TOTAL INDEBTEDNESS</b>				<u>\$ 25,994,628</u>	<u>\$ 4,928,000</u>	<u>\$ 10,262,804</u>	<u>\$ 573,167</u>	<u>\$ 14,617,637</u>	<u>\$ 814,235</u>

**CITY OF FOLEY, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN	Federal Expenditures
<b>ENVIRONMENTAL PROTECTION AGENCY</b>		
Pass-through Programs from the Minnesota Public Facilities Authority		
Clean Water State Revolving Funds Cluster:		
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 9,674,604
<b>U.S. DEPARTMENT OF THE TREASURY</b>		
Pass-through Programs from the State of Minnesota		
Coronavirus Relief Fund	21.019	146,056
<b>TOTAL FEDERAL EXPENDITURES</b>		<b>\$ 9,820,660</b>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Note 1 - Basis of Presentation

The above Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Foley (the City) under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a select portion of the operations of the City, it is not intended to and does not present the financial position or changes in financial position of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Subrecipients

The City did not pass any federal funds to subrecipients during the year ended December 31, 2022.

Note 4 - Pass-Through Identifier

The City's pass-through identifying number is unknown.

Note 5 - Indirect Cost Rate

The City did not use an indirect cost rate when calculating federal expenditures.

## **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, as of and for the year ended December 31, 2022, 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 REPORT DATE.

***Report on 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 over financial reporting 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 Questioned Costs*, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2021-001 to be a material weakness.

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 deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items 2012-001 and 2012-002 to be significant deficiencies.

## ***Report on Compliance and Other Matters***

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

### ***Minnesota Legal Compliance***

In connection with our audit, we noted that the City of Foley failed to comply with provisions of the depositories of public funds and public investments section 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 as described in the *Schedule of Findings and Questioned Costs* as item 2022-001. Also, 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 – bid laws, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Foley's response to the findings identified in our engagement and described in the accompanying *Schedule of Findings and Questioned Costs* and *Corrective Action Plans*. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

REPORT DATE

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH UNIFORM GUIDANCE**

Honorable Mayor and City Council  
City of Foley, Minnesota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Foley's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

In our opinion, the City of Foley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

REPORT DATE

Preliminary Draft  
Subject to Revision

**CITY OF FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**SECTION I: SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unmodified

\* Material weakness(es) identified?           X           Yes                                  No

\* Significant deficiencies identified that are not considered to be material weaknesses?           X           Yes                                  No

Noncompliance material to financial statements noted?                                  Yes           X           No

Federal Awards

Internal control over major programs:

\* Material weakness(es) identified?                                  Yes           X           No

\* Significant deficiencies identified that are not considered to be material weakness(es)?                                  Yes           X           No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?                                  Yes           X           No

Identification of major programs:

ALN(s)	Name of Federal Program or Cluster
66.458	Clean Water State Revolving Funds Cluster

Dollar threshold used to distinguish between type A and type B programs:           \$          750,000          

Auditee qualified as low-risk auditee?                                  Yes           X           No

**CITY OF FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

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

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

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

*Effect:*                      The City's lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

*Recommendation:*                      Although the number of employees may not be large enough to eliminate this deficiency, we recommend that the City evaluate current procedures and segregate where possible and implement compensating controls. It is important that the Council is aware of this condition and monitor all financial information.

*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 internally.

*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 management.

*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  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)**

**Finding 2021-001                      Material Audit Adjustments**

*Condition:*                      Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

*Criteria:*                      The City is required to report financial information in accordance with accounting principles generally accepted in the United States of America.

*Cause:*                      The City failed to record certain year-end adjustments for the purpose of properly presenting accrual balances required under generally accepted accounting principles.

*Effect:*                      The misstatement in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

*Recommendation:*                      We recommend management perform a thorough review of the trial balance prior to the audit and ensure all transactions have been properly recorded.

*Views of Responsible  
Officials And Planned  
Corrective Actions:*

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

**LEGAL COMPLIANCE FINDING**

**Finding 2022-001                      Broker Acknowledgement Certification**

*Condition:*                      The City did not obtain a Broker Acknowledgement Certification from each investment broker in accordance with Minnesota Statutes.

*Criteria:*                      Minnesota Statute §118A.04, subd. 9 requires that governmental entities provide a written statement of investment restrictions to each broker and obtain a certification that the broker acknowledged receipt of the investment restrictions.

*Cause:*                      The City failed to obtain certification before completing an initial investment transaction with their broker.

*Effect:*                      The failure to obtain such certification resulted in the City's noncompliance with Minnesota Statutes.

*Recommendation:*                      We recommend management ensures that all Broker Acknowledgement Certifications are obtained from each broker on an annual basis, as required by Minnesota Statutes.

*Views of Responsible  
Officials And Planned  
Corrective Actions:*

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

**SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None.





# City of Foley

251 4<sup>th</sup> Avenue North • P.O. Box 709  
Foley, Minnesota 56329  
(320) 968-7260 • Fax (320) 968-6325

## CORRECTIVE ACTION PLANS FOR THE YEAR ENDED DECEMBER 31, 2022

### FINANCIAL STATEMENT FINDINGS

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

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

#### Finding 2012-002 Financial Statement Preparation

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



# City of Foley

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## CORRECTIVE ACTION PLANS FOR THE YEAR ENDED DECEMBER 31, 2022

### FINANCIAL STATEMENT FINDINGS (Continued)

#### Finding 2021-001      Material Audit Adjustments

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City will thoroughly review the trial balance prior to audit fieldwork and make any adjusting entries before submitting the trial balance to the auditors. Material adjustments related to receivables as well as year-end interfund transactions. The City will review these areas more thoroughly for fiscal year 2023.
3. Official Responsible  
The City Administrator is the official responsible for ensuring corrective action.
4. Planned Completion Date  
December 31, 2023.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

### LEGAL COMPLIANCE FINDING

#### Finding 2022-001      Broker Acknowledgement Certification

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City will ensure all Broker Acknowledgement Certifications are obtained from each broker on an annual basis, as required by Minnesota Statutes.
3. Official Responsible  
The City Administrator is the official responsible for ensuring corrective action.
4. Planned Completion Date  
December 31, 2023.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.



# City of Foley

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## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2022**

No federal awards findings were reported in the prior year.

Financial statement findings in accordance with *Government Auditing Standards* that were reported in the prior year have been reported again in the current year as findings 2012-001, 2012-002, and 2021-001.

Preliminary Draft  
Subject to Revision

# City of Foley, Minnesota

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## Report to the Members of Governance

REPORT DATE

Preliminary Draft  
Subject to Revision

**SCHLENNER  
WENNER & Co.**  
CPAs

**CITY OF FOLEY, MINNESOTA  
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Preliminary Draft  
Subject to Revision

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, 2022. 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.**  
St. Cloud, Minnesota  
REPORT DATE

Preliminary Draft  
Subject to Revision

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

Auditing standards generally accepted in the United States of America (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 and related compliance reporting process.

### **Our Responsibilities With Regard to the Financial Statement and Compliance 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 April 3, 2023. Our audit of the basic 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 3, 2023 regarding the planned scope and timing of our audit and identified significant risks.

### **Accounting Policies and Practices**

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

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

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

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City.

The City did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

#### **Significant Accounting Policies**

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

#### **Significant Unusual Transactions**

We did not identify any significant unusual transactions.

#### **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 estimates associated with the following balances reported at year-end:

- Net pension asset/liability and related deferred outflows/inflows of resources

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

### **Audit Adjustments and Uncorrected Misstatements**

Audit adjustments, other than those that are clearly trivial, have been proposed by us and recorded by the City for the purpose of adjusting year-end balances for accounts receivable, as well as some reallocations amongst funds.

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

### **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 as follows:

- 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 included in the basic financial statements.

#### **Consultations with Other Accountants**

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

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

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

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

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

#### **Difficult or Contentious Matters That Required Consultation**

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

### **Shared Responsibilities for Independence**

Independence is a joint responsibility and is managed most effectively when management, audit committees (when applicable), and audit firms work together in considering compliance with AICPA and Government Accountability Office (GAO) independence rules. For Schlenger, Wenner, & Co. to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee (when applicable), and Schlenger, Wenner, & Co. each play an important role.

### **Our Responsibilities**

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. Schlenger, Wenner, & Co. is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.



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

### **The City's Responsibilities**

- Timely inform Schlenner, Wenner, & Co., before the effective date of transactions or other changes, of the following:
  - New affiliates, members of governance, or person in financial reporting and compliance oversight roles.
  - Changes in the reporting entity impacting affiliates such as related entities, investments, joint ventures, component units, and jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the City and its affiliates, members of governance, or persons in a decision-making capacity, engaging in business relationships with Schlenner, Wenner, & Co.
- Not entering into arrangements of non-audit services resulting in Schlenner, Wenner, & Co. being involved in making management decisions on behalf of the City.
- Not entering into relationships resulting in Schlenner, Wenner, & Co., Schlenner, Wenner, & Co. covered persons or their close family members, temporarily or permanently acting as a member of governance or person in an accounting, financial reporting or compliance oversight role at the City.

### **Internal Control and Compliance Matters**

We have separately communicated the material weakness and significant deficiencies in internal control over financial reporting identified during our audit of the basic financial statements and major awards, as required by *Government Auditing Standards* and when applicable, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200 (Uniform Guidance). This communication is included within the compliance section of the City's financial report for the year ended December 31, 2022.

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

We have requested significant written communications from management that are included in the management representation letter dated REPORT DATE.