

PRELIMINARY OFFICIAL STATEMENT DATED JULY 2, 2018

NEW ISSUE
BANK QUALIFIED

BOOK ENTRY ONLY
STANDARD & POOR'S RATING "—"

In the opinion of Briggs and Morgan, Professional Association, 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. 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

\$2,355,000

General Obligation Improvement Bonds, Series 2018A

Dated Date: Date of Delivery (Estimated to be August 7, 2018)

**Interest Due: Each February 1 and August 1
Commencing August 1, 2019**

<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>	<u>Yield</u>	<u>Price</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>	<u>Yield</u>	<u>Price</u>
\$25,000	____%	2/1/2021	____	____	\$230,000	____%	2/1/2028	____%	____
20,000	____	2/1/2022	____	____	310,000	____	2/1/2029	____	____
25,000	____	2/1/2023	____	____	320,000	____	2/1/2030	____	____
25,000	____	2/1/2024	____	____	330,000	____	2/1/2031	____	____
25,000	____	2/1/2025	____	____	195,000	____	2/1/2032	____	____
215,000	____	2/1/2026	____	____	205,000	____	2/1/2033	____	____
220,000	____	2/1/2027	____	____	210,000	____	2/1/2034	____	____

The General Obligation Improvement Bonds, Series 2018A (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 and 475, as amended. Proceeds of the Bonds will be used to finance the Dewey Street and Gopher Street 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 and ad valorem taxes. 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, 2029 and thereafter are subject to redemption, in whole or in part, on February 1, 2028 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, 2021. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing August 1, 2019. 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 Trust Services Inc., Minneapolis, Minnesota.

Proposals: Tuesday, July 10, 2018 10:00 A.M., Central Time

Award: Tuesday, July 10, 2018 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 \$2,324,385 (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.** Rates must be in level or ascending order. A Good Faith Deposit (the "Deposit") in the amount of \$47,100, 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).



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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 7, 2018.

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 \$2,355,000 General Obligation Improvement Bonds, Series 2018A (Book-Entry Only)

AMOUNT -	\$2,355,000																																							
ISSUER -	City of Foley, Minnesota (the “City” or the “Issuer”)																																							
AWARD DATE -	July 10, 2018																																							
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 Improvement Bonds, Series 2018A (the “Bonds” or the “Issue”)																																							
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Improvement Bonds, Series 2018A (the “Bonds”) are being issued by the City of Foley, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapters 429 and 475, as amended. Proceeds of the Bonds will be used to finance the Dewey Street and Gopher Street 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 and ad valorem taxes. 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 7, 2018)																																							
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing August 1, 2019, 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>2/1/2021</td><td>\$25,000</td><td>2/1/2025</td><td>\$25,000</td><td>2/1/2029</td><td>\$310,000</td><td>2/1/2032</td><td>\$195,000</td></tr><tr><td>2/1/2022</td><td>20,000</td><td>2/1/2026</td><td>215,000</td><td>2/1/2030</td><td>320,000</td><td>2/1/2033</td><td>205,000</td></tr><tr><td>2/1/2023</td><td>25,000</td><td>2/1/2027</td><td>220,000</td><td>2/1/2031</td><td>330,000</td><td>2/1/2034</td><td>210,000</td></tr><tr><td>2/1/2024</td><td>25,000</td><td>2/1/2028</td><td>230,000</td><td></td><td></td><td></td><td></td></tr></table>								2/1/2021	\$25,000	2/1/2025	\$25,000	2/1/2029	\$310,000	2/1/2032	\$195,000	2/1/2022	20,000	2/1/2026	215,000	2/1/2030	320,000	2/1/2033	205,000	2/1/2023	25,000	2/1/2027	220,000	2/1/2031	330,000	2/1/2034	210,000	2/1/2024	25,000	2/1/2028	230,000				
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2/1/2024	25,000	2/1/2028	230,000																																					
REDEMPTION -	The Bonds maturing on February 1, 2029 and thereafter are subject to redemption, in whole or in part, on February 1, 2028 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 Trust Services Inc., 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 -	Briggs and Morgan, Professional Association, Minneapolis, Minnesota (“Bond Counsel”)																																							
BOND RATING -	The City applied for an underlying rating from S&P Global Ratings (“S&P”). See <i>Bond Rating</i> herein for additional information.																																							
CLOSING -	Estimated to be August 7, 2018																																							
PRIMARY CONTACTS -	Sarah Brunn, City Administrator, City of Foley, Minnesota 320-968-7260 George Eilertson, Senior Vice President, Northland Securities, Inc., 612-851-5906																																							

CITY OF FOLEY, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials

City Council		
<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Gerard Bettendorf	Mayor	12/31/2018
Kris duMonceaux	Council Member	12/31/2018
Jeff Gondeck	Council Member	12/31/2020
Michael Kasner (interim appt. until special election 11/18)	Council Member	N/A
Gary Swanson	Council Member	12/31/2018

Appointed Officials

Sarah Brunn	City Administrator
Rinke-Noonan, Adam Ripple	City Attorney

BOND COUNSEL

Briggs and Morgan, Professional Association
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

\$2,355,000*

GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2018A

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 10, 2018, at 10:00 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 10, 2018 at 5:30 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) faxed to Northland Securities, Inc. at 612-851-5918,
- 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 612-851-5918, 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 10:00 A.M., CT, on Tuesday, July 10, 2018. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:00 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 Trust Services, Inc. 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 7, 2018)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475. Proceeds will be used to finance the Dewey Street improvements. The Bonds are payable from special assessments against benefited property and additionally secured by 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 August 1, 2019, 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 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>
2021	\$25,000	2026	\$215,000	2031	\$330,000
2022	20,000	2027	220,000	2032	195,000
2023	25,000	2028	230,000	2033	205,000
2024	25,000	2029	310,000	2034	210,000
2025	25,000	2030	320,000		

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%. *Rates must be in level or ascending order.* 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 representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the Hold-the-Offering-Price Rule, 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 Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail 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 Hold-the-Offering-Price Rule, as set forth in the retail 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 Hold-the-Offering-Price Rule 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 retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail 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 retail distribution agreement, as applicable, 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 and as set forth in the related pricing wires, and (ii) any agreement among underwriters 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 that is a party to a retail 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 such 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 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 retail 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 (i) at least 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), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership or another), or (iii) 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, 2029 through 2034 are subject to redemption and prepayment at the option of the City on February 1, 2028 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 Briggs and Morgan, Professional Association, 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 \$2,324,385 (98.70%) and accrued interest on the principal sum of \$2,355,000 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
215 4th Ave. N.
P.O. Box 709
Foley, Minnesota 56329

A good faith deposit (the "Deposit") in the amount of \$47,100 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 5, 2018

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

(ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED)

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the General Obligation Improvement Bonds, Series 2018A (the "Bonds") of the City of Foley, Minnesota (the "Issuer").

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.

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 Briggs and Morgan, Professional Association, 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: _____.

By_____

Its_____

SCHEDULE A

<u>Maturity</u>	Expected Offering Prices (Exclusive of <u>Accrued Interest</u>)
2021	\$
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034	
 SUBTOTAL	 \$_____
 PLUS ACCRUED INTEREST	 \$_____
 ISSUE PRICE (AGGREGATE)	 \$_____

(ISSUE PRICE CERTIFICATE – HOLD THE PRICE)

FORM OF ISSUE PRICE CERTIFICATE

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 Improvement Bonds, Series 2018A (the "Bonds") of the City of Foley, Minnesota (the "Issuer").

Initial Offering Price of the Bonds.

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.

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.

Defined Terms.

"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.

"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 _____, 2018.

"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 Briggs and Morgan, Professional Association, 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: _____, 2018

By: _____

Its: _____

SCHEDULE A
INITIAL OFFERING PRICES OF THE BONDS
(Attached)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

AUTHORITY AND PURPOSE

The General Obligation Improvement Bonds, Series 2018A (the “Bonds” or the “Issue”) are being issued by the City of Foley, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapters 429 and 475, as amended. Proceeds from issuance of the Bonds will be used to finance the Dewey Street and Gopher Street 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 and ad valorem taxes. 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>\$ 2,355,000</u>
Total Sources of Funds:	<u>\$ 2,355,000</u>

Uses of Funds

Deposit to Project Fund	\$ 2,280,894
Costs of Issuance/Underwriter’s Discount	70,115
Rounding Amount	<u>3,991</u>
Total Uses of Funds:	<u>\$ 2,355,000</u>

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 7, 2018), 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, 2021. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 2019. 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, 2029 and thereafter are subject to redemption, in whole or in part, on February 1, 2028 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. The District has previously entered into a continuing disclosure undertaking in connection with its G. O. Refunding Bonds, Series 2012A. While 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 in the past five years, a material event notice for a rating downgrade on June 6, 2013 was not posted within ten days of occurrence. The material event notice has now been filed, as required. 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 Certificate* herein for additional information.

MUNICIPAL ADVISOR

The Issuer 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 Issuer to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

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 applied for an underlying rating 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 Briggs and Morgan, Professional Association, 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, Briggs and Morgan, Professional Association, 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. 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	2010 Census	2,603
		2018 City Estimate	2,713

Labor Force Data¹

Comparative average labor force and unemployment rate figures for 2018 (through March) and year-end 2017 are provided below. Figures are not seasonally adjusted and numbers of people are estimated by place of residence.

	<u>2018 (March)</u>		<u>2017</u>	
	<i>Civilian Labor Force</i>	<i>Unemployment Rate</i>	<i>Civilian Labor Force</i>	<i>Unemployment Rate</i>
Benton County	22,609	5.3%	21,815	4.2%
St. Cloud MSA	1104,307	4.3	110,923	3.7
Minnesota	3,098,352	3.9	3,046,697	3.6

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	\$65,417	\$79,595	\$67,871
Per Capita Income	22,419	33,225	29,829

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 Source: Minnesota Department of Employment and Economic Development.

² Source: 2012-2016 American Community Survey, U.S. Census Bureau.

Employee Pension Programs

The City employs 64 people, 10 full-time, 33 part-time and 21 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 Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in 2017. The City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.5% for Coordinated Plan members.

Audited City contributions to GERF and the Foley Firemen's Relief Association for the past eight years have been as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2017	\$59,031	2013	\$49,632
2016	55,305	2012	40,128
2015	57,909	2011	25,177
2014	52,612	2010	27,247

General Fund Budget Summary

	<u>2017 Revised Budget</u>	<u>2018 Adopted Budget</u>
<u>Revenues:</u>		
Property Taxes	\$ 944,051	\$ 990,221
Special Assessments	147,255	78,024
Licenses & Permits	23,200	24,800
Intergovernmental Revenue	757,477	801,329
Charges for Services	263,660	270,860
Investment Income	145	3,500
Fines and Forfeits	17,500	17,500
All Other Revenues	15,900	3,200
Transfers from Other Funds	60,000	125,000
Total Revenues	<u>\$ 2,229,188</u>	<u>\$ 2,314,434</u>
	<u>2017 Revised Budget</u>	<u>2018 Adopted Budget</u>
<u>Expenditures:</u>		
General Government	\$ 572,525	\$ 589,400
Public Safety	552,450	579,710
Streets and Highways	224,210	216,510
Culture and Recreation	146,675	147,675
Sanitation	14,800	14,000
Debt Service	491,971	528,580
All Other Capital Outlay	205,000	270,000
Total Expenditures	<u>\$ 2,207,631</u>	<u>\$ 2,345,875</u>

Estimated Cash and Investment Balances as of December 31, 2017 (unaudited)

<u>Fund</u>	
General Fund	\$ 1,827,028
Special Revenue Funds	1,371,016
Debt Service Funds	1,160,149
Enterprise Funds	<u>3,872,078</u>
Total Estimated Cash and Investment Balances	<u>\$ 8,230,271</u>

Residential Development

There are approximately 748 single-family homes and 247 multifamily units located within the City. In addition, there have been 11 single-family homes constructed within the past twelve months.

The status of residential subdivisions under construction, constructed or planned from 2015 to 2018 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	2	0	2
Kampa Meadows	44	41	3
Gopher Ave lots (new plat in process)	7	0	7
Popular Place	3	0	3

Industrial Park(s)

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, Gor-Fol Mfg., Blow Molded Specialties, Distinctive Cabinets, Pouchtec Industries, LLC and Murphy Chevrolet.

Commercial/Industrial Development

Building construction and commercial/industrial development completed from 2015 to 2018 have been as follows:

<u>Name</u>	<u>Description of Construction</u>	<u>Valuation</u>
New Life Church	Gathering Space	\$360,000
Wonton Chinese	Restaurant Remodel	25,000
Cutting Edge Salon	Comm. Addition	60,000
Quilts on Broadway	Remodel	30,000
Benton County	Remodel	45,000
Silt Sock	New Industrial Building	1,750,000
Foley Schools	Recreation Improvement	225,000
Foley Schools	Remodel	130,000
Pouchtec Industries	Building Addition	811,000
Maywood Church	Remodel	40,000
Coborn's	Remodel – Add Quick Healthcare Clinic	135,000
Falcon Bank	Remodel	17,500
Dollar General	New Retail Store	600,000
Falcon Bank	Remodel	50,000
SuperAmerica	Sign	13,000
Coborn's	Sign	10,000
Dollar General	Sign	15,000

Building Permits

Building permits issued for the past ten 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>
2018 (as of 05/17)	4	9	13	\$582,227
2017	13	49	62	2,006,736
2016	7	62	69	4,075,050
2015	10	41	51	1,588,000
2014	5	56	61	2,346,125
2013	12	77	89	2,882,800
2012	16	55	71	1,906,000
2011	11	58	69	788,110
2010	14	47	61	752,059
2009	10	63	73	431,500
2008	11	85	96	1,531,221

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 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	397
Benton County	County Government	259
Pouchtec Industries, LLC	Packaging	240
Heritage of Foley Campus	Elderly Care	166
Blow Molded Specialties	Plastics Products	101
Coborn's Grocery	Grocery Store	95
Customer Elation	Telephone Answering Services	80
Distinctive Cabinet Design	Cabinet Manufacturer	75
Dombrovski Meats Inc.	Commercial Meat Processing	65
Willmar Poultry Co., Inc. (Foley)	Poultry Hatcheries	45
McDonald's	Restaurant	45
Gor-Fol Mfg.	Industrial Inorganic Chemical Products	30

¹ City, Reference USA, and 2018 Minnesota Manufacturers Register.

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

Largest Taxpayers¹

Following are the ten largest taxpayers within the City:

<u>Name</u>	<u>Classification</u>	<u>2017/2018 Taxable Market Value</u>	<u>2017/2018 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$1,274,325)²</u>
Xcel Energy	Utility	\$2,066,700	\$ 41,334	3.24%
Eugene & Paul Properties LLC	Commercial	2,088,600	41,022	3.22
Foremost Healthcare Prop. Inc.	Multi-Unit Housing	3,170,100	39,627	3.11
UMI Real Estate Inc.	Industrial	1,627,500	31,800	2.50
Big Norway LLC	Multi-Unit Housing	1,944,000	24,300	1.91
Pouch Tec Industries LLC	Industrial	1,140,000	22,050	1.73
Coborn's Inc.	Commercial	1,065,300	20,556	1.61
RTC Enterprise LLC	Industrial	948,300	18,216	1.43
Falcon Building LLC	Commercial	1,006,500	17,397	1.37
Select Genetics LLC	Industrial	818,000	<u>15,610</u>	<u>1.22</u>
			<u>\$ 271,912</u>	<u>21.34%</u>

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¹ As reported by Benton County.

² Before tax increment 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>2015/ 2016</u>	<u>2016/ 2017</u>	<u>2017/ 2018</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
	\$600,000-2,300,000	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 \$1,940,000			.50
	Over \$1,940,000			1.00
	First \$2,140,000	.50		
	Over \$2,140,000	1.00		
	First \$2,050,000		.50	.50
	Over \$2,050,000		1.00	1.00
	<u>Agricultural Homestead Land</u> ¹	1.00	1.00	1.00
2a	<u>Non-Homestead Agricultural Productive Land</u> *	1.00	1.00	1.00
2b	<u>Non-Homestead Rural Vacant Land</u> ²	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u>			
	First \$100,000			1.50
	\$100,001 – 150,000 [†]			1.50
	First \$150,000 [†]	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
	<u>Residential Non-Homestead (Single Unit)</u>			
4bb(1)	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 \$106,000	.75		
	Over \$106,000	.25		
	First \$115,000		.75	
	Over \$115,000		.25	
	First \$121,000			.75
	Over \$121,000			.25

[†] Subject to the state general property tax.

* Exempt from referendum market value based taxes.

¹ Homestead remainder & non-homestead; includes structures.

² Homestead remainder & non-homestead; includes minor ancillary structures.

CITY OF FOLEY, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	<i>Estimated Market Value 2017/2018</i>	<i>Net Tax Capacity 2017/2018</i>
Real Property	\$ 123,066,400	\$ 1,228,543
Personal Property	2,289,100	45,782
Less Tax Increment Deduction	- - -	(37,121)
Less 2000KW Powerlines	- - -	(54)
Total Adjusted Valuation	<u>\$ 125,355,500</u>	<u>\$ 1,237,150</u>

Economic Market Value

Economic market value (described in detail under “MINNESOTA VALUATIONS, PROPERTY TAX CLASSIFICATIONS” herein) has been calculated as shown below, and is also used in the “Summary of Debt and Debt Statistics.”

\$ 122,800,400	Estimated Market Value of real property (as of January 2, 2017 for taxes payable in 2018) excluding utility, railroads and minerals value
÷ <u>93.9%</u> ²	Minnesota Department of Revenue 2016 Sales Assessment Ratio
= \$ 130,777,849	Economic Market Value of real property
+ 266,000	Estimated Market Value of utility, railroads and minerals (2016/2017) ³
+ <u>2,289,100</u>	Estimated Market Value of personal property
= <u>\$ 133,332,949</u>	Economic Market Value of real and personal property used in “Summary of Debt and Debt Statistics”

Sales Ratios⁴

Sales ratios over the past eight years have been as follows:

<u>Year</u>	<u>Ratio</u>	<u>Year</u>	<u>Ratio</u>
2016	93.9%	2012	93.6%
2015	91.8	2011	100.3
2014	97.0	2010	102.1
2013	91.1	2009	97.3

¹ Property valuations, tax rates, and tax levies and collections are provided by Benton County.

² The 2016 Sales Ratio of 93.9% means the Estimated Market Value of all real property is 93.9% of the probable selling price of the property.

³ The 2017/18 breakdown of estimated market value of utility, railroads and minerals is not yet available.

⁴ The Sales Ratios for 2009-2010 are based on the Taxable Market Value (rather than Estimated Market Value) of all real property in relation to the probable selling price of the property.

Valuation Trends (Real and Personal Property)

In 2011, the State Legislature eliminated the Homestead Market Value Credit for homestead residential property and replaced it with “Homestead Market Value Exclusion” (see “*MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS*” herein). Beginning with taxes payable in 2012, this results in a reduction in the Taxable Market Value of residential homestead property and, consequently, also in the Indicated Market Value. Economic Market Value is now being provided in place of Indicated Market Value in the following table to better represent the “full” value of property before legislated changes.

Valuation trends over the past nine years have been as follows:

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Indicated Market Value</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>
2017/2018	\$133,332,949	N/A	\$125,355,500	\$107,519,200	\$1,274,325	\$1,237,150
2016/2017	126,833,127	N/A	119,214,500	101,363,900	1,189,846	1,188,583
2015/2016	126,510,992	N/A	116,284,100	97,924,500	1,152,492	1,151,230
2014/2015	119,356,558	N/A	115,842,800	97,501,200	1,149,385	1,148,116
2013/2014	117,266,864	N/A	107,049,700	88,702,500	1,059,594	1,058,883
2012/2013	115,253,829	N/A	108,039,800	89,923,900	1,072,611	1,072,559
2011/2012	112,269,941	N/A	112,797,300	94,401,100	1,121,942	1,121,890
2010/2011	N/A	\$109,683,130	N/A	111,854,600	1,298,453	1,298,400
2009/2010	N/A	129,469,230	N/A	125,942,500	1,440,630	1,431,453

Breakdown of Valuations

2017/2018 Tax Capacity, Real and Personal Property (before tax increment and fiscal disparities adjustments):

Residential Homestead	\$ 644,669	50.59%
Agricultural	6,771	0.53
Commercial & Industrial	368,846	28.95
Public Utility	5,018	0.39
Residential Non-Homestead	196,401	15.41
Seasonal/Recreational	6,838	0.54
Personal Property	<u>45,782</u>	<u>3.59</u>
Totals:	<u>\$ 1,274,325</u>	<u>100.00%</u>

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>2013/14 Tax Capacity Rates</i>	<i>2014/15 Tax Capacity Rates</i>	<i>2015/16 Tax Capacity Rates</i>	<i>2016/17 Tax Capacity Rates</i>	<i>2017/18 Tax Capacity Rates</i>
Benton County	77.580%	70.600%	67.110%	65.987%	64.340%
City of Foley	85.785	79.319	79.118	79.426	80.040
ISD No. 051, Foley	<u>59.289</u>	<u>61.115</u>	<u>58.221</u>	<u>56.703</u>	<u>49.724</u>
Totals:	<u>222.654%</u>	<u>211.034%</u>	<u>204.449%</u>	<u>202.116%</u>	<u>194.104%</u>
<i>Market Value Rates:</i>	<i>2013/2014</i>	<i>2014/2015</i>	<i>2015/2016</i>	<i>2016/2017</i>	<i>2017/2018</i>
ISD No. 051 (Foley)	0.06933%	0.09048%	0.08669%	0.10804%	0.14613%

Tax Levies and Collections¹

<i>Levy Year/ Collection Year</i>	<i>2013/ 2014</i>	<i>2014/ 2015</i>	<i>2015/ 2016</i>	<i>2016/ 2017</i>
Original Gross Tax Levy	\$ 908,407	\$ 910,719	\$ 910,873	\$ 944,088
Property Tax Credits ²	(99)	(195)	(200)	(203)
Levy Adjustments	(0)	<u>772</u>	(0)	(720)
Net Tax Levy	\$ 908,308	\$ 911,296	\$ 910,673	\$ 943,165
Amount Collected during Collection Year	\$ 892,160	\$ 901,537	\$ 904,952	\$ 934,940
Percent of Net Tax Levy Collected	98.22%	98.93%	99.37%	99.13%
Amount Delinquent at end of Collection Year	\$ 16,148	\$ 9,759	\$ 5,721	\$ 8,225
Delinquencies Collected as of 01/01/18	(15,118)	(8,776)	(5,252)	(0)
Delinquencies Abated or Cancelled as of 01/01/18	(0)	(0)	(0)	(0)
Total Delinquencies Outstanding as of 01/01/18	\$ 1,030	\$ 983	\$ 469	\$ 8,225
Percent of Net Tax Levy Collected	99.87%	99.89%	99.95%	99.13%
Note: 2017/2018 Gross Tax Levy	\$990,258			
Note: 2017/2018 Net Tax Levy	\$990,046			

¹ 2017/2018 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Benton County.

² Property tax credits are aids provided by the State of Minnesota and paid directly to the City.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit¹

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, 2018:

2017/2018 Estimated Market Value	\$ 125,355,500
Multiplied by 3%	<u>x .03</u>
Statutory Debt Limit	<u>\$ 3,760,665</u>
Less outstanding debt applicable to debt limit:	<u>\$ 0</u>
Legal debt margin	<u>\$ 3,760,665</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.

CITY OF FOLEY, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of July 2, 2018, Plus This Issue)

Purpose:	This Issue						
	G.O. Improvement Bonds, Series 2011A	G.O. Improvement Crossover Refunding Bonds, Series 2012A	G.O. Bonds Series 2015A	G.O. Improvement Bonds, Series 2018A			
Dated:	11/01/11	03/01/12	08/04/15	08/07/18			
Original Amount:	\$1,320,000	\$2,875,000	\$800,000	\$2,355,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	1.00-4.00%	2.00-2.20%	3.00-3.25%		PRINCIPAL:	PRIN & INT:	
2018	\$0	\$0	\$0	\$0	\$0	\$35,670	2018
2019	80,000	280,000	45,000	0	405,000	566,854	2019
2020	85,000	285,000	60,000	0	430,000	583,963	2020
2021	85,000	285,000	50,000	25,000	445,000	589,156	2021
2022	90,000	295,000	50,000	20,000	455,000	588,938	2022
2023	90,000	300,000	50,000	25,000	465,000	588,371	2023
2024	90,000	305,000	50,000	25,000	470,000	582,351	2024
2025	95,000	315,000	55,000	25,000	490,000	590,579	2025
2026	100,000	0	55,000	215,000	370,000	458,704	2026
2027	105,000	0	55,000	220,000	380,000	456,808	2027
2028	105,000	0	60,000	230,000	395,000	459,168	2028
2029	0	0	60,000	310,000	370,000	421,863	2029
2030	0	0	60,000	320,000	380,000	419,988	2030
2031	0	0	60,000	330,000	390,000	417,473	2031
2032	0	0	0	195,000	195,000	212,738	2032
2033	0	0	0	205,000	205,000	215,886	2033
2034	0	0	0	210,000	210,000	213,675	2034
	\$925,000	\$2,065,000	\$710,000	\$2,355,000	\$6,055,000	\$7,402,181	
		(1)	(2)				

NOTE: 65% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

(1) These bonds crossover refunded \$2,740,000 of the \$3,900,000 General Obligation Improvement Bonds, Series 2008A, dated August 1, 2008. Maturities 2016 through 2025, inclusive, were called for redemption on December 1, 2015, at a price of par plus accrued interest.

(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.

CITY OF FOLEY, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of July 2, 2018)

Purpose:	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> G.O. Bonds, Series 2015A </div>			
Dated:				
Original Amount:	08/04/15			
Maturity:	\$195,000			
Interest Rates:	1-Feb	TOTAL	TOTAL	
	3.00-3.25%	PRINCIPAL:	PRIN & INT:	
2018	\$0	\$0	\$2,850	2018
2019	10,000	10,000	15,550	2019
2020	10,000	10,000	15,250	2020
2021	15,000	15,000	19,875	2021
2022	15,000	15,000	19,425	2022
2023	15,000	15,000	18,975	2023
2024	15,000	15,000	18,525	2024
2025	15,000	15,000	18,075	2025
2026	15,000	15,000	17,625	2026
2027	15,000	15,000	17,175	2027
2028	15,000	15,000	16,706	2028
2029	15,000	15,000	16,219	2029
2030	15,000	15,000	15,731	2030
2031	15,000	15,000	15,244	2031
	<u>\$185,000</u>	<u>\$185,000</u>	<u>\$227,225</u>	
	(1) (2)			

NOTE: 68% 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.

Indirect Debt*

<i><u>Issuer</u></i>	<i>2017/2018 Tax Capacity Value⁽¹⁾</i>	<i>2017/2018 Tax Capacity Value in City⁽¹⁾</i>	<i>Percentage Applicable in City</i>	<i>Outstanding General Obligation Debt⁽²⁾</i>	<i>Taxpayers' Share of Debt</i>
Benton County	\$ 30,414,097	\$1,237,150	4.07%	\$7,030,000 ⁽³⁾	\$ 286,121
ISD No. 51, Foley	7,397,015	1,237,150	16.72	16,830,000	<u>2,813,976</u>
				<i>Total Indirect Debt:</i>	<u>\$ 3,100,097</u>

(Remainder of page intentionally left blank)

* Only those taxing jurisdictions with general obligation debt outstanding are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

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

(2) As of July 2, 2018, unless noted otherwise.

(3) Excludes \$795,000 of general obligation debt payable from annual state aid allotments.

General Obligation Debt

Bonds secured by special assessments (includes this issue)	\$ 6,055,000
Bonds secured by sewer and water revenues	<u>185,000</u>
Subtotal	\$ 6,240,000
Less bonds secured by water/sewer revenues	(<u>185,000</u>)
<i>Direct General Obligation Debt</i>	6,055,000
Add taxpayers' share of indirect debt	<u>3,100,097</u>
<i>Direct and Indirect Debt</i>	<u>\$ 9,155,097</u>

Facts for Ratio Computations

2017/2018 Economic Market Value (real and personal property)	\$133,332,949
Population (2018 estimate)	2,713

Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct Debt</i>	<i>Indirect Debt</i>	<i>Direct and Indirect Debt</i>
To Economic Market Value	4.54%	2.32%	6.86%
Per Capita	\$2,232	\$1,143	\$3,375

APPENDIX A

Proposed Form of Legal Opinion



PROPOSED FORM OF LEGAL OPINION

\$ _____
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2018A
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 \$ _____ General Obligation Improvement Bonds, Series 2018A, bearing a date of original issue of August 7, 2018 (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



PROPOSED FORM OF LEGAL OPINION

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. 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.

BRIGGS AND MORGAN
Professional Association

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 \$2,355,000 General Obligation Improvement Bonds, Series 2018A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on July 10, 2018 (the "Resolution"). Pursuant to the Resolution and this 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.

"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 _____, 2018, 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. Beginning in connection with the Fiscal Year ending on December 31, 2017, 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, 2018, and by December 31 of each year thereafter.

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.

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 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: _____, 2018.

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, 2017. The complete financial report for the year 2017 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 AUDITORS' REPORT

June 4, 2018

Honorable Mayor and City Council
City of Foley, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Foley, Minnesota as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Foley, Minnesota as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of City's Proportionate Share of the Net Pension Liability, Schedule of City Contributions, and Schedule of Changes in Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and Schedule of Indebtedness, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2018 on our consideration of the City of Foley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated June 4, 2018, on our consideration of the City of Foley's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

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, 2017. Please read it in conjunction with the City's financial statements, which begin on page fourteen.

FINANCIAL HIGHLIGHTS

- The City's net position increased \$563,063 compared to the prior year as a result of this year's operations.
- In the City's business-type activities, revenues decreased \$104,266 (or 10.50 percent) while program expenses increased \$40,856 (or 6.96 percent). The significant decrease in revenues is primarily due to significant special assessment revenue recorded in the prior year.
- Total cost of all of the City's programs decreased \$641,336 (or 18.70 percent), primarily due to expenditures incurred in the prior year for a joint highway project with Benton County.
- The City of Foley received local government aid in the amount of \$744,477.
- In the current year, the City's General Fund generated more revenue than budgeted by \$218,727, primarily due to unbudgeted intergovernmental revenues and unbudgeted licenses, permits and fees, as well as proceeds from the sales of assets that were not budgeted for. Expenditures were more than budgeted, excluding transfers of \$100,000, by \$100,836 primarily due to capital outlay expenditures being more than budgeted.

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 fourteen and fifteen) 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 sixteen. 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 six. 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, liabilities and deferred outflows/inflows of resources 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, 2017**

USING THIS ANNUAL REPORT (Continued)

Reporting the City as a Whole (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, and 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 sixteen. The fund financial statements 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 enterprise 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, 2017**

THE CITY AS A WHOLE

The City's combined net position increased \$563,063 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	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 6,024,162	5,838,103	\$ 3,363,494	\$ 2,876,988	\$ 9,387,656	\$ 8,715,091
Net Capital Assets	7,682,249	7,955,067	4,246,621	4,386,874	11,928,870	12,341,941
Net Pension Asset	226,122	169,939	-	-	226,122	169,939
Total Assets	13,932,533	13,963,109	7,610,115	7,263,862	21,542,648	21,226,971
Deferred Outflows of Resources	503,410	741,038	34,026	63,797	537,436	804,835
Current Liabilities	223,179	214,216	86,551	23,662	309,730	237,878
Noncurrent Liabilities	4,866,069	5,880,778	175,517	196,367	5,041,586	6,077,145
Total Liabilities	5,089,248	6,094,994	262,068	220,029	5,351,316	6,315,023
Deferred Inflows of Resources	570,390	134,589	35,623	22,502	606,013	157,091
Net Position:						
Net Investment In Capital						
Assets	3,299,713	3,184,403	4,246,621	4,386,874	7,546,334	7,571,277
Restricted	1,258,368	1,332,854	-	-	1,258,368	1,332,854
Unrestricted	4,218,224	3,957,307	3,099,829	2,698,254	7,318,053	6,655,561
Total Net Position	<u>\$ 8,776,305</u>	<u>\$ 8,474,564</u>	<u>\$ 7,346,450</u>	<u>\$ 7,085,128</u>	<u>\$ 16,122,755</u>	<u>\$ 15,559,692</u>

The net position of the City's governmental activities increased by \$301,741 (3.56 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 \$260,917 (6.59 percent) compared to the prior year.

The net position of the City's business-type activities increased by \$261,322 (3.69 percent). Operations were generally comparable to the prior year, with the exception of a decrease in grant and contribution revenue.

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

THE CITY AS A WHOLE (Continued)

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
REVENUES						
Charges for Services	\$ 361,411	\$ 475,826	\$ 872,666	\$ 886,462	\$ 1,234,077	\$ 1,362,288
Grants and Contributions	227,814	765,610	8,681	101,903	236,495	867,513
Taxes	952,920	918,017	-	-	952,920	918,017
Franchise Fees	11,285	9,590	-	-	11,285	9,590
Intergovernmental	846,974	820,504	-	-	846,974	820,504
Investment Income (Loss)	16,259	9,530	7,819	5,067	24,078	14,597
Other	24,481	15,372	-	-	24,481	15,372
Gain on Disposal of Assets	20,607	42,152	-	-	20,607	42,152
Total Revenues	2,461,751	3,056,601	889,166	993,432	3,350,917	4,050,033
PROGRAM EXPENSES						
General Government	592,711	651,913	-	-	592,711	651,913
Public Safety	667,283	743,290	-	-	667,283	743,290
Public Works	588,156	1,098,086	-	-	588,156	1,098,086
Parks and Recreation	149,770	162,542	-	-	149,770	162,542
Economic Development	60,878	75,342	-	-	60,878	75,342
Debt Service	101,212	111,029	-	-	101,212	111,029
Water	-	-	270,716	260,072	270,716	260,072
Sewer	-	-	357,128	326,916	357,128	326,916
Total Expenses	2,160,010	2,842,202	627,844	586,988	2,787,854	3,429,190
Transfers	-	275,754	-	(275,754)	-	-
Change in Net Position	301,741	490,153	261,322	130,690	563,063	620,843
Net Position - Beginning of Year	8,474,564	7,984,411	7,085,128	6,954,438	15,559,692	14,938,849
Net Position - End of Year	\$ 8,776,305	\$ 8,474,564	\$ 7,346,450	\$ 7,085,128	\$ 16,122,755	\$ 15,559,692

The City's total revenues decreased by \$699,116 (17.26 percent). The total cost of all programs and services decreased by \$641,336 (18.70 percent). 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, 2017**

THE CITY AS A WHOLE (Continued)

Governmental Activities

Revenue for the City's governmental activities decreased by \$594,850 (19.46 percent) and total expenses decreased by \$682,192 (24.00 percent). Revenues were fairly consistent with the prior year, other than decreases in charges for services and grants and contribution receipts. Expenses were generally consistent year to year, with the exception of a decrease in public works expenditures related to the County's portion of a joint highway project in the prior year. There was also a decrease in public safety and general government expenditures in the current year.

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:

- Public Safety net cost of services decreased due to a decrease in pension expense along with additional contributions received in the current year.
- Public works total cost of services decreased significantly primarily due to a decrease in expenses related to the joint highway project constructed in the prior year.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
General Government	\$ 592,711	\$ 651,913	\$ 455,595	\$ 474,409
Public Safety	667,283	743,290	380,796	471,440
Public Works	588,156	1,098,086	470,664	355,344
Parks and Recreation	149,770	162,542	101,640	113,202
Economic Development	60,878	75,342	60,878	75,342
Debt Service	101,212	111,029	101,212	111,029
Totals	<u>\$ 2,160,010</u>	<u>\$ 2,842,202</u>	<u>\$ 1,570,785</u>	<u>\$ 1,600,766</u>

Business-type Activities

Revenues of the City's business-type activities, including investment income, (see Table 2) decreased by \$104,266 (10.50 percent) and expenses increased by \$40,856 (6.96 percent). Revenues had a significant decrease from the prior year as a result of less special assessment revenue in the current year. Expenses increased due to a wastewater expansion study started in the current year.

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

THE CITY'S FUNDS

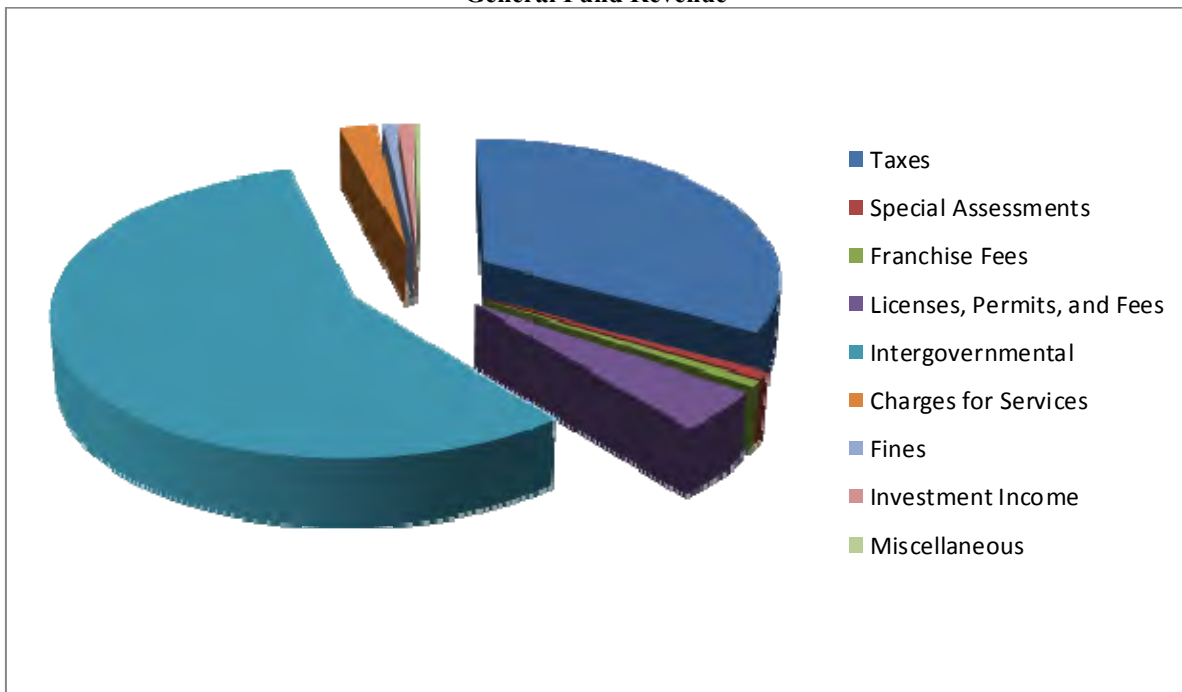
Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet on page sixteen) reported a combined fund balance of \$5,208,532. This is an increase of \$271,418 from the prior year. This increase is primarily due to fewer expenditures for public works and capital purchases in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2017	2016	
General	\$ 2,674,362	\$ 2,506,471	\$ 167,891

The fund balance of the General Fund increased by \$167,891 compared to 2016. Details of the General Fund's revenues and expenditures are displayed next.

General Fund Revenue

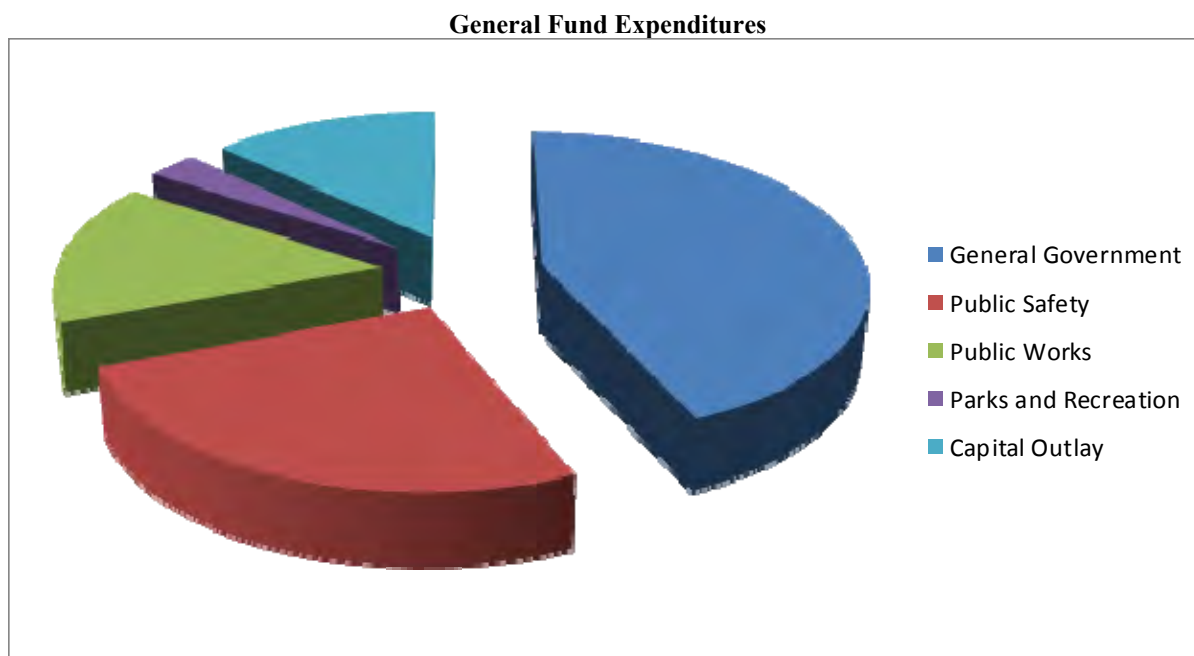


The City received the majority of its funding in the General Fund from grants and other governmental agencies (56.66 percent) and taxes (33.03 percent). Overall, the City's General Fund revenues were comparable to the prior year, with the exception an increase in intergovernmental revenues and a decrease in miscellaneous revenues.

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

THE CITY'S FUNDS (Continued)

Governmental Funds (Continued)



A significant portion of the City's General Fund expenditures are used for general government operations (43.53 percent). Remaining expenditures are used primarily for public safety (25.68 percent) and public works (15.04 percent). Expenditures have increased from the prior year, largely due to increased expenditures for capital outlay

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2017	2016	
Fire Service Fund	\$ 475,968	\$ 341,723	\$ 134,245

The Fire Service fund balance increased due to significant intergovernmental, charges for services and miscellaneous receipts received in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2017	2016	
2008 Improvement Bond Fund	\$ 752,418	\$ 849,611	\$ (97,193)

The 2008 Improvement Bond fund balance decreased primarily due to a decrease in special assessment revenues and significant debt service payments in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2017	2016	
2011 Improvement Bond Fund	\$ 267,577	\$ 278,074	\$ (10,497)

The 2011 Improvement Bond fund balance decreased in the current year due to decreases in property tax and special assessment revenues.

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

THE CITY'S FUNDS (Continued)

Governmental Funds (Continued)

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2017	2016	
2015 Improvement Bond Fund	\$ 531,181	\$ 499,566	\$ 31,615

The 2015 Improvement Bond fund balance increased due to the increase in property tax revenues being over the increase in debt service expenditures in the current year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2017	2016	
2016 Capital Improvement Fund	\$ (120,043)	\$ (117,688)	\$ (2,355)

The 2016 Capital Improvement fund balance decreased due to a significant decrease in intergovernmental revenues. Expenditures incurred also decreased significantly from the prior year due to the completion of the 2016 street project.

General Fund Budgetary Highlights

The City's General Fund generated more revenue than budgeted of \$218,727. Expenditures were more than those budgeted, excluding transfers of \$100,000, by \$100,836. Increased revenues over budget in the current year are primarily due to unbudgeted revenue from intergovernmental receipts, collections from licenses, permits and fees along with proceeds from the sale of assets.

Proprietary Funds

As the City completed the year, its business-type activities reported a combined net position of \$7,346,450. This is an increase of \$261,322 from the prior year. The following is a summary of the City's major proprietary funds:

Major Funds	Net Position December 31,		Increase (Decrease)
	2017	2016	
Water	\$ 3,218,396	3,073,947	\$ 144,449
Sewer	\$ 4,128,054	4,011,181	\$ 116,873

The Net Position of both the Water and Sewer funds increased in the current year due to a decrease in operating transfers out in the current year. Overall, the City's operations were generally comparable to the prior year, although there were decreases in charges for services and nonoperating revenue.

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had \$20,620,294 invested in a broad range of capital assets, including land, infrastructure, buildings, equipment, improvements, vehicles, lagoons and lift stations. This amount represents a net increase of \$105,287, or 0.51 percent over last year.

**Table 4
Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 350,826	\$ 350,827	\$ 41,262	\$ 41,262	\$ 392,088	\$ 392,089
Construction In Progress	81,507	122,436	-	312,836	81,507	435,272
Buildings	2,336,271	2,398,964	203,773	203,773	2,540,044	2,602,737
Infrastructure	7,198,228	6,996,545	4,764,992	4,409,072	11,963,220	11,405,617
Improvements	375,190	375,190	1,918,257	1,918,257	2,293,447	2,293,447
Equipment	723,375	670,939	12,334	12,334	735,709	683,273
Vehicles	1,694,745	1,795,458	352,394	352,394	2,047,139	2,147,852
Lagoons	-	-	488,640	476,220	488,640	476,220
Lift Stations	-	-	78,500	78,500	78,500	78,500
Totals	<u>\$ 12,760,142</u>	<u>\$ 12,710,359</u>	<u>\$ 7,860,152</u>	<u>\$ 7,804,648</u>	<u>\$ 20,620,294</u>	<u>\$ 20,515,007</u>

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

Debt

At year-end, the City had \$4,382,536 in debt versus last year \$4,770,664, a decrease of 8.14 percent, as shown in Table 5.

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

	Governmental Activities	
	2017	2016
General Obligation Bonds	\$ 1,970,000	\$ 2,080,000
Crossover Refunding Bonds	2,340,000	2,610,000
Unamortized Bond Premium	72,536	80,664
Total	<u>\$ 4,382,536</u>	<u>\$ 4,770,664</u>

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

**CITY OF FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the 2018 budget, tax rates and fees that will be charged for the business-type activities. The Council elected to increase the 2018 tax levy by 4.89% from the 2017 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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, Cash Equivalents and Investments	\$ 4,675,652	\$ 3,516,352	\$ 8,192,004
Property Taxes Receivable	28,082	-	28,082
Assessments Receivable	628,456	64,821	693,277
Notes Receivable	16,928	-	16,928
Accounts Receivable	133,500	265,983	399,483
Internal Balances	495,754	(495,754)	-
Prepays	45,790	12,092	57,882
Noncurrent Assets:			
Net Pension Asset	226,122	-	226,122
Capital Assets not Being Depreciated	432,333	41,262	473,595
Capital Assets Being Depreciated (Net)	<u>7,249,916</u>	<u>4,205,359</u>	<u>11,455,275</u>
TOTAL ASSETS	13,932,533	7,610,115	21,542,648
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	503,410	34,026	537,436
LIABILITIES			
Accounts Payable	75,526	68,524	144,050
Accrued Payroll and Payroll Taxes	64,079	5,589	69,668
Retainage Payable	19,703	-	19,703
Accrued Interest	45,092	-	45,092
Accrued Vacation	18,779	12,438	31,217
Noncurrent Liabilities:			
Accrued Severance	26,432	45,598	72,030
Net Pension Liability	457,101	129,919	587,020
Due Within One Year	425,000	-	425,000
Due After One Year	<u>3,957,536</u>	<u>-</u>	<u>3,957,536</u>
TOTAL LIABILITIES	5,089,248	262,068	5,351,316
DEFERRED INFLOWS OF RESOURCES			
Pensions	570,390	35,623	606,013
NET POSITION			
Net Investment in Capital Assets	3,299,713	4,246,621	7,546,334
Restricted	1,258,368	-	1,258,368
Unrestricted	<u>4,218,224</u>	<u>3,099,829</u>	<u>7,318,053</u>
TOTAL NET POSITION	<u>\$ 8,776,305</u>	<u>\$ 7,346,450</u>	<u>\$ 16,122,755</u>

**CITY OF FOLEY, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 592,711	\$ 52,706	\$ 16,512	\$ 67,898	\$ (455,595)	\$ -	\$ (455,595)
Public Safety	667,283	253,542	2,500	30,445	(380,796)	-	(380,796)
Public Works	588,156	7,033	6,360	104,099	(470,664)	-	(470,664)
Parks and Recreation	149,770	48,130	-	-	(101,640)	-	(101,640)
Economic Development	60,878	-	-	-	(60,878)	-	(60,878)
Debt Service	101,212	-	-	-	(101,212)	-	(101,212)
Total Governmental Activities	2,160,010	361,411	25,372	202,442	(1,570,785)	-	(1,570,785)
Business-Type Activities:							
Water	270,716	408,653	3,375	40	-	141,352	141,352
Sewer	357,128	464,013	-	5,266	-	112,151	112,151
Total Business-Type Activities	627,844	872,666	3,375	5,306	-	253,503	253,503
TOTALS	<u>\$ 2,787,854</u>	<u>\$ 1,234,077</u>	<u>\$ 28,747</u>	<u>\$ 207,748</u>	(1,570,785)	253,503	(1,317,282)
General Revenues:							
Taxes					952,920	-	952,920
Franchise Fees					11,285	-	11,285
Intergovernmental					846,974	-	846,974
Investment Income					16,259	7,819	24,078
Miscellaneous					24,481	-	24,481
Gain on Sale of Assets					20,607	-	20,607
Total General Revenues					<u>1,872,526</u>	<u>7,819</u>	<u>1,880,345</u>
CHANGE IN NET POSITION					301,741	261,322	563,063
NET POSITION - BEGINNING OF YEAR					<u>8,474,564</u>	<u>7,085,128</u>	<u>15,559,692</u>
NET POSITION - END OF YEAR					<u>\$ 8,776,305</u>	<u>\$ 7,346,450</u>	<u>\$ 16,122,755</u>

**CITY OF FOLEY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General Fund	Fire Service Fund	2008 Improvement Bond Fund	2011 Improvement Bond Fund	2015 Improvement Bond Fund	2016 Capital Improvement Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS								
Cash, Cash Equivalents and Investments	\$ 2,534,427	\$ 469,995	\$ 504,010	\$ 267,087	\$ 275,053	\$ -	\$ 625,080	\$ 4,675,652
Property Taxes Receivable	16,514	1,672	5,582	1,775	1,149	-	1,390	28,082
Assessments Receivable	161,689	-	186,091	170,490	110,186	-	-	628,456
Accounts Receivable	71,095	22,000	-	-	-	40,405	-	133,500
Notes Receivable	-	-	-	-	-	-	16,928	16,928
Due From Other Funds	137,471	-	40,000	-	20,000	-	-	197,471
Advance To Other Funds	-	-	200,000	-	235,754	-	-	435,754
Prepays	28,969	13,180	-	-	-	-	3,641	45,790
TOTAL ASSETS	<u>\$ 2,950,165</u>	<u>\$ 506,847</u>	<u>\$ 935,683</u>	<u>\$ 439,352</u>	<u>\$ 642,142</u>	<u>\$ 40,405</u>	<u>\$ 647,039</u>	<u>\$ 6,161,633</u>
LIABILITIES								
Accounts Payable	\$ 68,108	\$ 2,094	\$ -	\$ -	\$ -	\$ 5,324	\$ -	\$ 75,526
Accrued Payroll and Payroll Taxes	36,483	27,596	-	-	-	-	-	64,079
Retainage Payable	-	-	-	-	-	19,703	-	19,703
Due to Other Funds	-	-	-	-	-	135,421	2,050	137,471
Total Liabilities	104,591	29,690	-	-	-	160,448	2,050	296,779
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue:								
Property Taxes	9,592	1,189	4,396	1,285	775	-	992	18,229
Special Assessments	161,620	-	178,869	170,490	110,186	-	-	621,165
Notes Receivable	-	-	-	-	-	-	16,928	16,928
Total Deferred Inflows of Resources	171,212	1,189	183,265	171,775	110,961	-	17,920	656,322
FUND BALANCES								
Nonspendable	28,969	13,180	200,000	-	235,754	-	3,641	481,544
Restricted	-	-	552,418	267,577	295,427	-	188,038	1,303,460
Assigned	507,647	462,788	-	-	-	-	488,183	1,458,618
Unassigned	2,137,746	-	-	-	-	(120,043)	(52,793)	1,964,910
Total Fund Balance	2,674,362	475,968	752,418	267,577	531,181	(120,043)	627,069	5,208,532
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,950,165</u>	<u>\$ 506,847</u>	<u>\$ 935,683</u>	<u>\$ 439,352</u>	<u>\$ 642,142</u>	<u>\$ 40,405</u>	<u>\$ 647,039</u>	<u>\$ 6,161,633</u>

See accompanying notes.

CITY OF FOLEY, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total Fund Balance for Governmental Funds	\$	5,208,532	
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets (net of accumulated depreciation of \$5,077,893) used in governmental activities are not financial resources and, therefore, are not reported in the funds:			7,682,249
The net pension asset/liability and related inflows/outflows represent the allocation of pension obligations to the City. Such balances are not reported in the funds:			
Net Pension Asset	\$	226,122	
Net Pension Liability		(457,101)	
Deferred Outflows - Pensions		503,410	
Deferred Inflows - Pensions		<u>(570,390)</u>	
			(297,959)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:			
Property Taxes Receivable		18,229	
Special Assessments Receivable		621,165	
Notes Receivable		<u>16,928</u>	
			656,322
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:			
			(45,092)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds Balance Sheet:			
Accrued Vacation		(18,779)	
Unamortized Bond Premium		(72,536)	
Accrued Severance		(26,432)	
Bonds Due Within One Year		(425,000)	
Bonds Due In More Than One Year		<u>(3,885,000)</u>	
			<u>(4,427,747)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$		<u>8,776,305</u>

CITY OF FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Fire Service Fund	2008 Improvement Bond Fund	2011 Improvement Bond Fund	2015 Improvement Bond Fund	2016 Capital Improvement Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES								
Taxes	\$ 507,602	\$ 74,121	\$ 165,602	\$ 77,236	\$ 69,618	\$ -	\$ 57,522	\$ 951,701
Tax Increment	-	-	-	-	-	-	2,433	2,433
Franchise Fees	11,285	-	-	-	-	-	-	11,285
Special Assessments	11,773	-	58,071	23,613	22,124	-	-	115,581
Licenses, Permits and Fees	71,115	-	-	-	-	-	-	71,115
Intergovernmental	870,788	84,361	-	-	-	91,136	-	1,046,285
Charges for Services	35,092	199,138	-	-	-	-	44,780	279,010
Fines	11,286	-	-	-	-	-	-	11,286
Investment Income	13,880	1,447	64	39	23	-	806	16,259
Loan Repayment	-	-	-	-	-	-	2,024	2,024
Miscellaneous	4,066	20,635	-	-	-	-	1,527	26,228
TOTAL REVENUES	<u>1,536,887</u>	<u>379,702</u>	<u>223,737</u>	<u>100,888</u>	<u>91,765</u>	<u>91,136</u>	<u>109,092</u>	<u>2,533,207</u>
EXPENDITURES								
Current:								
General Government:								
City Clerk	115,233	-	-	-	-	-	-	115,233
Council	8,746	-	-	-	-	-	-	8,746
General Government	444,093	-	-	-	-	-	-	444,093
Total General Government	<u>568,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>568,072</u>
Public Safety:								
Police	297,253	-	-	-	-	-	-	297,253
Fire	-	221,321	-	-	-	-	-	221,321
Other	37,896	-	-	-	-	-	-	37,896
Total Public Safety	<u>335,149</u>	<u>221,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>556,470</u>
Public Works	196,282	-	-	-	-	91,138	2,050	289,470
Parks and Recreation	36,803	-	-	-	-	-	86,228	123,031
Economic Development	-	-	-	-	-	-	60,878	60,878
Debt Service:								
Principal	-	-	270,000	80,000	30,000	-	-	380,000
Interest and Other Charges	-	-	50,930	31,385	30,150	-	-	112,465
Total Debt Service	<u>-</u>	<u>-</u>	<u>320,930</u>	<u>111,385</u>	<u>60,150</u>	<u>-</u>	<u>-</u>	<u>492,465</u>
Capital Outlay	168,740	31,500	-	-	-	2,353	19,724	222,317
TOTAL EXPENDITURES	<u>1,305,046</u>	<u>252,821</u>	<u>320,930</u>	<u>111,385</u>	<u>60,150</u>	<u>93,491</u>	<u>168,880</u>	<u>2,312,703</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	231,841	126,881	(97,193)	(10,497)	31,615	(2,355)	(59,788)	220,504

See accompanying notes.

CITY OF FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Fire Service Fund	2008 Improvement Bond Fund	2011 Improvement Bond Fund	2015 Improvement Bond Fund	2016 Capital Improvement Fund	Total Nonmajor Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)								
Sale of Assets	\$ 36,050	\$ 7,364	\$ -	\$ -	\$ -	\$ -	\$ 7,500	\$ 50,914
Operating Transfers In	-	-	-	-	-	-	100,000	100,000
Operating Transfers Out	(100,000)	-	-	-	-	-	-	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	(63,950)	7,364	-	-	-	-	107,500	50,914
NET CHANGE IN FUND BALANCES	167,891	134,245	(97,193)	(10,497)	31,615	(2,355)	47,712	271,418
FUND BALANCES - BEGINNING	2,506,471	341,723	849,611	278,074	499,566	(117,688)	579,357	4,937,114
FUND BALANCES - ENDING	<u>\$ 2,674,362</u>	<u>\$ 475,968</u>	<u>\$ 752,418</u>	<u>\$ 267,577</u>	<u>\$ 531,181</u>	<u>\$ (120,043)</u>	<u>\$ 627,069</u>	<u>\$ 5,208,532</u>

CITY OF FOLEY, MINNESOTA
RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 271,418

Amounts reported for governmental activities in the Statement
of Activities are different due to the following:

Governmental funds report capital outlays as expenditures and proceeds from the sale of capital assets as other financing sources while governmental activities report the loss on disposal of assets and depreciation expense to allocate capital outlay expenditures over the life of the assets:

Capital Outlay	\$	222,317	
Depreciation Expense		<u>(464,828)</u>	
			(242,511)

The net effect of various transactions involving capital assets (i.e., sales) is to decrease net position.	(30,307)
--	----------

Revenues in Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Long-Term Receivables, Net of Deferred Revenue	(93,830)
--	----------

Net change in accrued interest on long-term debt is not reported as expenses in the funds:	3,125
--	-------

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 governmental funds:

Change in Accrued Vacation	(3,617)		
Change in Accrued Severance		<u>(3,032)</u>	
			(6,649)

Proceeds from issuance of long-term debt is an other financing source in the governmental funds, while repayment of debt principal is an expenditure in the governmental funds. However, neither transaction has any effect on net position:

Bond Payments	380,000
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The effects of bond premiums and discounts are reported in the governmental fund financial statements upon issuance of debt. These amounts are deferred and amortized in the Statement of Activities:

Current Year Amortization of Premium	8,128
--------------------------------------	-------

Net pension liability and asset do not represent the impending use of current resources. Therefore, the change in this liability and asset and the related deferrals are not reported in the governmental funds:

	<u>12,367</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 301,741</u>
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**CITY OF FOLEY, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets			
Cash, Cash Equivalents and Investments	\$ 1,563,799	\$ 1,952,553	\$ 3,516,352
Assessments Receivable	39,275	25,546	64,821
Accounts Receivable	130,469	135,514	265,983
Prepays	4,776	7,316	12,092
Total Current Assets	1,738,319	2,120,929	3,859,248
Noncurrent Assets			
Capital Assets not Being Depreciated	38,262	3,000	41,262
Capital Assets Being Depreciated (Net)	1,829,284	2,376,075	4,205,359
Total Noncurrent Assets	1,867,546	2,379,075	4,246,621
TOTAL ASSETS	3,605,865	4,500,004	8,105,869
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	16,489	17,537	34,026
LIABILITIES			
Current Liabilities			
Accounts Payable	43,962	24,562	68,524
Accrued Expenses	2,860	2,729	5,589
Accrued Vacation	6,219	6,219	12,438
Due to Other Funds	30,000	30,000	60,000
Total Current Liabilities	83,041	63,510	146,551
Noncurrent Liabilities			
Accrued Severance	22,799	22,799	45,598
Advances From Other Funds	217,877	217,877	435,754
Net Pension Liability	62,974	66,945	129,919
Total Noncurrent Liabilities	303,650	307,621	611,271
TOTAL LIABILITIES	386,691	371,131	757,822
DEFERRED INFLOWS OF RESOURCES			
Pensions	17,267	18,356	35,623
NET POSITION			
Net Investment in Capital Assets	1,867,546	2,379,075	4,246,621
Unrestricted	1,350,850	1,748,979	3,099,829
TOTAL NET POSITION	<u>\$ 3,218,396</u>	<u>\$ 4,128,054</u>	<u>\$ 7,346,450</u>

CITY OF FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Charges for Services	\$ 401,680	\$ 432,645	\$ 834,325
OPERATING EXPENSES			
Personnel Services	91,876	91,903	183,779
Utilities	18,711	9,826	28,537
Materials and Supplies	31,090	7,799	38,889
Repairs and Maintenance	23,223	18,540	41,763
Insurance	7,242	11,346	18,588
Water and Wastewater Analysis	1,785	5,313	7,098
Office Expense	4,694	5,965	10,659
Professional Services	9,128	4,503	13,631
Other Services and Charges	7,274	81,869	89,143
Depreciation	75,693	120,064	195,757
TOTAL OPERATING EXPENSES	270,716	357,128	627,844
NET OPERATING INCOME	130,964	75,517	206,481
NONOPERATING INCOME			
Intergovernmental	3,375	-	3,375
Special Assessments	40	5,266	5,306
Other Income	6,973	31,368	38,341
Investment Income	3,097	4,722	7,819
TOTAL NONOPERATING INCOME	13,485	41,356	54,841
CHANGE IN NET POSITION	144,449	116,873	261,322
NET POSITION - BEGINNING OF YEAR	3,073,947	4,011,181	7,085,128
NET POSITION - END OF YEAR	\$ 3,218,396	\$ 4,128,054	\$ 7,346,450

**CITY OF FOLEY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 428,434	\$ 441,807	\$ 870,241
Cash Paid to Suppliers	(61,369)	(125,142)	(186,511)
Cash Paid to Employees	(77,717)	(82,501)	(160,218)
NET CASH PROVIDED BY OPERATING ACTIVITIES	289,348	234,164	523,512
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Nonoperating Receipts	26,520	39,865	66,385
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	(47,045)	(8,459)	(55,504)
Payments on Interfund Advances	(30,000)	(30,000)	(60,000)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(77,045)	(38,459)	(115,504)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment Income	222	248	470
Net Change in Cash and Cash Equivalents	239,045	235,818	474,863
Cash and Cash Equivalents - Beginning of Year	1,134,730	1,134,054	2,268,784
Cash and Cash Equivalents - End of Year	1,373,775	1,369,872	2,743,647
Investments	190,024	582,681	772,705
Total Cash, Cash Equivalents and Investments	<u>\$ 1,563,799</u>	<u>\$ 1,952,553</u>	<u>\$ 3,516,352</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Change in Fair Value of Investments	<u>\$ 2,875</u>	<u>\$ 4,474</u>	<u>\$ 7,349</u>

CITY OF FOLEY, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Water Fund	Sewer Fund	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 130,964	\$ 75,517	\$ 206,481
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	75,693	120,064	195,757
Change in Assets, Liabilities, and Deferred Outflows/Inflows:			
Accounts Receivable	26,754	9,162	35,916
Prepays	69	358	427
Accounts Payable	41,709	19,661	61,370
Accrued Wages	292	(565)	(273)
Accrued Vacation	896	896	1,792
Accrued Severance	2,035	2,035	4,070
Deferred Outflows of			
Resources - Pensions	13,187	16,584	29,771
Net Pension Liability	(9,051)	(15,869)	(24,920)
Deferred Inflows of			
Resources - Pensions	6,800	6,321	13,121
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 289,348</u></u>	<u><u>\$ 234,164</u></u>	<u><u>\$ 523,512</u></u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1.A. FINANCIAL REPORTING ENTITY

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

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

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria describe 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. The City's blended component unit consists of:

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.

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.

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 of resources, liabilities, deferred inflows of resources, 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.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued)

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 enterprise 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 enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund and is always classified as a major fund. It accounts for all financial resources of the general government, 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 expenses.

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 other than debt service payments made by enterprise funds. Tax levies and special assessments are used for the payment of principal and interest on the City's indebtedness. Major debt service funds include: 2008 Improvement Bond Fund, 2011 Improvement Bond Fund, and 2015 Improvement Bond Fund.

The *2016 Capital Improvement Fund* is used to account for financial resources to be used for the 4th Avenue North capital improvement project.

The City reports the following major proprietary funds:

The *Water Fund* and *Sewer Fund* 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 funds:

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

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 other than debt service payments made by enterprise funds. 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 *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, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the *economic resources* measurement focus as defined in the second bullet point below.

In the fund financial statements, the *current financial resources* measurement focus or the *economic resources* measurement focus is used as appropriate:

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

Basis of Accounting

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

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

All proprietary funds utilize the accrual basis of accounting.

1.D. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows, and disclosure of contingencies related to these balances at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents

For purposes of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings and money market savings accounts for the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand, savings and money market savings accounts.

See Note 3.A. for additional information related to cash and cash equivalents.

Investments

Investments are stated at their fair value as determined by quoted market prices. Short-term investments are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Certificates of deposit, if any, are stated at cost, plus accrued interest, which approximates fair market value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

See Note 3.A. for additional information related to investments.

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to/from other fund.” Long-term interfund loans are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 3.E. for details of interfund transactions, including receivables and payables at year-end.

Prepays

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

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 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. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with 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. Allowance 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, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Notes Receivable

Notes Receivable consists of a loan made to a local entity during 2015. Remaining balance of such note amounts to \$16,928 at December 31, 2017 and will be payable to the City in monthly installments of \$184 through July 2026.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets are defined by the City as assets, with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

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

Land Improvements	20 years
Infrastructure	25 years
Buildings and Structures	20-50 years
Distribution System	40-50 years
Lagoons	60 years
Machinery and Equipment	5-15 years

Government-wide Statements

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Accounts Payable

Payables in the governmental and enterprise funds are composed almost entirely of payables to vendors.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accrued Vacation and Severance

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave. All vacation pay, compensatory pay and vested sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. Governmental activity accrued vacation and severance are generally funded through the General Fund.

Sick leave accumulates at the rate of one day per month of employment to a maximum accumulation of 155 days. 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.

Noncurrent Liabilities

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation bonds.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Net Pension Asset/Liability

The net pension asset represents the City's allocation of its pro-rata share of the Foley Fire Relief Association's net pension asset as of the most recent valuation date. The net pension liability represents the City's allocation of its pro-rata share of the Statewide General Employees Retirement Fund and the Public Employees Police and Fire Fund net pension liability.

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 then. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statements of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenues as deferred inflows of resources. Unavailable revenues consist of property taxes, special assessments and notes receivable. Accordingly, these amounts are deferred and recognized as inflows of resources in the period that they become available. Because this type of unavailable revenue is only reported under a modified accrual basis of accounting, deferred inflows of resources are only reported in the governmental fund Balance Sheet. 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 pension funds in which City employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

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

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Equity Classifications

Government-wide Statements

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

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

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

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

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

Fund Statements

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2017 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.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City Administrator shall have the authority to assign fund balance.

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

See Note 3.F. for additional disclosures.

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

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

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

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

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

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds - By Character	Current (further classified by Function)
	Debt Service
	Capital Outlay

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 3.E.

1.G. RECLASSIFICATIONS

Certain amounts from 2016 have been reclassified to conform to the 2017 presentation in the Management's Discussion and Analysis section.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2.A. FUND ACCOUNTING REQUIREMENTS AND DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

By its nature as a local government unit, the City is subject to various Federal, State, and local laws and contractual regulations. The City complies with all State and local laws and regulations requiring the use of separate funds.

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at market. Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC or FSLIC insurance (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

2.B. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and certain special revenue funds (Fire Fund). All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Council so that a budget may be prepared for the following year. Public hearings are conducted to allow for taxpayer comments and the proposed budget is then reviewed and approved by the Council.

The appropriated budget is prepared by fund, function and department. The City'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. Budgeted amounts are as originally adopted, or as amended by the Council. See the General Fund and Fire Fund budgets presented in the Required Supplementary Information section.

2.C. EXPENDITURES IN EXCESS OF BUDGET

Actual expenditures exceeded total budgeted expenditures for the current year end as follows:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Transfers Included in Actual</u>
General Fund	\$ 1,354,210	\$ 1,405,046	\$ 100,000
Fire Fund	\$ 251,050	\$ 252,821	\$ -

Expenditures in excess of budget were primarily the result of unbudgeted capital outlay and unbudgeted public safety expenditures for fire services. The expenditures in excess of budget were funded by available fund balances.

2.D. DEFICIT EQUITY

Deficits exist in the Silt Sock, Inc. Fund (\$50,743), 2016 Capital Improvement Fund (\$120,043) and the 2014 Capital improvement Fund (\$2,050). These deficits are due to current year expenditures being in excess of revenues. It is expected that the City will utilize debt proceeds to pay for the capital project expenses and future TIF revenues to pay for the Silt Sock, Inc. fund expenses.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 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.

3.A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

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

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

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

At December 31, 2017, the City’s deposits were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance or by collateral held by the City’s agent in the City’s name.

At December 31, 2017, the City has the following deposits:

Cash in Checking and Savings Accounts	\$ 1,064,973
Money Market Accounts	<u>5,092,092</u>
Total Carrying Amount of Deposits Balance	<u>\$ 6,157,065</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

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

Investments

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

Investment balances at December 31, 2017 are as follows:

<u>Type of Investments</u>	<u>Interest Rate</u>	<u>Credit Rating</u>	<u>Segmented Time Distribution</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Money Market Funds	N/A	Aaa, AAA	Less than 1 year	\$ 36,482	1.79
U.S. Government Securities	N/A	N/A	N/A	<u>1,998,457</u>	<u>98.21</u>
Total Investments				<u>\$ 2,034,939</u>	<u>100.00</u>

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

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk as indicated in the table above. Minnesota Statutes limit the City’s investments.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments. At December 31, 2017, none of the underlying securities held by the City are subject to custodial credit risk because they are insured by the Securities Investor Protection Corporation (SIPC).

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

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

Investments (Continued)

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

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2017:

- U.S. Government securities of \$1,998,457 and money market funds of \$36,482 are valued by using quoted market prices (level 1).

Deposits and Investments Summary

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

Carrying Amount of Cash and Cash Equivalents	\$ 6,157,065
Investments	<u>2,034,939</u>
 Total Cash, Cash Equivalents and Investments	 <u><u>\$ 8,192,004</u></u>

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

Governmental Funds	
Cash and Cash Equivalents	\$ 3,413,418
Investments	<u>1,262,234</u>
	4,675,652
Proprietary Funds	
Cash and Cash Equivalents	2,743,647
Investments	<u>772,705</u>
	<u>3,516,352</u>
 Total Cash, Cash Equivalents and Investments	 <u><u>\$ 8,192,004</u></u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.B. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 is as follows:

	Balance at 01/01/17	Additions	Disposals	Transfers	Balance at 12/31/17
Governmental Activities:					
Capital Assets not Being Depreciated					
Land	\$ 350,827	\$ -	\$ 1	\$ -	\$ 350,826
Construction In Progress	122,436	83,859	-	(124,788)	81,507
Total Capital Assets not Being Depreciated	473,263	83,859	1	(124,788)	432,333
Capital Assets Being Depreciated					
Buildings	2,398,964	-	62,693	-	2,336,271
Infrastructure	6,996,545	76,895	-	124,788	7,198,228
Improvements	375,190	-	-	-	375,190
Equipment	670,939	61,563	9,127	-	723,375
Vehicles	1,795,458	-	100,713	-	1,694,745
Total Capital Assets Being Depreciated	12,237,096	138,458	172,533	124,788	12,327,809
Less: Accumulated Depreciation					
Buildings	1,111,306	57,051	34,585	-	1,133,772
Infrastructure	1,868,144	264,296	-	-	2,132,440
Improvements	319,844	4,849	-	-	324,693
Equipment	430,066	25,763	7,171	-	448,658
Vehicles	1,025,932	112,869	100,471	-	1,038,330
Total Accumulated Depreciation	4,755,292	464,828	142,227	-	5,077,893
Total Capital Assets Being Depreciated, Net	7,481,804	(326,370)	30,306	124,788	7,249,916
Capital Assets, Net	<u>\$ 7,955,067</u>	<u>\$ (242,511)</u>	<u>\$ 30,307</u>	<u>\$ -</u>	<u>\$ 7,682,249</u>

Depreciation is charged to governmental activities as follows:

General Government	\$ 24,920
Pool	13,794
Parks and Recreation	13,704
Police	6,149
Public Works	298,795
Fire	107,466
Total Depreciation Expense	<u>\$ 464,828</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.B. CAPITAL ASSETS (Continued)

	Balance at 01/01/17	Additions	Disposals	Transfers	Balance at 12/31/17
Business-Type Activities:					
Capital Assets not Being					
Depreciated					
Land	\$ 41,262	\$ -	\$ -	\$ -	\$ 41,262
Construction In Progress	312,836	5,685	-	(318,521)	-
Total Capital Assets not Being					
Depreciated	354,098	5,685	-	(318,521)	41,262
Capital Assets Being					
Depreciated					
Buildings	203,773	-	-	-	203,773
Infrastructure	4,409,072	37,399	-	318,521	4,764,992
Lagoons	1,918,257	-	-	-	1,918,257
Improvements	12,334	-	-	-	12,334
Lift Stations	352,394	-	-	-	352,394
Equipment	476,220	12,420	-	-	488,640
Vehicles	78,500	-	-	-	78,500
Total Capital Assets Being					
Depreciated	7,450,550	49,819	-	318,521	7,818,890
Less: Accumulated Depreciation					
Buildings	150,520	4,216	-	-	154,736
Infrastructure	1,775,685	112,975	-	-	1,888,660
Lagoons	990,940	31,971	-	-	1,022,911
Improvements	12,334	-	-	-	12,334
Lift Stations	135,556	7,048	-	-	142,604
Equipment	316,760	31,697	-	-	348,457
Vehicles	35,979	7,850	-	-	43,829
Total Accumulated					
Depreciation	3,417,774	195,757	-	-	3,613,531
Total Capital Assets Being					
Depreciated, Net	4,032,776	(145,938)	-	318,521	4,205,359
Capital Assets, Net	<u>\$ 4,386,874</u>	<u>\$ (140,253)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,246,621</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.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 seven full time employees who qualify for the benefit. See Note 3.D. for changes in accrued severance.

3.D. NONCURRENT LIABILITIES

Debt Detail

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

Governmental Activities

As of December 31, 2017, the long-term debt of the financial reporting entity consists of the following, excluding the bond premium of \$72,536:

General Obligation Bonds						
Type of Debt	Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
2011A General Improvement Bond	11/11	\$ 1,320,000	\$75,000-\$105,000	1.00-4.00%	02/28	\$ 1,005,000
2012A Crossover Refunding Bond	03/12	\$ 2,875,000	\$265,000-\$315,000	2.00-2.20%	02/25	2,340,000
2015A General Improvement Bond	08/15	\$ 995,000	\$30,000-\$75,000	3.00-3.25%	02/31	965,000
Total Governmental Activities Bonds Payable						4,310,000
Bonds Due Within One Year						425,000
Bonds Due After One Year						<u>\$ 3,885,000</u>

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2017:

Type of Debt	Balance 1/1/17	Additions	Deductions	Balance 12/31/17	Amounts Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds	\$ 2,080,000	\$ -	\$ (110,000)	\$ 1,970,000	\$ 150,000
Crossover Refunding Bond	2,610,000	-	(270,000)	2,340,000	275,000
Unamortized Bond Premium	80,664	-	(8,128)	72,536	-
Accrued Severance	23,400	3,032	-	26,432	-
Net Pension Liability	1,086,714	-	(629,613)	457,101	-
Total	<u>\$ 5,880,778</u>	<u>\$ 3,032</u>	<u>\$ (1,017,741)</u>	<u>\$ 4,866,069</u>	<u>\$ 425,000</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.D. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities (Continued) no one

Type of Debt	Balance 1/1/17	Additions	Deductions	Balance 12/31/17	Amounts Due Within One Year
<i>Business-Type Activities:</i>					
Accrued Severance	\$ 41,528	\$ 4,070	\$ -	\$ 45,598	\$ -
Net Pension Liability	154,839	-	(24,920)	129,919	-
Total	<u>\$ 196,367</u>	<u>\$ 4,070</u>	<u>\$ (24,920)</u>	<u>\$ 175,517</u>	<u>\$ -</u>

Interest and other fiscal charges total \$101,212 in the Statement of Activities (included in Debt Service line). Interest and other fiscal charges total \$112,465 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges).

Governmental activity debt is typically funded through the Debt Service Fund. Severance and the net pension liability are funded through the funds to which the respective employees' wages are allocated.

Annual Debt Service Requirements

At December 31, 2017, 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-Type Activities		
	G.O. Bonds		
	Principal	Interest	Total
2018	\$ 425,000	\$ 103,580	\$ 528,580
2019	415,000	94,475	509,475
2020	440,000	85,048	525,048
2021	435,000	75,197	510,197
2022	450,000	65,125	515,125
2023-2027	1,740,000	171,340	1,911,340
2028-2031	405,000	40,500	445,500
Totals	<u>\$ 4,310,000</u>	<u>\$ 635,265</u>	<u>\$ 4,945,265</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2017:

		Transfers In
		Nonmajor Funds
Major Funds	Transfers Out	Equipment Fund
General	\$ 100,000	\$ 100,000

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

The interfund balances are as follows:

Short-Term Balances			
Due To Fund	Due From Fund	Amount	Reason
2008 Improvement Bond Fund	Water Fund	\$ 20,000	Current portion of loan repayment
2015 Improvement Bond Fund	Water Fund	10,000	Current portion of loan repayment
2008 Improvement Bond Fund	Sewer Fund	20,000	Current portion of loan repayment
2015 Improvement Bond Fund	Sewer Fund	10,000	Current portion of loan repayment
General Fund	2016 Capital Improvement Fund	135,421	To eliminate negative cash
General Fund	2014 Capital Project Fund	2,050	To eliminate negative cash
Total Short-Term Interfund Balance		197,471	
Long-Term Balances			
Advance From Fund	Advance to Fund		
2008 Improvement Bond Fund	Water Fund	100,000	Long-term interfund loan
2015 Improvement Bond Fund	Water Fund	117,877	Long-term interfund loan
2008 Improvement Bond Fund	Sewer Fund	100,000	Long-term interfund loan
2015 Improvement Bond Fund	Sewer Fund	117,877	Long-term interfund loan
Total Long-Term Interfund Balance		435,754	
Total Interfund Balances		<u>\$ 633,225</u>	
Government Fund Elimination		<u>(137,471)</u>	
Government-wide Internal Balances		<u>\$ 495,754</u>	

It is the City's intent to remit \$20,000 per year to the 2008 Improvement Bond Fund and \$10,000 per year to the 2015 Improvement Bond Fund from both the Water Fund and Sewer Funds.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.F. FUND EQUITY

At December 31, 2017, governmental fund equity consists of the following:

General Fund	
Nonspendable - Prepaids	\$ 28,969
Assigned	507,647
Unassigned	<u>2,137,746</u>
Total General Fund Balance	<u>\$ 2,674,362</u>
Fire Fund	
Nonspendable - Prepaids	\$ 13,180
Assigned	<u>462,788</u>
Total Fire Fund Balance	<u>\$ 475,968</u>
2008 Improvement Bond Fund	
Nonspendable - Advances to Other Funds	\$ 200,000
Restricted	<u>552,418</u>
Total 2008 Improvement Bond Fund Balance	<u>\$ 752,418</u>
2011 Improvement Bond Fund	
Restricted	<u>\$ 267,577</u>
2015 Improvement Bond Fund	
Nonspendable - Advances to Other Funds	\$ 235,754
Restricted	<u>295,427</u>
Total 2015 Improvement Bond Fund Balance	<u>\$ 531,181</u>
2016 Capital Improvement Fund	
Unassigned	<u>\$ (120,043)</u>
Other Governmental Funds	
Nonspendable - Prepaids	\$ 3,641
Restricted for TIF District 1-8	6,620
Restricted for Revolving Loan Fund	73,149
Restricted for Small Cities Development Grant Fund	108,269
Assigned for Swimming Pool Fund	363,665
Assigned for EDA Fund	35,946
Assigned for Equipment Fund	88,572
Unassigned	<u>(52,793)</u>
Total Other Governmental Funds Balance	<u>\$ 627,069</u>

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 OTHER NOTES

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plan 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 (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the City of Foley are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund))

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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.50 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given one percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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 Employee Plan Benefits

General Employee 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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.20 percent of average salary for each of the first ten years of service and 2.70 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years and 1.70 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.70 percent of average salary for Basic Plan members and 1.70 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Benefits Provided (Continued)

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.

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

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017, were \$28,579. The City's contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary in calendar year 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$30,452. 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, 2017, the City reported a liability of \$357,500 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 \$6 million to the fund in 2017. 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 \$4,494. The net pension liability was measured as of June 30, 2017 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 proportion 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, 2016, through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0056 percent which was a decrease of 0.0003 percent from its proportion measured as of June 30, 2016.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2017, the City recognized pension expense of \$8,574 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$130 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, 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	\$ 11,782	\$ 24,231
Change in Actuarial Assumptions	62,533	35,839
Difference Between Projected and Actual Investment Earnings	5,685	-
Changes in Proportionate Share	-	37,954
Contributions Paid to PERA Subsequent to the Measurement Date	14,312	-
	<u>\$ 94,312</u>	<u>\$ 98,024</u>
Total City Deferred Outflows/Inflows	<u>\$ 94,312</u>	<u>\$ 98,024</u>

A total of \$14,312 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2018	\$ 822
2019	\$ 8,309
2020	\$ (11,980)
2021	\$ (15,175)

Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$229,520 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017 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 proportion 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, 2016, through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0170 percent which was a decrease of 0.0020 percent from its proportion measured as of June 30, 2016.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

For the year ended December 31, 2017, the City recognized \$1,530 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. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017, the City recognized pension revenue of \$42,882 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2017, 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	\$ 5,283	\$ 68,578
Change in Actuarial Assumptions	335,711	325,862
Difference Between Projected and Actual Investment Earnings	12,092	-
Changes in Proportionate Share	5,400	66,886
Contributions Paid to PERA Subsequent to the Measurement Date	<u>16,416</u>	<u>-</u>
Total City Deferred Outflows/Inflows	<u>\$ 374,902</u>	<u>\$ 461,326</u>

A total of \$16,416 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, 2018. 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>
2018	\$ 2,574
2019	\$ 2,574
2020	\$ (6,829)
2021	\$ (23,666)
2022	\$ (77,493)

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>Rates</u>
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent per year for all future years for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.50 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Police and Fire Fund

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

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Actuarial Assumptions (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 of Net Pension Liability at Current Single Discount Rate					
	General Employees Fund			Police and Fire Fund	
1% Increase in Discount Rate	8.50%	\$	196,212	8.50%	\$ 62,153
Current Discount Rate	7.50%	\$	357,500	7.50%	\$ 229,520
1% Decrease in Discount Rate	6.50%	\$	554,510	6.50%	\$ 432,254

**CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE 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.

4.B. 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, 2017, were \$7,500.

Pension Costs

At December 31, 2017, the City of Foley reported a net pension asset of \$226,122 for the Fire Relief Association's plan. The net pension asset was measured as of December 31, 2016, as determined by an actuarial valuation as of that date.

For the year ended December 31, 2017, the City recognized pension revenue of \$27,490 for the Association. The City also recognized \$51,569 for the year ended December 31, 2017, as pension expense (and grant revenue) for State of Minnesota's contributions to the Association.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

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

Pension Costs (Continued)

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance 12/31/15	\$ 500,316	\$ 670,255	\$ (169,939)
Service Cost	27,648	-	27,648
Interest on Pension Liability	29,038	-	29,038
Assumption Changes	11,051	-	11,051
Projected Investment Income	-	38,472	(38,472)
Net Investment Income (Loss)	-	(23,936)	23,936
Contributions (Employer)	-	7,500	(7,500)
Contributions (State)	-	51,569	(51,569)
Asset (Gain)/Loss	(50,905)	-	(50,905)
Administrative Fee	-	(590)	590
Net Changes	<u>16,832</u>	<u>73,015</u>	<u>(56,183)</u>
Balance End of Year 12/31/16	<u>\$ 517,148</u>	<u>\$ 743,270</u>	<u>\$ (226,122)</u>

At December 31, 2017, the City of Foley reported deferred outflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 46,663
Changes in Actuarial Assumptions	10,130	-
Difference Between Projected and Actual Investment Earnings	50,592	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>7,500</u>	<u>-</u>
Total City Deferred Outflows/Inflows	<u>\$ 68,222</u>	<u>\$ 46,663</u>

A total of \$7,500 reported as deferred outflows of resources related to the pension resulting from City contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2018.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

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

Pension Costs (Continued)

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

Year ended December 31,	Pension Expense
2018	\$ 12,622
2019	\$ 12,622
2020	\$ 10,598
2021	\$ 1,466
2022 - 2024	\$ (23,249)

Actuarial Assumptions

The total pension asset at December 31, 2016, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	Rates
Investment Rate of Return (Discount)	4.75%
Expected Long-Term Rate of Return	4.75%
20-Year Municipal Bond Yield	3.50%
Salary Increases	2.50%
Cost of Living Increases	0.00%

The following change in actuarial assumptions occurred in 2016:

- The discount rate and expected long-term rate of return changed from 5.50% to 4.75%.

Pension Liability 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 (3.75%)	Discount Rate (4.75%)	1% Increase in Discount Rate (5.75%)
Net Pension Asset	\$ (210,775)	\$ (226,122)	\$ (240,765)

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

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

Plan Investments

Asset Allocation

The long-term expected rate of return on pension plan investments is 4.75 percent. The asset allocation at the measurement date and best estimates of arithmetic real rates of return for each major asset class of the Association's pension fund investments are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Weight</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	14%	2.25%
Fixed Income	45%	3.30%
Equities	39%	7.50%
Other	2%	6.00%

Description of significant investment policy changes during the year

The Fire Relief Association made no significant changes to their investment policy during fiscal year 2017.

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.

4.C. RISK MANAGEMENT

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

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

4.D. TAX INCREMENT FINANCING DISTRICT

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.

CITY OF FOLEY, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

4.D. TAX INCREMENT FINANCING DISTRICT (Continued)

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

Name of District:	Housing District #1-8
Business Name:	Prairie Cottages Assisted Living Project
Purpose:	Housing
Authorizing Law:	MN Statutes Sections 469.174
Year Established:	2012
Duration of District:	25 Years
Original Base Net Tax Capacity:	\$ 3,200
Current Net Tax Capacity:	<u><u>\$ 4,408</u></u>
Captured Net Tax Capacity:	
Retained by City	<u><u>\$ 1,208</u></u>
Shared with Other Taxing Districts	<u><u>\$ -</u></u>
Taxes Abated in 2017:	<u><u>\$ 2,433</u></u>

4.E. SUBSEQUENT EVENTS

Subsequent to year end but prior to the issuance of these financial statements, the City accepted a quote for a parking lot construction project in the amount of \$79,870.

Also, subsequent to year end and prior to issuance of these financial statements, the City accepted a bid for the 2018 improvement project which is to be shared with the County. The total cost to be incurred is approximately \$2,938,594; of this, \$1,834,974 will be applicable to the City. The City also plans to issue debt in the amount of \$2,675,000 to finance the project.

PROPOSAL FORM

TO: City of Foley
C/O Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Phone: 612-851-5900, Fax: 612-851-5918

Sale Date: July 10, 2018

For all or none of the \$2,355,000* General Obligation Improvement Bonds, Series 2018A, in accordance with the Notice of Sale, we will pay you \$_____, (not less than \$2,324,385) plus accrued interest, if any, to date of delivery for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

_____ %	2021	_____ %	2026	_____ %	2031
_____ %	2022	_____ %	2027	_____ %	2032
_____ %	2023	_____ %	2028	_____ %	2033
_____ %	2024	_____ %	2029	_____ %	2034
_____ %	2025	_____ %	2030		

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

Term Bond Option: Bonds maturing in the years: To be accumulated into a Term Bond maturing in year:

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

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 dated June ____, 2018. As Syndicate Manager, we agree to provide the County with the reoffering price of the Bonds within 24 hours of the bid acceptance.

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 P.M. on July 10, 2018.

Mayor

City Administrator

* 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.