

City of Foley, Minnesota

Audited Financial Statements

December 31, 2021

**SCHLENNER
WENNER & Co.**
CPAs

**CITY OF FOLEY, MINNESOTA
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INTRODUCTORY SECTION

**CITY OF FOLEY, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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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**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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Foley, Minnesota (the City) as of and for the year ended December 31, 2021, 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Foley, Minnesota, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 accompanying combining and individual nonmajor funds financial statements, and schedule of indebtedness, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of indebtedness has 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 it.

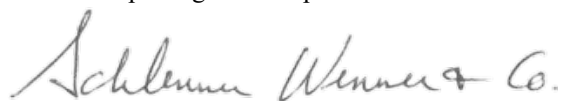
Other Information

Management is responsible for the other information. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2022 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.

A handwritten signature in cursive script that reads "Schlenger Wenner & Co." in dark ink.

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 7, 2022

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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, 2021. 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 \$20,288,224 (net position).
- The City's net position increased \$957,006 compared to the prior year as a result of this year's operations.
- In the City's business-type activities, revenues decreased \$40,412 (or 3.57 percent) while program expenses decreased \$226,743 (or 29.17 percent). These changes are discussed in greater detail throughout the following pages.
- Total cost of all of the City's programs decreased \$281,297 (or 8.72 percent).
- The City of Foley received local government aid in the amount of \$836,219.
- In the current year, the City's General Fund generated more revenue than budgeted by \$184,133. Expenditures exceeded the budget by \$70,850. See additional details starting on page fifty-nine.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 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, 2021**

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, 2021**

THE CITY AS A WHOLE

The City's combined net position increased \$957,006 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	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 8,138,142	\$ 8,090,113	\$ 3,831,290	\$ 3,851,435	\$ 11,969,432	\$ 11,941,548
Net Capital and Intangible Assets	9,190,676	9,201,348	5,123,486	4,591,335	14,314,162	13,792,683
Total Assets	17,328,818	17,291,461	8,954,776	8,442,770	26,283,594	25,734,231
Deferred Outflows of Resources	518,332	233,426	62,786	15,576	581,118	249,002
Current Liabilities	198,159	149,258	21,971	35,219	220,130	184,477
Noncurrent Liabilities	5,364,808	6,022,681	126,372	170,524	5,491,180	6,193,205
Total Liabilities	5,562,967	6,171,939	148,343	205,743	5,711,310	6,377,682
Deferred Inflows of Resources	783,031	269,048	82,147	5,285	865,178	274,333
Net Position:						
Net Investment in						
Capital Assets	4,211,649	3,750,282	5,123,486	4,591,335	9,335,135	8,341,617
Restricted	2,054,926	1,350,812	-	-	2,054,926	1,350,812
Unrestricted	5,234,577	5,982,806	3,663,586	3,655,983	8,898,163	9,638,789
Total Net Position	<u>\$ 11,501,152</u>	<u>\$ 11,083,900</u>	<u>\$ 8,787,072</u>	<u>\$ 8,247,318</u>	<u>\$ 20,288,224</u>	<u>\$ 19,331,218</u>

The net position of the City's governmental activities increased by \$417,252 (or 3.76 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 \$748,229 (or 12.51 percent) compared to the prior year.

The net position of the City's business-type activities increased by \$539,754 (or 6.54 percent). Revenues were fairly comparable to the prior year. Expenses decreased due to various repair and maintenance expenses and City wastewater expansion project costs incurred in the prior year. Prior year wastewater expansion costs were considered feasibility costs and were expensed (versus capitalized as construction in progress).

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

THE CITY AS A WHOLE (Continued)

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
REVENUE						
Charges for Services	\$ 429,778	\$ 350,521	\$ 1,098,400	\$ 1,094,952	\$ 1,528,178	\$ 1,445,473
Operating Grants and Contributions	39,975	30,024	-	-	39,975	30,024
Capital Grants and Contributions	33,937	260,560	23,587	22,609	57,524	283,169
Property Taxes	1,083,190	1,075,342	-	-	1,083,190	1,075,342
Tax Increment	60,090	61,513	-	-	60,090	61,513
Intergovernmental	1,127,412	1,102,902	-	-	1,127,412	1,102,902
Franchise Taxes	7,190	7,777	-	-	7,190	7,777
Investment Income (Loss)	(43,877)	50,026	(31,669)	13,169	(75,546)	63,195
Other	75,670	43,904	-	-	75,670	43,904
Total Revenues	2,813,365	2,982,569	1,090,318	1,130,730	3,903,683	4,113,299
PROGRAM EXPENSES						
General Government	692,384	640,198	-	-	692,384	640,198
Public Safety	742,100	846,017	-	-	742,100	846,017
Public Works	634,135	671,114	-	-	634,135	671,114
Parks and Recreation	177,981	107,796	-	-	177,981	107,796
Economic Development	43,517	43,426	-	-	43,517	43,426
Debt Service	105,489	141,609	-	-	105,489	141,609
Water	-	-	292,963	337,806	292,963	337,806
Sewer	-	-	257,601	439,501	257,601	439,501
Total Expenses	2,395,606	2,450,160	550,564	777,307	2,946,170	3,227,467
Gain (Loss) on Disposal of Assets	(507)	16,750	-	-	(507)	16,750
Transfers	-	164,000	-	(164,000)	-	-
Change in Net Position	417,252	713,159	539,754	189,423	957,006	902,582
Net Position - Beginning of Year	11,083,900	10,370,741	8,247,318	8,057,895	19,331,218	18,428,636
Net Position - End of Year	\$ 11,501,152	\$ 11,083,900	\$ 8,787,072	\$ 8,247,318	\$ 20,288,224	\$ 19,331,218

The City's total revenues decreased by \$209,616 (or 5.10 percent), primarily due to a decrease in investment income from changing market conditions and fewer intergovernmental grants received in 2021. Other revenue areas saw increases such as property taxes and intergovernmental revenues, as well as charges for services. The intergovernmental increase is due to American Rescue Plant Act funding received in 2021. The total cost of all programs and services decreased by \$281,297 (or 8.72 percent), primarily due to lower costs incurred in response to the coronavirus pandemic in the current year. Such prior year costs were reimbursed by CARES Act dollars.

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, 2021**

THE CITY AS A WHOLE (Continued)

Governmental Activities

Revenue for the City's governmental activities decreased by \$169,204 (or 5.67 percent) and total expenses decreased by \$54,554 (or 2.23 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	
	2021	2020	2021	2020
General Government	\$ 692,384	\$ 640,198	\$ 639,936	\$ 600,946
Public Safety	742,100	846,017	402,509	364,062
Public Works	634,135	671,114	590,346	554,141
Parks and Recreation	177,981	107,796	110,119	104,871
Economic Development	43,517	43,426	43,517	43,426
Debt Service	105,489	141,609	105,489	141,609
Totals	<u>\$ 2,395,606</u>	<u>\$ 2,450,160</u>	<u>\$ 1,891,916</u>	<u>\$ 1,809,055</u>

Business-type Activities

Revenues of the City's business-type activities, including investment income (see Table 2) decreased by \$40,412 (or 3.57 percent) and program expenses decreased by \$226,743 (or 29.17 percent). Revenues decreased from the prior year as a result of a decrease in investment income. Expenses decreased primarily due to feasibility costs related to the City's wastewater expansion project that were incurred in the prior year.

THE CITY'S FUNDS

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet on page twenty) reported a combined fund balance of \$6,798,065. This is a decrease of \$36,332 from the prior year. This decrease includes an investment loss of \$43,877 in the current year.

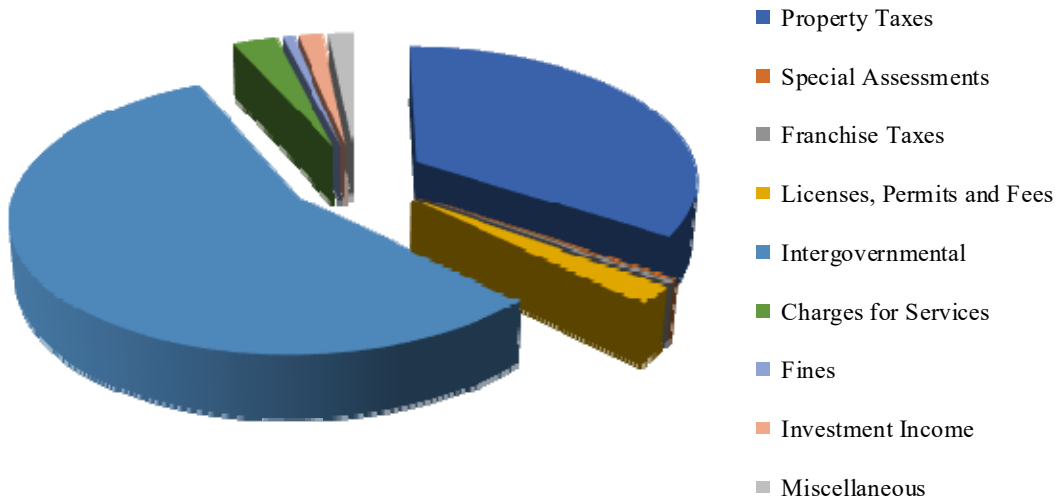
Major Funds	Fund Balance December 31,		Increase (Decrease)
	2021	2020	
General	\$ 3,148,533	\$ 3,035,750	\$ 112,783

The fund balance of the General Fund increased by \$112,783 compared to 2020. 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, 2021**

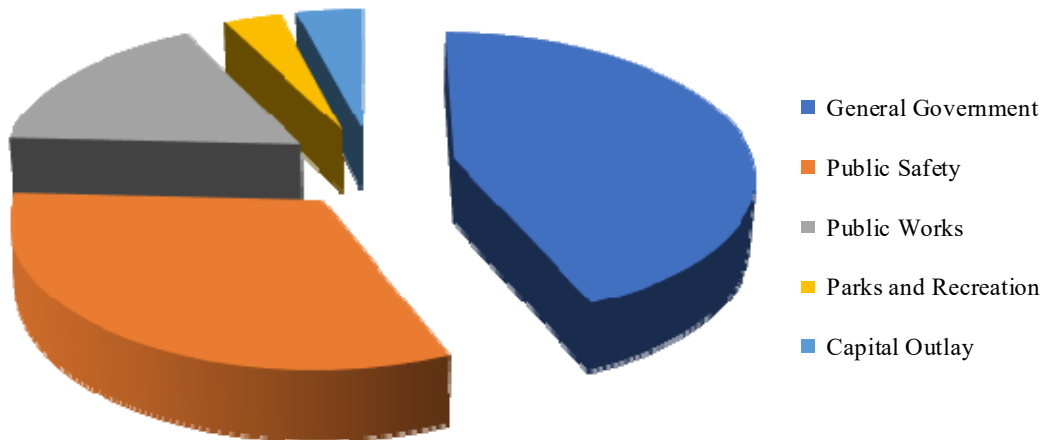
THE CITY'S FUNDS (Continued)

General Fund Revenues



The City received the majority of its funding in the General Fund from grants and other governmental agencies (58.11 percent) and property taxes (35.35 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



A significant portion of the City's General Fund expenditures are used for general government operations (43.73 percent). Remaining expenditures are used for public safety (32.03 percent), public works (16.71 percent), parks and recreation (3.50 percent) and capital outlay (4.03 percent). Expenditures have increased from the prior year, largely due to increased expenditures for public safety and public works.

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

THE CITY'S FUNDS (Continued)

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2021	2020	
Fire Service Fund	\$ 414,605	\$ 226,115	\$ 188,490

The Fire Service fund balance increased due to fewer capital purchases in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2021	2020	
EDA Fund	\$ 90,044	\$ 65,585	\$ 24,459

The EDA Fund balance increased primarily due to loan collections.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2021	2020	
2020 Improvement Bond Fund	\$ 825,457	\$ 891,775	\$ (66,318)

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)
	2021	2020	
2018 Improvement Bond Fund	\$ 1,076,978	\$ 1,124,792	\$ (47,814)

The 2018 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)
	2021	2020	
Equipment Fund	\$ 153,149	\$ 364,155	\$ (211,006)

The Equipment Fund balance decreased primarily due to capital outlay expenditures exceeding revenues in the current year.

General Fund Budgetary Highlights

The City's General Fund generated more revenue than budgeted of \$184,133. Expenditures exceeded those budgeted by \$70,850. 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 equipment purchases and repairs.

Proprietary Funds

As the City completed the year, its business-type activities reported a combined net position of \$8,787,072. This is an increase of \$539,754 from the prior year. The following is a summary of the City's major proprietary funds:

Major Funds	Net Position December 31,		Increase (Decrease)
	2021	2020	
Water	\$ 4,016,280	\$ 3,797,029	\$ 219,251
Sewer	\$ 4,770,792	\$ 4,450,289	\$ 320,503

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

THE CITY'S FUNDS (Continued)

The Net Position of the Water Fund increased in the current year due to lower repair and maintenance costs in the current year. The Net Position of the Sewer Fund increased primarily due to lower expenses for wastewater expansion feasibility studies in the current year. Overall, the City's operations were generally comparable to the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital and Intangible Assets

At the end of 2021, the City had \$14,314,162 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 \$521,479 (or 3.78 percent) over last year.

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

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 326,323	\$ 326,323	\$ 49,087	\$ 41,262	\$ 375,410	\$ 367,585
Construction In Progress	-	-	730,306	-	730,306	-
Buildings	1,233,504	1,110,318	32,521	36,622	1,266,025	1,146,940
Infrastructure	5,471,848	5,761,541	3,309,162	3,442,220	8,781,010	9,203,761
Lagoons	-	-	767,463	799,434	767,463	799,434
Improvements	181,567	187,458	-	-	181,567	187,458
Lift Stations	-	-	181,599	188,647	181,599	188,647
Equipment	744,149	759,441	45,848	57,650	789,997	817,091
Vehicles	1,197,393	1,056,267	7,500	25,500	1,204,893	1,081,767
	<u>9,154,784</u>	<u>9,201,348</u>	<u>5,123,486</u>	<u>4,591,335</u>	<u>14,278,270</u>	<u>13,792,683</u>
Intangible Assets	<u>35,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,892</u>	<u>-</u>
Totals	<u>\$ 9,190,676</u>	<u>\$ 9,201,348</u>	<u>\$ 5,123,486</u>	<u>\$ 4,591,335</u>	<u>\$14,314,162</u>	<u>\$13,792,683</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, 2021**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Debt

At year-end, the City had \$4,979,027 in debt versus a balance of \$5,451,066 in the prior (a decrease of 8.66 percent), as shown in Table 5.

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

	Governmental Activities	
	2021	2020
General Obligation Bonds	\$ 3,020,000	\$ 3,110,000
Refunding Bonds	1,908,000	2,281,000
Unamortized Bond Premium	51,027	60,066
Totals	<u>\$ 4,979,027</u>	<u>\$ 5,451,066</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 2022 budget, tax rates and fees that will be charged for the business-type activities. The Council elected to increase the 2022 tax levy by 3.97% from the 2021 amount. The council anticipates modest increases in operating expenditures and also the need to continue to invest in improving the City's infrastructure to support the existing tax base, as well as the potential growth of the City.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

**CITY OF FOLEY, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 5,664,282	\$ 4,585,778	\$ 10,250,060
Property Taxes Receivable	20,229	-	20,229
Assessments Receivable	68,221	31,870	100,091
Accounts Receivable	56,623	288,975	345,598
Loans Receivable	161,694	-	161,694
Internal Balances	1,115,754	(1,115,754)	-
Prepays	70,774	15,544	86,318
Noncurrent Assets:			
Assessments Receivable	578,397	24,877	603,274
Capital Assets Not Being Depreciated	326,323	779,393	1,105,716
Capital Assets Being Depreciated (Net)	8,828,461	4,344,093	13,172,554
Intangible Assets Being Amortized (Net)	35,892	-	35,892
Net Pension Asset	402,168	-	402,168
TOTAL ASSETS	17,328,818	8,954,776	26,283,594
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	518,332	62,786	581,118
LIABILITIES			
Accounts Payable	58,432	3,437	61,869
Salaries Payable	42,529	2,020	44,549
Payroll Deductions and Employer Contributions	11,947	306	12,253
Deposits Payable	5,000	-	5,000
Accrued Interest Payable	46,304	-	46,304
Accrued Vacation	33,947	16,208	50,155
Noncurrent Liabilities:			
Amount Due Within One Year	485,000	-	485,000
Amount Due After One Year	4,524,737	38,418	4,563,155
Net Pension Liability	355,071	87,954	443,025
TOTAL LIABILITIES	5,562,967	148,343	5,711,310
DEFERRED INFLOWS OF RESOURCES			
Pensions	783,031	82,147	865,178
NET POSITION			
Net Investment in Capital and Intangible Assets	4,211,649	5,123,486	9,335,135
Restricted	2,054,926	-	2,054,926
Unrestricted	5,234,577	3,663,586	8,898,163
TOTAL NET POSITION	<u>\$ 11,501,152</u>	<u>\$ 8,787,072</u>	<u>\$ 20,288,224</u>

**CITY OF FOLEY, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 692,384	\$ 31,648	\$ 16,052	\$ 4,748	\$ (639,936)	\$ -	\$ (639,936)
Public Safety	742,100	330,018	9,573	-	(402,509)	-	(402,509)
Public Works	634,135	250	14,350	29,189	(590,346)	-	(590,346)
Parks and Recreation	177,981	67,862	-	-	(110,119)	-	(110,119)
Economic Development	43,517	-	-	-	(43,517)	-	(43,517)
Debt Service	105,489	-	-	-	(105,489)	-	(105,489)
Total Governmental Activities	2,395,606	429,778	39,975	33,937	(1,891,916)	-	(1,891,916)
Business-Type Activities:							
Water	292,963	506,393	-	12,384	-	225,814	225,814
Sewer	257,601	592,007	-	11,203	-	345,609	345,609
Total Business-Type Activities	550,564	1,098,400	-	23,587	-	571,423	571,423
TOTALS	\$ 2,946,170	\$ 1,528,178	\$ 39,975	\$ 57,524	(1,891,916)	571,423	(1,320,493)
General Revenues:							
Property Taxes					1,083,190	-	1,083,190
Tax Increment					60,090	-	60,090
Franchise Taxes					7,190	-	7,190
Intergovernmental					1,127,412	-	1,127,412
Investment Income (Loss)					(43,877)	(31,669)	(75,546)
Gain (Loss) on Sale of Assets					(507)	-	(507)
Miscellaneous					75,670	-	75,670
Total General Revenues					2,309,168	(31,669)	2,277,499
CHANGE IN NET POSITION					417,252	539,754	957,006
NET POSITION - BEGINNING OF YEAR					11,083,900	8,247,318	19,331,218
NET POSITION - END OF YEAR					\$ 11,501,152	\$ 8,787,072	\$ 20,288,224

**CITY OF FOLEY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General Fund	Fire Service Fund	EDA Fund	2020 Improvement Bond Fund	2018 Improvement Bond Fund	Equipment Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash, Cash Equivalents, and Investments	\$ 3,034,158	\$ 499,419	\$ 90,044	\$ 663,586	\$ 296,978	\$ 153,149	\$ 926,948	\$ 5,664,282
Property Taxes Receivable	12,630	1,600	-	4,750	-	-	1,249	20,229
Assessments Receivable	143,634	-	-	159,286	288,113	-	55,585	646,618
Accounts Receivable	13,082	43,541	-	-	-	-	-	56,623
Prepays	47,975	17,759	-	-	-	-	5,040	70,774
Loans Receivable	-	-	152,296	-	-	-	9,398	161,694
Advances to Other Funds	120,000	-	-	160,000	780,000	-	175,754	1,235,754
TOTAL ASSETS	\$ 3,371,479	\$ 562,319	\$ 242,340	\$ 987,622	\$ 1,365,091	\$ 153,149	\$ 1,173,974	\$ 7,855,974
LIABILITIES								
Accounts Payable	\$ 38,726	\$ 836	\$ -	\$ -	\$ -	\$ -	\$ 18,870	\$ 58,432
Salaries Payable	18,469	24,060	-	-	-	-	-	42,529
Payroll Deductions and Employer Contributions	10,106	1,841	-	-	-	-	-	11,947
Deposits Payable	5,000	-	-	-	-	-	-	5,000
Advances from Other Funds	-	120,000	-	-	-	-	-	120,000
Total Liabilities	72,301	146,737	-	-	-	-	18,870	237,908
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue:								
Property Taxes	7,034	977	-	2,880	-	-	822	11,713
Special Assessments	143,611	-	-	159,285	288,113	-	55,585	646,594
Loans Receivable	-	-	152,296	-	-	-	9,398	161,694
Total Deferred Inflows of Resources	150,645	977	152,296	162,165	288,113	-	65,805	820,001
FUND BALANCES								
Nonspendable	167,975	17,759	-	160,000	780,000	-	180,794	1,306,528
Restricted	146,056	-	-	665,457	296,978	-	477,065	1,585,556
Assigned	531,168	396,846	90,044	-	-	153,149	431,440	1,602,647
Unassigned	2,303,334	-	-	-	-	-	-	2,303,334
Total Fund Balances	3,148,533	414,605	90,044	825,457	1,076,978	153,149	1,089,299	6,798,065
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,371,479	\$ 562,319	\$ 242,340	\$ 987,622	\$ 1,365,091	\$ 153,149	\$ 1,173,974	\$ 7,855,974

**CITY OF FOLEY, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Total Fund Balances - Governmental Funds \$ 6,798,065

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	\$ 16,155,852	
Accumulated Depreciation	(7,001,068)	
Intangible Assets	36,500	
Accumulated Amortization	<u>(608)</u>	
Capital and Intangible Assets (Net)		9,190,676

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	(4,928,000)	
Bond Premium, Net of Accumulated Amortization	(51,027)	
Accrued Vacation	(33,947)	
Accrued Severance	<u>(30,710)</u>	
		(5,043,684)

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	402,168	
Net Pension Liability	(355,071)	
Deferred Outflows - Pensions	518,332	
Deferred Inflows - Pensions	<u>(783,031)</u>	
		(217,602)

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:

(46,304)

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	11,713	
Special Assessments Receivable	646,594	
Loans Receivable	<u>161,694</u>	
		<u>820,001</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 11,501,152

CITY OF FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Fire Service Fund	EDA Fund	2020 Improvement Bond Fund	2018 Improvement Bond Fund	Equipment Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES								
Property Taxes	\$ 671,783	\$ 86,502	\$ -	\$ 269,600	\$ -	\$ -	\$ 54,113	\$ 1,081,998
Tax Increment	-	-	-	-	-	-	60,090	60,090
Franchise Taxes	7,190	-	-	-	-	-	-	7,190
Special Assessments	4,748	-	-	57,745	48,469	-	32,393	143,355
Licenses, Permits, and Fees	43,675	-	-	-	-	-	-	43,675
Intergovernmental	1,104,163	61,542	-	-	-	-	-	1,165,705
Charges for Services	55,942	253,159	-	-	-	-	62,912	372,013
Fines	14,090	-	-	-	-	-	-	14,090
Investment Income (Loss)	(32,366)	(8,300)	15	204	431	-	(3,861)	(43,877)
Loan Collections	-	-	24,444	-	-	-	2,208	26,652
Miscellaneous	31,023	35,270	-	-	-	2,950	3,184	72,427
TOTAL REVENUES	<u>1,900,248</u>	<u>428,173</u>	<u>24,459</u>	<u>327,549</u>	<u>48,900</u>	<u>2,950</u>	<u>211,039</u>	<u>2,943,318</u>
EXPENDITURES								
Current:								
General Government	632,938	-	-	-	-	-	-	632,938
Public Safety	463,662	212,754	-	-	-	-	-	676,416
Public Works	241,827	-	-	-	-	-	-	241,827
Parks and Recreation	50,681	-	-	-	-	-	94,759	145,440
Economic Development	-	-	-	-	-	-	43,517	43,517
Capital Outlay	58,357	26,929	-	-	144	438,956	136,340	660,726
Debt Service:								
Principal	-	-	-	373,000	25,000	-	65,000	463,000
Interest and Other Charges	-	-	-	20,867	71,570	-	23,349	115,786
TOTAL EXPENDITURES	<u>1,447,465</u>	<u>239,683</u>	<u>-</u>	<u>393,867</u>	<u>96,714</u>	<u>438,956</u>	<u>362,965</u>	<u>2,979,650</u>

CITY OF FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Fire Service Fund	EDA Fund	2020 Improvement Bond Fund	2018 Improvement Bond Fund	Equipment Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 452,783	\$ 188,490	\$ 24,459	\$ (66,318)	\$ (47,814)	\$ (436,006)	\$ (151,926)	\$ (36,332)
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	225,000	115,000	340,000
Transfers Out	(340,000)	-	-	-	-	-	-	(340,000)
TOTAL OTHER FINANCING SOURCES (USES)	(340,000)	-	-	-	-	225,000	115,000	-
NET CHANGE IN FUND BALANCES	112,783	188,490	24,459	(66,318)	(47,814)	(211,006)	(36,926)	(36,332)
FUND BALANCES - BEGINNING	3,035,750	226,115	65,585	891,775	1,124,792	364,155	1,126,225	6,834,397
FUND BALANCES - ENDING	<u>\$ 3,148,533</u>	<u>\$ 414,605</u>	<u>\$ 90,044</u>	<u>\$ 825,457</u>	<u>\$ 1,076,978</u>	<u>\$ 153,149</u>	<u>\$ 1,089,299</u>	<u>\$ 6,798,065</u>

CITY OF FOLEY, MINNESOTA
RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Net Change in Fund Balances - Total Governmental Funds \$ (36,332)

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	\$ 579,211	
Depreciation Expense	(625,268)	
Capital Assets Acquired via Trade-in	5,000	
Loss on Disposal of Assets	(5,507)	
Capital Outlay Capitalized - Intangible Assets	36,500	
Amortization Expense	<u>(608)</u>	
		(10,672)

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	463,000	
Amortization of Bond Premium	<u>9,039</u>	
		472,039

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:

1,258

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	1,192	
Special Assessments	(109,418)	
Loans Receivable	<u>(21,249)</u>	
		(129,475)

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	327	
Accrued Severance	<u>(1,121)</u>	
		(794)

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>121,228</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 417,252</u>
--	--	--------------------------

CITY OF FOLEY, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets			
Cash, Cash Equivalents and Investments	\$ 2,430,639	\$ 2,155,139	\$ 4,585,778
Assessments Receivable	17,269	14,601	31,870
Accounts Receivable	135,267	153,708	288,975
Prepays	6,607	8,937	15,544
Total Current Assets	2,589,782	2,332,385	4,922,167
Noncurrent Assets			
Capital Assets Not Being Depreciated	42,219	737,174	779,393
Capital Assets Being Depreciated (Net)	2,038,533	2,305,560	4,344,093
Assessments Receivable	15,222	9,655	24,877
Total Noncurrent Assets	2,095,974	3,052,389	5,148,363
TOTAL ASSETS	4,685,756	5,384,774	10,070,530
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	31,612	31,174	62,786
LIABILITIES			
Current Liabilities			
Accounts Payable	2,934	503	3,437
Salaries Payable	1,124	896	2,020
Payroll Deductions and Employer Contributions	170	136	306
Accrued Vacation	8,104	8,104	16,208
Total Current Liabilities	12,332	9,639	21,971
Noncurrent Liabilities			
Accrued Severance	19,209	19,209	38,418
Advances from Other Funds	583,877	531,877	1,115,754
Net Pension Liability	44,297	43,657	87,954
Total Noncurrent Liabilities	647,383	594,743	1,242,126
TOTAL LIABILITIES	659,715	604,382	1,264,097
DEFERRED INFLOWS OF RESOURCES			
Pensions	41,373	40,774	82,147
NET POSITION			
Net Investment in Capital Assets	2,080,752	3,042,734	5,123,486
Unrestricted	1,935,528	1,728,058	3,663,586
TOTAL NET POSITION	<u>\$ 4,016,280</u>	<u>\$ 4,770,792</u>	<u>\$ 8,787,072</u>

CITY OF FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Charges for Services	\$ 506,393	\$ 592,007	\$ 1,098,400
OPERATING EXPENSES			
Wages and Benefits	89,408	74,912	164,320
Materials and Supplies	39,399	16,662	56,061
Repairs and Maintenance	28,315	2,670	30,985
Professional Services	4,838	4,117	8,955
Water and Wastewater Analysis	1,056	4,556	5,612
Insurance	9,589	13,037	22,626
Utilities	16,571	8,537	25,108
Miscellaneous	7,441	2,782	10,223
Depreciation	96,346	130,328	226,674
TOTAL OPERATING EXPENSES	<u>292,963</u>	<u>257,601</u>	<u>550,564</u>
NET OPERATING INCOME	213,430	334,406	547,836
NONOPERATING INCOME (EXPENSE)			
Special Assessments	12,384	11,203	23,587
Investment Income (Loss)	<u>(6,563)</u>	<u>(25,106)</u>	<u>(31,669)</u>
NET NONOPERATING INCOME (EXPENSE)	<u>5,821</u>	<u>(13,903)</u>	<u>(8,082)</u>
CHANGE IN NET POSITION	219,251	320,503	539,754
NET POSITION - BEGINNING OF YEAR	<u>3,797,029</u>	<u>4,450,289</u>	<u>8,247,318</u>
NET POSITION - END OF YEAR	<u><u>\$ 4,016,280</u></u>	<u><u>\$ 4,770,792</u></u>	<u><u>\$ 8,787,072</u></u>

**CITY OF FOLEY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 523,360	\$ 591,852	\$ 1,115,212
Cash Paid to Suppliers	(107,422)	(67,280)	(174,702)
Cash Paid to Employees	(90,952)	(86,705)	(177,657)
NET CASH PROVIDED BY OPERATING ACTIVITIES	324,986	437,867	762,853
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Special Assessments	13,548	13,270	26,818
Purchases of Capital Assets	(3,957)	(754,868)	(758,825)
Payments on Interfund Advances	(68,000)	(100,000)	(168,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(58,409)	(841,598)	(900,007)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income (Loss)	(6,563)	(25,106)	(31,669)
Net Change in Cash, Cash Equivalents, and Investments	260,014	(428,837)	(168,823)
Cash, Cash Equivalents, and Investments - Beginning of Year	2,170,625	2,583,976	4,754,601
Cash, Cash Equivalents, and Investments - End of Year	<u>\$ 2,430,639</u>	<u>\$ 2,155,139</u>	<u>\$ 4,585,778</u>

CITY OF FOLEY, MINNESOTA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Water Fund	Sewer Fund	Totals
RECONCILIATION OF NET OPERATING INCOME TO			
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net Operating Income	\$ 213,430	\$ 334,406	\$ 547,836
Adjustments to Reconcile Net Operating Income			
to Net Cash Provided by Operating Activities:			
Depreciation Expense	96,346	130,328	226,674
Changes in Assets, Liabilities, and Deferrals:			
Accounts Receivable	16,967	(155)	16,812
Prepays	(334)	(387)	(721)
Accounts Payable	121	(14,532)	(14,411)
Salaries Payable	712	(3,732)	(3,020)
Payroll Deductions and Employer Contributions	108	(565)	(457)
Net Pension Liability	(19,434)	(24,746)	(44,180)
Deferred Outflows of Resources - Pensions	(24,088)	(23,122)	(47,210)
Deferred Inflows of Resources - Pensions	38,824	38,038	76,862
Accrued Vacation	2,320	2,320	4,640
Accrued Severance	14	14	28
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 324,986</u>	<u>\$ 437,867</u>	<u>\$ 762,853</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements

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

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

The City reports the following major governmental funds:

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

The *Fire Service Fund* is a special revenue fund used to account for funds received by the City for fire department expenditures.

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

The *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 *2018 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 *Equipment Fund* is a capital project fund used to account for the financial resources to be used for the purchase of City equipment.

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, 2021

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, 2021

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, 2021**

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 \$9,398 at December 31, 2021, 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 \$152,296 at December 31, 2021, 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 \$5,000 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	20 years
Intangible Assets	15 years
Infrastructure	25 years
Buildings and Structures	20-50 years
Distribution System	40-50 years
Lagoons	60 years
Machinery and Equipment	5-15 years

Government-wide Statements

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation 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, 2021**

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, 2021

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

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

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

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

Fund Statements

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2021 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, 2021.

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, 2021**

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% 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, 2021**

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.

1.G. RECLASSIFICATIONS

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

2.A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

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

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

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

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

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

At December 31, 2021, the City has the following deposits:

Cash in Checking and Savings Accounts	\$ 397,291
Money Market Savings Accounts	<u>7,659,162</u>
 Total Carrying Amount of Deposits Balance	 <u><u>\$ 8,056,453</u></u>

Investments

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

Investment balances at December 31, 2021 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	\$ 38,302	1.75
U.S. Government Mortgage Securities	N/A	N/A	N/A	1,194,683	54.46
U.S. Government Securities	N/A	N/A	N/A	<u>960,622</u>	<u>43.79</u>
Total Investments				<u><u>\$ 2,193,607</u></u>	<u><u>100.00</u></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, 2021, 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, 2021

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, 2021:

- U.S. Government securities of \$960,622, U.S. Government mortgage securities of \$1,194,683, and money market funds (consisting of U.S. Government securities) of \$38,302 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	\$ 8,056,453
Investments	<u>2,193,607</u>
 Total Cash, Cash Equivalents and Investments	 <u><u>\$ 10,250,060</u></u>

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

Governmental Funds	
Cash and Cash Equivalents	\$ 4,296,433
Investments	<u>1,367,849</u>
	5,664,282
Proprietary Funds	
Cash and Cash Equivalents	3,760,020
Investments	<u>825,758</u>
	<u>4,585,778</u>
 Total Cash, Cash Equivalents and Investments	 <u><u>\$ 10,250,060</u></u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

2.B. CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended December 31, 2021 is as follows:

	Balance at 01/01/21	Additions	Disposals	Transfers	Balance at 12/31/21
Governmental Activities:					
Capital Assets not Being Depreciated					
Land	\$ 326,323	\$ -	\$ -	\$ -	\$ 326,323
Capital Assets Being Depreciated					
Buildings	2,420,529	186,927	-	-	2,607,456
Infrastructure	8,773,927	45,586	-	-	8,819,513
Improvements	525,275	6,280	-	-	531,555
Equipment	1,230,815	62,734	-	-	1,293,549
Vehicles	2,331,483	282,684	36,711	-	2,577,456
Total Capital Assets Being Depreciated	15,282,029	584,211	36,711	-	15,829,529
Less: Accumulated Depreciation					
Buildings	1,310,211	63,741	-	-	1,373,952
Infrastructure	3,012,386	335,279	-	-	3,347,665
Improvements	337,817	12,171	-	-	349,988
Equipment	471,374	78,026	-	-	549,400
Vehicles	1,275,216	136,051	31,204	-	1,380,063
Total Accumulated Depreciation	6,407,004	625,268	31,204	-	7,001,068
Total Capital Assets Being Depreciated, Net	8,875,025	(41,057)	5,507	-	8,828,461
Capital Assets, Net	<u>\$ 9,201,348</u>	<u>\$ (41,057)</u>	<u>\$ 5,507</u>	<u>\$ -</u>	<u>\$ 9,154,784</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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	\$ 44,940
Pool	14,888
Parks and Recreation	17,195
Police	14,164
Public Works	391,040
Fire	<u>143,041</u>
Total Depreciation Expense	<u>\$ 625,268</u>

Intangible asset activity for the year ended December 31, 2021 is as follows:

	Balance at 01/01/21	Additions	Disposals	Transfers	Balance at 12/31/21
Governmental Activities:					
Intangible Assets Being Amortized					
Intangible Assets	\$ -	\$ 36,500	\$ -	\$ -	\$ 36,500
Less: Accumulated Amortization					
Intangible Assets	<u> -</u>	<u> 608</u>	<u> -</u>	<u> -</u>	<u> 608</u>
Total Intangible Assets Being Amortized, Net	<u> -</u>	<u> 35,892</u>	<u> -</u>	<u> -</u>	<u> 35,892</u>
Intangible Assets, Net	<u>\$ -</u>	<u>\$ 35,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,892</u>

Amortization is charged to governmental activities as follows:

General Government	<u>\$ 608</u>
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CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

2.B. CAPITAL AND INTANGIBLE ASSETS (Continued)

	Balance at 01/01/21	Additions	Disposals	Transfers	Balance at 12/31/21
Business-Type Activities:					
Capital Assets not Being					
Depreciated					
Land	\$ 41,262	\$ 7,825	\$ -	\$ -	\$ 49,087
Construction In Progress	-	730,306	-	-	730,306
Total Capital Assets not Being					
Depreciated	41,262	738,131	-	-	779,393
Capital Assets Being					
Depreciated					
Buildings	203,773	-	-	-	203,773
Infrastructure	5,739,992	20,694	-	-	5,760,686
Lagoons	1,918,257	-	-	-	1,918,257
Improvements	12,334	-	-	-	12,334
Lift Stations	352,394	-	-	-	352,394
Equipment	409,928	-	-	-	409,928
Vehicles	180,000	-	-	-	180,000
Total Capital Assets Being					
Depreciated	8,816,678	20,694	-	-	8,837,372
Less: Accumulated Depreciation					
Buildings	167,151	4,101	-	-	171,252
Infrastructure	2,297,772	153,752	-	-	2,451,524
Lagoons	1,118,823	31,971	-	-	1,150,794
Improvements	12,334	-	-	-	12,334
Lift Stations	163,747	7,048	-	-	170,795
Equipment	352,278	11,802	-	-	364,080
Vehicles	154,500	18,000	-	-	172,500
Total Accumulated					
Depreciation	4,266,605	226,674	-	-	4,493,279
Total Capital Assets Being					
Depreciated, Net	4,550,073	(205,980)	-	-	4,344,093
Capital Assets, Net	<u>\$ 4,591,335</u>	<u>\$ 532,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,123,486</u>

2.C. ACCRUED SEVERANCE

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

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

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

2.D. NONCURRENT LIABILITIES

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

Debt Detail

As of December 31, 2021, the long-term debt of the financial reporting entity, excluding the bond premium of \$51,027, 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	\$ 705,000
G.O. Improvement Bonds, 2018A	08/18	\$ 2,340,000	\$20,000-\$330,000	3.00-3.25%	02/34	2,315,000
G.O. Improvement Refunding Bonds, 2020A	08/20	\$ 2,281,000	\$99,000-\$409,000	0.75-1.35%	02/28	1,908,000
Total Governmental Activities Bonds Payable						4,928,000
Bonds Due Within One Year						485,000
Bonds Due After One Year						\$ 4,443,000

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities, excluding the net pension liability, for the year ended December 31, 2021:

Type of Debt	Balance 1/1/2021	Additions	Deductions	Balance 12/31/2021	Amounts Due Within One Year
<u>Governmental Activities:</u>					
G.O. Bonds	\$ 3,110,000	\$ -	\$ (90,000)	\$ 3,020,000	\$ 85,000
G.O. Refunding Bonds	2,281,000	-	(373,000)	1,908,000	400,000
Unamortized Bond Premium	60,066	-	(9,039)	51,027	-
Accrued Severance	29,589	2,895	(1,774)	30,710	-
Total	\$ 5,480,655	\$ 2,895	\$ (473,813)	\$ 5,009,737	\$ 485,000
<u>Business-Type Activities:</u>					
Accrued Severance	\$ 38,390	\$ 28	\$ -	\$ 38,418	\$ -

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

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

2.D. NONCURRENT LIABILITIES (Continued)

Annual Debt Service Requirements

At December 31, 2021, 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
2022	\$ 485,000	\$ 108,355	\$ 593,355
2023	489,000	102,335	591,335
2024	489,000	95,844	584,844
2025	504,000	89,231	593,231
2026	385,000	80,914	465,914
2027-2031	1,981,000	243,543	2,224,543
2032-2034	595,000	29,375	624,375
Totals	<u>\$ 4,928,000</u>	<u>\$ 749,597</u>	<u>\$ 5,677,597</u>

Interest expense totals \$111,614 in the Statement of Activities (included in Debt Service line). Interest expenditures total \$112,872 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges).

2.E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2021:

Major Funds	Transfers Out	Transfers In		Total
		Nonmajor Fund	Major Fund	
		Street Projects Fund	Equipment Fund	
General	<u>\$ 340,000</u>	<u>\$ 115,000</u>	<u>\$ 225,000</u>	<u>\$ 340,000</u>

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

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

2.E. INTERFUND TRANSACTIONS AND BALANCES (Continued)

The interfund balances at December 31, 2021 are as follows:

Long-Term Balances			
Advance From Fund	Advance to Fund		
2008 Improvement Bond Fund	Water Fund	\$ 40,000	Long-term interfund loan
2015 Improvement Bond Fund	Water Fund	87,877	Long-term interfund loan
2018 Capital Improvement Fund	Water Fund	456,000	Long-term interfund loan
2008 Improvement Bond Fund	Sewer Fund	120,000	Long-term interfund loan
2015 Improvement Bond Fund	Sewer Fund	87,877	Long-term interfund loan
2018 Capital Improvement Fund	Sewer Fund	324,000	Long-term interfund loan
General Fund	Fire Service Fund	<u>120,000</u>	Long-term interfund loan
Total Long-Term Interfund Balance		1,235,754	
Government Fund Elimination		<u>(120,000)</u>	
Government-wide Internal Balances		<u>\$ 1,115,754</u>	

It is the City's intent to remit \$20,000 per year from the Water Fund and \$61,000 per year from the Sewer Fund to the 2008 Improvement Bond Fund, as well as \$10,000 per year to the 2015 Improvement Bond Fund from both the Water Fund and Sewer Funds. The City also intends to remit \$38,000 per year from the Water Fund and \$27,000 per year from the Sewer Fund to the 2018 Capital Improvement Fund. Lastly, the City intends to remit \$40,000 each year for four years to the Fire Service Fund from the General Fund (via the expendable trust).

2.F. FUND EQUITY

At December 31, 2021, governmental fund equity consists of the following:

General Fund		
Nonspendable - Prepaids	\$ 47,975	
Nonspendable - Advances to Other Funds	120,000	
Restricted - American Rescue Plan Act Expenditures	146,056	
Assigned	531,168	
Unassigned	<u>2,303,334</u>	
Total General Fund Balance	<u>\$ 3,148,533</u>	
Fire Service Fund		
Nonspendable - Prepaids	\$ 17,759	
Assigned	<u>396,846</u>	
Total Fire Service Fund Balance	<u>\$ 414,605</u>	
EDA Fund		
Assigned	<u>\$ 90,044</u>	

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

2.F. FUND EQUITY (Continued)

2020 Improvement Bond Fund	
Nonspendable - Advances to Other Funds	\$ 160,000
Restricted	<u>665,457</u>
Total 2020 Improvement Bond Fund	<u><u>\$ 825,457</u></u>
 2018 Improvement Bond Fund	
Nonspendable - Advances to Other Funds	\$ 780,000
Restricted	<u>296,978</u>
Total 2018 Improvement Bond Fund Balance	<u><u>\$ 1,076,978</u></u>
 Equipment Fund	
Assigned	<u><u>\$ 153,149</u></u>
 Nonmajor Governmental Funds	
Nonspendable - Prepaids	\$ 5,040
Nonspendable - Advances to Other Funds	175,754
Restricted for 2015 Improvement Bond Fund	197,827
Restricted for TIF District 1-8	15,150
Restricted for TIF District 1-9	38,509
Restricted for Revolving Loan Fund	82,070
Restricted for Small Cities Development Grant Fund	143,509
Assigned for Swimming Pool Fund	392,563
Assigned for Street Projects Fund	<u>38,877</u>
Total Nonmajor Governmental Funds Balance	<u><u>\$ 1,089,299</u></u>

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 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.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

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.

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 1.00 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 3.00 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 1.00 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 2021 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, 2021 were \$33,412. The City's contributions were equal to the required contributions as set by State Statute.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021 were \$53,343. 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, 2021, the City reported a liability of \$256,227 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 \$7,846.

The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0060 percent at the end of the measurement period and 0.0061 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$256,227
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>7,846</u>
Total	<u>\$264,073</u>

For the year ended December 31, 2021, the City recognized pension expense of \$20,027 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$633 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Plan.

At December 31, 2021, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 1,548	\$ 7,856
Change in Actuarial Assumptions	156,447	5,703
Difference Between Projected and Actual Investment Earnings	-	221,255
Changes in Proportionate Share	6,916	4,497
Contributions Paid to PERA Subsequent to the Measurement Date	<u>18,084</u>	<u>-</u>
Total City Deferred Outflows/Inflows	<u>\$ 182,995</u>	<u>\$ 239,311</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

The \$18,084 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

December 31,	Pension Expense
<u>2022</u>	<u>\$</u>
2022	(8,039)
2023	(2,486)
2024	(3,350)
2025	(60,525)

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$186,798 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0242 percent at the end of the measurement period and 0.0234 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, 2021. 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 aid was paid on October 1, 2020. 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. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

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, 2021, the City recognized pension expense of \$11,054 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$1,530 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 \$2,178 for the year ended December 31, 2021 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 OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

At December 31, 2021, 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	\$ 34,775	\$ -
Change in Actuarial Assumptions	274,545	74,081
Difference Between Projected and Actual Investment Earnings	-	357,027
Changes in Proportionate Share	45,501	14,442
Contributions Paid to PERA Subsequent to the Measurement Date	29,356	-
	<u>384,177</u>	<u>445,550</u>
Total City Deferred Outflows/Inflows	<u>\$ 384,177</u>	<u>\$ 445,550</u>

The \$29,356 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, 2022. 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
2022	\$ (95,867)
2023	\$ (8,791)
2024	\$ (17,559)
2025	\$ (30,373)
2026	\$ 61,861

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2021 was \$31,081.

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, 2021**

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021 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 29 years of service and 6.00 percent per year thereafter. 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 were 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 2021:

General Employees Fund

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 were no changes in plan provisions since the previous valuation.

Police and Fire Fund

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).

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

- 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 since the prior valuation.

Discount Rate

The discount rate used to measure the total pension liability in 2021 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 positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

Sensitivity Analysis					
Net Pension Liability at Different Discount Rates					
	General Employees Fund			Police and Fire Fund	
1% Increase in Discount Rate	7.50%	\$	37,674	7.50%	\$ (146,230)
Current Discount Rate	6.50%	\$	256,227	6.50%	\$ 186,798
1% Decrease in Discount Rate	5.50%	\$	522,572	5.50%	\$ 593,053

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.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

Plan Description

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

Benefits Provided

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

Contributions

The Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statute 1980) specifies minimum contributions required on an annual basis. The minimum support rates from the municipality and state aid are determined in the amount required to meet the normal cost plus amortizing any existing prior year service costs over a 10-year period. The City's contributions to the Association for the year ended December 31, 2021 total \$7,500.

Pension Costs

At December 31, 2021, the City of Foley reported a net pension asset of \$402,168 for the Fire Relief Association's plan. The net pension asset was measured as of December 31, 2020, as determined by an actuarial valuation as of January 1, 2021.

For the year ended December 31, 2021, the City recognized pension expense of negative \$61,777 for the Association. The City also recognized \$57,240 for the year ended December 31, 2021, as pension expense (and grant revenue) for the State of Minnesota's contributions to the Association.

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance 1/1/2020	\$ 861,049	\$ 1,099,867	\$ (238,818)
Service Cost	39,379	-	39,379
Interest Cost	44,547	-	44,547
Assumption Changes	(55,677)	-	(55,677)
Projected Investment Return	-	56,091	(56,091)
Contributions (Employer)	-	12,395	(12,395)
Contributions (State)	-	57,240	(57,240)
Asset (Gain)/Loss	(40,850)	31,768	(72,618)
Benefit Payouts	(18,969)	(18,969)	-
Administrative Fee	-	(6,745)	6,745
Net Changes	<u>(31,570)</u>	<u>131,780</u>	<u>(163,350)</u>
Balance End of Year 12/31/20	<u>\$ 829,479</u>	<u>\$ 1,231,647</u>	<u>\$ (402,168)</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

At December 31, 2021, the City of Foley reported deferred outflows of resources and inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 74,877
Changes in Actuarial Assumptions	6,446	55,223
Difference Between Projected and Actual Investment Earnings	-	50,217
Contributions Paid to PERA Subsequent to the Measurement Date	7,500	-
Total City Deferred Outflows/Inflows	<u>\$ 13,946</u>	<u>\$ 180,317</u>

A total of \$7,500 reported as deferred outflows of resources related to the pension resulting from City contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to the pension will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2022	\$ (29,084)
2023	\$ (17,371)
2024	\$ (33,886)
2025	\$ (18,513)
2026	\$ (12,159)
2027 - 2031	\$ (48,007)
2032 - 2033	\$ (14,851)

Actuarial Assumptions

The net pension asset at December 31, 2020, 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 during 2020 except that the retirement assumption changed from age 50 to a graded schedule based on age.

There were no changes made to plan provisions since the prior valuation.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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	\$ (372,856)	\$ (402,168)	\$ (430,367)

Plan Investments

Asset Allocation

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

Asset Class	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 2020.

Pension Plan Fiduciary Net Position

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

NOTE 5 OTHER NOTES

5.A. RISK MANAGEMENT

Claims and Judgements

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 OTHER NOTES (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.

Public Health Emergency

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

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:	<u>\$ 3,200</u>
Current Net Tax Capacity:	<u>\$ 5,120</u>
Captured Net Tax Capacity:	
Retained by City	<u>\$ 1,920</u>
Shared with Other Taxing Districts	<u>\$ -</u>
Taxes Abated in 2021:	<u>\$ -</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 OTHER NOTES (Continued)

5.B. TAX INCREMENT FINANCING DISTRICTS (Continued)

Name of District:	Economic Development District #1-9
Business Name:	Silt Sock, Inc.
Purpose:	Economic Development
Authorizing Law:	MN Statutes Sections 469.174, Subd. 12
Year Established:	2018
Duration of District:	20 Years
Original Base Net Tax Capacity:	\$ 8,105
Current Net Tax Capacity:	<u>\$ 48,186</u>
Captured Net Tax Capacity:	
Retained by City	<u>\$ 40,081</u>
Shared with Other Taxing Districts	<u>\$ -</u>
Taxes Abated in 2021:	<u>\$ 41,517</u>

5.C. COMMITMENTS

As of December 31, 2021, the City is in negotiations to purchase land for a future industrial park. Future costs related to this purchase are estimated to total \$516,800.

5.D. OTHER EMPLOYEE BENEFITS

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

5.E. SUBSEQUENT EVENTS

Vehicle Purchase

Subsequent to year-end and prior to the issuance of these financial statements, the City Council approved public works expenditures for the purchase of a used vacuum truck totaling \$297,000.

Construction Contracts

Subsequent to year end and prior to the issuance of these financial statements, the City approved construction and engineering service contracts for the City's wastewater expansion project at an estimated cost of \$17,979,831. Additionally, the City approved shared costs for the City's Highway 23 utility improvement project with the Minnesota Department of Transportation at an estimated cost of \$1,688,164.

5.F. NEW ACCOUNTING STANDARD

In June 2017, the Government Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. GASB Statement No. 87 (GASB 87) increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. GASB 87 replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. GASB 87 will be effective for the City's fiscal year ended December 31, 2022. The effect on net position will likely be significant.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget Amounts - Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 671,836	\$ 671,783	\$ (53)
Franchise Taxes	7,000	7,190	190
Total Taxes	678,836	678,973	137
 Special Assessments	 3,000	 4,748	 1,748
 Licenses and Permits	 45,600	 43,675	 (1,925)
 Intergovernmental Revenue			
Federal Revenue			
American Rescue Plan Act Funds	-	146,056	146,056
State Revenue			
Local Government Aid	836,219	836,219	-
Market Value Credit	-	223	223
Transportation	-	47,380	47,380
Police and Fire Aid	30,000	36,770	6,770
Other State Grants and Aids	-	9,273	9,273
County Revenue			
Highways	6,360	14,350	7,990
Other County Grants and Aids	12,000	13,892	1,892
Total Intergovernmental Revenue	884,579	1,104,163	219,584
 Charges for Services			
General Government	2,100	3,308	1,208
Police and Fire Contracts	41,300	47,434	6,134
Streets and Highways	500	250	(250)
Parks and Recreation	4,000	4,950	950
Total Charges for Services	47,900	55,942	8,042
 Fines and Forfeitures	 14,500	 14,090	 (410)
 Miscellaneous Revenue			
Investment Earnings	26,600	(32,366)	(58,966)
Refunds and Reimbursements	6,000	5,796	(204)
Contributions and Donations	3,000	2,160	(840)
Other Miscellaneous	6,100	23,067	16,967
Total Miscellaneous Revenue	41,700	(1,343)	(43,043)
 TOTAL REVENUES	 1,716,115	 1,900,248	 184,133

CITY OF FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget Amounts - Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
EXPENDITURES			
General Government			
Mayor and Council	\$ 16,850	\$ 12,472	\$ (4,378)
Administration and Finance	114,650	116,886	2,236
Other General Government	459,450	503,580	44,130
Capital Outlay	<u>18,000</u>	<u>56,968</u>	<u>38,968</u>
Total General Government	608,950	689,906	80,956
Public Safety			
Police			
Current	457,000	442,266	(14,734)
Other Public Safety			
Current	<u>36,400</u>	<u>21,396</u>	<u>(15,004)</u>
Total Public Safety	493,400	463,662	(29,738)
Public Works			
Street Maintenance and Storm Sewers	155,600	181,217	25,617
Snow and Ice Removal	<u>69,000</u>	<u>60,610</u>	<u>(8,390)</u>
Total Public Works	224,600	241,827	17,227
Culture and Recreation			
Parks and Recreation			
Current	44,665	50,681	6,016
Capital Outlay	<u>5,000</u>	<u>1,389</u>	<u>(3,611)</u>
Total Culture and Recreation	<u>49,665</u>	<u>52,070</u>	<u>2,405</u>
TOTAL EXPENDITURES	<u>1,376,615</u>	<u>1,447,465</u>	<u>70,850</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	339,500	452,783	113,283
OTHER FINANCING SOURCES (USES)			
Sale of Assets	500	-	(500)
Transfers Out	<u>(340,000)</u>	<u>(340,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(339,500)</u>	<u>(340,000)</u>	<u>(500)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	112,783	<u>\$ 112,783</u>
FUND BALANCE - BEGINNING		<u>3,035,750</u>	
FUND BALANCE - ENDING		<u>\$ 3,148,533</u>	

CITY OF FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – FIRE SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget Amounts - Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 86,500	\$ 86,502	\$ 2
Intergovernmental Revenue			
Federal Revenue			
Other Federal Grants	-	1,578	1,578
State Revenue			
Police and Fire Aid	-	59,664	59,664
Other State Grants and Aids	-	300	300
Local Revenue			
Other Local Grants	3,000	-	(3,000)
Total Intergovernmental Revenue	3,000	61,542	58,542
Charges for Services			
Police and Fire Contracts	201,000	253,159	52,159
Miscellaneous Revenue			
Investment Earnings (Loss)	500	(8,300)	(8,800)
Refunds and Reimbursements	-	12,005	12,005
Contributions and Donations	-	23,265	23,265
Total Miscellaneous Revenue	500	26,970	26,470
TOTAL REVENUES	291,000	428,173	137,173
EXPENDITURES			
Public Safety			
Fire			
Current	241,000	212,754	(28,246)
Capital Outlay	50,000	26,929	(23,071)
Total Public Safety	291,000	239,683	(51,317)
NET CHANGE IN FUND BALANCE	\$ -	188,490	\$ 188,490
FUND BALANCE - BEGINNING		226,115	
FUND BALANCE - ENDING		\$ 414,605	

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
<i>General Employees Retirement Pension Plan</i>							
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%
<i>Public Employees Police and Fire Pension Plan</i>							
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
<i>General Employees Retirement Pension Plan</i>					
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%
<i>Public Employees Police and Fire Pension Plan</i>					
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%
<i>Volunteer Fire Relief Association</i>					
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,					
	2020	2019	2018	2017	2016	2015
Changes in Total Pension Liability (TPL)						
Balance at January 1st	\$ 861,049	\$ 700,239	\$ 653,311	\$ 517,148	\$ 500,316	\$ 451,715
Service Cost	39,379	33,593	30,013	25,324	27,648	28,458
Interest on the TPL	44,547	36,692	32,458	25,767	29,038	24,718
Assumption Changes	(55,677)	-	(5,265)	-	11,051	-
Plan Changes	-	90,525	-	85,072	-	-
Actuarial Experience (Gains)/Losses	(40,850)	-	(10,278)	-	(50,905)	-
Benefit Payments	(18,969)	-	-	-	-	(4,575)
Balance at December 31st	<u>\$ 829,479</u>	<u>\$ 861,049</u>	<u>\$ 700,239</u>	<u>\$ 653,311</u>	<u>\$ 517,148</u>	<u>\$ 500,316</u>
Plan Fiduciary Net Position (PFNP)						
Balance at January 1st	\$ 1,099,867	\$ 917,635	\$ 896,855	\$ 743,270	\$ 670,255	\$ 626,807
Fire State Aid	57,240	53,830	52,434	51,416	51,569	50,835
Municipal Contributions	12,395	10,987	13,200	12,720	7,500	7,500
Projected Investment Income	56,091	47,333	44,010	36,691	38,472	35,937
Gain or Loss	31,768	76,863	(82,574)	58,568	(23,936)	(45,659)
Total Additions	157,494	189,013	27,070	159,395	73,605	48,613
Benefit Payments	(18,969)	-	-	-	-	(4,575)
Administrative Expenses	(6,745)	(6,781)	(6,290)	(5,810)	(590)	(590)
Total Reductions	(25,714)	(6,781)	(6,290)	(5,810)	(590)	(5,165)
Balance at December 31st	<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>\$ (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)	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, 2021

NOTE 1 BUDGETARY COMPARISON SCHEDULES

Fund	Budgeted Expenditures	Actual Expenditures
General	\$ 1,376,615	\$ 1,447,465

The expenditures in excess of budget for the General Fund are primarily due to unbudgeted equipment purchases and street and vehicle repair and maintenance 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

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 were 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.
- 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.

CITY OF FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA 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 postretirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

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.

CITY OF FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and 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

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.

CITY OF FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 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.

CITY OF FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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

- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

NOTE 4 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

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.

CITY OF FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

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

SUPPLEMENTARY INFORMATION

**CITY OF FOLEY, MINNESOTA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	Total Nonmajor Debt Service Funds	Total Nonmajor Special Revenue Funds	Nonmajor Street Projects Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash, Cash Equivalents, and Investments	\$ 251,261	\$ 617,940	\$ 57,747	\$ 926,948
Property Taxes Receivable	638	611	-	1,249
Assessments Receivable	55,585	-	-	55,585
Prepays	-	5,040	-	5,040
Loans Receivable	-	9,398	-	9,398
Advances to Other Funds	175,754	-	-	175,754
TOTAL ASSETS	<u>\$ 483,238</u>	<u>\$ 632,989</u>	<u>\$ 57,747</u>	<u>\$ 1,173,974</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 18,870	\$ 18,870
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Property Taxes	413	409	-	822
Special Assessments	55,585	-	-	55,585
Loans Receivable	-	9,398	-	9,398
Total Deferred Inflows of Resources	55,998	9,807	-	65,805
FUND BALANCES				
Nonspendable	175,754	5,040	-	180,794
Restricted	251,486	225,579	-	477,065
Assigned	-	392,563	38,877	431,440
Total Fund Balances	427,240	623,182	38,877	1,089,299
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 483,238</u>	<u>\$ 632,989</u>	<u>\$ 57,747</u>	<u>\$ 1,173,974</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, 2021

	Total Nonmajor Debt Service Funds	Total Nonmajor Special Revenue Funds	Nonmajor Street Projects Fund	Total Nonmajor Governmental Funds
REVENUES				
Property Taxes	\$ 33,977	\$ 20,136	\$ -	\$ 54,113
Tax Increment	60,090	-	-	60,090
Special Assessments	32,393	-	-	32,393
Charges for Services	-	62,912	-	62,912
Investment Income (Loss)	45	(3,906)	-	(3,861)
Loan Collections	-	2,208	-	2,208
Miscellaneous	-	3,184	-	3,184
TOTAL REVENUES	<u>126,505</u>	<u>84,534</u>	<u>-</u>	<u>211,039</u>
EXPENDITURES				
Current:				
Parks and Recreation	-	94,759	-	94,759
Economic Development	43,517	-	-	43,517
Capital Outlay	-	58,113	78,227	136,340
Debt Service:				
Principal	65,000	-	-	65,000
Interest and Other Charges	23,349	-	-	23,349
TOTAL EXPENDITURES	<u>131,866</u>	<u>152,872</u>	<u>78,227</u>	<u>362,965</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,361)	(68,338)	(78,227)	(151,926)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	115,000	115,000
NET CHANGE IN FUND BALANCES	(5,361)	(68,338)	36,773	(36,926)
FUND BALANCES - BEGINNING	<u>432,601</u>	<u>691,520</u>	<u>2,104</u>	<u>1,126,225</u>
FUND BALANCES - ENDING	<u>\$ 427,240</u>	<u>\$ 623,182</u>	<u>\$ 38,877</u>	<u>\$ 1,089,299</u>

**CITY OF FOLEY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS
DECEMBER 31, 2021**

	2015 Improvement Bond Fund	TIF 1-8 Senior Prairie Cottages Fund	TIF 1-9 Silt Sock, Inc. Fund	Total Nonmajor Debt Service Funds
ASSETS				
Cash, Cash Equivalents, and Investments	\$ 197,602	\$ 15,150	\$ 38,509	\$ 251,261
Property Taxes Receivable	638	-	-	638
Assessments Receivable	55,585	-	-	55,585
Advances to Other Funds	<u>175,754</u>	<u>-</u>	<u>-</u>	<u>175,754</u>
TOTAL ASSETS	<u><u>\$ 429,579</u></u>	<u><u>\$ 15,150</u></u>	<u><u>\$ 38,509</u></u>	<u><u>\$ 483,238</u></u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Property Taxes	\$ 413	\$ -	\$ -	\$ 413
Special Assessments	<u>55,585</u>	<u>-</u>	<u>-</u>	<u>55,585</u>
Total Deferred Inflows of Resources	55,998	-	-	55,998
FUND BALANCES				
Nonspendable	175,754	-	-	175,754
Restricted	<u>197,827</u>	<u>15,150</u>	<u>38,509</u>	<u>251,486</u>
Total Fund Balances	<u><u>373,581</u></u>	<u><u>15,150</u></u>	<u><u>38,509</u></u>	<u><u>427,240</u></u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 429,579</u></u>	<u><u>\$ 15,150</u></u>	<u><u>\$ 38,509</u></u>	<u><u>\$ 483,238</u></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, 2021

	2015 Improvement Bond Fund	TIF 1-8 Senior Prairie Cottages Fund	TIF 1-9 Silt Sock, Inc. Fund	Total Nonmajor Debt Service Funds
REVENUES				
Property Taxes	\$ 33,977	\$ -	\$ -	\$ 33,977
Tax Increment	-	2,879	57,211	60,090
Special Assessments	32,393	-	-	32,393
Investment Income	45	-	-	45
TOTAL REVENUES	<u>66,415</u>	<u>2,879</u>	<u>57,211</u>	<u>126,505</u>
EXPENDITURES				
Current:				
Economic Development	-	1,000	42,517	43,517
Debt Service:				
Principal	65,000	-	-	65,000
Interest and Other Charges	23,349	-	-	23,349
TOTAL EXPENDITURES	<u>88,349</u>	<u>1,000</u>	<u>42,517</u>	<u>131,866</u>
NET CHANGE IN FUND BALANCES	(21,934)	1,879	14,694	(5,361)
FUND BALANCES - BEGINNING	<u>395,515</u>	<u>13,271</u>	<u>23,815</u>	<u>432,601</u>
FUND BALANCES - ENDING	<u>\$ 373,581</u>	<u>\$ 15,150</u>	<u>\$ 38,509</u>	<u>\$ 427,240</u>

**CITY OF FOLEY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
DECEMBER 31, 2021**

	Swimming Pool Fund	Revolving Loan Fund	Small Cities Development Grant Fund	Total Nonmajor Special Revenue Funds
ASSETS				
Cash, Cash Equivalents, and Investments	\$ 392,361	\$ 82,070	\$ 143,509	\$ 617,940
Property Taxes Receivable	611	-	-	611
Prepays	5,040	-	-	5,040
Loans Receivable	-	9,398	-	9,398
TOTAL ASSETS	<u>\$ 398,012</u>	<u>\$ 91,468</u>	<u>\$ 143,509</u>	<u>\$ 632,989</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Property Taxes	\$ 409	\$ -	\$ -	\$ 409
Loans Receivable	-	9,398	-	9,398
Total Deferred Inflows of Resources	409	9,398	-	9,807
FUND BALANCES				
Nonspendable	5,040	-	-	5,040
Restricted	-	82,070	143,509	225,579
Assigned	392,563	-	-	392,563
Total Fund Balances	<u>397,603</u>	<u>82,070</u>	<u>143,509</u>	<u>623,182</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 398,012</u>	<u>\$ 91,468</u>	<u>\$ 143,509</u>	<u>\$ 632,989</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, 2021

	Swimming Pool Fund	Revolving Loan Fund	Small Cities Development Grant Fund	Total Nonmajor Special Revenue Funds
REVENUES				
Property Taxes	\$ 20,136	\$ -	\$ -	\$ 20,136
Charges for Services	62,912	-	-	62,912
Investment Income (Loss)	(3,997)	23	68	(3,906)
Loan Collections	-	2,208	-	2,208
Miscellaneous	-	-	3,184	3,184
TOTAL REVENUES	<u>79,051</u>	<u>2,231</u>	<u>3,252</u>	<u>84,534</u>
EXPENDITURES				
Current:				
Parks and Recreation	94,759	-	-	94,759
Capital Outlay	<u>58,113</u>	<u>-</u>	<u>-</u>	<u>58,113</u>
TOTAL EXPENDITURES	<u>152,872</u>	<u>-</u>	<u>-</u>	<u>152,872</u>
NET CHANGE IN FUND BALANCES	(73,821)	2,231	3,252	(68,338)
FUND BALANCES - BEGINNING	<u>471,424</u>	<u>79,839</u>	<u>140,257</u>	<u>691,520</u>
FUND BALANCES - ENDING	<u>\$ 397,603</u>	<u>\$ 82,070</u>	<u>\$ 143,509</u>	<u>\$ 623,182</u>

**CITY OF FOLEY, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Initial Authorized Issue</u>	<u>Outstanding Balance 01/01/21</u>	<u>Issued</u>	<u>Paid</u>	<u>Outstanding Balance 12/31/21</u>	<u>Principal Due Within One Year</u>
GOVERNMENTAL INDEBTEDNESS									
G.O. Bonds, 2015A	8/4/2015	3.00 - 3.25%	2/1/2031	\$ 995,000	\$ 770,000	\$ -	\$ 65,000	\$ 705,000	\$ 65,000
G.O. Improvement Bonds, 2018A	8/7/2018	3.00 - 3.25%	2/1/2034	2,340,000	2,340,000	-	25,000	2,315,000	20,000
G.O. Improvement Refunding Bonds, 2020A	8/18/2020	0.75 - 1.35%	2/1/2028	<u>2,281,000</u>	<u>2,281,000</u>	<u>-</u>	<u>373,000</u>	<u>1,908,000</u>	<u>400,000</u>
TOTAL GOVERNMENTAL DEBTS				<u>\$ 5,616,000</u>	<u>\$ 5,391,000</u>	<u>\$ -</u>	<u>\$ 463,000</u>	<u>\$ 4,928,000</u>	<u>\$ 485,000</u>

OTHER REQUIRED REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Foley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Foley, Minnesota (the City) as of and for the year ended December 31, 2021, 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 June 7, 2022.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies described in the accompanying *Schedule of Findings and Responses* to be material weaknesses: 2012-001 and 2021-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a significant deficiency: 2012-002.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

City's Response to Findings

The City of Foley's response to the internal control findings identified in our audit have been included in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 7, 2022

**CITY OF FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021**

FINANCIAL STATEMENT FINDINGS

Finding 2012-001 Limited Segregation of Duties

Condition: The City has limited segregation of accounting duties.

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

Cause: There are a limited number of employees.

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

Recommendation: Although the number of employees may not be large enough to eliminate this deficiency, we recommend that the City evaluate current procedures and segregate where possible and implement compensating controls. 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 RESPONSES (Continued)
DECEMBER 31, 2021

FINANCIAL STATEMENT FINDINGS (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.

**CITY OF FOLEY, MINNESOTA
CORRECTIVE ACTION PLANS
DECEMBER 31, 2021**

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, MINNESOTA
CORRECTIVE ACTION PLANS (Continued)
DECEMBER 31, 2021

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 general receivables, as well as reversing prior year accrual balances. The City will review these areas more thoroughly for fiscal year 2022.
3. Official Responsible
The City Administrator is the official responsible for ensuring corrective action.
4. Planned Completion Date
December 31, 2022.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.