

City of Foley, Minnesota

Audited Financial Statements

For The Year Ended December 31, 2023

**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, 2023**

CITY COUNCIL

Term Expires

Jack Brosh	Mayor	December 31, 2024
Jeff Gondeck	Council Member	December 31, 2024
Deb Mathiowetz	Council Member	December 31, 2026
Gary Swanson	Council Member	December 31, 2026
Brandon Voit	Council Member	December 31, 2024

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, 2023, 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 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, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Schedules, Schedule of City's Proportionate Share of the Net Pension Liability, Schedule of City Pension Contributions, and Schedule of Changes in Net Pension Liability (Asset) – Fire Relief Association 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's basic financial statements. The accompanying introductory section, combining and individual nonmajor governmental 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.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2024, 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'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 "Schlenner Wenner & Co.".

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 6, 2024

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

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, 2023. 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 \$36,356,928 (net position).
- The City's net position increased \$7,302,605 compared to the prior year as a result of this year's operations.
- In the City's business-type activities, revenues decreased \$1,394,451 while program expenses increased \$201,495 (or 28.58 percent). These changes are discussed in greater detail throughout the following pages.
- Total cost of all of the City's programs increased \$538,817 (or 15.53 percent).
- The City of Foley received local government aid in the amount of \$857,709.
- In the current year, the City's General Fund generated more revenue than budgeted by \$148,944. Expenditures exceeded the budget by \$153,579. See additional details starting on page sixty-one.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

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

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

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, 2023**

THE CITY AS A WHOLE

The City's combined net position increased \$7,302,605 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	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 7,583,401	\$ 7,614,085	\$ 6,207,443	\$ 4,824,695	\$ 13,790,844	\$ 12,438,780
Net Capital and Intangible Assets	<u>9,402,709</u>	<u>9,775,885</u>	<u>29,694,415</u>	<u>23,178,568</u>	<u>39,097,124</u>	<u>32,954,453</u>
Total Assets	16,986,110	17,389,970	35,901,858	28,003,263	52,887,968	45,393,233
Deferred Outflows of Resources	948,682	926,631	44,098	56,766	992,780	983,397
Current Liabilities	212,483	173,039	908,730	615,819	1,121,213	788,858
Noncurrent Liabilities	<u>5,171,268</u>	<u>6,469,407</u>	<u>10,308,257</u>	<u>9,885,582</u>	<u>15,479,525</u>	<u>16,354,989</u>
Total Liabilities	5,383,751	6,642,446	11,216,987	10,501,401	16,600,738	17,143,847
Deferred Inflows of Resources	885,867	175,218	37,215	3,242	923,082	178,460
Net Position:						
Net Investment in						
Capital Assets	5,014,534	4,790,864	19,557,905	13,503,964	24,572,439	18,294,828
Restricted	1,735,590	1,813,857	-	-	1,735,590	1,813,857
Unrestricted	<u>4,915,050</u>	<u>4,894,216</u>	<u>5,133,849</u>	<u>4,051,422</u>	<u>10,048,899</u>	<u>8,945,638</u>
Total Net Position	<u>\$ 11,665,174</u>	<u>\$ 11,498,937</u>	<u>\$ 24,691,754</u>	<u>\$ 17,555,386</u>	<u>\$ 36,356,928</u>	<u>\$ 29,054,323</u>

The net position of the City's governmental activities increased by \$166,237 (or 1.45 percent). Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased by \$20,834 (or 0.43 percent) compared to the prior year.

The net position of the City's business-type activities increased by \$7,136,368. Expenses were fairly comparable to the prior year, with the exception of debt service expenses which increased due to the first interest payment being made on the City's G.O. Sewer Revenue Note (issued to fund the City's wastewater improvement project). Revenues decreased due to grant funding fluctuations for the City's wastewater improvement project in the current year.

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

THE CITY AS A WHOLE (Continued)

	Governmental Activities		Business-Type Activities		Total Government	
	2023	2022	2023	2022	2023	2022
REVENUES						
Charges for Services	\$ 522,947	\$ 453,821	\$ 2,075,405	\$ 1,519,835	\$ 2,598,352	\$ 1,973,656
Operating Grants and Contributions	159,325	40,382	-	-	159,325	40,382
Capital Grants and Contributions	108,156	23,295	5,926,223	8,003,416	6,034,379	8,026,711
Property Taxes	1,285,061	1,123,253	-	-	1,285,061	1,123,253
Tax Increment	72,985	60,750	-	-	72,985	60,750
Intergovernmental	964,003	1,103,534	-	-	964,003	1,103,534
Franchise Taxes	6,808	6,825	-	-	6,808	6,825
Investment Income (Loss)	93,585	(143,466)	47,242	(79,930)	140,827	(223,396)
Other	30,935	68,762	-	-	30,935	68,762
Total Revenues	3,243,805	2,737,156	8,048,870	9,443,321	11,292,675	12,180,477
PROGRAM EXPENSES						
General Government	880,671	765,353	-	-	880,671	765,353
Public Safety	1,084,565	963,277	-	-	1,084,565	963,277
Public Works	748,931	658,772	-	-	748,931	658,772
Parks and Recreation	209,395	208,280	-	-	209,395	208,280
Economic Development	67,577	37,228	-	-	67,577	37,228
Debt Service	109,924	130,831	-	-	109,924	130,831
Water	-	-	333,539	328,472	333,539	328,472
Sewer	-	-	572,963	376,535	572,963	376,535
Total Expenses	3,101,063	2,763,741	906,502	705,007	4,007,565	3,468,748
Change in Net Position Prior to Gain (Loss) and Transfers	142,742	(26,585)	7,142,368	8,738,314	7,285,110	8,711,729
Gain (Loss) on Disposal of Assets	17,495	24,370	-	30,000	17,495	54,370
Transfers	6,000	-	(6,000)	-	-	-
Total Gain (Loss) and Transfers	23,495	24,370	(6,000)	30,000	17,495	54,370
Change in Net Position	166,237	(2,215)	7,136,368	8,768,314	7,302,605	8,766,099
Net Position - Beginning of Year	11,498,937	11,501,152	17,555,386	8,787,072	29,054,323	20,288,224
Net Position - End of Year	<u>\$ 11,665,174</u>	<u>\$ 11,498,937</u>	<u>\$ 24,691,754</u>	<u>\$ 17,555,386</u>	<u>\$ 36,356,928</u>	<u>\$ 29,054,323</u>

The City's total revenues decreased by \$887,802 (7.29 percent), primarily due to fluctuations in grant awards for the City's wastewater improvement project. Other revenue areas saw increases such as charges for services, primarily due to increases in water and sewer rates. Investment income also increased significantly, primarily due to changes in the City's investments. The total cost of all programs and services increased by \$538,817 (or 15.53 percent), primarily due to debt service interest expenses, insurance costs, and salary and benefit fluctuations.

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, 2023**

THE CITY AS A WHOLE (Continued)

Governmental Activities

Revenue for the City's governmental activities increased by \$506,649 (or 18.51 percent) and total expenses increased by \$337,322 (or 12.21 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 and Public Works net cost of services increased, primarily due to matters already discussed, as well as costs for vehicle and street repair and maintenance.
- Public Safety net cost of services decreased, primarily due to additional public safety aid received from the State in the current year.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
General Government	\$ 880,671	\$ 765,353	\$ 849,701	\$ 730,392
Public Safety	1,084,565	963,277	443,074	600,794
Public Works	748,931	658,772	718,217	618,926
Parks and Recreation	209,395	208,280	122,142	128,072
Economic Development	67,577	37,228	67,577	37,228
Debt Service	109,924	130,831	109,924	130,831
Totals	\$ 3,101,063	\$ 2,763,741	\$ 2,310,635	\$ 2,246,243

Business-type Activities

Revenues of the City's business-type activities, including investment income (see Table 2) decreased by \$1,394,451 (14.77 percent) and program expenses increased by \$201,495 (or 28.58 percent). Revenues decreased from the prior year as a result of fluctuations in grant funding for the City's wastewater improvement project in the current year. Expenses increased primarily due to debt service interest expenses.

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 \$6,619,398. This is an increase of \$148,589 from the prior year.

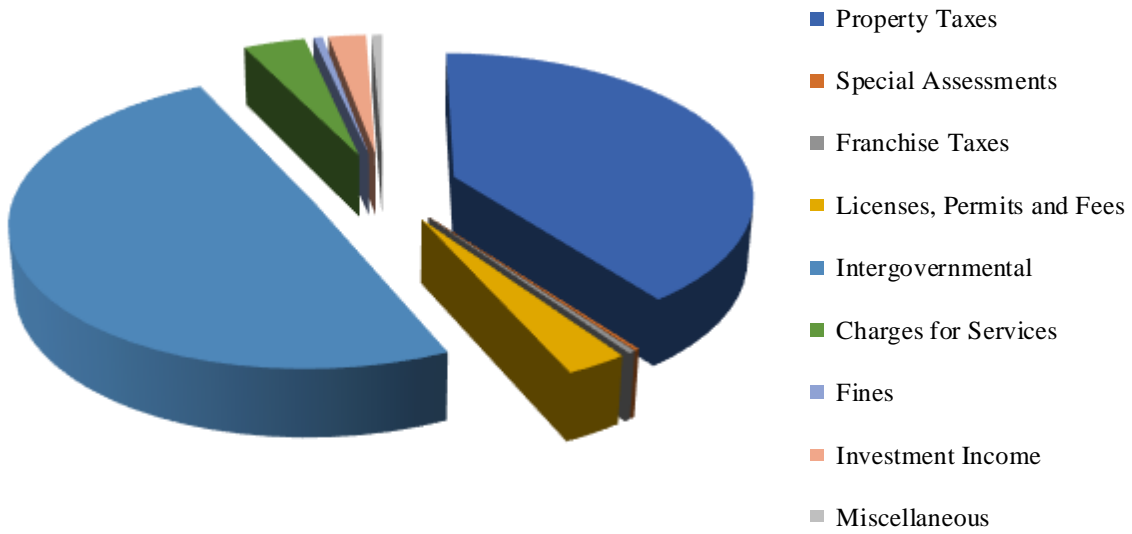
Major Funds	Fund Balance December 31,		Increase
	2023	2022	(Decrease)
General	\$ 3,250,351	\$ 3,199,591	\$ 50,760

The fund balance of the General Fund increased by \$50,760 compared to 2022. 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, 2023**

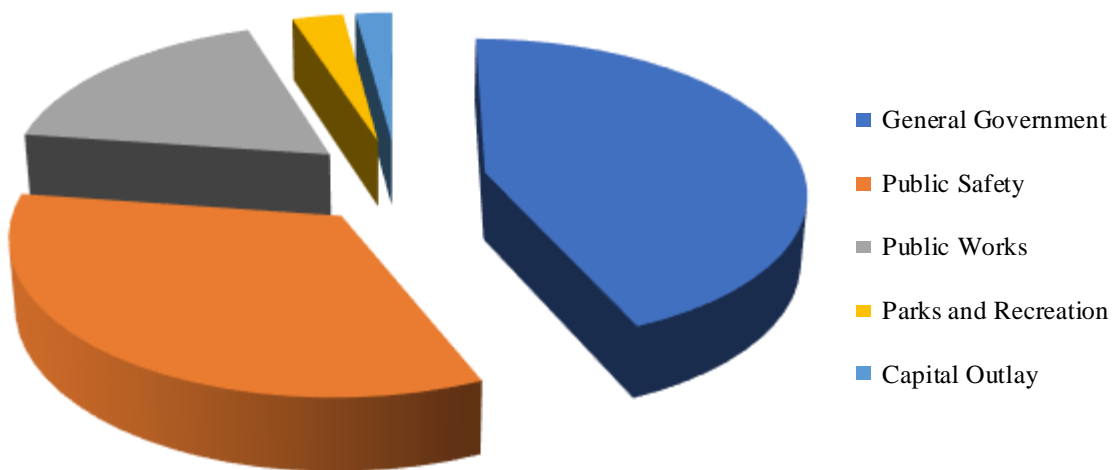
THE CITY'S FUNDS (Continued)

General Fund Revenues



The City received the majority of its funding in the General Fund from grants and other governmental agencies (49.43 percent) and property taxes (39.76 percent). General Fund revenues have increased from the prior year, primarily due to an increase in investment income in the current year.

General Fund Expenditures



**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

THE CITY'S FUNDS (Continued)

A significant portion of the City's General Fund expenditures are used for general government operations (43.49 percent). Remaining expenditures are used for public safety (33.74 percent), public works (17.71 percent), parks and recreation (2.94 percent) and capital outlay (2.11 percent). Overall, the City's General Fund expenditures increased, primarily due to matters previously discussed.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2023	2022	
Fire Service Fund	\$ 846,354	\$ 591,765	\$ 254,589

The Fire Service Fund balance increased primarily due to additional public safety aid received in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2023	2022	
2020 Improvement Bond Fund	\$ 606,113	\$ 716,494	\$ (110,381)

The 2020 Improvement Bond Fund activity was comparable to the prior year.

General Fund Budgetary Highlights

The City's General Fund generated more revenue than budgeted of \$148,944. Expenditures exceeded those budgeted by \$153,579. Revenues over budget in the current year are primarily due to unbudgeted public safety aid and investment income. Expenditures over budget is primarily due to unbudgeted public works and public safety costs.

Proprietary Funds

As the City completed the year, its business-type activities reported a combined net position of \$24,691,754. This is an increase of \$7,136,368 from the prior year. The following is a summary of the City's major proprietary funds:

Major Funds	Net Position December 31,		Increase (Decrease)
	2023	2022	
Water	\$ 4,486,089	\$ 4,215,981	\$ 270,108
Sewer	\$ 20,205,665	\$ 13,339,405	\$ 6,866,260

The Net Position of the Water Fund increased in the current year due to an increase in charges for services and investment income in the current year. The Net Position of the Sewer Fund increased primarily due to grant funding for the City's wastewater improvement project in the current year.

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital and Intangible Assets

At the end of 2023, the City had \$39,097,124 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 \$6,142,671 (or 18.64 percent) over last year.

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

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 919,523	\$ 919,523	\$ 49,087	\$ 49,087	\$ 968,610	\$ 968,610
Construction In Progress	336,327	336,327	25,383,644	18,648,943	25,719,971	18,985,270
Buildings	1,231,088	1,288,035	24,320	28,420	1,255,408	1,316,455
Infrastructure	4,838,429	5,178,576	3,000,625	3,154,894	7,839,054	8,333,470
Lagoons	-	-	703,520	735,492	703,520	735,492
Improvements	169,948	169,050	-	-	169,948	169,050
Lift Stations	-	-	167,503	174,550	167,503	174,550
Equipment	792,930	799,240	35,692	34,454	828,622	833,694
Vehicles	1,083,439	1,051,676	311,212	333,916	1,394,651	1,385,592
	<u>9,371,684</u>	<u>9,742,427</u>	<u>29,675,603</u>	<u>23,159,756</u>	<u>39,047,287</u>	<u>32,902,183</u>
Intangible Assets	<u>31,025</u>	<u>33,458</u>	<u>18,812</u>	<u>18,812</u>	<u>49,837</u>	<u>52,270</u>
Totals	<u>\$ 9,402,709</u>	<u>\$ 9,775,885</u>	<u>\$ 29,694,415</u>	<u>\$ 23,178,568</u>	<u>\$ 39,097,124</u>	<u>\$ 32,954,453</u>

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

Debt

At year-end, the City had \$14,524,685 in debt versus a balance of \$14,659,625 in the prior, as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 2,845,000	\$ 2,935,000	\$ -	\$ -	\$ 2,845,000	\$ 2,935,000
Refunding Bonds	1,109,000	1,508,000	-	-	1,109,000	1,508,000
Unamortized Bond Premium	32,949	41,988	-	-	32,949	41,988
Financing Arrangement	401,226	500,033	-	-	401,226	500,033
General Obligation Note	-	-	10,136,510	9,674,604	10,136,510	9,674,604
Totals	<u>\$ 4,388,175</u>	<u>\$ 4,985,021</u>	<u>\$ 10,136,510</u>	<u>\$ 9,674,604</u>	<u>\$ 14,524,685</u>	<u>\$ 14,659,625</u>

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

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the 2024 budget, tax rates and fees that will be charged for the business-type activities. The Council elected to increase the 2024 tax levy by 9.42% from the 2023 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, 2023**

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 5,789,223	\$ 4,652,505	\$ 10,441,728
Property Taxes Receivable	31,637	-	31,637
Assessments Receivable	62,081	6,387	68,468
Accounts Receivable	52,913	205,235	258,148
Loans Receivable	117,296	-	117,296
Due from Other Governments	-	2,103,285	2,103,285
Internal Balances	785,754	(785,754)	-
Prepays	94,292	13,335	107,627
Noncurrent Assets:			
Assessments Receivable	403,444	12,450	415,894
Capital Assets Not Being Depreciated	1,255,850	25,432,731	26,688,581
Capital Assets Being Depreciated (Net)	8,115,834	4,242,872	12,358,706
Intangible Assets Not Being Amortized	-	18,812	18,812
Intangible Assets Being Amortized (Net)	31,025	-	31,025
Net Pension Asset	246,761	-	246,761
TOTAL ASSETS	<u>16,986,110</u>	<u>35,901,858</u>	<u>52,887,968</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	948,682	44,098	992,780
LIABILITIES			
Accounts Payable	54,119	60,048	114,167
Salaries Payable	50,078	3,510	53,588
Payroll Deductions and Employer Contributions	6,201	532	6,733
Construction Contracts Payable	-	736,523	736,523
Deposits Payable	5,000	-	5,000
Accrued Interest Payable	47,306	87,411	134,717
Accrued Vacation	49,779	20,706	70,485
Noncurrent Liabilities:			
Amount Due Within One Year	617,951	154,898	772,849
Amount Due After One Year	3,819,705	10,030,188	13,849,893
Net Pension Liability	733,612	123,171	856,783
TOTAL LIABILITIES	<u>5,383,751</u>	<u>11,216,987</u>	<u>16,600,738</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	885,867	37,215	923,082
NET POSITION			
Net Investment in Capital and Intangible Assets	5,014,534	19,557,905	24,572,439
Restricted	1,735,590	-	1,735,590
Unrestricted	4,915,050	5,133,849	10,048,899
TOTAL NET POSITION	<u>\$ 11,665,174</u>	<u>\$ 24,691,754</u>	<u>\$ 36,356,928</u>

**CITY OF FOLEY, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

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	\$ 880,671	\$ 13,740	\$ 13,220	\$ 4,010	\$ (849,701)	\$ -	\$ (849,701)
Public Safety	1,084,565	421,844	131,755	87,892	(443,074)	-	(443,074)
Public Works	748,931	110	14,350	16,254	(718,217)	-	(718,217)
Parks and Recreation	209,395	87,253	-	-	(122,142)	-	(122,142)
Economic Development	67,577	-	-	-	(67,577)	-	(67,577)
Debt Service	109,924	-	-	-	(109,924)	-	(109,924)
Total Governmental Activities	3,101,063	522,947	159,325	108,156	(2,310,635)	-	(2,310,635)
Business-Type Activities:							
Water	333,539	579,358	-	1,795	-	247,614	247,614
Sewer	572,963	1,496,047	-	5,924,428	-	6,847,512	6,847,512
Total Business-Type Activities	906,502	2,075,405	-	5,926,223	-	7,095,126	7,095,126
TOTALS	\$ 4,007,565	\$ 2,598,352	\$ 159,325	\$ 6,034,379	(2,310,635)	7,095,126	4,784,491
General Revenues:							
Property Taxes					1,285,061	-	1,285,061
Tax Increment					72,985	-	72,985
Franchise Taxes					6,808	-	6,808
Intergovernmental					964,003	-	964,003
Investment Income					93,585	47,242	140,827
Gain (Loss) on Sale of Assets					17,495	-	17,495
Miscellaneous					30,935	-	30,935
Total General Revenues					2,470,872	47,242	2,518,114
Transfers					6,000	(6,000)	-
Total General Revenues and Transfers					2,476,872	41,242	2,518,114
CHANGE IN NET POSITION					166,237	7,136,368	7,302,605
NET POSITION - BEGINNING OF YEAR					11,498,937	17,555,386	29,054,323
NET POSITION - END OF YEAR					\$ 11,665,174	\$ 24,691,754	\$ 36,356,928

See accompanying notes.

**CITY OF FOLEY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General Fund	Special Revenue Fire Service Fund	Debt Service 2020 Improvement Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash, Cash Equivalents, and Investments	\$ 3,078,180	\$ 866,819	\$ 603,360	\$ 1,240,864	\$ 5,789,223
Property Taxes Receivable	20,157	2,192	6,109	3,179	31,637
Assessments Receivable	136,263	-	80,130	249,132	465,525
Accounts Receivable	19,457	33,456	-	-	52,913
Due from Other Funds	75,080	-	-	-	75,080
Prepays	70,517	19,542	-	4,233	94,292
Loans Receivable	-	-	-	117,296	117,296
Advances to Other Funds	40,000	-	-	785,754	825,754
TOTAL ASSETS	\$ 3,439,654	\$ 922,009	\$ 689,599	\$ 2,400,458	\$ 7,451,720
LIABILITIES					
Accounts Payable	\$ 11,193	\$ 2,581	\$ -	\$ 40,345	\$ 54,119
Salaries Payable	20,698	29,380	-	-	50,078
Payroll Deductions and Employer Contributions	3,953	2,248	-	-	6,201
Deposits Payable	5,000	-	-	-	5,000
Due to Other Funds	-	-	-	75,080	75,080
Advances from Other Funds	-	40,000	-	-	40,000
Total Liabilities	40,844	74,209	-	115,425	230,478
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Property Taxes	12,196	1,446	3,933	2,025	19,600
Special Assessments	136,263	-	79,553	249,132	464,948
Loans Receivable	-	-	-	117,296	117,296
Total Deferred Inflows of Resources	148,459	1,446	83,486	368,453	601,844
FUND BALANCES					
Nonspendable	110,517	19,542	-	789,987	920,046
Restricted	-	-	606,113	832,217	1,438,330
Assigned	798,091	826,812	-	387,954	2,012,857
Unassigned	2,341,743	-	-	(93,578)	2,248,165
Total Fund Balances	3,250,351	846,354	606,113	1,916,580	6,619,398
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,439,654	\$ 922,009	\$ 689,599	\$ 2,400,458	\$ 7,451,720

**CITY OF FOLEY, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Total Fund Balances - Governmental Funds \$ 6,619,398

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

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

Capital Assets	\$ 17,585,497	
Accumulated Depreciation	(8,213,813)	
Intangible Assets	36,500	
Accumulated Amortization	<u>(5,475)</u>	
Capital and Intangible Assets (Net)		9,402,709

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	(3,954,000)	
Bond Premium, Net of Accumulated Amortization	(32,949)	
Financing Arrangement	(401,226)	
Accrued Vacation	(49,779)	
Accrued Severance	<u>(49,481)</u>	
		(4,487,435)

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	246,761	
Net Pension Liability	(733,612)	
Deferred Outflows - Pensions	948,682	
Deferred Inflows - Pensions	<u>(885,867)</u>	
		(424,036)

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:

(47,306)

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	19,600	
Special Assessments Receivable	464,948	
Loans Receivable	<u>117,296</u>	
		<u>601,844</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 11,665,174

CITY OF FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Special	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
		Revenue	2020		
		Fire Service Fund	Improvement Bond Fund		
REVENUES					
Property Taxes	\$ 800,449	\$ 88,870	\$ 252,629	\$ 141,139	\$ 1,283,087
Tax Increment	-	-	-	72,985	72,985
Franchise Taxes	6,808	-	-	-	6,808
Special Assessments	4,010	-	35,030	53,398	92,438
Licenses, Permits, and Fees	58,801	-	-	-	58,801
Intergovernmental	995,263	183,571	-	-	1,178,834
Charges for Services	77,313	294,562	-	80,728	452,603
Fines	11,543	-	-	-	11,543
Investment Income	46,538	7,437	8,595	31,015	93,585
Loan Collections	-	-	-	26,653	26,653
Miscellaneous	12,709	54,994	-	-	67,703
TOTAL REVENUES	2,013,434	629,434	296,254	405,918	3,345,040
EXPENDITURES					
Current:					
General Government	742,226	-	-	-	742,226
Public Safety	575,906	249,841	-	-	825,747
Public Works	302,268	-	-	-	302,268
Parks and Recreation	50,234	-	-	120,128	170,362
Economic Development	-	-	-	67,576	67,576
Capital Outlay	36,035	128,504	-	238,835	403,374
Debt Service:					
Principal	-	-	399,000	188,807	587,807
Interest and Other Charges	-	-	13,635	106,951	120,586
TOTAL EXPENDITURES	1,706,669	378,345	412,635	722,297	3,219,946
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	306,765	251,089	(116,381)	(316,379)	125,094

CITY OF FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Special Revenue Fire Service Fund	Debt Service 2020 Improvement Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Sale of Assets	13,995	3,500	-	-	17,495
Transfers In	-	-	6,000	390,392	396,392
Transfers Out	(270,000)	-	-	(120,392)	(390,392)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(256,005)</u>	<u>3,500</u>	<u>6,000</u>	<u>270,000</u>	<u>23,495</u>
NET CHANGE IN FUND BALANCES	50,760	254,589	(110,381)	(46,379)	148,589
FUND BALANCES - BEGINNING	<u>3,199,591</u>	<u>591,765</u>	<u>716,494</u>	<u>1,962,959</u>	<u>6,470,809</u>
FUND BALANCES - ENDING	<u>\$ 3,250,351</u>	<u>\$ 846,354</u>	<u>\$ 606,113</u>	<u>\$ 1,916,580</u>	<u>\$ 6,619,398</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, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ 148,589

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	\$ 304,073	
Depreciation Expense	(674,816)	
Amortization Expense	<u>(2,433)</u>	
		(373,176)

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	489,000	
Financing Arrangement Principal Repayments	98,807	
Amortization of Bond Premium	<u>9,039</u>	
		596,846

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:

1,623

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	1,974	
Special Assessments	(72,174)	
Loans Receivable	<u>(22,521)</u>	
		(92,721)

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	(2,161)	
Accrued Severance	<u>(10,374)</u>	
		(12,535)

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>(102,389)</u>
--	--	------------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 166,237

**CITY OF FOLEY, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023**

	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets			
Cash, Cash Equivalents and Investments	\$ 2,739,304	\$ 1,913,201	\$ 4,652,505
Assessments Receivable	2,992	3,395	6,387
Accounts Receivable	59,385	145,850	205,235
Due from Other Governments	-	2,103,285	2,103,285
Prepays	5,932	7,403	13,335
Total Current Assets	2,807,613	4,173,134	6,980,747
Noncurrent Assets			
Capital Assets Not Being Depreciated	366,218	25,066,513	25,432,731
Capital Assets Being Depreciated (Net)	1,852,093	2,390,779	4,242,872
Intangible Assets Not Being Amortized	-	18,812	18,812
Assessments Receivable	6,997	5,453	12,450
Total Noncurrent Assets	2,225,308	27,481,557	29,706,865
TOTAL ASSETS	5,032,921	31,654,691	36,687,612
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	22,398	21,700	44,098
LIABILITIES			
Current Liabilities			
Accounts Payable	2,547	57,501	60,048
Salaries Payable	1,729	1,781	3,510
Payroll Deductions and Employer Contributions	262	270	532
Construction Contracts Payable	-	736,523	736,523
Accrued Interest	-	87,411	87,411
Accrued Vacation	10,353	10,353	20,706
Debt Due Within One Year	-	154,898	154,898
Total Current Liabilities	14,891	1,048,737	1,063,628
Noncurrent Liabilities			
Accrued Severance	24,288	24,288	48,576
Advances from Other Funds	447,877	337,877	785,754
Debt Due After One Year	-	9,981,612	9,981,612
Net Pension Liability	63,107	60,064	123,171
Total Noncurrent Liabilities	535,272	10,403,841	10,939,113
TOTAL LIABILITIES	550,163	11,452,578	12,002,741
DEFERRED INFLOWS OF RESOURCES			
Pensions	19,067	18,148	37,215
NET POSITION			
Net Investment in Capital and Intangible Assets	2,218,311	17,339,594	19,557,905
Unrestricted	2,267,778	2,866,071	5,133,849
TOTAL NET POSITION	<u>\$ 4,486,089</u>	<u>\$ 20,205,665</u>	<u>\$ 24,691,754</u>

CITY OF FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Charges for Services	\$ 579,358	\$ 1,496,047	\$ 2,075,405
OPERATING EXPENSES			
Wages and Benefits	109,508	108,026	217,534
Materials and Supplies	52,972	24,159	77,131
Repairs and Maintenance	28,055	25,246	53,301
Professional Services	2,991	10,154	13,145
Water and Wastewater Analysis	2,745	8,172	10,917
Insurance	9,434	11,746	21,180
Utilities	24,253	11,328	35,581
Miscellaneous	9,378	25,493	34,871
Depreciation	94,203	132,451	226,654
TOTAL OPERATING EXPENSES	<u>333,539</u>	<u>356,775</u>	<u>690,314</u>
NET OPERATING INCOME	245,819	1,139,272	1,385,091
NONOPERATING INCOME (EXPENSE)			
Special Assessments	1,795	1,507	3,302
Intergovernmental	-	5,922,921	5,922,921
Investment Income (Loss)	22,494	24,748	47,242
Interest and Other Charges	-	(216,188)	(216,188)
NET NONOPERATING INCOME (EXPENSE)	<u>24,289</u>	<u>5,732,988</u>	<u>5,757,277</u>
CHANGE IN NET POSITION PRIOR TO TRANSFERS	270,108	6,872,260	7,142,368
TRANSFERS			
Operating Transfers Out	-	(6,000)	(6,000)
CHANGE IN NET POSITION	270,108	6,866,260	7,136,368
NET POSITION - BEGINNING OF YEAR	<u>4,215,981</u>	<u>13,339,405</u>	<u>17,555,386</u>
NET POSITION - END OF YEAR	<u>\$ 4,486,089</u>	<u>\$ 20,205,665</u>	<u>\$ 24,691,754</u>

**CITY OF FOLEY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 580,265	\$ 1,452,551	\$ 2,032,816
Cash Paid to Suppliers	(159,618)	(213,460)	(373,078)
Cash Paid to Employees	(103,929)	(104,431)	(208,360)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>316,718</u>	<u>1,134,660</u>	<u>1,451,378</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Special Assessments	11,888	7,345	19,233
Intergovernmental and Other	-	5,755,760	5,755,760
Purchases of Capital and Intangible Assets	(26,289)	(6,362,486)	(6,388,775)
Payments on Interfund Advances	(68,000)	(100,000)	(168,000)
Payments on Debt Principal	-	(226,428)	(226,428)
Proceeds from Debt Issuance	-	830,399	830,399
Cash Paid for Interest	-	(150,865)	(150,865)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(82,401)</u>	<u>(246,275)</u>	<u>(328,676)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments	(533,447)	(139,207)	(672,654)
Investment Income (Loss)	22,494	24,748	47,242
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(510,953)</u>	<u>(114,459)</u>	<u>(625,412)</u>
Net Change in Cash and Cash Equivalents	(276,636)	773,926	497,290
Cash and Cash Equivalents - Beginning of Year	<u>2,299,111</u>	<u>444,310</u>	<u>2,743,421</u>
Cash and Cash Equivalents - End of Year	2,022,475	1,218,236	3,240,711
Investments	<u>716,829</u>	<u>694,965</u>	<u>1,411,794</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 2,739,304</u>	<u>\$ 1,913,201</u>	<u>\$ 4,652,505</u>

CITY OF FOLEY, MINNESOTA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Fund	Sewer Fund	Totals
RECONCILIATION OF NET OPERATING INCOME TO			
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net Operating Income	\$ 245,819	\$ 1,139,272	\$ 1,385,091
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	94,203	132,451	226,654
Changes in Assets, Liabilities, and Deferrals:			
Accounts Receivable	907	(43,496)	(42,589)
Prepays	430	520	950
Accounts Payable	(30,220)	(97,682)	(127,902)
Salaries Payable	398	540	938
Payroll Deductions and Employer Contributions	60	82	142
Net Pension Liability	(20,848)	(22,109)	(42,957)
Deferred Outflows of Resources - Pensions	6,335	6,333	12,668
Deferred Inflows of Resources - Pensions	17,429	16,544	33,973
Accrued Vacation	342	342	684
Accrued Severance	1,863	1,863	3,726
	<u>316,718</u>	<u>1,134,660</u>	<u>1,451,378</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 316,718</u>	<u>\$ 1,134,660</u>	<u>\$ 1,451,378</u>
 SCHEDULE OF NONCASH CAPITAL AND RELATED			
FINANCING ACTIVITIES			
Purchase of Capital Assets on Account	\$ -	\$ 55,647	\$ 55,647
Issuance of Debt on Account	\$ -	\$ 142,065	\$ 142,065

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Foley, Minnesota (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, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

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

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

The *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 City reports the following major proprietary funds:

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

The City reports the following nonmajor governmental fund types:

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

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

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

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the *economic resources* measurement focus as defined in the second bullet point below. In the fund financial statements, the *current financial resources* measurement focus or the *economic resources* measurement focus is used as appropriate:

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

Basis of Accounting

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

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

All proprietary funds utilize the accrual basis of accounting.

1.D BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Fire Service Funds. The appropriated budgets are prepared by fund, function, and department. The City of Foley’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents

For purposes of the Statements of Net Position and proprietary funds 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 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 to and from 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, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. 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 \$5,348 at December 31, 2023, 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 \$111,948 at December 31, 2023, 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 consist of tangible and intangible assets. Tangible assets are similar to those previously described and include buildings, infrastructure and machinery and equipment. Intangible assets consist of non-physical assets such as easements, software, and City land-use development plans.

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

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

Land Improvements	10-50 years
Intangible Assets	15 years
Infrastructure	25-50 years
Buildings and Structures	25-50 years
Distribution System	25-50 years
Lagoons	25-50 years
Machinery and Equipment	3-20 years

Government-wide Statements

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

Depreciation and amortization 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, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. 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 3.69 hours per pay period 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 corresponding 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 and notes.

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, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. 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 property taxes, special assessments and loans receivable as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension fund plans in which City employees participate.

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

Equity Classifications

Government-wide Statements

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

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

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

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

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

Fund Statements

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2023 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, 2023.

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, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

See Note 2.F. for additional disclosures.

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

1.G. 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 31st 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.

Special Assessments

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Within the government-wide financial statements, the City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

Within the governmental fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31st (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred, and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources.

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.G. REVENUES, EXPENDITURES AND EXPENSES (Continued)

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

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

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 2.E.

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

2.A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

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

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At December 31, 2023, the City’s deposits were exposed to custodial credit risk. The City’s deposits were in excess of federal depository insurance or by collateral held by the City’s agent in the City’s name by \$6,637.

At December 31, 2023, the City has the following deposits:

Cash in Checking Accounts	\$ 3,451,045
Cash in Savings Accounts	<u>3,936,785</u>
 Total Carrying Amount of Deposits Balance	 <u><u>\$ 7,387,830</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.

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

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

Investment balances at December 31, 2023 are as follows:

<u>Investment Type</u>	<u>S & P's Credit Rating</u>	<u>Fair Value Level</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<i>Brokered Investments:</i>				
Money Market Funds	N/A	Level 1	\$ 337	\$ 337
U.S. Government Mortgage Securities	N/A	Level 1	1,105,352	1,105,352
Certificates of Deposit	N/A	Level 2	948,209	948,209
<i>Non-Brokered Investments:</i>				
Certificates of Deposit	N/A	Level 2	<u>1,000,000</u>	<u>1,000,000</u>
Totals			<u>\$ 3,053,898</u>	<u>\$ 3,053,898</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.
- 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. See the table above for the City's recurring fair value measurements as of December 31, 2023.

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

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

Deposits and Investments Summary

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

Carrying Amount of Cash and Cash Equivalents	\$ 7,387,830
Investments	<u>3,053,898</u>
 Total Cash, Cash Equivalents and Investments	 <u>\$ 10,441,728</u>

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

Governmental Funds	
Cash and Cash Equivalents	\$ 4,147,119
Investments	<u>1,642,104</u>
	5,789,223
 Proprietary Funds	
Cash and Cash Equivalents	3,240,711
Investments	<u>1,411,794</u>
	<u>4,652,505</u>
 Total Cash, Cash Equivalents and Investments	 <u>\$ 10,441,728</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

2.B. CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended December 31, 2023 is as follows:

	Balance at 01/01/23	Additions	Disposals	Transfers	Balance at 12/31/23
Governmental Activities:					
Capital Assets not Being Depreciated					
Land	\$ 919,523	\$ -	\$ -	\$ -	\$ 919,523
Construction In Progress	336,327	-	-	-	336,327
Total Capital Assets not Being Depreciated	1,255,850	-	-	-	1,255,850
Capital Assets Being Depreciated					
Buildings	2,734,287	21,755	-	-	2,756,042
Infrastructure	8,864,227	-	-	-	8,864,227
Improvements	531,555	13,570	(20,059)	-	525,066
Equipment	1,379,508	85,810	(26,123)	-	1,439,195
Vehicles	2,562,179	182,938	-	-	2,745,117
Total Capital Assets Being Depreciated	16,071,756	304,073	(46,182)	-	16,329,647
Less: Accumulated Depreciation					
Buildings	(1,446,252)	(78,702)	-	-	(1,524,954)
Infrastructure	(3,685,651)	(340,147)	-	-	(4,025,798)
Improvements	(362,505)	(12,672)	20,059	-	(355,118)
Equipment	(580,268)	(92,120)	26,123	-	(646,265)
Vehicles	(1,510,503)	(151,175)	-	-	(1,661,678)
Total Accumulated Depreciation	(7,585,179)	(674,816)	46,182	-	(8,213,813)
Total Capital Assets Being Depreciated, Net	8,486,577	(370,743)	-	-	8,115,834
Capital Assets, Net	<u>\$ 9,742,427</u>	<u>\$ (370,743)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,371,684</u>

Depreciation is charged to governmental activities as follows:

General Government	\$ 49,326
Pool	17,464
Parks and Recreation	18,974
Police	17,212
Public Works	426,890
Fire	144,950
Total Depreciation Expense	<u>\$ 674,816</u>

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

2.B. CAPITAL AND INTANGIBLE ASSETS (Continued)

Intangible asset activity for the year ended December 31, 2023 is as follows:

	Balance at 01/01/23	Additions	Disposals	Transfers	Balance at 12/31/23
Governmental Activities:					
Intangible Assets Being Amortized					
Intangible Assets	\$ 36,500	\$ -	\$ -	\$ -	\$ 36,500
Less: Accumulated Amortization					
Intangible Assets	<u>(3,042)</u>	<u>(2,433)</u>	<u>-</u>	<u>-</u>	<u>(5,475)</u>
Total Intangible Assets Being Amortized, Net	<u>33,458</u>	<u>(2,433)</u>	<u>-</u>	<u>-</u>	<u>31,025</u>
Intangible Assets, Net	<u>\$ 33,458</u>	<u>\$ (2,433)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,025</u>

Amortization is charged to governmental activities as follows:

General Government	\$ 2,433
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CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

2.B. CAPITAL AND INTANGIBLE ASSETS (Continued)

	Balance at 01/01/23	Additions	Disposals	Transfers	Balance at 12/31/23
Business-Type Activities:					
Capital Assets not Being Depreciated					
Land	\$ 49,087	\$ -	\$ -	\$ -	\$ 49,087
Construction In Progress	18,648,943	6,734,701	-	-	25,383,644
Total Capital Assets not Being Depreciated	18,698,030	6,734,701	-	-	25,432,731
Capital Assets Being Depreciated					
Buildings	203,773	-	-	-	203,773
Infrastructure	5,760,686	-	-	-	5,760,686
Lagoons	1,918,257	-	-	-	1,918,257
Improvements	12,334	-	-	-	12,334
Lift Stations	352,394	-	-	-	352,394
Equipment	399,986	7,800	-	-	407,786
Vehicles	350,944	-	-	-	350,944
Total Capital Assets Being Depreciated	8,998,374	7,800	-	-	9,006,174
Less: Accumulated Depreciation					
Buildings	(175,353)	(4,100)	-	-	(179,453)
Infrastructure	(2,605,792)	(154,269)	-	-	(2,760,061)
Lagoons	(1,182,765)	(31,972)	-	-	(1,214,737)
Improvements	(12,334)	-	-	-	(12,334)
Lift Stations	(177,844)	(7,047)	-	-	(184,891)
Equipment	(365,532)	(6,562)	-	-	(372,094)
Vehicles	(17,028)	(22,704)	-	-	(39,732)
Total Accumulated Depreciation	(4,536,648)	(226,654)	-	-	(4,763,302)
Total Capital Assets Being Depreciated, Net	4,461,726	(218,854)	-	-	4,242,872
Capital Assets, Net	\$ 23,159,756	\$ 6,515,847	\$ -	\$ -	\$ 29,675,603
	Balance at 01/01/23	Additions	Disposals	Transfers	Balance at 12/31/23
Business-Type Activities:					
Intangible Assets not Being Amortized					
Intangible Assets	\$ 18,812	\$ -	\$ -	\$ -	\$ 18,812

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

2.C. ACCRUED SEVERANCE

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

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

2.D. NONCURRENT LIABILITIES

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. All bonds set forth below are direct obligations of the City and pledge the full faith and credit of the City.

Debt Detail

As of December 31, 2023, the long-term debt of the financial reporting entity, excluding the bond premium of \$32,949, 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	\$ 575,000
G.O. Improvement Bonds, 2018A	08/18	\$ 2,340,000	\$20,000-\$330,000	3.00-3.25%	02/34	2,270,000
G.O. Improvement Refunding Bonds, 2020A	08/20	\$ 2,281,000	\$99,000-\$409,000	0.75-1.35%	02/28	1,109,000
Total Governmental Activities Bonds Payable						\$ 3,954,000

Financing Arrangement

Type of Debt	Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Industrial Park Land	08/22	\$ 588,200	\$88,167-\$138,595	4.00%	08/26	\$ 401,226

Business-Type Activities

Notes Payable

Type of Debt	Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
G.O. Sewer Revenue Note, 2022A	8/22	\$ 13,364,326*	\$46,612-\$564,000	2.59%	8/52	\$ 10,136,510

*As of December 31, 2023, this is the amount that the City of Foley has committed to borrowing. The City will be making additional draws upon this commitment.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

2.D. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities, excluding the net pension liability, for the year ended December 31, 2023:

Type of Debt	Balance 1/1/2023	Additions	Deductions	Balance 12/31/2023	Amounts Due Within One Year
Governmental Activities:					
G.O. Bonds	\$ 2,935,000	\$ -	\$ (90,000)	\$ 2,845,000	\$ 90,000
G.O. Refunding Bonds	1,508,000	-	(399,000)	1,109,000	399,000
Financing Arrangement	500,033	-	(98,807)	401,226	128,951
Unamortized Bond Premium	41,988	-	(9,039)	32,949	-
Accrued Severance	39,107	10,374	-	49,481	-
Total	\$ 5,024,128	\$ 10,374	\$ (596,846)	\$ 4,437,656	\$ 617,951
Business-Type Activities:					
Notes Payable	\$ 9,674,604	\$ 688,334	\$ (226,428)	\$ 10,136,510	\$ 154,898
Accrued Severance	44,850	3,726	-	48,576	-
Total	\$ 9,719,454	\$ 692,060	\$ (226,428)	\$ 10,185,086	\$ 154,898

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

Annual Debt Service Requirements

At December 31, 2023, 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
2024	\$ 489,000	\$ 95,844	\$ 584,844
2025	504,000	89,231	593,231
2026	385,000	80,914	465,914
2027	392,000	70,925	462,925
2028	404,000	60,550	464,550
2029-2033	1,575,000	138,113	1,713,113
2034	205,000	3,330	208,330
Totals	\$ 3,954,000	\$ 538,907	\$ 4,492,907

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

2.D. NONCURRENT LIABILITIES (Continued)

Years Ending December 31,	Governmental Activities		
	Financing Arrangement		
	Principal	Interest	Total
2024	\$ 128,951	\$ 16,049	\$ 145,000
2025	133,679	11,321	145,000
2026	138,596	6,405	145,001
Totals	<u>\$ 401,226</u>	<u>\$ 33,775</u>	<u>\$ 435,001</u>

Years Ending December 31,	Business-Type Activities		
	Notes Payable		
	Principal	Interest	Total
2024	\$ 154,898	\$ 221,277	\$ 376,175
2025	322,000	335,870	657,870
2026	330,000	327,540	657,540
2027	338,000	319,003	657,003
2028	347,000	310,259	657,259
2029-2033	1,875,000	1,411,882	3,286,882
2034-2038	2,131,000	1,156,414	3,287,414
2039-2043	2,420,000	866,206	3,286,206
2044-2048	2,218,612	464,036	2,682,648
Totals	<u>\$ 10,136,510</u>	<u>\$ 5,412,487</u>	<u>\$ 15,548,997</u>

Interest expense totals \$334,180 in the Statement of Activities (included in Debt Service and Sewer lines). Interest expenditures total \$119,615 for the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges). Interest expenses total \$216,188 for the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (included in the line Interest and Other Charges).

2.E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2023:

Major Funds	Transfers Out	Transfers In				Total
		Nonmajor Funds				
		Street Projects Fund	2008 Improvement Bond Fund	Equipment Fund	TIF 1-9 Silt Sock, Inc. Fund	
General Fund	\$ 270,000	\$ 150,000	\$ -	\$ 120,000	\$ -	\$ 270,000
Sewer Fund	6,000	-	6,000	-	-	6,000
Nonmajor Funds						
Equipment Fund	90,000	90,000	-	-	-	90,000
TIF 1-8 Senior Prairie Cottages Fund	30,392	-	-	-	30,392	30,392
	<u>\$ 396,392</u>	<u>\$ 240,000</u>	<u>\$ 6,000</u>	<u>\$ 120,000</u>	<u>\$ 30,392</u>	<u>\$ 396,392</u>

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

2.E. INTERFUND TRANSACTIONS AND BALANCES (Continued)

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.

The interfund balances at December 31, 2023 are as follows:

Short-Term Balances			
Due To Fund	Due From Fund	Amount	Reason
General Fund	EDA Fund	\$ 2,454	Negative cash
General Fund	Equipment Fund	72,626	Negative cash
Total Short-Term Interfund Balance		75,080	
Long-Term Balances			
Advance From Fund	Advance to Fund		
2015 Improvement Bond Fund	Water Fund	\$ 67,877	Long-term interfund loan
2018 Capital Improvement Fund	Water Fund	380,000	Long-term interfund loan
2015 Improvement Bond Fund	Sewer Fund	67,877	Long-term interfund loan
2018 Capital Improvement Fund	Sewer Fund	270,000	Long-term interfund loan
General Fund	Fire Service Fund	40,000	Long-term interfund loan
Total Long-Term Interfund Balance		825,754	
Total Interfund Balances		900,834	
Government Fund Elimination		(115,080)	
Government-wide Internal Balances		\$ 785,754	

It is the City’s intent to remit \$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 to the Fire Service Fund from the General Fund (via the expendable trust).

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

2.F. FUND EQUITY

At December 31, 2023, governmental fund equity consists of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund				
Nonspendable - Prepaids	\$ 70,517	\$ -	\$ -	\$ -
Nonspendable - Advances to Other Funds	40,000	-	-	-
Assigned for American Rescue Plan Act Expenditures	-	-	292,112	-
Assigned for Expendable Trust Fund	-	-	505,979	-
Unassigned	-	-	-	2,341,743
Total General Fund Balance	<u>\$ 110,517</u>	<u>\$ -</u>	<u>\$ 798,091</u>	<u>\$ 2,341,743</u>
Fire Service Fund				
Nonspendable - Prepaids	\$ 19,542	\$ -	\$ -	\$ -
Assigned for Fire Expenditures	-	-	826,812	-
Total Fire Service Fund Balance	<u>\$ 19,542</u>	<u>\$ -</u>	<u>\$ 826,812</u>	<u>\$ -</u>
2020 Improvement Bond Fund				
Restricted for Debt Service	<u>\$ -</u>	<u>\$ 606,113</u>	<u>\$ -</u>	<u>\$ -</u>
Nonmajor Governmental Funds				
Nonspendable - Prepaids	\$ 4,233	\$ -	\$ -	\$ -
Nonspendable - Advances to Other Funds	785,754	-	-	-
Restricted for 2015 Improvement Bond Fund	-	158,448	-	-
Restricted for TIF District 1-9	-	77,590	-	-
Restricted for 2018 Improvement Bond Fund	-	360,290	-	-
Restricted for Revolving Loan Fund	-	86,514	-	-
Restricted for Small Cities Development Grant Fund	-	149,375	-	-
Assigned for Swimming Pool Fund	-	-	356,973	-
Assigned for Street Projects Fund	-	-	30,981	-
Unassigned	-	-	-	(93,578)
Total Nonmajor Governmental Funds Balance	<u>\$ 789,987</u>	<u>\$ 832,217</u>	<u>\$ 387,954</u>	<u>\$ (93,578)</u>

Additionally, nonmajor funds with deficit fund balances or net positions at December 31, 2023 are as follows:

<u>Nonmajor Governmental Funds</u>	<u>Fund Deficit</u>
EDA Fund	<u>\$ (1,767)</u>
Equipment Fund	<u>\$ (91,811)</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan

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

Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated 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 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

Police and Fire Plan Benefits

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

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

In 2023, the legislature allocated funding for a one-time lump-sum payment to General Employee and Police and Fire Plan benefit recipients. Eligibility criteria and the payment amount is specified in statute. The one-time payment is non-compounding towards future benefits.

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 2023, 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, 2023 were \$42,458. The City’s contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023, 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, 2023 were \$61,348. 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, 2023, the City reported a liability of \$402,616 for its proportionate share of the General Employees Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity, and the State’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$11,101.

The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0072 percent at the end of the measurement period and 0.0065 percent for the beginning of the period.

City’s proportionate share of the net pension liability	\$402,616
State of Minnesota’s proportionate share of the net pension liability associated with the City	11,101
Total	\$413,717

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

For the year ended December 31, 2023, the City recognized pension expense of \$24,464 for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized an additional \$50 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

At December 31, 2023, the City reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 12,913	\$ 2,311
Change in Actuarial Assumptions	54,496	110,354
Difference Between Projected and Actual Investment Earnings	-	7,481
Changes in Proportionate Share	52,256	1,499
Contributions Paid to PERA Subsequent to the Measurement Date	21,268	-
 Total City Deferred Outflows/Inflows	 \$ 140,933	 \$ 121,645

The \$21,268 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, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2024	\$ 22,841
2025	\$ (34,334)
2026	\$ 18,247
2027	\$ (8,734)

Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$454,167 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0263 percent at the end of the measurement period and 0.0252 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, 2023. The contribution consisted of \$9 million in direct state aid that meets 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, 2022. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$18,321.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

City’s proportionate share of the net pension liability:	\$454,167
State of Minnesota’s proportionate share of the net pension liability associated with the City	<u>18,321</u>
Total	<u>\$472,488</u>

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 June 30, 2023, the City recognized pension expense of negative \$3,928 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized negative \$1,103 as grant revenue and pension expense 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 \$2,367 for the year ended December 31, 2023 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.

At December 31, 2023, 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	\$ 122,072	\$ -
Change in Actuarial Assumptions	498,174	638,139
Difference Between Projected and Actual Investment Earnings	-	16,037
Changes in Proportionate Share Contributions Paid to PERA Subsequent to the Measurement Date	<u>59,890</u>	<u>355</u>
	<u>31,118</u>	<u>-</u>
Total City Deferred Outflows/Inflows	<u>\$ 711,254</u>	<u>\$ 654,531</u>

The \$31,118 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, 2024.

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
2024	\$ 29,588
2025	\$ 16,773
2026	\$ 109,007
2027	\$ (25,059)
2028	\$ (104,704)

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

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%	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023 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 7.00 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 7.00 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 Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.00 percent for the Police and Fire Plan.

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Changes in Plan Provisions

- An additional one-time direct State aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.

Changes in Plan Provisions:

- Additional one-time direct State aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member’s occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund 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	8.00%	\$	147,922	8.00%	\$ 86,711
Current Discount Rate	7.00%	\$	402,616	7.00%	\$ 454,167
1% Decrease in Discount Rate	6.00%	\$	712,260	6.00%	\$ 901,121

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Pension Plan Fiduciary Net Position

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

Plan Description

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

Benefits Provided

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

Contributions

The Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statute 1980) specifies minimum contributions required on an annual basis. The minimum support rates from the municipality and state aid are determined in the amount required to meet the normal cost plus amortizing any existing prior year service costs over a 10-year period. The City's contributions to the Association for the year ended December 31, 2023 total \$8,500.

Pension Costs

At December 31, 2023, the City of Foley reported a net pension asset of \$246,761 for the Fire Relief Association's plan. The net pension asset was measured as of December 31, 2022, as determined by an actuarial valuation as of January 1, 2023.

For the year ended December 31, 2023, the City recognized pension expense of negative \$23,587 for the Association. The City also recognized \$63,580 for the year ended December 31, 2023, as pension expense (and grant revenue) for the State of Minnesota's contributions to the Association.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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

	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability (Asset)</u>
Beginning Balance 1/1/2022	\$ 801,213	\$ 1,173,432	\$ (372,219)
Service Cost	50,475	-	50,475
Interest Cost	42,584	-	42,584
Projected Investment Return	-	60,316	(60,316)
Contributions (Employer)	-	8,500	(8,500)
Contributions (State)	-	63,580	(63,580)
Asset (Gain)/Loss	(46,872)	(205,362)	158,490
Administrative Fee	-	(6,305)	6,305
Net Changes	<u>46,187</u>	<u>(79,271)</u>	<u>125,458</u>
Balance End of Year 12/31/22	<u>\$ 847,400</u>	<u>\$ 1,094,161</u>	<u>\$ (246,761)</u>

At December 31, 2023, the City of Foley reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ 101,206
Changes in Actuarial Assumptions	4,605	45,700
Difference Between Projected and Actual Investment Earnings	127,488	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>8,500</u>	<u>-</u>
Total City Deferred Outflows/Inflows	<u>\$ 140,593</u>	<u>\$ 146,906</u>

A total of \$8,500 reported as deferred outflows of resources related to the pension resulting from City contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2024.

Other amounts reported as deferred outflows and inflows of resources related to the pension will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Pension Expense</u>
2024	\$ 374
2025	\$ 15,746
2026	\$ 22,100
2027	\$ 25,007
2028	\$ (16,065)
2029 - 2033	\$ (58,069)
2034	\$ (3,906)

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

Actuarial Assumptions

The net pension asset at December 31, 2022, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

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

There were no changes made to plan provisions during 2022.

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	\$ (212,933)	\$ (246,761)	\$ (279,414)

Plan Investments

Asset Allocation

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

Asset Class	Portfolio Weight	Long-Term Expected Real Rate of Return
Cash	9.00%	2.00%
Fixed Income	60.00%	3.90%
Equities	31.00%	8.10%

Description of significant investment policy changes during the year

The Fire Relief Association made no significant changes to their investment policy during Fiscal Year 2022.

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.

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 OTHER NOTES

5.A. RISK MANAGEMENT

Claims and Judgements

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

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

5.B. TAX INCREMENT FINANCING DISTRICTS

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

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

Name of District:	Housing District #1-8	
Business Name:	Prairie Cottages Assisted Living Project	
Purpose:	Housing	
Authorizing Law:	MN Statutes Sections 469.174	
Year Established:	2012	
Duration of District:	25 Years	
Original Base Net Tax Capacity:		\$ <u>3,200</u>
Current Net Tax Capacity:		\$ <u>6,509</u>
Captured Net Tax Capacity:		
Retained by City		\$ <u>3,309</u>
Shared with Other Taxing Districts		\$ <u>-</u>
Taxes Abated in 2023:		\$ <u>-</u>

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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:	2016	
Duration of District:	10 Years	
Original Base Net Tax Capacity:	\$	<u>8,105</u>
Current Net Tax Capacity:	\$	<u>63,849</u>
Captured Net Tax Capacity:		
Retained by City	\$	<u>55,744</u>
Shared with Other Taxing Districts	\$	<u>-</u>
Taxes Abated in 2023:	\$	<u>44,189</u>

5.C. OTHER EMPLOYEE BENEFITS

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

5.D. COMMITMENTS

Construction Project

During the prior year, the City began its wastewater expansion project. At December 31, 2023, remaining commitments related to this project total \$1,628,296, excluding retainage, which has been accrued for in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget Amounts - Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 798,543	\$ 800,449	\$ 1,906
Franchise Taxes	7,000	6,808	(192)
Total Taxes	<u>805,543</u>	<u>807,257</u>	<u>1,714</u>
Special Assessments	-	4,010	4,010
Licenses and Permits	23,350	58,801	35,451
Intergovernmental Revenue			
State Revenue			
Local Government Aid	859,897	857,709	(2,188)
Market Value Credit	-	226	226
Police and Fire Aid	40,000	43,557	3,557
Other State Grants and Aids	-	67,701	67,701
County Revenue			
Highways	14,350	14,350	-
Other County Grants and Aids	12,000	11,220	(780)
Local Revenue			
Other Local Grants	-	500	500
Total Intergovernmental Revenue	<u>926,247</u>	<u>995,263</u>	<u>69,016</u>
Charges for Services			
General Government	2,600	3,940	1,340
Police and Fire Contracts	63,500	66,738	3,238
Streets and Highways	500	110	(390)
Parks and Recreation	4,500	6,525	2,025
Total Charges for Services	<u>71,100</u>	<u>77,313</u>	<u>6,213</u>
Fines and Forfeitures	14,000	11,543	(2,457)
Miscellaneous Revenue			
Investment Earnings	5,250	46,538	41,288
Refunds and Reimbursements	5,000	2,400	(2,600)
Contributions and Donations	4,000	5,650	1,650
Other Miscellaneous	10,000	4,659	(5,341)
Total Miscellaneous Revenue	<u>24,250</u>	<u>59,247</u>	<u>34,997</u>
TOTAL REVENUES	1,864,490	2,013,434	148,944

CITY OF FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budget Amounts - Original and Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Budget Over (Under)</u>
EXPENDITURES			
General Government			
Mayor and Council	14,000	13,515	(485)
Administration and Finance	127,300	128,110	810
Other General Government	575,450	600,601	25,151
Capital Outlay	<u>19,000</u>	<u>35,835</u>	<u>16,835</u>
Total General Government	735,750	778,061	42,311
Public Safety			
Police			
Current	512,000	537,191	25,191
Other Public Safety			
Current	<u>12,200</u>	<u>38,715</u>	<u>26,515</u>
Total Public Safety	524,200	575,906	51,706
Public Works			
Street Maintenance and Storm Sewers	168,000	212,187	44,187
Snow and Ice Removal	<u>67,000</u>	<u>90,081</u>	<u>23,081</u>
Total Public Works	235,000	302,268	67,268
Culture and Recreation			
Parks and Recreation			
Current	53,140	50,234	(2,906)
Capital Outlay	<u>5,000</u>	<u>200</u>	<u>(4,800)</u>
Total Culture and Recreation	<u>58,140</u>	<u>50,434</u>	<u>(7,706)</u>
TOTAL EXPENDITURES	<u>1,553,090</u>	<u>1,706,669</u>	<u>153,579</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	311,400	306,765	(4,635)
OTHER FINANCING SOURCES (USES)			
Sale of Assets	600	13,995	13,395
Transfers Out	<u>(312,000)</u>	<u>(270,000)</u>	<u>42,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(311,400)</u>	<u>(256,005)</u>	<u>55,395</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	50,760	<u>\$ 50,760</u>
FUND BALANCE - BEGINNING		<u>3,199,591</u>	
FUND BALANCE - ENDING		<u>\$ 3,250,351</u>	

**CITY OF FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – FIRE SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Budget Amounts - Original and Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Budget Over (Under)</u>
REVENUES			
Taxes			
Property Taxes	\$ 88,700	\$ 88,870	\$ 170
Intergovernmental Revenue			
Federal Revenue			
Other Federal Grants	-	47,992	47,992
State Revenue			
Police and Fire Aid	-	71,025	71,025
Other State Grants and Aids	-	59,054	59,054
Local Revenue			
Other Local Grants	<u>3,000</u>	<u>5,500</u>	<u>2,500</u>
Total Intergovernmental Revenue	<u>3,000</u>	<u>183,571</u>	<u>180,571</u>
Charges for Services			
Police and Fire Contracts	224,000	294,562	70,562
Miscellaneous Revenue			
Investment Earnings (Loss)	500	7,437	6,937
Refunds and Reimbursements	-	50,661	50,661
Contributions and Donations	<u>-</u>	<u>4,333</u>	<u>4,333</u>
Total Miscellaneous Revenue	<u>500</u>	<u>62,431</u>	<u>61,931</u>
TOTAL REVENUES	316,200	629,434	313,234
EXPENDITURES			
Public Safety			
Fire			
Current	251,200	249,841	(1,359)
Capital Outlay	<u>65,000</u>	<u>128,504</u>	<u>63,504</u>
Total Public Safety	<u>316,200</u>	<u>378,345</u>	<u>62,145</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	251,089	251,089
OTHER FINANCING SOURCES			
Sale of Assets	<u>-</u>	<u>3,500</u>	<u>3,500</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>254,589</u>	<u>\$ 254,589</u>
FUND BALANCE - BEGINNING		<u>591,765</u>	
FUND BALANCE - ENDING		<u>\$ 846,354</u>	

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

For the Measurement Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's 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>							
2023	0.0072%	\$ 402,616	\$ 11,101	\$ 413,717	\$ 569,853	72.6%	83.1%
2022	0.0065%	\$ 514,802	\$ 15,114	\$ 529,916	\$ 485,320	109.2%	76.7%
2021	0.0060%	\$ 256,227	\$ 7,846	\$ 264,073	\$ 431,813	61.2%	87.0%
2020	0.0061%	\$ 365,723	\$ 11,299	\$ 377,022	\$ 435,213	86.6%	79.1%
2019	0.0059%	\$ 326,198	\$ 10,166	\$ 336,364	\$ 416,815	80.7%	80.2%
2018	0.0058%	\$ 321,760	\$ 10,571	\$ 332,331	\$ 391,702	84.8%	79.5%
2017	0.0056%	\$ 357,500	\$ 4,494	\$ 361,994	\$ 358,933	100.9%	75.9%
2016	0.0059%	\$ 479,051	\$ -	\$ 479,051	\$ 363,507	131.8%	68.9%
2015	0.0066%	\$ 342,046	\$ -	\$ 342,046	\$ 414,145	82.6%	78.2%
<i>Public Employees Police and Fire Pension Plan</i>							
2023	0.0263%	\$ 454,167	\$ 18,321	\$ 472,488	\$ 345,977	136.6%	86.5%
2022	0.0252%	\$ 1,096,605	\$ 47,904	\$ 1,144,509	\$ 306,661	373.2%	70.5%
2021	0.0242%	\$ 186,798	\$ 8,402	\$ 195,200	\$ 285,463	68.4%	93.7%
2020	0.0234%	\$ 308,437	\$ 7,281	\$ 315,718	\$ 264,416	119.4%	87.2%
2019	0.0207%	\$ 220,372	\$ -	\$ 220,372	\$ 217,825	101.2%	89.3%
2018	0.0209%	\$ 222,772	\$ -	\$ 222,772	\$ 219,889	101.3%	88.8%
2017	0.0170%	\$ 229,520	\$ -	\$ 229,520	\$ 174,019	131.9%	85.4%
2016	0.0190%	\$ 762,503	\$ -	\$ 762,503	\$ 183,315	416.0%	63.9%
2015	0.0190%	\$ 215,884	\$ -	\$ 215,884	\$ 172,478	125.2%	86.6%

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

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

For the Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>General Employees Retirement Pension Plan</i>					
2023	\$ 42,458	\$ 42,458	\$ -	\$ 566,107	7.5%
2022	\$ 39,864	\$ 39,864	\$ -	\$ 531,520	7.5%
2021	\$ 33,412	\$ 33,412	\$ -	\$ 445,493	7.5%
2020	\$ 33,692	\$ 33,692	\$ -	\$ 449,227	7.5%
2019	\$ 31,952	\$ 31,952	\$ -	\$ 426,021	7.5%
2018	\$ 30,382	\$ 30,382	\$ -	\$ 405,096	7.5%
2017	\$ 28,579	\$ 28,579	\$ -	\$ 381,053	7.5%
2016	\$ 25,976	\$ 25,976	\$ -	\$ 346,347	7.5%
2015	\$ 28,875	\$ 28,875	\$ -	\$ 392,909	7.3%
<i>Public Employees Police and Fire Pension Plan</i>					
2023	\$ 61,348	\$ 61,348	\$ -	\$ 346,599	17.7%
2022	\$ 55,931	\$ 55,931	\$ -	\$ 315,994	17.7%
2021	\$ 53,343	\$ 53,343	\$ -	\$ 301,373	17.7%
2020	\$ 51,273	\$ 51,273	\$ -	\$ 289,678	17.7%
2019	\$ 40,432	\$ 40,432	\$ -	\$ 238,536	17.0%
2018	\$ 35,956	\$ 35,956	\$ -	\$ 221,951	16.2%
2017	\$ 30,452	\$ 30,452	\$ -	\$ 187,975	16.2%
2016	\$ 29,329	\$ 29,329	\$ -	\$ 181,043	16.2%
2015	\$ 29,034	\$ 29,034	\$ -	\$ 179,221	16.2%
<i>Volunteer Fire Relief Association</i>					
2023	\$ -	\$ 8,500	\$ (8,500)	N/A	N/A
2022	\$ -	\$ 8,500	\$ (8,500)	N/A	N/A
2021	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2020	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2019	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2018	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2017	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2016	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A
2015	\$ -	\$ 7,500	\$ (7,500)	N/A	N/A

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

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

	Measurement Year Ended December 31,							
	2022	2021	2020	2019	2018	2017	2016	2015
Changes in Total Pension Liability (TPL)								
Balance at January 1st	\$ 801,213	\$ 829,479	\$ 861,049	\$ 700,239	\$ 653,311	\$ 517,148	\$ 500,316	\$ 451,715
Service Cost	50,475	44,867	39,379	33,593	30,013	25,324	27,648	28,458
Interest on the TPL	42,584	38,783	44,547	36,692	32,458	25,767	29,038	24,718
Assumption Changes	-	-	(55,677)	-	(5,265)	-	11,051	-
Plan Changes	-	85,440	-	90,525	-	85,072	-	-
Actuarial Experience (Gains)/Losses	(46,872)	-	(40,850)	-	(10,278)	-	(50,905)	-
Benefit Payments	-	(197,356)	(18,969)	-	-	-	-	(4,575)
Balance at December 31st	<u>\$ 847,400</u>	<u>\$ 801,213</u>	<u>\$ 829,479</u>	<u>\$ 861,049</u>	<u>\$ 700,239</u>	<u>\$ 653,311</u>	<u>\$ 517,148</u>	<u>\$ 500,316</u>
Plan Fiduciary Net Position (PFNP)								
Balance at January 1st	\$ 1,173,432	\$ 1,231,647	\$ 1,099,867	\$ 917,635	\$ 896,855	\$ 743,270	\$ 670,255	\$ 626,807
Fire State Aid	63,580	62,480	57,240	53,830	52,434	51,416	51,569	50,835
Municipal Contributions	8,500	8,390	12,395	10,987	13,200	12,720	7,500	7,500
Projected Investment Income	60,316	58,306	56,091	47,333	44,010	36,691	38,472	35,937
Gain or Loss	(205,362)	14,535	31,768	76,863	(82,574)	58,568	(23,936)	(45,659)
Total Additions	(72,966)	143,711	157,494	189,013	27,070	159,395	73,605	48,613
Benefit Payments	-	(197,356)	(18,969)	-	-	-	-	(4,575)
Administrative Expenses	(6,305)	(4,570)	(6,745)	(6,781)	(6,290)	(5,810)	(590)	(590)
Total Reductions	(6,305)	(201,926)	(25,714)	(6,781)	(6,290)	(5,810)	(590)	(5,165)
Balance at December 31st	<u>\$ 1,094,161</u>	<u>\$ 1,173,432</u>	<u>\$ 1,231,647</u>	<u>\$ 1,099,867</u>	<u>\$ 917,635</u>	<u>\$ 896,855</u>	<u>\$ 743,270</u>	<u>\$ 670,255</u>
Net Pension Liability (Asset) - December 31st	<u>\$ (246,761)</u>	<u>\$ (372,219)</u>	<u>\$ (402,168)</u>	<u>\$ (238,818)</u>	<u>\$ (217,396)</u>	<u>\$ (243,544)</u>	<u>\$ (226,122)</u>	<u>\$ (169,939)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	129%	146%	148%	128%	131%	137%	144%	134%

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

**CITY OF FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

NOTE 1 BUDGETARY COMPARISON SCHEDULES

Fund	Budgeted Expenditures	Actual Expenditures
General	\$ 1,553,090	\$ 1,706,669
Fire Service	\$ 316,200	\$ 378,345

The expenditures in excess of budget for the General Fund are primarily due to unbudgeted public safety and public works costs during the year.

The expenditures in excess of budget for the Fire Service Fund are primarily due to unbudgeted capital outlay purchases during the year.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct State aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.

CITY OF FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

- 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 100.00 percent Joint & Survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

CITY OF FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed annual increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, State and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

CITY OF FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50.00 percent vesting after five years, increasing incrementally to 100.00 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.

CITY OF FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed annual increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NOTE 4 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

2022 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

CITY OF FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

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, 2023**

	Total Nonmajor Debt Service Funds	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash, Cash Equivalents, and Investments	\$ 617,225	\$ 592,658	\$ 30,981	\$ 1,240,864
Property Taxes Receivable	845	2,334	-	3,179
Assessments Receivable	249,132	-	-	249,132
Prepays	-	4,233	-	4,233
Loans Receivable	-	117,296	-	117,296
Advances to Other Funds	<u>785,754</u>	<u>-</u>	<u>-</u>	<u>785,754</u>
TOTAL ASSETS	<u>\$ 1,652,956</u>	<u>\$ 716,521</u>	<u>\$ 30,981</u>	<u>\$ 2,400,458</u>
LIABILITIES				
Accounts Payable	\$ 21,160	\$ -	\$ 19,185	\$ 40,345
Due to Other Funds	<u>-</u>	<u>2,454</u>	<u>72,626</u>	<u>75,080</u>
Total Liabilities	21,160	2,454	91,811	115,425
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Property Taxes	582	1,443	-	2,025
Special Assessments	249,132	-	-	249,132
Loans Receivable	<u>-</u>	<u>117,296</u>	<u>-</u>	<u>117,296</u>
Total Deferred Inflows of Resources	249,714	118,739	-	368,453
FUND BALANCES				
Nonspendable	785,754	4,233	-	789,987
Restricted	596,328	235,889	-	832,217
Assigned	-	356,973	30,981	387,954
Unassigned	<u>-</u>	<u>(1,767)</u>	<u>(91,811)</u>	<u>(93,578)</u>
Total Fund Balances	<u>1,382,082</u>	<u>595,328</u>	<u>(60,830)</u>	<u>1,916,580</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,652,956</u>	<u>\$ 716,521</u>	<u>\$ 30,981</u>	<u>\$ 2,400,458</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, 2023**

	Total Nonmajor Debt Service Funds	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Property Taxes	\$ 34,054	\$ 107,085	\$ -	\$ 141,139
Tax Increment	72,985	-	-	72,985
Special Assessments	53,398	-	-	53,398
Charges for Services	-	80,728	-	80,728
Investment Income (Loss)	20,078	10,937	-	31,015
Loan Collections	-	26,653	-	26,653
TOTAL REVENUES	<u>180,515</u>	<u>225,403</u>	-	<u>405,918</u>
EXPENDITURES				
Current:				
Parks and Recreation	-	120,128	-	120,128
Economic Development	67,576	-	-	67,576
Capital Outlay	-	21,756	217,079	238,835
Debt Service:				
Principal	90,000	98,807	-	188,807
Interest and Other Charges	89,671	17,280	-	106,951
TOTAL EXPENDITURES	<u>247,247</u>	<u>257,971</u>	<u>217,079</u>	<u>722,297</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(66,732)	(32,568)	(217,079)	(316,379)
OTHER FINANCING SOURCES (USES)				
Transfers In	30,392	-	360,000	390,392
Transfers Out	(30,392)	-	(90,000)	(120,392)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>270,000</u>	<u>270,000</u>
NET CHANGE IN FUND BALANCES	(66,732)	(32,568)	52,921	(46,379)
FUND BALANCES - BEGINNING	<u>1,448,814</u>	<u>627,896</u>	<u>(113,751)</u>	<u>1,962,959</u>
FUND BALANCES - ENDING	<u>\$ 1,382,082</u>	<u>\$ 595,328</u>	<u>\$ (60,830)</u>	<u>\$ 1,916,580</u>

**CITY OF FOLEY, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUNDS
 DECEMBER 31, 2023**

	2015	TIF 1-8 Senior		2018	Total
	Improvement	Prairie Cottages	TIF 1-9 Silt	Improvement	Nonmajor Debt
	Bond Fund	Fund	Sock, Inc. Fund	Bond Fund	Service Funds
ASSETS					
Cash, Cash Equivalents, and Investments	\$ 158,185	\$ 21,160	\$ 77,590	\$ 360,290	\$ 617,225
Property Taxes Receivable	845	-	-	-	845
Assessments Receivable	37,974	-	-	211,158	249,132
Advances to Other Funds	<u>135,754</u>	<u>-</u>	<u>-</u>	<u>650,000</u>	<u>785,754</u>
TOTAL ASSETS	<u>\$ 332,758</u>	<u>\$ 21,160</u>	<u>\$ 77,590</u>	<u>\$ 1,221,448</u>	<u>\$ 1,652,956</u>
LIABILITIES					
Accounts Payable	\$ -	\$ 21,160	\$ -	\$ -	\$ 21,160
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Property Taxes	582	-	-	-	582
Special Assessments	<u>37,974</u>	<u>-</u>	<u>-</u>	<u>211,158</u>	<u>249,132</u>
Total Deferred Inflows of Resources	38,556	-	-	211,158	249,714
FUND BALANCES					
Nonspendable	135,754	-	-	650,000	785,754
Restricted	<u>158,448</u>	<u>-</u>	<u>77,590</u>	<u>360,290</u>	<u>596,328</u>
Total Fund Balances	<u>294,202</u>	<u>-</u>	<u>77,590</u>	<u>1,010,290</u>	<u>1,382,082</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 332,758</u>	<u>\$ 21,160</u>	<u>\$ 77,590</u>	<u>\$ 1,221,448</u>	<u>\$ 1,652,956</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, 2023

	2015 Improvement Bond Fund	TIF 1-8 Senior Prairie Cottages Fund	TIF 1-9 Silt Sock, Inc. Fund	2018 Improvement Bond Fund	Total Nonmajor Debt Service Funds
REVENUES					
Property Taxes	\$ 34,054	\$ -	\$ -	\$ -	\$ 34,054
Tax Increment	-	4,332	68,653	-	72,985
Special Assessments	7,074	-	-	46,324	53,398
Investment Income	1,886	-	-	18,192	20,078
TOTAL REVENUES	<u>43,014</u>	<u>4,332</u>	<u>68,653</u>	<u>64,516</u>	<u>180,515</u>
EXPENDITURES					
Current:					
Economic Development	-	22,387	45,189	-	67,576
Debt Service:					
Principal	65,000	-	-	25,000	90,000
Interest and Other Charges	19,451	-	-	70,220	89,671
TOTAL EXPENDITURES	<u>84,451</u>	<u>22,387</u>	<u>45,189</u>	<u>95,220</u>	<u>247,247</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(41,437)	(18,055)	23,464	(30,704)	(66,732)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	30,392	-	30,392
Transfers Out	-	(30,392)	-	-	(30,392)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(30,392)</u>	<u>30,392</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(41,437)	(48,447)	53,856	(30,704)	(66,732)
FUND BALANCES - BEGINNING	<u>335,639</u>	<u>48,447</u>	<u>23,734</u>	<u>1,040,994</u>	<u>1,448,814</u>
FUND BALANCES - ENDING	<u>\$ 294,202</u>	<u>\$ -</u>	<u>\$ 77,590</u>	<u>\$ 1,010,290</u>	<u>\$ 1,382,082</u>

**CITY OF FOLEY, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
 DECEMBER 31, 2023**

	EDA Fund	Swimming Pool Fund	Revolving Loan Fund	Small Cities Development Grant Fund	Total Nonmajor Special Revenue Funds
ASSETS					
Cash, Cash Equivalents, and Investments	\$ -	\$ 356,769	\$ 86,514	\$ 149,375	\$ 592,658
Property Taxes Receivable	1,671	663	-	-	2,334
Prepays	-	4,233	-	-	4,233
Loans Receivable	<u>111,948</u>	<u>-</u>	<u>5,348</u>	<u>-</u>	<u>117,296</u>
TOTAL ASSETS	<u>\$ 113,619</u>	<u>\$ 361,665</u>	<u>\$ 91,862</u>	<u>\$ 149,375</u>	<u>\$ 716,521</u>
LIABILITIES					
Due to Other Funds	\$ 2,454	\$ -	\$ -	\$ -	\$ 2,454
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Property Taxes	984	459	-	-	1,443
Loans Receivable	<u>111,948</u>	<u>-</u>	<u>5,348</u>	<u>-</u>	<u>117,296</u>
Total Deferred Inflows of Resources	112,932	459	5,348	-	118,739
FUND BALANCES					
Nonspendable	-	4,233	-	-	4,233
Restricted	-	-	86,514	149,375	235,889
Assigned	-	356,973	-	-	356,973
Unassigned	<u>(1,767)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,767)</u>
Total Fund Balances	<u>(1,767)</u>	<u>361,206</u>	<u>86,514</u>	<u>149,375</u>	<u>595,328</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 113,619</u>	<u>\$ 361,665</u>	<u>\$ 91,862</u>	<u>\$ 149,375</u>	<u>\$ 716,521</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, 2023**

	<u>EDA Fund</u>	<u>Swimming Pool Fund</u>	<u>Revolving Loan Fund</u>	<u>Small Cities Development Grant Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
REVENUES					
Property Taxes	\$ 90,742	\$ 16,343	\$ -	\$ -	\$ 107,085
Charges for Services	-	80,728	-	-	80,728
Investment Income	629	7,421	11	2,876	10,937
Loan Collections	24,445	-	2,208	-	26,653
TOTAL REVENUES	<u>115,816</u>	<u>104,492</u>	<u>2,219</u>	<u>2,876</u>	<u>225,403</u>
EXPENDITURES					
Current:					
Parks and Recreation	-	120,128	-	-	120,128
Capital Outlay	1	21,755	-	-	21,756
Debt Service:					
Principal	98,807	-	-	-	98,807
Interest and Other Charges	17,280	-	-	-	17,280
TOTAL EXPENDITURES	<u>116,088</u>	<u>141,883</u>	<u>-</u>	<u>-</u>	<u>257,971</u>
NET CHANGE IN FUND BALANCES	(272)	(37,391)	2,219	2,876	(32,568)
FUND BALANCES - BEGINNING	<u>(1,495)</u>	<u>398,597</u>	<u>84,295</u>	<u>146,499</u>	<u>627,896</u>
FUND BALANCES - ENDING	<u>\$ (1,767)</u>	<u>\$ 361,206</u>	<u>\$ 86,514</u>	<u>\$ 149,375</u>	<u>\$ 595,328</u>

**CITY OF FOLEY, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECT FUNDS
 DECEMBER 31, 2023**

	Equipment Fund	Street Projects Fund	Total Nonmajor Capital Project Funds
ASSETS			
Cash, Cash Equivalents, and Investments	\$ -	\$ 30,981	\$ 30,981
LIABILITIES			
Accounts Payable	\$ 19,185	\$ -	\$ 19,185
Due to Other Funds	72,626	-	72,626
Total Liabilities	91,811	-	91,811
FUND BALANCES			
Assigned	-	30,981	30,981
Unassigned	(91,811)	-	(91,811)
Total Fund Balances	(91,811)	30,981	(60,830)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 30,981	\$ 30,981

**CITY OF FOLEY, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECT FUNDS
 DECEMBER 31, 2023**

	Equipment Fund	Street Projects Fund	Total Nonmajor Capital Project Funds
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Capital Outlay	\$ 217,079	\$ -	\$ 217,079
OTHER FINANCING SOURCES (USES)			
Transfers In	120,000	240,000	360,000
Transfers Out	<u>(90,000)</u>	<u>-</u>	<u>(90,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>30,000</u>	<u>240,000</u>	<u>270,000</u>
NET CHANGE IN FUND BALANCES	(187,079)	240,000	52,921
FUND BALANCES - BEGINNING	<u>95,268</u>	<u>(209,019)</u>	<u>(113,751)</u>
FUND BALANCES - ENDING	<u>\$ (91,811)</u>	<u>\$ 30,981</u>	<u>\$ (60,830)</u>

**CITY OF FOLEY, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)**

	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Initial Authorized Issue</u>	<u>Outstanding Balance 01/01/23</u>	<u>Issued</u>	<u>Paid</u>	<u>Outstanding Balance 12/31/23</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	\$ 640,000	\$ -	\$ 65,000	\$ 575,000	\$ 65,000
G.O. Improvement Bonds, 2018A	8/7/2018	3.00 - 3.25%	2/1/2034	2,340,000	2,295,000	-	25,000	2,270,000	25,000
G.O. Improvement Refunding Bonds, 2020A	8/18/2020	0.75 - 1.35%	2/1/2028	2,281,000	1,508,000	-	399,000	1,109,000	399,000
Industrial Park Land	8/15/2022	4.00%	8/15/2026	<u>588,200</u>	<u>500,033</u>	<u>-</u>	<u>98,807</u>	<u>401,226</u>	<u>128,951</u>
TOTAL GOVERNMENTAL DEBTS				6,204,200	4,943,033	-	587,807	4,355,226	617,951
PROPRIETARY INDEBTEDNESS									
G.O. Sewer Revenue Note, 2022A	8/10/2022	2.59%	8/20/2052	<u>13,364,326*</u>	<u>9,674,604</u>	<u>688,334</u>	<u>226,428</u>	<u>10,136,510</u>	<u>154,898</u>
TOTAL INDEBTEDNESS				<u>\$ 19,568,526</u>	<u>\$ 14,617,637</u>	<u>\$ 688,334</u>	<u>\$ 814,235</u>	<u>\$ 14,491,736</u>	<u>\$ 772,849</u>

*As of December 31, 2023, this is the amount that the City of Foley has committed to borrowing. The City will be making additional draws upon this commitment.

**OTHER REQUIRED REPORTS
AND SCHEDULES**

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

Honorable Mayor and City Council
City of Foley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Foley, Minnesota (the City), as of and for the year ended December 31, 2023, 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 6, 2024.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control 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 were not identified. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Responses* as items 2012-001 and 2012-002 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City 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, we noted that the City failed to comply with provisions of the depositories of public funds and public investments section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the *Schedule of Findings and Responses* and *Corrective Action Plans* as items 2022-001 and 2023-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting – bid laws, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City’s noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

City of Foley’s Response to Findings

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

Purpose of this Report

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



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 6, 2024

**CITY OF FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023**

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
DECEMBER 31, 2023**

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 investments and grant revenues as required under generally accepted accounting principles.

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

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

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

LEGAL COMPLIANCE FINDINGS

Finding 2022-001 Broker Acknowledgement Certification

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

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

Cause: The City failed to obtain certification before completing an initial investment transaction with their broker. Their broker refused to provide the City with a broker acknowledgement form.

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

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

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

**CITY OF FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023**

LEGAL COMPLIANCE FINDINGS (Continued)

Finding 2023-001 Deposits in Excess of Insured Limits and Sweep Account Compliance

Condition: The City held deposits in excess of FDIC limits with a financial institution, without sufficient collateral pledged.

Criteria: In accordance with MN Statute § 118A.03, subd. 1 & 3, the City is required to obtain a bond or collateral which, when computed at its market value, shall be at least ten percent more than the amount of deposits being held in excess of deposit insurance.

Cause: The financial institutions were not following their sweep agreements resulting in a portion of the City's overall balances being in excess of the combined coverage provided by FDIC and assigned collateral.

Effect: The failure to timely identify when deposits did not have sufficient pledged collateral or insurance resulted in temporary noncompliance with the requirements set forth in Minnesota Statutes.

Recommendation: We recommend the City implement a process of reviewing bank account balances on a regular basis and making corrective actions as necessary. In addition, we recommend the City work with its financial institutions to resolve the sweep account issue.

*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, 2023**

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
DECEMBER 31, 2023**

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 investments as well as accounts incorrectly set up in the accounting software. The City will review these areas more thoroughly for fiscal year 2024.
3. Official Responsible
The City Administrator is the official responsible for ensuring corrective action.
4. Planned Completion Date
December 31, 2024.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

LEGAL COMPLIANCE FINDING

Finding 2022-001 Broker Acknowledgement Certification

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City has withdrawn all funds from this specific investment company in 2024.
3. Official Responsible
The City Administrator is the official responsible for ensuring corrective action.
4. Planned Completion Date
December 31, 2024.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

**CITY OF FOLEY, MINNESOTA
CORRECTIVE ACTION PLANS
DECEMBER 31, 2023**

LEGAL COMPLIANCE FINDINGS (Continued)

Finding 2023-001 Deposits in Excess of Insured Limits and Sweep Account Compliance

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
The City will ensure sufficient collateral has been pledged or insurance provided on all depository accounts. The City has also already begun discussions with the affected financial institution to adjust its sweep account agreement.

3. Official Responsible
The City Administrator is the official responsible for ensuring corrective action.

4. Planned Completion Date
December 31, 2024

5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.