

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 30, 2025

**NEW ISSUE
BANK QUALIFIED**

**BOOK ENTRY ONLY
S&P RATING “AA-”**

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining “annual adjusted financial statement income” for the purpose of computing the federal alternative minimum tax imposed on certain corporations. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See “Tax Exemption” and “Other Federal and State Tax Considerations” herein for additional information.

**CITY OF FOLEY, MINNESOTA
\$5,155,000*
General Obligation Bonds, Series 2025A**

Dated Date: Date of Delivery (Estimated to be August 6, 2025)

**Interest Due: Each February 1 and August 1
Commencing August 1, 2026**

<i>Maturity*</i>	<i>Amount*</i>	<i>Rate</i>	<i>Yield</i>	<i>Price</i>	<i>Maturity*</i>	<i>Amount*</i>	<i>Rate</i>	<i>Yield</i>	<i>Price</i>
2/1/2027	\$90,000	___%	___%	___	2/1/2037	\$255,000	___%	___%	___
2/1/2028	190,000	___	___	___	2/1/2038	265,000	___	___	___
2/1/2029	195,000	___	___	___	2/1/2039	275,000	___	___	___
2/1/2030	205,000	___	___	___	2/1/2040	290,000	___	___	___
2/1/2031	205,000	___	___	___	2/1/2041	300,000	___	___	___
2/1/2032	215,000	___	___	___	2/1/2042	315,000	___	___	___
2/1/2033	225,000	___	___	___	2/1/2043	325,000	___	___	___
2/1/2034	235,000	___	___	___	2/1/2044	345,000	___	___	___
2/1/2035	240,000	___	___	___	2/1/2045	360,000	___	___	___
2/1/2036	250,000	___	___	___	2/1/2046	375,000	___	___	___

The General Obligation Bonds, Series 2025A (the “Bonds” or the “Issue”) are being issued by the City of Foley, Minnesota (the “City” or the “Issuer”) pursuant to Minnesota Statutes, Chapters 429, 444, and 475, as amended. Proceeds of the Bonds will be used to finance street, water, sewer, and storm sewer improvements, and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the City and are payable from special assessments against benefitted properties, ad valorem taxes, and net revenues of the City’s water, sewer, and storm sewer utilities. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2027. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing August 1, 2026. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota.

Proposals: Tuesday, July 8, 2025 10:30 A.M., Central Time

Award: Tuesday, July 8, 2025 5:30 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$5,087,985 (98.70%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see “Establishment of Issue Price” in the Notice of Sale herein for additional details.** *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* A Good Faith Deposit (the “Deposit”) in the amount of \$103,100, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.



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THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE AUGUST 6, 2025.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERS MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER(S). NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE CITY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER(S).

WITHIN THE MEANING OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, THE INFORMATION INCLUDED IN THE PRELIMINARY OFFICIAL STATEMENT IS DEEMED FINAL BY THE ISSUER AS OF ITS DATE AND IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS, EXCEPT FOR THE OMISSION OF THE OFFERING PRICE(S), INTEREST RATE(S), SELLING COMPENSATION, AGGREGATE PRINCIPAL AMOUNT, PRINCIPAL AMOUNT PER MATURITY, DELIVERY DATE, RATING(S), OTHER TERMS OF THE ISSUE DEPENDING ON SUCH MATTERS, AND THE IDENTITY OF THE UNDERWRITER(S).

SUMMARY OF OFFERING

City of Foley, Minnesota
\$5,155,000 *
General Obligation Bonds, Series 2025A
(Book-Entry Only)

AMOUNT -	\$5,155,000*																																								
ISSUER -	City of Foley, Minnesota (the “City” or the “Issuer”)																																								
AWARD DATE -	July 8, 2025																																								
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920																																								
TYPE OF ISSUE -	General Obligation Bonds, Series 2025A (the “Bonds” or the “Issue”)																																								
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Bonds, Series 2025A (the “Bonds”) are being issued by the City of Foley, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapters 429, 444, and 475, as amended. Proceeds of the Bonds will be used to finance street, water, sewer, and storm sewer improvements, and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from special assessments against benefitted properties, ad valorem taxes, and net revenues of the City's water, sewer, and storm sewer utilities. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.																																								
DATE OF ISSUE -	Date of Delivery (Estimated to be August 6, 2025)																																								
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing August 1, 2026, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).																																								
MATURITIES* -																																									
	<table><tr><td>2/1/2027</td><td>\$90,000</td><td>2/1/2032</td><td>\$215,000</td><td>2/1/2037</td><td>\$255,000</td><td>2/1/2042</td><td>\$315,000</td></tr><tr><td>2/1/2028</td><td>190,000</td><td>2/1/2033</td><td>225,000</td><td>2/1/2038</td><td>265,000</td><td>2/1/2043</td><td>325,000</td></tr><tr><td>2/1/2029</td><td>195,000</td><td>2/1/2034</td><td>235,000</td><td>2/1/2039</td><td>275,000</td><td>2/1/2044</td><td>345,000</td></tr><tr><td>2/1/2030</td><td>205,000</td><td>2/1/2035</td><td>240,000</td><td>2/1/2040</td><td>290,000</td><td>2/1/2045</td><td>360,000</td></tr><tr><td>2/1/2031</td><td>205,000</td><td>2/1/2036</td><td>250,000</td><td>2/1/2041</td><td>300,000</td><td>2/1/2046</td><td>375,000</td></tr></table>	2/1/2027	\$90,000	2/1/2032	\$215,000	2/1/2037	\$255,000	2/1/2042	\$315,000	2/1/2028	190,000	2/1/2033	225,000	2/1/2038	265,000	2/1/2043	325,000	2/1/2029	195,000	2/1/2034	235,000	2/1/2039	275,000	2/1/2044	345,000	2/1/2030	205,000	2/1/2035	240,000	2/1/2040	290,000	2/1/2045	360,000	2/1/2031	205,000	2/1/2036	250,000	2/1/2041	300,000	2/1/2046	375,000
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REDEMPTION -	The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest. See <i>Description of the Bonds</i> herein for additional information.																																								
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.																																								
PAYING AGENT/REGISTRAR -	Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota																																								
TAX DESIGNATIONS -	<u>NOT Private Activity Bonds</u> - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). <u>Bank Qualified Tax-Exempt Obligations</u> - The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.																																								
LEGAL OPINION -	Taft Stettinius & Hollister LLP, Minneapolis, Minnesota (“Bond Counsel”)																																								
BOND RATING -	The City received an underlying rating of “AA-” from S&P Global Ratings (“S&P”). See <i>Bond Rating</i> herein for additional information.																																								
CLOSING -	Estimated to be August 6, 2025																																								
PRIMARY CONTACTS -	Sarah Brunn, City Administrator, City of Foley, Minnesota 320-968-7260 George Eilertson, Managing Director, Northland Securities, Inc., 612-851-5906																																								

* Preliminary, subject to change.

NOTICE OF SALE

\$5,155,000*
GENERAL OBLIGATION BONDS, SERIES 2025A

CITY OF FOLEY, MINNESOTA
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals (also referred to herein as “bids”) will be opened by the City’s Administrator, or designee, on Tuesday, July 8, 2025, at 10:30 A.M., CT, at the offices of Northland Securities, Inc. (the City’s “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Tuesday, July 8, 2025 at 5:30 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) emailed to PublicSale@northlandsecurities.com
- c) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-5915, or
- d) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:30 A.M., CT, on Tuesday, July 8, 2025. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:30 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the City nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds.

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the City through Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota (the “Paying Agent/Registrar”), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The City will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be August 6, 2025)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 475, 444 and 429, as amended. Proceeds will be used to finance the City’s 2025 street improvement projects, water, sewer and storm sewer improvements and to pay costs associated with the issuance of the Bonds. The Bonds are payable from special assessments against benefitted properties, net revenues of the City’s water, sewer, and storm sewer utilities and ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing August1, 2026, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$90,000	2032	\$215,000	2037	\$255,000	2042	\$315,000
2028	190,000	2033	225,000	2038	265,000	2043	325,000
2029	195,000	2034	235,000	2039	275,000	2044	345,000
2030	205,000	2035	240,000	2040	290,000	2045	360,000
2031	205,000	2036	250,000	2041	300,000	2046	375,000

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

**ESTABLISHMENT OF ISSUE PRICE
(HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)**

The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City’s Municipal Advisor and any notice or report to be provided to the City may be provided to the City’s Municipal Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City shall promptly so advise the winning bidder. The City may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the “Hold-the-Offering-Price Rule”). Bids will **not** be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

- (1) the close of the fifth (5th) business day after the award date; or
- (2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the “10% Test”), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement

to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) "public" means any person other than an underwriter or a related party,*
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).*
- (3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and*
- (4) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.*

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the City and shall be at the sole discretion of the City. The successful bidder may not withdraw or modify its Proposal once submitted to the City for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on February 1, 2034 through 2046 are subject to redemption and prepayment at the option of the City on February 1, 2033 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Taft Stettinius & Hollister LLP, Bond Counsel. The legal opinion will be paid by the City and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than \$5,087,985 (98.70%) and accrued interest on the principal sum of \$5,155,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Sarah Brunn, City Administrator
251 4th Ave. N., PO Box 709
Foley, MN 56329

A good faith deposit (the "Deposit") in the amount of \$103,100 in the form of a federal wire transfer (payable to the order of the City) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The City will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the City. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The City's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the City determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

LIMITED CONTINUING DISCLOSURE UNDERTAKING

The City will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the City, and notices of certain material events, as required by SEC Rule 15c2-12.

BANK QUALIFICATION

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The City reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: June 3, 2025

BY ORDER OF THE FOLEY CITY COUNCIL

/s/Sarah Brunn
City Administrator

Additional information may be obtained from:

Northland Securities, Inc.

150 South 5th Street, Suite 3300

Minneapolis, Minnesota 55402

Telephone No.: 612-851-5900

EXHIBIT A

[FORM OF ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED]

The undersigned, on behalf of _____ (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the General Obligation Bonds, Series 2025A (the "Bonds") of the City of Foley, Minnesota (the "Issuer").

1. Reasonably Expected Initial Offering Price.

As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in **Schedule A** (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

"Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: August 6, 2025.

[FORM OF ISSUE PRICE CERTIFICATE – HOLD-THE-OFFERING-PRICE RULE APPLIES]

The undersigned, on behalf of _____ (the "Underwriter"), on behalf of itself, hereby certifies as set forth below with respect to the sale and issuance of General Obligation Bonds, Series 2025A (the "Bonds") of the City of Foley, Minnesota (the "Issuer").

1. Initial Offering Price of the Bonds.

(a) The Underwriter offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, the Underwriter has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. Defined Terms.

(a) "Holding Period" means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____), or (ii) the date on which the Underwriter has sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) "Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2020.

(e) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel, in connection with rendering its opinion that the interest on

the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: August 6, 2025.

AUTHORITY AND PURPOSE

The General Obligation Bonds, Series 2025A (the “Bonds” or the “Issue”) are being issued by the City of Foley, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapters 429, 444, and 475, as amended. Proceeds from issuance of the Bonds will be used to finance street, water, sewer, and storm sewer improvements, and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the City and are payable from special assessments against benefitted properties, ad valorem taxes, and net revenues of the City's water, sewer, and storm sewer utilities. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

Sources and Uses of Funds

Following are the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds

Par Amount of Bonds	<u>\$ 5,155,000*</u>
Total Sources of Funds:	<u>\$ 5,155,000</u>

Uses of Funds

Deposit to Project Fund	\$ 5,018,623
Costs of Issuance/Underwriter’s Discount	133,025
Rounding Amount	<u>3,352</u>
Total Uses of Funds:	<u>\$ 5,155,000</u>

BONDHOLDERS’ RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

Ratings Loss

S&P Global Ratings has assigned a rating of “AA-” to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no

* Preliminary, subject to change.

assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Exemption, Bank Qualification and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

The Bonds are designated as “qualified tax-exempt obligations” under the exception provided in Section 265(b)(3) of the Code, and the Issuer has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. Actions, or inactions, by the Issuer in violation of its covenants could affect the designation, which could also affect the pricing and marketability of the Bonds.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

Pending Federal and State Tax Legislation

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Factors Beyond Issuer's Control

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be August 6, 2025), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2027. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 2026. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder

of the Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof (“Authorized Denominations”). Individual purchasers (“Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of

securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City of Foley takes no responsibility for the accuracy thereof.

LIMITED CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the City on or before Bond closing, the City has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, which information is customarily prepared by the City and is publicly available, to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure /Undertaking* herein for additional information.

The City has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by _____ (the "Underwriter") at a purchase price of \$ _____, which is the par amount of the Bonds of \$ _____ less the Underwriter's discount of \$ _____, plus the original issue premium of \$ _____.

MUNICIPAL ADVISOR

The City has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc. and First National Bank of Omaha.

FUTURE FINANCING

The City does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The City received an underlying rating of “AA-” from S&P Global Ratings (“S&P”). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of S&P and any explanation of the significance of this rating may be obtained only from S&P. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S&P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

As of the date of this Official Statement, the City is not aware of any threatened or pending litigation that questions the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

CERTIFICATION

The City will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The City has always promptly met all payments of principal and interest on its indebtedness when due.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota (“Bond Counsel”) as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining “annual adjusted financial statement income” for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisors.

Original Issue Discount

Some of the Bonds (“OID Bonds”) may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holder’s tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder’s tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Qualified Tax-Exempt Obligations

The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

CITY OF FOLEY, MINNESOTA

GENERAL INFORMATION

Location/Access/Transportation

The City of Foley (the “City”), the County Seat of Benton County, is located in the central portion of Minnesota. The City lies approximately 13 miles northeast of St. Cloud, 14 miles southwest of Milaca and 75 miles northwest of the Twin Cities Metropolitan Area. Access is provided via State Highways 23 and 25 as well as County Roads 4 and 43. In addition, Interstate Highway 94 is situated 30 miles south, U.S. Highway 10 is situated 18 miles south, and U.S. Highway 169 is situated 18 miles northeast of the City.

Area

The City encompasses a land area of 1,670 acres or 2.609 square miles.

Population

2000 Census	2,154	2020 Census	2,711
2010 Census	2,603	2025 City Estimate	2,730

Labor Force Data¹

Comparative average labor force and unemployment rate figures for 2025 (through March) and year-end 2024. Figures are not seasonally adjusted and numbers of people are estimated by place of residence.

	<u>2025 (March)</u>		<u>2024</u>	
	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
Benton County	23,296	5.1%	22,996	3.6%
St. Cloud MSA	112,048	4.3	110,917	3.1
Minnesota	3,145,602	3.8	3,129,802	3.0

Income Data²

Comparative income levels are listed below for the City, the State of Minnesota and the United States.

	<u>City of Foley</u>	<u>State of Minnesota</u>	<u>United States</u>
Median Family Income	\$94,048	\$111,492	\$96,922
Per Capita Income	29,512	46,957	43,289

City Government

Foley, organized on March 21, 1900, is a Minnesota Statutory City with an ‘Optional Plan A’ form of government. It has a mayor elected at large for a two-year term and four council members also elected at large for four-year terms. The professional staff is appointed and consists of an administrator, city attorney, and city engineer.

The City has the following enterprise services: water and sewer utilities.

¹ Minnesota Department of Employment and Economic Development.

² Source: 2019-2023 American Community Survey, U.S. Census Bureau.

Employee Pension Programs

The City employs 64 people, 12 full-time, 29 part-time and 23 seasonal. The pension plan currently covers all eligible City employees.

The City participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters, 353 and 356, which covers all full-time and certain part-time employees. PERA administers the General Employees Retirement Fund (GERF) which is cost sharing, multiple-employer retirement plan. The City makes annual contributions to the pension plan equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.5% of their annual covered salary in 2023. The City was required to contribute 7.5% for Coordinated Plan members.

Audited City contributions to GERF and the Police and Fire Fund for the past five years have been as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	\$103,806	2020	\$84,965
2022	95,795	2019	72,384
2021	86,755		

Other Postemployment Benefits (OPEB)

The City does not offer any other postemployment benefits to former or retired employees and has no liability with respect thereto.

General Fund Budget Summary

	<u>2024 Budget</u>	<u>2024 Unaudited Actual</u>	<u>2025 Budget</u>
Revenues:			
Property Taxes	\$927,704	\$913,125	\$926,204
Special Assessments	500	4,360	0
Licenses and Permits	47,350	92,997	32,350
Intergovernmental Revenue	1,021,696	1,060,244	1,024,048
Charges for Services	71,600	93,674	69,600
Fines and Forfeits	12,000	13,141	13,500
Franchise Fees	6,000	6,521	81,000
Miscellaneous	33,340	183,111	38,900
	<u>\$2,120,190</u>	<u>\$2,367,173</u>	<u>\$2,185,602</u>
Total Revenues			
Expenditures:			
General Government	\$751,450	\$885,301	\$840,600
Public Safety	547,700	632,183	547,000
Recreation	59,140	75,312	60,440
Public Works	242,500	432,647	241,500
	<u>\$1,600,790</u>	<u>\$2,025,443</u>	<u>\$1,689,540</u>
Total Expenditures			

Estimated Cash and Investment Balances as of April 30, 2025 (unaudited)

Fund

General Fund	\$ 1,284,720
Special Revenue Funds	1,674,021
Debt Service Funds	254,019
Enterprise Funds	<u>5,224,444</u>
Total Estimated Cash and Investment Balances	<u>\$ 8,437,204</u>

Residential Development

There are approximately 774 single-family homes and 255 multifamily units located within the City.

The status of residential subdivisions under construction, constructed or planned from 2022 to 2025 is as follows:

<u>Subdivision Name</u>	<u>Total Number of Lots/Units</u>	<u>Number of Lots/Units Completed</u>	<u>Remaining Lots/Units Available</u>
Sterling Ridge III	16	15	1
Kampa Meadows	44	44	0
Gopher Ave Lots	7	7	0
Poplar Place	2	2	0
Golf Court	15	15	0

Industrial Park

There is an approximate 102-acre industrial park located within the City. Currently there are 14 enterprises occupying the park, the larger of which include Silt Sock, Blow Molded Specialties, Distinctive Cabinets, Schu-Tran LLC, Foley Hardware and Murphy Chevrolet. The City's current industrial park is full and therefore has acquired 52 acres of land to expand the industrial park in the future.

Commercial/Industrial Development

Building construction and commercial/industrial completed from 2022 to 2025 have been as follows:

<u>Name</u>	<u>Description of Construction</u>	<u>Valuation</u>
Snap Fitness	Remodeling/Update	\$1,000
Kingfish Holdings/Grand Champion Meats	Sign Replacement	\$35,000
Gerhardson Chiropractic	Sign Install	\$1,000
Triple E Storage	Commercial Mini Storage Build	\$200,000
Triple E Storage	Commercial Mini Storage Build #2	\$200,000
Distinctive Cabinets	Office Constructions, Dust Collection	\$175,000
Silt Sock	Office Space Finishing	\$125,000
Foley Lumber	Remodel	\$150,000
New Life Church	Addition	\$1,500,000
Foley Public Schools	Wall and Bathroom install	\$50,000
Casey's Convenient Store	Sign and Canopy Replacement	\$50,000
Thorsten Financial	Interior Remodel	\$125,000
Brewed Gems	Interior Remodel	\$20,000
Distinctive Cabinets	Remodel Interior Office	\$100,000
Foley Auto Care	Sign Replacement	\$1,000
Blow Molded Specialties	Remodel	\$390,000

Blow Molded Specialties	Warehouse Expansion	\$1,000,000
Northern Hollow Winery	Winery & Event Center	\$1,600,000
Odam Realty Holdings	New Medical Center Construction	\$2,500,000
Kotsmith Lumber	New Lumber Yard & Cold Storage	\$649,000
Frandsen Bank	Sign Replacements	\$10,000

Building Permits

Building permits issued for the past five years and a portion of this year have been as follows:

<u>Year</u>	<u>Commercial/ Industrial Number of of Permits</u>	<u>Residential Number of Permits</u>	<u>Total Number of Permits</u>	<u>Total Permit Valuation</u>
2025 (as of 4/30)	7	18	25	\$3,455,030
2024	24	74	98	5,291,036
2023	12	160	172	3,718,625
2022	15	240	255	1,513,945
2021	9	63	72	1,195,500
2020	9	59	68	1,926,538

Banking/Financial Institutions

Banking and financial services are provided by the Falcon National Bank and Frandsen Bank and Trust.

Education

The City is primarily served by Independent School District No. 51, Foley.

Major/Leading Employers

Following are some of the major/leading employers within the City¹:

<u>Name</u>	<u>Product/Service</u>	<u>Number of Employees²</u>
ISD No. 51, Foley	Public Education	335
Benton County	County Government	266
Monarch-Nursing Home & Assisted Living	Health Services	139
Blow Molded Specialties	Plastics Products	112
Coborn's Grocery	Grocery Store	100
Distinctive Cabinet Design	Cabinet Manufacturer	75
City of Foley	City Government	64
Dombrowski Meats Inc.	Commercial Meat Processing	40
Gor-Fol Mfg.	Industrial Inorganic Chemical Products	35
Grand Champion Meats	Meat Processing, Retail Grocery, Cafe	25

¹ City and Data Axle Reference Solutions.

² Includes full-time, part-time, and seasonal employees.

Largest Taxpayers¹

Following are ten of the largest taxpayers within the City:

<u>Name</u>	<u>Classification</u>	<u>2024/2025 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$2,622,842)²</u>
UMI MN Properties LLC	Industrial	\$ 87,122	3.32%
Eugene & Paul Properties LLC	Commercial	71,332	2.72
253 Pine Street LLC	Multi-Unit Residential	65,722	2.51
Pouch Tec Industries LLC	Industrial	42,512	1.62
Big Norway LLC	Multi-Unit Residential	42,188	1.61
Falcon Building LLC	Commercial	33,568	1.28
Coborn's Inc	Commercial	31,176	1.19
Jennie-O Turkey Store Inc	Industrial	27,624	1.05
Distinctive Cab Dsgn Prp LLC	Industrial	24,726	0.94
Xcel Energy	Utility	<u>24,368</u>	<u>0.93</u>
		<u>\$ 450,338</u>	<u>17.17%</u>

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¹ As reported by Benton County.

² Before tax increment and powerlines adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the “market value” of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called “estimated market value”. This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The “taxable market value” is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$30,400 at \$76,000 of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

Economic and Indicated Market Value

“Economic market value” and “indicated market value” reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the “full value” of property for taxation, after the deduction of legislative exclusions.

Net Tax Capacity

Property taxes are calculated on the basis of the “net tax capacity value”. Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per \$100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

Levy Limits

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies “to pay the costs of the principal and interest on bonded indebtedness” and “to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota” are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

Property Tax Classifications

<u>Class</u>	<u>Type of Property</u>	<u>Class Rate Schedule</u>		
		<u>2022/ 2023</u>	<u>2023/ 2024</u>	<u>2024/ 2025</u>
1a	<u>Residential Homestead</u> : First \$500,000	1.00%	1.00%	1.00%
	Over \$500,000	1.25	1.25	1.25
1c	<u>Commercial seasonal-residential recreational-</u> under 250 days and includes homestead			
	First \$600,000	.50	.50	.50
	\$600,001-2,300,000	1.00	1.00	1.00
	Over \$2,300,000 [†]	1.25	1.25	1.25
2a	<u>Agricultural Homestead – House, Garage, One Acre:</u>			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First \$1,890,000	0.50		
	Over \$1,890,000	1.00		
	First \$2,150,000		0.50	
	Over \$2,150,000		1.00	
	First \$3,500,000			.50
	Over \$3,500,000			1.00
2b	<u>Non-Homestead Rural Vacant Land</u> ¹	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u>			
	First \$150,000 [†]	1.50	1.50	1.50
	Over \$150,000 [†]	2.00	2.00	2.00
4a	<u>Apartment</u> (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	<u>Residential Non-Homestead</u> (Single Unit)			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(1)	<u>Seasonal Residential Recreational/Commercial</u> [†]			
	(Resort): First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(12)	<u>Seasonal Residential Recreational</u> [†]			
	Non-Commercial (Cabin): First \$500,000*	1.00	1.00	1.00
	Over \$500,000*	1.25	1.25	1.25
4d	<u>Qualifying Low-Income Rental Housing</u>			
	First \$100,000	.75	.75	.25
	Over \$100,000	.25	.25	.25

[†] Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

¹ Homestead remainder & non-homestead; includes minor ancillary structures.

CITY OF FOLEY, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	<i>Estimated Market Value 2024/2025</i>	<i>Net Tax Capacity 2024/2025</i>
Real Property	\$ 244,043,300	\$ 2,592,471
Personal Property	1,578,600	30,371
Less Tax Increment Deduction	---	(60,422)
Less Powerlines	<u>---</u>	<u>(45)</u>
Total Adjusted Valuation	<u>\$ 245,621,900</u>	<u>\$ 2,562,375</u>

Valuation Trends (Real and Personal Property)

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Tax Increments</i>	<i>Tax Capacity After Tax Increments</i>
2024/2025	\$252,613,441	97.52%	\$245,621,900	\$226,641,450	\$2,622,842	\$2,562,375
2023/2024	250,370,807	92.92	232,563,400	219,233,500	2,538,637	2,478,160
2022/2023	228,853,204	89.16	203,783,400	188,833,100	2,169,016	2,113,223
2021/2022	202,880,328	84.67	171,294,200	154,896,400	1,776,429	1,734,285
2020/2021	177,989,302	88.07	156,677,000	139,611,700	1,616,642	1,576,512

Breakdown of Valuations

2024/2025 Tax Capacity, Real and Personal Property (before tax increment and powerlines adjustments):

Residential Homestead	\$ 1,488,897	56.76%
Agricultural	8,963	0.34
Commercial & Industrial	725,436	27.66
Public Utility	5,426	0.21
Residential Non-Homestead	353,552	13.48
Seasonal/Recreational	10,197	0.39
Personal Property	<u>30,371</u>	<u>1.16</u>
Totals:	<u>\$ 2,622,842</u>	<u>100.00%</u>

¹ Property valuations, tax rates, and tax levies and collections are provided by Benton County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

Tax Capacity Rates

Tax capacity rates for a City resident for the past five-assessable/collection years have been as follows:

<i>Levy Year/ Collection Year</i>	<i>2020/21 Tax Capacity Rates</i>	<i>2021/22 Tax Capacity Rates</i>	<i>2022/23 Tax Capacity Rates</i>	<i>2023/24 Tax Capacity Rates</i>	<i>2024/2025 Tax Capacity Rates</i>
Benton County	55.191%	54.681%	48.607%	43.985%	45.604%
City of Foley	68.556	64.796	60.555	56.502	56.999
ISD No. 051, Foley	<u>26.720</u>	<u>25.357</u>	<u>22.238</u>	<u>19.550</u>	<u>24.290</u>
Totals:	<u>150.467%</u>	<u>144.834%</u>	<u>131.400%</u>	<u>120.037%</u>	<u>126.893%</u>
<i>Market Value Rates:</i>	<i><u>2020/2021</u></i>	<i><u>2021/2022</u></i>	<i><u>2022/2023</u></i>	<i><u>2023/2024</u></i>	<i><u>2024/2025</u></i>
ISD No. 051 (Foley)	0.17449%	0.16760%	0.12264%	0.12696%	0.14529%

Tax Levies and Collections¹

<u>Levy/Collect</u>	<u>Net Levy</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 1/1/2025</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2024/2025	\$1,460,334				
2023/2024	1,399,226	\$1,361,482	97.30%	\$1,361,482	97.30%
2022/2023	1,279,465	1,266,706	99.00	1,271,955	99.41
2021/2022	1,122,744	1,109,707	98.84	1,118,830	99.65
2020/2021	1,081,684	1,074,504	99.34	1,081,652	99.99

¹ 2024/2025 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Benton County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit^{1 2}

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of July 2, 2025:

2024/2025 Estimated Market Value	\$ 245,621,900
Multiplied by 3%	<u> x .03</u>
Statutory Debt Limit	<u>\$ 7,368,657</u>
Less outstanding debt applicable to debt limit:	<u>\$ 0</u>
Legal debt margin	<u>\$ 7,368,657</u>

¹ Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

² Pursuant to Minnesota Statutes Section 475.521, capital improvement bonds are not subject to the statutory debt limit established in Section 475.53 if the issuer's population is less than 2,500.

CITY OF FOLEY, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of July 2, 2025, Plus a Portion of This Issue)

Purpose:	Portion of This Issue						
	G.O. Bonds Series 2015A	G.O. Improvement Bonds, Series 2018A	G.O. Improvement Refunding Bonds, Series 2020A	G.O. Bonds, Series 2025A	TOTAL PRINCIPAL:	TOTAL PRIN & INT:	
Dated:	08/04/15	08/07/18	08/18/20	08/06/25			
Original Amount:	\$800,000	\$2,340,000	\$2,281,000	\$2,135,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb			
Interest Rates:	3.00-3.25%	3.00-3.25%	0.75-1.35%				
2025	\$0	\$0	\$0	\$0	\$0	\$41,507	2025
2026	55,000	215,000	100,000	0	370,000	530,412	2026
2027	55,000	220,000	102,000	35,000	412,000	563,461	2027
2028	60,000	230,000	99,000	80,000	469,000	608,666	2028
2029	60,000	310,000	0	80,000	450,000	576,288	2029
2030	60,000	320,000	0	85,000	465,000	577,103	2030
2031	60,000	330,000	0	85,000	475,000	572,491	2031
2032	0	190,000	0	90,000	280,000	365,534	2032
2033	0	200,000	0	95,000	295,000	367,984	2033
2034	0	205,000	0	95,000	300,000	365,888	2034
2035	0	0	0	100,000	100,000	158,875	2035
2036	0	0	0	105,000	105,000	159,954	2036
2037	0	0	0	105,000	105,000	155,885	2037
2038	0	0	0	110,000	110,000	156,665	2038
2039	0	0	0	115,000	115,000	157,193	2039
2040	0	0	0	120,000	120,000	157,463	2040
2041	0	0	0	125,000	125,000	157,470	2041
2042	0	0	0	130,000	130,000	157,210	2042
2043	0	0	0	135,000	135,000	156,678	2043
2044	0	0	0	140,000	140,000	155,903	2044
2045	0	0	0	150,000	150,000	159,775	2045
2046	0	0	0	155,000	155,000	158,294	2046
	\$350,000	\$2,220,000	\$301,000	\$2,135,000	\$5,006,000	\$6,460,694	
	(1)			(2)			

NOTE: 70% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$995,000 General Obligation Bonds, Series 2015A, consisting of \$800,000 payable from special assessments and \$195,000 payable from net revenues of the municipal water and sewer utility systems.
- (2) This schedule represents a portion of the \$5,155,000 General Obligation Bonds, Series 2025A, consisting of \$2,135,000 payable from special assessments and \$3,020,000 payable from net revenues of the municipal water, storm sewer and sewer utility systems.

CITY OF FOLEY, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of July 2, 2025, Plus a Portion of This Issue)

Purpose:	Portion of This Issue			TOTAL PRINCIPAL:	TOTAL PRIN & INT:	
	G.O. Bonds, Series 2015A	G.O. Sewer Revenue Note of 2022A	G.O. Bonds, Series 2025A			
Dated:	08/04/15	08/15/22	08/06/25			
Original Amount:	\$195,000	\$13,364,326	\$3,020,000			
Maturity:	1-Feb	20-Aug	1-Feb			
Interest Rates:	3.00-3.25%	2.587%				
2025	\$0	\$322,000	\$0	\$322,000	\$483,806	2025
2026	15,000	330,000	0	345,000	791,329	2026
2027	15,000	338,000	55,000	408,000	846,084	2027
2028	15,000	347,000	110,000	472,000	898,163	2028
2029	15,000	356,000	115,000	486,000	898,957	2029
2030	15,000	365,000	120,000	500,000	899,294	2030
2031	15,000	375,000	120,000	510,000	895,254	2031
2032	0	385,000	125,000	510,000	881,020	2032
2033	0	394,000	130,000	524,000	880,469	2033
2034	0	405,000	140,000	545,000	886,278	2034
2035	0	415,000	140,000	555,000	880,516	2035
2036	0	426,000	145,000	571,000	880,509	2036
2037	0	437,000	150,000	587,000	879,592	2037
2038	0	448,000	155,000	603,000	878,300	2038
2039	0	460,000	160,000	620,000	877,449	2039
2040	0	471,000	170,000	641,000	879,907	2040
2041	0	484,000	175,000	659,000	878,692	2041
2042	0	496,000	185,000	681,000	880,745	2042
2043	0	509,000	190,000	699,000	878,084	2043
2044	0	522,000	205,000	727,000	884,621	2044
2045	0	536,000	210,000	746,000	881,350	2045
2046	0	550,000	220,000	770,000	882,346	2046
2047	0	564,000	0	564,000	657,442	2047
2048	0	579,000	0	579,000	657,852	2048
2049	0	594,000	0	594,000	657,873	2049
2050	0	609,000	0	609,000	657,506	2050
2051	0	625,000	0	625,000	657,751	2051
2052	0	641,000	0	641,000	657,583	2052
	\$90,000	\$12,983,000	\$3,020,000	\$16,093,000	\$22,868,770	
	(1) (2)		(1) (3)			

NOTE: 29% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable primarily from net revenues of the municipal water and sewer utility systems and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (2) This schedule represents a portion of the \$995,000 General Obligation Bonds, Series 2015A, consisting of \$800,000 payable from special assessments and \$195,000 payable from net revenues of the municipal water and sewer utility systems.
- (3) This schedule represents a portion of the \$5,155,000 General Obligation Bonds, Series 2025A, consisting of \$2,135,000 payable from special assessments and \$3,020,000 payable from net revenues of the municipal water, storm sewer and sewer utility systems.

Indirect Debt*

<i>Issuer</i>	<i>2024/2025 Tax Capacity Value⁽¹⁾</i>	<i>2024/2025 Tax Capacity Value in City⁽¹⁾</i>	<i>Percentage Applicable in City</i>	<i>Outstanding General Obligation Debt</i>	<i>Taxpayers' Share of Debt</i>
Benton County	\$ 54,657,313	\$2,562,375	4.69%	\$1,600,000	\$ 75,040
ISD No. 51, Foley	13,923,945	2,562,375	18.40	18,380,000	<u>3,381,920</u>
				<i>Total Indirect Debt:</i>	<u>\$ 3,456,960</u>

(Remainder of page intentionally left blank)

* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness. Debt listed is as of July 2, 2025, unless otherwise noted.

(1) Tax Capacity Value is after tax increment deduction and fiscal disparity adjustments.

General Obligation Debt

Bonds secured by special assessments (includes a portion of this issue)	\$ 5,006,000
Bonds secured by water/sewer/storm sewer revenues (includes a portion of this issue)	<u>16,093,000</u>
Subtotal	\$ 21,099,000
Less bonds secured by water/sewer revenues	(<u>16,093,000</u>)
<i>Direct General Obligation Debt</i>	5,006,000
Add taxpayers' share of indirect debt	<u>3,456,960</u>
<i>Direct and Indirect Debt</i>	<u>\$ 8,462,960</u>

Facts for Ratio Computations

2024/2025 Economic Market Value (real and personal property)	\$252,613,441
Population (2025 estimate)	2,730

Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct Debt</i>	<i>Indirect Debt</i>	<i>Direct and Indirect Debt</i>
To Economic Market Value	1.98%	1.37%	3.35%
Per Capita	\$1,834	\$1,266	\$3,100

APPENDIX A

Proposed Form of Legal Opinion

PROPOSED FORM OF LEGAL OPINION

\$5,155,000
GENERAL OBLIGATION BONDS, SERIES 2025A
CITY OF FOLEY
BENTON COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Foley, Benton County, Minnesota (the "Issuer"), of its \$5,155,000 General Obligation Bonds, Series 2025A, bearing a date of original issue of August 6, 2025 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX B

Proposed Form of Continuing Disclosure Undertaking

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Foley, Minnesota (the "Issuer"), in connection with the issuance of its \$5,155,000 General Obligation Bonds, Series 2025A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on July 8, 2025 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 4 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2025, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. If Audited Financial Statements of the Issuer for the Fiscal Year ended December 31, 2024, are not included in the Final Official Statement, then the Issuer shall provide, or shall cause the Dissemination Agent to provide, to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report consisting only of Audited Financial Statements for such Fiscal Year that are consistent with the requirements of Section 4B of this Disclosure Undertaking by not later than December 31, 2025.

B. Beginning in connection with the Fiscal Year ending on December 31, 2025, the Issuer shall, or shall cause the Dissemination Agent to provide, at least annually to the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, its Audited Financial Statements for the most recent Fiscal Year, which is the only financial information or operating data which is customarily prepared by the Issuer and publicly available, by not later than December 31, 2026, and by December 31 of each year thereafter.

C. If the Issuer is unable to provide to the MSRB an Annual Report by the dates required in subsections A or B, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Reporting of Significant Events. This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;

- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

SECTION 5. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 6. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 8. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to

that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 9. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 10. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 11. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 7 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: August 6, 2025.

CITY OF FOLEY, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

APPENDIX C

City's Financial Report

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2023. The complete financial report for the year 2023 and the prior two years are available for inspection at the Foley City Hall and the office of Northland Securities. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.

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.

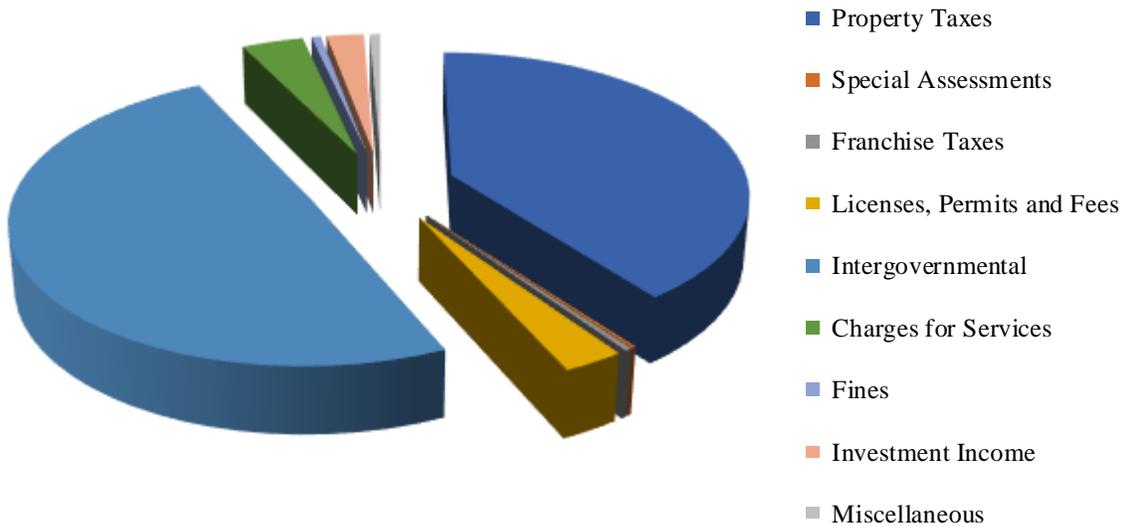
Major Funds	Fund Balance December 31,		Increase
	2023	2022	(Decrease)
General	\$ 3,250,351	\$ 3,199,591	\$ 50,760

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

**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	Improvement		
		Fund	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	<u>(270,000)</u>	<u>-</u>	<u>-</u>	<u>(120,392)</u>	<u>(390,392)</u>
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>
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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	\$ 4,486,089	\$ 20,205,665	\$ 24,691,754

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	<u>\$ -</u>	<u>\$ 55,647</u>	<u>\$ 55,647</u>
Issuance of Debt on Account	<u>\$ -</u>	<u>\$ 142,065</u>	<u>\$ 142,065</u>

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	<u>\$ 23,159,756</u>	<u>\$ 6,515,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,675,603</u>
	Balance at	Additions	Disposals	Transfers	Balance at
	01/01/23				12/31/23
Business-Type Activities:					
Intangible Assets not Being					
Amortized					
Intangible Assets	<u>\$ 18,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,812</u>

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						<u>\$ 3,954,000</u>

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

Business-Type Activities

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

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)

Governmental Activities			
Years Ending December 31,	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>

Business-Type Activities			
Years Ending December 31,	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	<u>2,218,612</u>	<u>464,036</u>	<u>2,682,648</u>
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:

	Transfers Out	Transfers In				Total
		Nonmajor Funds				
		Street Projects Fund	2008 Improvement Bond Fund	Equipment Fund	TIF 1-9 Silt Sock, Inc. Fund	
<u>Major Funds</u>						
General Fund	\$ 270,000	\$ 150,000	\$ -	\$ 120,000	\$ -	\$ 270,000
Sewer Fund	6,000	-	6,000	-	-	6,000
<u>Nonmajor Funds</u>						
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 Contributions Paid to PERA Subsequent to the Measurement Date	52,256	1,499
	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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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:

<u>Year ended December 31,</u>	<u>Pension Expense</u>
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.

PROPOSAL FORM

TO: City of Foley, Minnesota
 C/O Northland Securities, Inc.
 150 South 5th Street, Suite 3300
 Minneapolis, Minnesota 55402
 Phone: 612-851-5900
 Email: PublicSale@northlandsecurities.com

Sale Date: July 8, 2025

For all or none of the \$5,155,000* General Obligation Bonds, Series 2025A, in accordance with the Notice of Sale, we will pay you \$ _____, (not less than \$5,087,985) plus accrued interest, if any, to date of delivery (estimated to be August 6, 2025) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>									
2027	_____%	_____%	2032	_____%	_____%	2037	_____%	_____%	2042	_____%	_____%
2028	_____%	_____%	2033	_____%	_____%	2038	_____%	_____%	2043	_____%	_____%
2029	_____%	_____%	2034	_____%	_____%	2039	_____%	_____%	2044	_____%	_____%
2030	_____%	_____%	2035	_____%	_____%	2040	_____%	_____%	2045	_____%	_____%
2031	_____%	_____%	2036	_____%	_____%	2041	_____%	_____%	2046	_____%	_____%

True interest percentage: _____% Net interest cost: \$ _____

Term Bond Option: Bonds maturing in the years:

_____ through _____
 _____ through _____
 _____ through _____
 _____ through _____
 _____ through _____

To be accumulated into a Term Bond maturing in year:

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the City will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:

Account Manager: _____ By: _____

The foregoing proposal is hereby duly accepted by and on behalf of the City of Foley, Minnesota at 5:30 PM on July 8, 2025.

 City Administrator

 Mayor

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.