

**CITY OF HAWLEY
HAWLEY, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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CITY OF HAWLEY, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2021

Mayor	James Joy
Council Member	Stacey Riedberger
Council Member	David Asleson
Council Member	Sean Mork
Council Member	Brad Eldred
Clerk Treasurer	Lisa Jetvig

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Hawley
Hawley, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund and the aggregate remaining fund information of the City of Hawley as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash basis financial position of each major governmental fund and the aggregate remaining fund information; and the financial position of each major proprietary fund of the City of Hawley as of December 31, 2021, and the receipts it received and disbursements it paid for each major governmental fund and the aggregate remaining governmental fund information; and the respective changes in financial position and cash flows for each major proprietary fund for the year then ended in accordance with the financial reporting provisions of the regulatory basis of accounting described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Hawley, as of December 31, 2021, or changes in net position and cash flows thereof for the year then ended.

Basis for Opinions

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the City of Hawley on the basis of the financial reporting provisions of the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Minnesota Statute 471.698. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the regulatory basis of accounting. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawley's basic financial statements. The budgetary comparison schedules, combining statements, schedules, and notes as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, combining statements, schedules, and notes are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the City Officials and Other Information as noted in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, on our consideration of the City of Hawley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
THIEF RIVER FALLS, MINNESOTA**

March 1, 2022

CITY OF HAWLEY, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	Airport	Fire Hall	Phase 3 Project	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 2,826,466	\$ 69,773	\$	\$ 1,187,452	\$ 1,379,525	\$ 5,463,216
Cash with Fiscal Agent					126,306	126,306
Due From Other Funds	56,649					56,649
TOTAL ASSETS	\$ 2,883,115	\$ 69,773	\$	\$ 1,187,452	\$ 1,505,831	\$ 5,646,171
LIABILITIES						
Due to Other Funds	\$	\$	\$ 56,649	\$	\$	\$ 56,649
TOTAL LIABILITIES			56,649			56,649
FUND BALANCES						
Restricted for:						
Revolving Loan					149,885	149,885
Debt Service					703,295	703,295
Committed for:						
Levy Reduction	113,089					113,089
Seal Coat/Crack Fill	376,459					376,459
Plow Truck/Equipment	61,700					61,700
Street Patching	94,700					94,700
Lawn Mower	6,600					6,600
Tomado Siren	21,500					21,500
Park Board Sinking Fund	43,820					43,820
Park - Brekken	1,256					1,256
Park - Disc Golf	2,000					2,000
Park Donations	11,759					11,759
Police - Night to Unite	2,640					2,640
Police Vehicle	57,050					57,050
Zoning Comprehensive Fund	2,960					2,960
Economic Development	16,800					16,800
River Meandering - Phase 3	20,000					20,000
Community Center	4,203					4,203
Public Works Vehicle	50,000					50,000
Library	21,680					21,680
Police Building	35,000					35,000
Health Savings Account	77,875					77,875
Prosecution	8,500					8,500
Organizational Study	29,845					29,845
Small Cities asst/15th Street	47,568					47,568
ARPA- COVID	120,101					120,101
Municipal Airport		69,773				69,773
Garbage Service/Recycling					290,517	290,517
Deputy Registrar/Office					142,187	142,187
Storm Water Maint/Repairs					69,471	69,471
Building Upkeep/Repair					55,647	55,647
Assigned for:						
Capital Projects				1,187,452	94,829	1,282,281
Unassigned	1,656,010		(56,649)			1,599,361
TOTAL FUND BALANCES	2,883,115	69,773	(56,649)	1,187,452	1,505,831	5,589,522
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,883,115	\$ 69,773	\$	\$ 1,187,452	\$ 1,505,831	\$ 5,646,171

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Airport	Fire Hall	Phase 3 Project	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 590,055				\$ 114,618	\$ 704,673
Tax Increment Financing					272,655	272,655
Special Assessments	128,662				378,500	507,162
Licenses and Permits	23,333					23,333
Intergovernmental	910,713	22,810		276,889		1,210,412
Charges for Services	16,905				636,761	653,666
Fines and Forfeitures	12,913					12,913
Investment Earnings	13,181	96		1,829	3,211	18,317
Miscellaneous	122,848	85,080	53,680	40,910	56,149	358,667
TOTAL RECEIPTS	<u>1,818,610</u>	<u>107,986</u>	<u>53,680</u>	<u>319,628</u>	<u>1,461,894</u>	<u>3,761,798</u>
DISBURSEMENTS						
Current						
General Government	212,445				167,740	380,185
Public Safety	711,691		44,264			755,955
Streets and Highways	163,359				3,113	166,472
Sanitation					313,774	313,774
Culture and Recreation	132,669					132,669
Conservation of Natural Resources	24,658					24,658
Economic Development	70,406				114,340	184,746
Airport		108,751				108,751
Debt Services						
Principal					683,000	683,000
Interest and Other Charges				90,677	117,161	207,838
Capital Outlay						
General Government	2,004					2,004
Public Safety	523,580		237,250			760,830
Streets and Highways				5,138,259	60,800	5,199,059
Culture and Recreation	46,558					46,558
Economic Development	153,016					153,016
Airport		141,466				141,466
TOTAL DISBURSEMENTS	<u>2,040,386</u>	<u>250,217</u>	<u>281,514</u>	<u>5,228,936</u>	<u>1,459,928</u>	<u>9,260,981</u>
Receipts Over (Under) Disbursements	(221,776)	(142,231)	(227,834)	(4,909,308)	1,966	(5,499,183)
OTHER FINANCING SOURCES (USES)						
Transfer In	286,282		211,185	1,264,997	469,276	2,231,740
Transfer In - Interfund Loan		115,000				115,000
Transfer Out	(818,782)				(487,403)	(1,306,185)
Transfer Out - Interfund Loan		(11,750)	(40,000)			(51,750)
Bond Premium				37,857		37,857
Debt Issued				4,742,643	17,316	4,759,959
TOTAL OTHER FINANCING SOURCES (USES)	<u>(532,500)</u>	<u>103,250</u>	<u>171,185</u>	<u>6,045,497</u>	<u>(811)</u>	<u>5,786,621</u>
Net Change in Fund Balances	(754,276)	(38,981)	(56,649)	1,136,189	1,155	287,438
Fund Balances - Beginning	3,637,391	108,754		51,263	1,504,676	5,302,084
Fund Balances - Ending	<u>\$ 2,883,115</u>	<u>\$ 69,773</u>	<u>\$ (56,649)</u>	<u>\$ 1,187,452</u>	<u>\$ 1,505,831</u>	<u>\$ 5,589,522</u>

See Notes to the Financial Statements

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

	Water	Sewer	Electric	Gas	Liquor	Total
ASSETS						
Current Assets						
Cash and Investments	\$ 312,371	\$ 288,677	\$ 954,727	\$ 879,082	\$ 96,620	\$ 2,531,477
Accounts Receivable	27,372	23,742	234,179	116,230		401,523
Inventory	19,771		151,553	11,979	195,622	378,925
Total Current Assets	<u>359,514</u>	<u>312,419</u>	<u>1,340,459</u>	<u>1,007,291</u>	<u>292,242</u>	<u>3,311,925</u>
Noncurrent Assets						
Assessments Receivable		59,001				59,001
Capital Assets						
Land			32,241		55,000	87,241
Construction in Process		41,447				41,447
Building	16,273		234,925	71,094	436,676	758,968
Improvements Other Than Building	4,850,502	4,704,518	2,406,515	1,271,150		13,232,685
Equipment	56,269	8,000	395,472	33,415	90,725	583,881
Less: Accumulated Depreciation	(2,990,500)	(3,580,657)	(2,204,674)	(759,933)	(202,121)	(9,737,885)
Net Capital Assets	<u>1,932,544</u>	<u>1,173,308</u>	<u>864,479</u>	<u>615,726</u>	<u>380,280</u>	<u>4,966,337</u>
Other Assets						
Cash-Restricted for Lottery					9,829	9,829
Advance to Other Funds		500,000	532,823	115,000		1,147,823
Total Other Assets		<u>500,000</u>	<u>532,823</u>	<u>115,000</u>	<u>9,829</u>	<u>1,157,652</u>
TOTAL ASSETS	<u>2,292,058</u>	<u>2,044,728</u>	<u>2,737,761</u>	<u>1,738,017</u>	<u>682,351</u>	<u>9,494,915</u>
DEFERRED OUTFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	26,407	28,291	94,311	56,586	45,268	250,863
LIABILITIES						
Current Liabilities						
Accounts Payable			147,723	64,467		212,190
Salary Payable	2,361	3,665	13,490	8,560	10,481	38,557
Advance from Other Funds	500,000					500,000
Due to Other Governmental Units	9,025				9,830	18,855
Customer Deposits			47,987			47,987
Unearned Revenue			23,172			23,172
Interest Payable					1,961	1,961
Compensated Absences	7,885	14,747	35,679	24,865	23,023	106,199
Current Portion - Long-Term Liabilities					32,000	32,000
Total Current Liabilities	<u>519,271</u>	<u>18,412</u>	<u>268,051</u>	<u>97,892</u>	<u>77,295</u>	<u>980,921</u>
Long-Term Liabilities						
Bonds Payable					197,000	197,000
Net Pension Liability	36,768	39,395	131,316	78,790	63,032	349,301
Less: Current Portion - Long-Term Debt					(32,000)	(32,000)
Total Long-Term Liabilities	<u>36,768</u>	<u>39,395</u>	<u>131,316</u>	<u>78,790</u>	<u>228,032</u>	<u>514,301</u>
TOTAL LIABILITIES	<u>556,039</u>	<u>57,807</u>	<u>399,367</u>	<u>176,682</u>	<u>305,327</u>	<u>1,495,222</u>

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Gas</u>	<u>Liquor</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	\$ 35,356	\$ 37,884	\$ 126,277	\$ 75,767	\$ 60,612	\$ 335,896
NET POSITION						
Net Investment in Capital Assets	1,932,544	1,173,308	864,479	615,726	183,280	4,769,337
Unrestricted	<u>(205,474)</u>	<u>804,020</u>	<u>1,441,949</u>	<u>926,428</u>	<u>178,400</u>	<u>3,145,323</u>
TOTAL NET POSITION	<u>\$ 1,727,070</u>	<u>\$ 1,977,328</u>	<u>\$ 2,306,428</u>	<u>\$ 1,542,154</u>	<u>\$ 361,680</u>	<u>\$ 7,914,660</u>

See Notes to the Financial Statements

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

	Water	Sewer	Electric	Gas	Liquor	Total
Operating Revenues						
Sales	\$	\$	\$	\$	\$ 1,535,655	\$ 1,535,655
Cost of Sales					(1,118,805)	(1,118,805)
Gross Profit					416,850	416,850
Charges for Sales and Services	401,569	297,697	2,462,964	818,871		3,981,101
Other Charges and Income	2,110	3,037	28,985	9,336	2,009	45,477
Total Operating Revenue	<u>403,679</u>	<u>300,734</u>	<u>2,491,949</u>	<u>828,207</u>	<u>418,859</u>	<u>4,443,428</u>
Operating Expenses						
Purchased Power and Gas			1,684,916	334,973		2,019,889
Salaries and Wages	44,378	65,253	241,157	151,305	171,317	673,410
Employee Benefits	16,171	15,207	65,825	44,502	47,667	189,372
Repairs and Maintenance	66,984	7,669	169,270	84,123	3,725	331,771
Chemicals	3,638	3,424				7,062
Utilities	25,512	3,698	8,216	4,564	14,206	56,196
Insurance	5,684	6,696	6,270	6,520	5,935	31,105
Professional Fees	8,950	22,320	31,884	15,326	6,570	85,050
Supplies	2,304	878	19,744	10,565	11,880	45,371
Other Expenses	7,429	3,989	91,178	23,198	38,069	163,863
Depreciation	118,304	173,311	61,984	36,279	15,782	405,660
Total Operating Expenses	<u>299,354</u>	<u>302,445</u>	<u>2,380,444</u>	<u>711,355</u>	<u>315,151</u>	<u>4,008,749</u>
Operating Income (Loss)	104,325	(1,711)	111,505	116,852	103,708	434,679
Nonoperating Income (Expense)						
Investment Earnings	304	1,777	18,498	5,185	52	25,816
Interest and Other Charges	(996)				(6,533)	(7,529)
Special Assessments		26,900				26,900
Total Nonoperating Income (Expense)	<u>(692)</u>	<u>28,677</u>	<u>18,498</u>	<u>5,185</u>	<u>(6,481)</u>	<u>45,187</u>
Net Income Before Transfers	103,633	26,966	130,003	122,037	97,227	479,866
Transfers Out	<u>(617,573)</u>	<u>(86,700)</u>	<u>(146,714)</u>	<u>(59,568)</u>	<u>(15,000)</u>	<u>(925,555)</u>
Change in Net Position	(513,940)	(59,734)	(16,711)	62,469	82,227	(445,689)
Net Position, Beginning	<u>2,241,010</u>	<u>2,037,062</u>	<u>2,323,139</u>	<u>1,479,685</u>	<u>279,453</u>	<u>8,360,349</u>
Net Position, Ending	<u>\$ 1,727,070</u>	<u>\$ 1,977,328</u>	<u>\$ 2,306,428</u>	<u>\$ 1,542,154</u>	<u>\$ 361,680</u>	<u>\$ 7,914,660</u>

See Notes to the Financial Statements

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

	Water	Sewer	Electric	Gas	Liquor	Total
Cash Flows From Operating Activities:						
Receipts from Customers	\$ 403,813	\$ 300,481	\$ 2,501,839	\$ 822,268	\$ 1,539,165	\$ 5,567,566
Payments to Suppliers	(105,485)	(48,674)	(2,080,350)	(458,699)	(1,226,391)	(3,919,599)
Payments to Employees	(65,461)	(85,261)	(318,680)	(203,029)	(226,896)	(899,327)
Net Cash Provided By Operating Activities	<u>232,867</u>	<u>166,546</u>	<u>102,809</u>	<u>160,540</u>	<u>85,878</u>	<u>748,640</u>
Cash Flows From Noncapital Financing Activities:						
Transfers to Other Funds	(617,573)	(86,700)	(146,714)	(59,568)	(15,000)	(925,555)
Advance From (To) Other Funds	(500,000)	39,578	(115,000)	(115,000)	(115,000)	(775,422)
Net Cash Used By Noncapital Financing Activities	<u>(617,573)</u>	<u>(586,700)</u>	<u>(107,136)</u>	<u>(174,568)</u>	<u>(15,000)</u>	<u>(1,500,977)</u>
Cash Flows From Capital and Related Financing Activities:						
Advance from Other Funds	500,000					500,000
Purchase of Capital Assets		(41,447)	(15,170)	(11,093)		(67,710)
Special Assessment Revenue Received		6,005				6,005
Principal Paid on Debt	(45,000)				(28,000)	(73,000)
Interest and Other Charges Paid on Debt	(1,494)				(6,855)	(8,349)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>453,506</u>	<u>(35,442)</u>	<u>(15,170)</u>	<u>(11,093)</u>	<u>(34,855)</u>	<u>356,946</u>
Cash Flows From Investing Activities:						
Investment Earnings	304	1,778	18,499	5,185	49	25,815
Net Cash Provided By Investing Activities	<u>304</u>	<u>1,778</u>	<u>18,499</u>	<u>5,185</u>	<u>49</u>	<u>25,815</u>
Net Increase (Decrease) In Cash, Cash Equivalents, and Restricted Cash	69,104	(453,818)	(998)	(19,936)	36,072	(369,576)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>243,267</u>	<u>742,495</u>	<u>955,725</u>	<u>899,018</u>	<u>70,377</u>	<u>2,910,882</u>
Cash, Cash Equivalents, and Restricted Cash - End of Year	<u>\$ 312,371</u>	<u>\$ 288,677</u>	<u>\$ 954,727</u>	<u>\$ 879,082</u>	<u>\$ 106,449</u>	<u>\$ 2,541,306</u>
Reconciliation of Cash, Cash Equivalents, and Restricted Cash						
Cash and Investments	\$ 312,371	\$ 288,677	\$ 954,727	\$ 879,082	\$ 96,620	\$ 2,531,477
Restricted Cash - Lottery					9,829	9,829
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 312,371</u>	<u>\$ 288,677</u>	<u>\$ 954,727</u>	<u>\$ 879,082</u>	<u>\$ 106,449</u>	<u>\$ 2,541,306</u>

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF CASH FLOWS – CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Gas</u>	<u>Liquor</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Operating Income (Loss)	\$ 104,325	\$ (1,711)	\$ 111,505	\$ 116,852	\$ 103,708	\$ 434,679
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	118,304	173,311	61,984	36,279	15,782	405,660
Effects on Operating Cash Flows due to Changes in:						
Accounts Receivable	(107)	(253)	8,996	(5,939)		2,697
Inventory	15,016		(70,066)	(2,119)	(27,201)	(84,370)
Accounts Payable			1,194	22,689		23,883
Salary Payable	671	1,186	6,056	3,492	4,337	15,742
Due to Other Governments	241				1,501	1,742
Customer Deposits			755			755
Unearned Revenue			139			139
Net Pension	(13,174)	(14,115)	(47,049)	(28,229)	(22,583)	(125,150)
Deferred Outflows	(23,196)	(24,853)	(82,841)	(49,704)	(39,763)	(220,357)
Deferred Inflows	30,494	32,673	108,908	65,345	52,275	289,695
Compensated Absences	293	308	3,228	1,874	(2,178)	3,525
Total Adjustments	<u>128,542</u>	<u>168,257</u>	<u>(8,696)</u>	<u>43,688</u>	<u>(17,830)</u>	<u>313,961</u>
Net Cash Provided by Operating Activities	<u>\$ 232,867</u>	<u>\$ 166,546</u>	<u>\$ 102,809</u>	<u>\$ 160,540</u>	<u>\$ 85,878</u>	<u>\$ 748,640</u>

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF ASSETS AND NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2021

	Custodial
ASSETS	
Cash and Investments	\$ <u>112,415</u>
TOTAL ASSETS	\$ <u><u>112,415</u></u>
NET POSITION	
Restricted for Other Governments	\$ <u>112,415</u>
TOTAL RESTRICTED FOR OTHER GOVERNMENTS	\$ <u><u>112,415</u></u>

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

ADDITIONS	
Intergovernmental	
City of Hawley	\$ 96,592
Townships	76,821
Fire Relief	46,000
Lease Revenue	53,680
Investment Earnings	92
Miscellaneous	20,992
Interfund Transfer - Fire District Checking Account	7,040
	301,217
TOTAL ADDITIONS	
	301,217
DEDUCTIONS	
Current	
Insurance	9,637
Professional Services	57,500
Training	7,246
Supplies	10,250
Fuel and Additives	1,877
Repairs and Maintenance	10,674
Utilities	6,289
Salaries and Benefits	25,746
Fire Relief Contribution	9,100
RRR Dispatch	1,658
Miscellaneous	75,831
Capital Outlay	17,057
	232,865
TOTAL DEDUCTIONS	
	232,865
CHANGES IN ASSETS AND NET POSITION	
	68,352
ASSETS AND NET POSITION, BEGINNING	
	44,063
ASSETS AND NET POSITION, ENDING	
	\$ 112,415

See Notes to the Financial Statements

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hawley was incorporated in 1884 and became a statutory city in 1910. The City operates under the council form of government.

A. Reporting Entity

The City's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the City is considered financially accountable.

Component units are legally separated entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

The Economic Development Authority operates under the authority and direction of the City Council and is included herein as a blended component unit.

B. Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City of Hawley have been prepared in conformity with the regulatory basis of accounting of the State of Minnesota. This basis differs from accounting principles generally accepted in the United States of America primarily because the governmental funds are presented on a cash basis of accounting. In addition, the regulatory basis of accounting does not require the presentation of the Management's Discussion and Analysis or the government-wide financial statements (Statement of Net Cash Assets and the Statement of Activities), or the budgetary comparison schedule for major special revenue funds. Also, the regulatory basis of accounting allows the general fund budgetary comparison schedule to be included as supplementary information.

Governmental fund financial statements are reported using the current financial resources measurement focus and the cash basis of accounting. Revenues are recognized when cash is received, and expenditures are recorded at the time of disbursement.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the proprietary funds, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Nonoperating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity.

The custodial funds have no measurement focus but utilize the cash basis of accounting for reporting their assets and net position.

Major Governmental Funds

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds.

Special Revenue Fund - Airport – Accounts for the activities to operate the City's airport.

Special Revenue Fund – Fire Hall – Accounts for the activities to operate the City's fire hall.

Capital Project Fund – Phase 3 Project – Accounts for the activities associated with the City's Phase 3 project.

Major Proprietary Funds

Water Fund – Accounts for the activities to operate the City's water fund.

Sewer Fund – Accounts for the activities to operate the City's sewer fund.

Electric Fund – Accounts for the activities to operate the City's electric fund.

Gas Fund – Accounts for the activities to operate the City's gas fund.

Liquor Fund – Accounts for the operations of the municipal owned off-sale liquor store.

Additionally, the City reports the following fiduciary fund type:

Custodial Funds – Custodial funds are used to account for assets held by the City as custodian for other governmental units. The City has two custodial funds, the Hawley Area Fire District – Joint Powers and Hawley Area Emergency Response District – Joint Powers.

D. Specific Account Information

Cash and Investments – Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Investments are carried at fair value. The City considers certificates of deposit to be cash.

When fair value measurements are required, various data is used in determining those values. Assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable market inputs that are not corroborated by market data

Cash with Fiscal Agent – The cash held with fiscal agent in the revolving fund consists of cash held by the West Central Minnesota Initiative Fund for the purpose of revolving loan funds.

Restricted Cash – Certain resources must be set aside because their use is limited by applicable loan and grant covenants.

Inventories – Inventories of the electric fund are valued at the lower of cost or market and expensed as the supplies and materials are consumed. Inventories of the liquor fund are valued using an average cost basis, and are recorded as expenditures when sold.

Property Taxes – Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the City at periodic intervals as the taxes are collected.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Special Assessments – Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue. Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties. Special assessments are generally collected by the county and remitted to the City at the same time property tax settlements are made.

Accounts Receivable – Receivables are carried at invoice amount; no allowance for uncollectible amounts is recorded. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

A receivable is considered to be past due if any portion of the receivable balance is outstanding at the end of the month.

Capital Assets – Governmental Funds – Capital assets are not capitalized in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds.

Capital Assets – Proprietary Funds – Capital assets are recorded in the proprietary funds only. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 40 years for plant and equipment.

Capital assets not being depreciated include land and construction in progress, if any.

Long-term Obligations – In the proprietary fund types, long-term obligations are reported as liabilities in the applicable proprietary fund. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

The governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Unearned Revenue – The City defers revenue recognition in connection with resources that have been received, but not yet earned.

Sales Tax – Sales taxes collected from customers and remitted to taxing authorities are excluded from revenues and cost of sales, respectively.

Compensated Absences – The City compensates all employees for all unused vacation upon termination. As of December 31, 2021, a liability for unpaid vacation has been set up for the proprietary fund employees and is included in compensated absences.

Unused sick leave may be accumulated to a maximum of 120 days. Upon termination, one fourth of the unused accumulated sick leave will be paid to the employee. As of December 31, 2021, a liability for unused sick leave has been set up for the proprietary fund employees and is included in the compensated absences.

Pensions – For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The City has one item that qualifies for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* which represents actuarial differences within PERA pension plans as well as amounts paid to the plans after the measurement date.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category named *Cost Sharing Defined Benefit Pension Plan*, which represents actuarial differences within PERA pension plans.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance – The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

Nonspendable - consists of amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of amounts constrained to specific purposes by the government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned - consists of amounts a government intends to use for a specific purpose. These constraints are established by the Council and/or management. The Council also delegates the power to assign fund balances to the Government Service Committee.

Unassigned – consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

The City will strive to maintain a minimum unassigned general fund balance of six months of operating expenses.

E. Use of Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the proprietary fund during the reporting period. Ultimate results could differ from those estimates.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

NOTE 2 BUDGETARY DATA

Annual budgets are adopted for the general fund and airport on a cash basis. Budgetary comparisons presented in this report are on this budgetary basis.

Appropriations are authorized by the city council at the fund level, which are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. All unexpended appropriations lapse at year-end.

Any changes in the total budget of each fund must be approved by a majority vote of the city council.

NOTE 3 DEFICIT FUND BALANCE

The Fire Hall fund had a deficit fund balance as of December 31, 2021, of \$767,834. The City will relieve the deficit with future lease revenue.

NOTE 4 DEPOSITS AND INVESTMENTS

The City maintains a cash account at its depository bank. Investments are carried at fair value. The City considers certificates of deposit to be cash. The City's interest income for the year ended December 31, 2021, was \$44,134. The pooled cash and investment account is comprised of the following:

Cash and Investments	
Governmental Funds	\$ 5,463,216
Proprietary Funds	2,541,306
Fiduciary Funds	112,415
	<u>\$ 8,116,937</u>
Deposits	
Cash, Checking and Change Funds	\$ 204,932
Certificates of Deposits	890,335
Savings	6,567,921
Investments	453,749
	<u>\$ 8,116,937</u>

As of December 31, 2021, the City had the following investments:

Investments	Maturities	Level	Fair Value
4-M External Investment Pool	N/A	N/A	\$ 453,749

The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool's shares.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

Credit Risk - The City may invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed or insured issued by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated “A” and “AA”, respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated “A” or better.
- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- (d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a “depository” of public funds of the government entity, any other financial institution which is a member 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.
- (g) Guaranteed investment contracts (GIC’s) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC’s issued by Minnesota banks.
- (h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the city council, all of which are members of the Federal Reserve System. 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. As of December 31, 2021, the City was not exposed to custodial credit risk.

Custodial Credit Risk – Investments - The investment in the 4-M Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 5 RESTRICTED CASH

The liquor fund is required to have a reserve account of \$9,829 for the lottery account.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

NOTE 6 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Proprietary Fund				
Capital Assets, Not Being Depreciated:				
Land	\$ 87,241	\$	\$	\$ 87,241
Construction in Process		<u>41,447</u>		<u>41,447</u>
Total Capital Assets, Not Being Depreciated	<u>87,241</u>	<u>41,447</u>		<u>128,688</u>
Capital Assets, Being Depreciated:				
Building	758,968			758,968
Improvements Other Than Buildings	13,232,685			13,232,685
Equipment	586,095	26,264	28,478	583,881
Total Capital Assets, Being Depreciated	<u>14,577,748</u>	<u>26,264</u>	<u>28,478</u>	<u>14,575,534</u>
Less Accumulated Depreciation for:				
Building	296,704	18,899		315,603
Improvements Other Than Buildings	8,605,280	362,492		8,967,772
Equipment	458,719	24,269	28,478	454,510
Total Accumulated Depreciation	<u>9,360,703</u>	<u>405,660</u>	<u>28,478</u>	<u>9,737,885</u>
Total Capital Assets, Being Depreciated, Net	<u>5,217,045</u>	<u>(379,396)</u>		<u>4,837,649</u>
Proprietary Fund Capital Assets, Net	<u>\$ 5,304,286</u>	<u>\$ (337,949)</u>	<u>\$</u>	<u>\$ 4,966,337</u>

Depreciation expense was charged to the functions as follows:

Proprietary Funds:	
Water	\$ 118,304
Sewer	173,311
Electric	61,984
Gas	36,279
Liquor	15,782
Total Depreciation Expense - Proprietary Funds	<u>\$ 405,660</u>

NOTE 7 DEFINED BENEFIT PENSION PLANS-STATEWIDE

The financial statements of the City of Hawley have been prepared in conformity with the regulatory basis of accounting in the State of Minnesota as described in Note 1. The regulatory basis of accounting allows the City to report deferred inflows and outflows of resources for the proprietary funds but not at the governmental fund level. The net pension liability is an all-inclusive calculation for governmental and proprietary funds; however, because the City reports on the regulatory basis of accounting, it is only required to include net pension liability for the proprietary funds.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

Plan Description – The City of Hawley participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% 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% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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

Contributions – *Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$70,097. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan member's were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$54,977. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs – General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$525,265 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$15,945.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0123% at the end of the measurement period and 0.0119% for the beginning of the period.

City's proportionate share of the net pension liability	\$	525,265
State of Minnesota's proportionate share of the net pension liability associated with the City		15,945
Total	\$	541,210

For the year ended December 31, 2021, the City recognized pension expense of (\$14,069) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,286 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

At December 31, 2021, the City reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,227	\$ 16,013
Difference between projected and actual investment earnings		457,217
Changes in actuarial assumptions	320,716	11,362
Changes in proportion	18,247	20,519
Contributions paid to PERA subsequent to the measurement date	35,049	
Total	<u>\$ 377,239</u>	<u>\$ 505,111</u>

\$35,049 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 ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2022	\$ (31,664)
2023	(8,597)
2024	1,414
2025	(124,074)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%

Actuarial Methods and Assumptions – The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan provisions:

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

Discount Rate – The discount rate used to measure the total pension liability in 2021 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity – The following presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

City Proportionate Share of NPL		
<u>1% Decrease (5.5%)</u>	<u>Current (6.5%)</u>	<u>1% Increase (7.5%)</u>
\$ 1,071,273	\$ 525,265	\$ 77,233

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

NOTE 8 LEASE AGREEMENTS

The City financed construction of a medical facility in 1982. The facility is leased to Sanford Health. Monthly lease payments of \$2,575 to the City are made by the organization. The lease is through March 31, 2022.

NOTE 9 LONG-TERM LIABILITIES

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$5,171,000. In 2021, the City issued \$4,080,000 in general obligations bonds to assist in the Phase 3 construction project.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. The general obligations issued for general government are payable from the debt service funds primarily through special assessments and property taxes levied and collected. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in the special assessment districts are insufficient to retire outstanding bonds. General obligation bonds currently outstanding are as follows:

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

Purpose	Interest Rates	Maturity Dates	Amount
Governmental Fund	1.0 - 3.3%	2022/36	\$ 6,133,000
Total			<u>\$ 6,133,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Fund	
	Principal	Interest
2022	\$ 684,000	\$ 105,067
2023	695,000	89,529
2024	496,000	73,535
2025	501,000	64,324
2026	482,000	54,954
2027-2031	1,885,000	182,458
2032-2036	1,390,000	57,800
	<u>\$ 6,133,000</u>	<u>\$ 627,667</u>

B. General Obligation Revenue Bonds

The City issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The Water fund had net revenues, excluding depreciation and interest, of \$221,937 that exceed the annual payments from the pledged revenue for debt of \$199,000. The Sewer fund had net revenues, excluding depreciation, of \$200,277 that exceeded the annual payments from the pledged revenue for debt of \$66,000. The original amount of general obligation revenue bonds issued in prior years was \$4,519,061. In 2021, the City issued \$679,959 in general obligation clean water bonds to assist in the construction of the Phase 3 project. General obligation revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Maturity Dates	Amount
Governmental Fund	1.0 - 2.3%	2022/41	\$ 1,626,959
			<u>\$ 1,626,959</u>

Annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31	Governmental Fund	
	Principal	Interest
2022	\$ 240,657	\$ 18,311
2023	270,000	19,660
2024	274,000	15,956
2025	278,000	12,198
2026	62,000	8,384
2027-2031	249,000	32,302
2032-2036	244,000	20,170
2037-2041	9,302	7,730
	<u>\$ 1,626,959</u>	<u>\$ 134,711</u>

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

C. Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The Liquor fund had net revenues, excluding depreciation and interest, of \$119,542 that exceed the annual payments from the pledged revenue for debt of \$28,000. The original amount of revenue bonds issued in prior years was \$329,000. Revenue bonds outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
Proprietary Fund - Refunding	3.25%	2022/27	\$ 197,000

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending December 31</u>	<u>Proprietary Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 32,000	\$ 5,882
2023	31,000	4,859
2024	30,000	3,868
2025	34,000	2,828
2026	33,000	1,738
2027	37,000	601
	<u>\$ 197,000</u>	<u>\$ 19,776</u>

D. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Fund					
General Obligation Bonds	\$ 2,516,000	\$ 4,080,000	\$ 463,000	\$ 6,133,000	\$ 684,000
General Obligation Revenue Bonds	1,167,000	679,959	220,000	1,626,959	240,657
Governmental Fund Long-Term Liabilities	<u>3,683,000</u>	<u>4,759,959</u>	<u>683,000</u>	<u>7,759,959</u>	<u>924,657</u>
Proprietary Fund					
General Obligation Revenue Bonds	45,000		45,000		
Revenue Bonds	225,000		28,000	197,000	32,000
Proprietary Fund Long-Term Liabilities	<u>270,000</u>		<u>73,000</u>	<u>197,000</u>	<u>32,000</u>
Total Long-Term Liabilities	<u>\$ 3,953,000</u>	<u>\$ 4,759,959</u>	<u>\$ 756,000</u>	<u>\$ 7,956,959</u>	<u>\$ 956,657</u>

The City's interest expense for the year ended December 31, 2021, was \$122,710.

See the Schedule of Indebtedness for detail and payment provisions.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

NOTE 10 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2021, is as follows:

Due From / To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Fire Hall	\$ 56,649

Advance From / To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric	Fire Hall	\$ 470,000
Electric	Airport	62,823
Gas	Airport	115,000
Sewer	Water	500,000
Total		<u>\$ 1,147,823</u>

In 2021, the Sewer fund issued an interfund loan to the Water fund for \$500,000 for the Phase 3 City water fund costs. The interfund loan was approved to be paid back over 14 years at 1.5% interest. In 2021, the Gas fund also issued an interfund loan to the Airport fund for \$115,000 for the airport land purchase. The interfund loan was approved to be paid back over 3 years at 2.0%.

Based on the amortization schedules, \$48,840 will be paid in 2022.

Interfund Transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Liquor	\$ 15,000
General	Sewer	45,000
General	Electric	146,714
General	Gas	59,568
General	Nonmajor Governmental	20,000
Fire Hall	General	211,185
Phase 3 Project	General	489,997
Phase 3 Project	Water	500,000
Phase 3 Project	Nonmajor Governmental	275,000
Nonmajor Governmental	Nonmajor Governmental	192,403
Nonmajor Governmental	General	117,600
Nonmajor Governmental	Water	117,573
Nonmajor Governmental	Sewer	41,700
		<u>\$ 2,231,740</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and 2) move unrestricted revenues to finance various programs that the government must account for in other funds.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

NOTE 11 JOINT POWERS AGREEMENT

A. Hawley Area Fire District – Joint Powers

In June of 1998, the City of Hawley, Minnesota, Cromwell Township, Highland Grove Township, Hawley Township, Eglon Township, Skree Township and Parke Township entered into a joint powers agreement to provide fire services, personnel, facilities and apparatus for the residents and property located within the governmental unit boundaries of the named entities. The goal was to reduce the financial burden to the respective townships through the sharing of facilities, equipment and manpower. The City has agreed to advance funds as necessary to keep and maintain in good order the firefighting apparatus, equipment and vehicles, and for general operating expenses. However, budgeted contributions from the participating entities have been adequate to fund the operations.

Each entity will contribute to the joint operations in the following percentages:

City of Hawley	50%
Six Townships	50%

The participating government agencies are responsible for determining the allocation of cost responsibilities. The agreement calls for the City of Hawley to act as the fiscal agent and to maintain the funds in a separate fund. A new joint powers agreement was signed in March 2007 and it calls for the duration of the contract to be perpetual.

B. Hawley Area Emergency Response District – Joint Powers

In June of 1994, the City of Hawley, Minnesota, Cromwell Township, Highland Grove Township, Hawley Township, Eglon Township, Skree Township and Parke Township entered into a joint powers agreement to provide First Responder services for the residents located within the governmental unit boundaries of the named entities. The goal was to reduce the financial burden to the respective townships through the sharing of facilities, equipment and manpower. The City has agreed to advance funds as necessary to carry out the purpose of the agreement. However, budgeted contributions from the participating entities have been adequate to fund the operations.

Each entity will contribute to the joint operations in the following percentages:

City of Hawley	66.66%
Six Townships	33.34%

The participating government agencies are responsible for determining the allocation of cost responsibilities. The agreement calls for the City of Hawley to act as the fiscal agent and to maintain the funds in a separate fund. The joint powers agreement will be in effect until terminated by action of all its members. Any entity may elect to withdraw from participation upon giving a one-year written notice. The agreement was updated in March of 2007 to clarify roles and ensure compliance with laws. The new agreement will be in effect until terminated by affirmative vote of a two-thirds majority of the members, and the contract will be reviewed every five years to assure compliance with law changes. The District changed to a contract with a service provider effective January 1, 2009. The amount of contract in 2021 was \$50,000.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

NOTE 12 CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 13 COMMITTED CONTRACTS

The City entered into several agreements in 2017, 2018, 2019, 2020, and 2021 with Constellation Energy-Gas Division for its natural gas requirements. In 2021, the City enacted an additional contract to cover 100% MMBtu (5-year average) of the monthly requirements through October 2028, and ½ the usage for November and December 2028.

The contracts consist of: two locks June 9, 2017, at 3.04 & 3.025 per MMBtu from November 2020 to October 2021; a lock May 22, 2018 at 3.00 per MMBtu from November 2021 to October 2023; a lock June 19, 2019, at 2.976 per MMBtu from November 2023 to October 2024; a lock August 13, 2019, at 2.99 per MMBtu which goes from November 2024 to October 2025, and a lock January 15, 2020 at 2.89 per MMBtu for November 2025 to October 2028. The July 8, 2021 lock brought the Fixed Amount MMBtu up to an estimated 100% lock each month at 3.14 from October 2021 to December 2028. The estimated average lock is 3.05 through 2028. Any remaining gas requirement that may exceed the locks will be purchased in the Managed Procurement Fund. Any additional gas locked but not used by the City will be resold through the Managed Procurement Fund and those proceeds will be credited to the City.

Effective March 1, 2008, the City entered into a Joint Gas Purchase Contract with Municipal Gas Acquisition and Supply Corporation to purchase natural gas at prices substantially below prevailing market prices. The term of the contract extends to December 31, 2017 and renews annually until 2046 unless terminated by either party. In exchange for a long-term commitment to purchase natural gas, the City receives a discount on all purchases.

The City extended the Firm Transportation Agreement with Viking Gas Transmission Company for additional capacity on November 1, 2020 for five more years, now ending October 31, 2025.

Effective November 1, 2017, the City amended the November 1, 1993 agreement with Viking Gas Transmission Company, for shipper/firm transportation agreement services to replace the provisions and extend the agreement through October 31, 2027.

NOTE 14 CONSTRUCTION COMMITMENTS

As of December 31, 2021, the City had construction commitments of approximately \$1,200,000 for the Phase 3 project.

NOTE 15 IN-KIND PAYMENTS

The electric fund provides street lighting for the City of Hawley at no charge. The total in-kind payment to the City of Hawley for the year ended December 31, 2021 was \$38,312.

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

NOTE 16 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; natural disasters; and workers compensation for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the City’s insurance coverage in fiscal 2021.

NOTE 17 TAX ABATEMENT DISCLOSURE

<u>Purpose of Tax Abatement</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated</u>
Residential New Housing Tax Abatement-2 year duration		
6 houses built in 2018, 6 homes built in 2019	100% of City taxes on the first \$400,000 value (Zoning Permits from 2019 on)	\$ 11,110
AmericInn/Hawley Hotel Partners Tax Abatement - to reimburse for certain development costs of construction of much needed Nationally Franchised "AmericInn" 10 year duration	75% of City taxes abated	10,346
Total Abatements 2021		<u>\$ 21,456</u>

City made determinations to grant property tax abatement, pursuant to Minnesota Statutes, Sections 469.1812 to 469.1816 for: New residential homes will serve to improve the tax base of the City, increase property tax revenue, and expand the labor pool supporting Hawley area businesses; and a Nationally Franchised AmericInn will provide a public benefit and economic development.

City provided Housing Abatement on the first \$200,000 of value for new homes built in 2018 and prior. In 2019 the City increased the Housing Abatement to cover the first \$400,000 of value for new homes built in 2019 and 2020 and again approved for 2021 and 2022 new houses.

In accordance with Section 469.1813, subdivision 8 of the Act, in no case shall the Abatement, together with all other abatements approved by the City under the Act and paid in any one year, exceed the greater of 10% of the City’s tax capacity for that year or \$200,000.

In accordance with Section 469.1815 of the Act, the City will add to its levy in each year during the term of the Abatement the total estimated amount of current year Abatement granted under this resolution. The City Clerk-Treasurer shall estimate the amount of tax abatement to be generated and shall add such amount to the City’s levy.

NOTE 18 NEW PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. This

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits government acquisitions, risk financing and insurance related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority

CITY OF HAWLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2021

of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined the effect these Statements will have on the City's financial statements.

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

	2021				2020 Actual
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	
RECEIPTS					
Property Taxes	\$ 571,217	\$ 589,217	\$ 590,055	\$ 838	\$ 549,857
Special Assessments	72,425	128,625	128,662	37	174,569
Licenses and Permits	19,140	23,640	23,333	(307)	19,395
Intergovernmental					
Federal		120,101	120,101		160,738
State					
Local Government Aid	652,987	652,987	652,987		643,080
Fire State Aid	36,000	31,230	31,234	4	30,046
Police State Aid	36,000	36,770	36,770		37,804
Other State Aid	4,000	10,275	10,277	2	4,705
PERA	2,402				
Small Cities Assistance		47,568	47,568		
Local - County	10,500	10,500	11,776	1,276	10,716
Total Intergovernmental	<u>741,889</u>	<u>909,431</u>	<u>910,713</u>	<u>1,282</u>	<u>887,089</u>
Charges for Services					
Franchise Fee - Cable	9,000	9,000	8,271	(729)	8,632
Street Charges and Sales	1,000	1,000	634	(366)	
Airport	8,000	8,000	8,000		9,000
Total Charges for Services	<u>18,000</u>	<u>18,000</u>	<u>16,905</u>	<u>(1,095)</u>	<u>17,632</u>
Fines and Forfeitures	15,000	12,000	12,913	913	19,145
Investment Earnings	14,000	14,000	13,181	(819)	12,340
Miscellaneous					
Rents	59,781	6,651	7,100	449	3,974
Donations	2,500	27,000	27,215	215	452
Insurance Proceeds	6,000	21,644	21,644		18,523
Other Receipts	52,181	63,881	66,889	3,008	104,938
TOTAL RECEIPTS	<u>1,572,133</u>	<u>1,814,089</u>	<u>1,818,610</u>	<u>4,521</u>	<u>1,807,914</u>
DISBURSEMENTS					
General Government					
Current					
City Council	75,990	48,490	46,495	(1,995)	48,160
Election					4,458
Finance	57,322	57,322	56,180	(1,142)	54,469
Assessor	7,200	7,200	7,199	(1)	7,199
Legal	31,000	30,000	29,821	(179)	27,336
COVID-19					35,517
Other General Government	90,860	112,590	72,750	(39,840)	82,766
Capital Outlay	44,000	493,000	2,004	(490,996)	4,245
Total General Government	<u>306,372</u>	<u>748,602</u>	<u>214,449</u>	<u>(534,153)</u>	<u>264,150</u>
Public Safety					
Current					
Police Protection	605,921	562,001	556,239	(5,762)	568,737
Fire Relief	36,000	31,230	31,234	4	30,046
Fire Joint Powers District	83,890	83,890	83,890		55,650
Fire Hall					61,984
Animal Control	2,100	1,100	786	(314)	1,849

cont.

CITY OF HAWLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021				2020 Actual
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	
DISBURSEMENTS - Continued					
Public Safety - Continued					
Current - Continued					
Emergency Response					
Joint Powers District	\$ 39,600	\$ 39,600	\$ 39,542	\$ (58)	\$ 39,432
Capital Outlay	52,500	24,150	523,580	499,430	183,820
Total Public Safety	<u>820,011</u>	<u>741,971</u>	<u>1,235,271</u>	<u>493,300</u>	<u>941,518</u>
Streets and Highways					
Current					
Street Maintenance	221,550	166,750	163,359	(3,391)	187,286
Capital Outlay	166,500				190,247
Total Streets and Highways	<u>388,050</u>	<u>166,750</u>	<u>163,359</u>	<u>(3,391)</u>	<u>377,533</u>
Culture and Recreation					
Current					
Community Building	18,373	15,473	13,395	(2,078)	21,761
Parks	118,308	113,647	109,950	(3,697)	101,501
Library	9,640	10,740	9,324	(1,416)	4,701
Capital Outlay	45,000	46,070	46,558	488	3,800
Total Culture and Recreation	<u>191,321</u>	<u>185,930</u>	<u>179,227</u>	<u>(6,703)</u>	<u>131,763</u>
Conservation of Natural Resources					
Vector Control	20,200	16,800	16,625	(175)	14,692
Forestry Shade Tree	11,300	8,300	8,033	(267)	20,267
Total Conservation of Natural Resources	<u>31,500</u>	<u>25,100</u>	<u>24,658</u>	<u>(442)</u>	<u>34,959</u>
Economic Development					
Current					
Economic Development	82,200	74,400	70,406	(3,994)	90,056
Capital Outlay		150,370	153,016	2,646	3,351
Total Economic Development	<u>82,200</u>	<u>224,770</u>	<u>223,422</u>	<u>(1,348)</u>	<u>93,407</u>
TOTAL DISBURSEMENTS	<u>1,819,454</u>	<u>2,093,123</u>	<u>2,040,386</u>	<u>(52,737)</u>	<u>1,843,330</u>
Receipts Over (Under) Disbursements	(247,321)	(279,034)	(221,776)	57,258	(35,416)
OTHER FINANCING SOURCES (USES)					
Transfer In	296,000	325,900	286,282	(39,618)	294,654
Transfer In - Interfund Loan					500,000
Transfer Out		(117,600)	(818,782)	(701,182)	
Transfer Out - Interfund Loan	(40,000)				(149,850)
TOTAL OTHER FINANCING SOURCES (USES)	<u>256,000</u>	<u>208,300</u>	<u>(532,500)</u>	<u>(740,800)</u>	<u>644,804</u>
Net Change in Fund Balances	8,679	(70,734)	(754,276)	(683,542)	609,388
Fund Balances - Beginning	3,637,391	3,637,391	3,637,391		3,028,003
Fund Balances - Ending	<u>\$ 3,646,070</u>	<u>\$ 3,566,657</u>	<u>\$ 2,883,115</u>	<u>\$ (683,542)</u>	<u>\$ 3,637,391</u>

CITY OF HAWLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
AIRPORT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021			2020 Actual
	Original and Final Budget	Actual Amounts	Over (Under) Final Budget	
RECEIPTS				
Intergovernmental				
Federal	\$ 1,114	\$ 1,114	\$	\$ 28,886
State	21,570	21,696	126	6,338
Total Intergovernmental	<u>22,684</u>	<u>22,810</u>	<u>126</u>	<u>35,224</u>
Investment Earnings	100	96	(4)	151
Miscellaneous				
Rents	59,115	59,253	138	61,826
Other Receipts	25,200	25,827	627	25,841
TOTAL RECEIPTS	<u>107,099</u>	<u>107,986</u>	<u>887</u>	<u>123,042</u>
DISBURSEMENTS				
Airport				
Current	111,448	108,751	(2,697)	91,677
Capital Outlay	141,466	141,466		
TOTAL DISBURSEMENTS	<u>252,914</u>	<u>250,217</u>	<u>(2,697)</u>	<u>91,677</u>
Receipts Over (Under) Disbursements	(145,815)	(142,231)	3,584	31,365
OTHER FINANCING SOURCES (USES)				
Transfer In - Interfund Loan	115,000	115,000		
Transfer Out - Interfund Loan	(11,750)	(11,750)		(11,750)
TOTAL OTHER FINANCING SOURCES (USES)	<u>103,250</u>	<u>103,250</u>		<u>(11,750)</u>
Net Change in Fund Balances	(42,565)	(38,981)	3,584	19,615
Fund Balances - Beginning	108,754	108,754		89,139
Fund Balances - Ending	<u>\$ 66,189</u>	<u>\$ 69,773</u>	<u>\$ 3,584</u>	<u>\$ 108,754</u>

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF CITY CONTRIBUTIONS
LAST 10 YEARS

	Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
PERA	2015	\$ 64,247	\$ 64,247		\$ 856,623	7.50 %
	2016	62,916	62,916		838,877	7.50
	2017	63,645	63,645		848,596	7.50
	2018	65,273	65,273		870,302	7.50
	2019	64,300	64,300		857,336	7.50
	2020	64,086	64,086		854,475	7.50
	2021	70,097	70,097		934,627	7.50

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

See Note to the Pension Schedules

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY
LAST 10 YEARS

	Fiscal Year Ended June 30	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	2015	0.0144 %	\$ 746,283	\$ 14,445	\$ 746,283	\$ 839,866	88.86 %	78.19 %
	2016	0.0136	1,104,253	14,445	1,118,698	847,750	131.96	68.90
	2017	0.0131	836,295	10,512	846,807	843,736	100.36	75.90
	2018	0.0128	710,092	23,257	733,349	859,449	85.33	79.53
	2019	0.0123	680,039	21,166	701,205	863,819	81.17	80.23
	2020	0.0119	713,459	22,060	735,519	855,906	85.93	79.06
	2021	0.0123	525,265	15,945	541,210	894,551	60.50	87.00

The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

CITY OF HAWLEY, MINNESOTA
NOTE TO THE PENSION SCHEDULES
DECEMBER 31, 2021

NOTE 1 DEFINED BENEFIT PLANS

PERA

General Employees Fund

2021 Changes

Changes in Plan Provisions: There were no changes in plan provisions since the previous valuation.

Changes in Actuarial Assumptions: The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes

Changes in Plan Provisions: Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Changes in Actuarial Assumptions: The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 Changes

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

Changes in Actuarial Assumptions: The mortality projection scale was changed from MP-2017 to MP-2018.

CITY OF HAWLEY, MINNESOTA
NOTE TO THE PENSION SCHEDULES - CONTINUED
DECEMBER 31, 2021

2018 Changes

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

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

2017 Changes

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

Changes in Actuarial Assumptions: The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 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 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 Changes

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions: On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021

Exhibit A-1

	<u>Special Revenue Exhibit B-1</u>	<u>Debt Service Exhibit B-3</u>	<u>Capital Project SRTS</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 581,401	\$ 703,295	\$ 94,829	\$ 1,379,525
Cash with Fiscal Agent	<u>126,306</u>			<u>126,306</u>
TOTAL ASSETS	<u>\$ 707,707</u>	<u>\$ 703,295</u>	<u>\$ 94,829</u>	<u>\$ 1,505,831</u>
FUND BALANCES				
Restricted for:				
Revolving Loan	\$ 149,885			\$ 149,885
Debt Service		703,295		703,295
Committed for:				
Garbage Service/Recycling	290,517			290,517
Deputy Registrar/Office	142,187			142,187
Storm Water Maint/Repairs	69,471			69,471
Building Upkeep/Repair	55,647			55,647
Capital Projects			<u>94,829</u>	<u>94,829</u>
TOTAL FUND BALANCES	<u>\$ 707,707</u>	<u>\$ 703,295</u>	<u>\$ 94,829</u>	<u>\$ 1,505,831</u>

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit A-2

	<u>Special Revenue Exhibit B-2</u>	<u>Debt Service Exhibit B-4</u>	<u>Capital Project SRTS</u>	<u>Total Nonmajor Governmental Funds</u>
RECEIPTS				
Property Taxes	\$	\$ 114,618	\$	\$ 114,618
Tax Increment Financing	272,655			272,655
Special Assessments		378,500		378,500
Charges for Services	636,761			636,761
Investment Earnings	2,358	824	29	3,211
Miscellaneous				
Rent	42,779			42,779
Other Receipts	13,370			13,370
TOTAL RECEIPTS	<u>967,923</u>	<u>493,942</u>	<u>29</u>	<u>1,461,894</u>
DISBURSEMENTS				
Current				
General Government	167,740			167,740
Streets and Highways	3,113			3,113
Sanitation	313,774			313,774
Economic Development	114,340			114,340
Debt Service				
Principal		683,000		683,000
Interest and Other Charges		117,161		117,161
Capital Outlay				
Streets and Highways			60,800	60,800
TOTAL DISBURSEMENTS	<u>598,967</u>	<u>800,161</u>	<u>60,800</u>	<u>1,459,928</u>
Receipts Over (Under) Disbursements	368,956	(306,219)	(60,771)	1,966
OTHER FINANCING SOURCES (USES)				
Transfer In		313,676	155,600	469,276
Transfer Out	(487,403)			(487,403)
Debt Issued		17,316		17,316
TOTAL OTHER FINANCING SOURCES (USES)	<u>(487,403)</u>	<u>330,992</u>	<u>155,600</u>	<u>(811)</u>
Net Change in Fund Balances	(118,447)	24,773	94,829	1,155
Fund Balances - Beginning	<u>826,154</u>	<u>678,522</u>		<u>1,504,676</u>
Fund Balances - Ending	<u>\$ 707,707</u>	<u>\$ 703,295</u>	<u>\$ 94,829</u>	<u>\$ 1,505,831</u>

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2021

Exhibit B-1

	Nonmajor Funds					Total Nonmajor Special Revenue Exhibit A-1	Major Fund		Total Special Revenue
	Revolving Loan	Garbage	Deputy Registrar	Storm Water	Clinic		Airport	Fire Hall	
ASSETS									
Cash and Investments	\$ 23,579	\$ 290,517	\$ 142,187	\$ 69,471	\$ 55,647	\$ 581,401	\$ 69,773		\$ 651,174
Cash with Fiscal Agent	126,306					126,306			126,306
TOTAL ASSETS	<u>\$ 149,885</u>	<u>\$ 290,517</u>	<u>\$ 142,187</u>	<u>\$ 69,471</u>	<u>\$ 55,647</u>	<u>\$ 707,707</u>	<u>\$ 69,773</u>		<u>\$ 777,480</u>
LIABILITIES									
Due to Other Funds								56,649	56,649
TOTAL LIABILITIES								<u>56,649</u>	<u>56,649</u>
FUND BALANCES									
Restricted for:									
Revolving Loan	149,885					149,885			149,885
Committed for:									
Municipal Airport							69,773		69,773
Garbage Service/Recycling		290,517				290,517			290,517
Deputy Registrar/Office			142,187			142,187			142,187
Storm Water Maint/Repairs				69,471		69,471			69,471
Building Upkeep/Repair					55,647	55,647			55,647
Unassigned								(56,649)	(56,649)
TOTAL FUND BALANCES	<u>149,885</u>	<u>290,517</u>	<u>142,187</u>	<u>69,471</u>	<u>55,647</u>	<u>707,707</u>	<u>69,773</u>	<u>(56,649)</u>	<u>720,831</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 149,885</u>	<u>\$ 290,517</u>	<u>\$ 142,187</u>	<u>\$ 69,471</u>	<u>\$ 55,647</u>	<u>\$ 707,707</u>	<u>\$ 69,773</u>		<u>\$ 777,480</u>

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B-2

	Nonmajor Funds						TIF RDO
	Revolving Loan	GN Property TIF	Garbage	Deputy Registrar	Storm Water	Clinic	
RECEIPTS							
Tax Increment Financing	\$	\$ 36,282	\$	\$	\$	\$	\$ 113,713
Intergovernmental - Federal							
Intergovernmental - State							
Charges for Services			357,820	170,973	107,968		
Investment Earnings	1,361		507	337	136	17	
Miscellaneous							
Rent	11,879					30,900	
Other Receipts	10,743		1,949	678			
TOTAL RECEIPTS	23,983	36,282	360,276	171,988	108,104	30,917	113,713
DISBURSEMENTS							
Current							
General Government				160,430		7,310	
Public Safety							
Streets and Highways					3,113		
Sanitation			313,774				
Economic Development	4,535	36,282					27,163
Airport							
Capital Outlay							
Public Safety							
Airport							
TOTAL DISBURSEMENTS	4,535	36,282	313,774	160,430	3,113	7,310	27,163
Receipts Over Disbursements	19,448		46,502	11,558	104,991	23,607	86,550
OTHER FINANCING USES							
Transfer In - Interfund Loan							
Transfer Out			(20,000)		(304,553)		(86,550)
Transfer Out - Interfund Loan							
TOTAL OTHER FINANCING USES			(20,000)		(304,553)		(86,550)
Net Change in Fund Balances	19,448		26,502	11,558	(199,562)	23,607	
Fund Balances - Beginning	130,437		264,015	130,629	269,033	32,040	
Fund Balances - Ending	\$ 149,885	\$	\$ 290,517	\$ 142,187	\$ 69,471	\$ 55,647	\$

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

				Total Nonmajor Special Revenue Exhibit A-2	Major Fund		Exhibit B-2 Total Special Revenue
	TIF Cretex	TIF	TIF Hefty		Airport	Fire Hall	
RECEIPTS							
Tax Increment Financing	\$ 104,760	\$ 11,539	\$ 6,361	\$ 272,655	\$	\$	\$ 272,655
Intergovernmental - Federal					1,114		1,114
Intergovernmental - State					21,696		21,696
Charges for Services				636,761			636,761
Investment Earnings				2,358	96		2,454
Miscellaneous							
Rent				42,779	59,253	53,680	155,712
Other Receipts				13,370	25,827		39,197
TOTAL RECEIPTS	104,760	11,539	6,361	967,923	107,986	53,680	1,129,589
DISBURSEMENTS							
Current							
General Government				167,740			167,740
Public Safety						44,264	44,264
Streets and Highways				3,113			3,113
Sanitation				313,774			313,774
Economic Development	28,460	11,539	6,361	114,340			114,340
Airport					108,751		108,751
Capital Outlay							
Public Safety						237,250	237,250
Airport					141,466		141,466
TOTAL DISBURSEMENTS	28,460	11,539	6,361	598,967	250,217	281,514	1,130,698
Receipts Over (Under) Disbursements	76,300			368,956	(142,231)	(227,834)	(1,109)
OTHER FINANCING SOURCES (USES)							
Transfer In						211,185	211,185
Transfer In - Interfund Loan					115,000		115,000
Transfer Out	(76,300)			(487,403)			(487,403)
Transfer Out - Interfund Loan					(11,750)	(40,000)	(51,750)
TOTAL OTHER FINANCING SOURCES (USES)	(76,300)			(487,403)	103,250	171,185	(212,968)
Net Change in Fund Balances				(118,447)	(38,981)	(56,649)	(214,077)
Fund Balances - Beginning				826,154	108,754		934,908
Fund Balances - Ending	\$	\$	\$	\$ 707,707	\$ 69,773	\$ (56,649)	\$ 720,831

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
DEBT SERVICE FUNDS
DECEMBER 31, 2021

Exhibit B-3

	Nonmajor Funds				
	2006 PFA Water	2006 PFA Sewer	2008 PFA Water	2008 PFA Sewer	11 Street Rebuild
ASSETS					
Cash and Investments	\$ 226,728	\$ 168,683	\$ 14,856	\$ 2,825	\$ 41,331
TOTAL ASSETS	<u>\$ 226,728</u>	<u>\$ 168,683</u>	<u>\$ 14,856</u>	<u>\$ 2,825</u>	<u>\$ 41,331</u>
FUND BALANCES					
Restricted for Debt Service	\$ 226,728	\$ 168,683	\$ 14,856	\$ 2,825	\$ 41,331
TOTAL FUND BALANCES	<u>\$ 226,728</u>	<u>\$ 168,683</u>	<u>\$ 14,856</u>	<u>\$ 2,825</u>	<u>\$ 41,331</u>

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
DEBT SERVICE FUNDS – CONTINUED
DECEMBER 31, 2021

Exhibit B-3

	Nonmajor Funds					
	13 Cretex/ Hwy 10	Bond TIF	Autumn View	Nature Lane	2021 Phase 3	Total Nonmajor Debt Service Exhibit A-1
ASSETS						
Cash and Investments	\$ 136,284	\$ 20,725	\$ 31,421	\$ 32,456	\$ 27,986	\$ 703,295
TOTAL ASSETS	\$ 136,284	\$ 20,725	\$ 31,421	\$ 32,456	\$ 27,986	\$ 703,295
FUND BALANCES						
Restricted for Debt Service	\$ 136,284	\$ 20,725	\$ 31,421	\$ 32,456	\$ 27,986	\$ 703,295
TOTAL FUND BALANCES	\$ 136,284	\$ 20,725	\$ 31,421	\$ 32,456	\$ 27,986	\$ 703,295

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B-4

	Nonmajor Funds				11 Street Rebuild
	2006 PFA Water	2006 PFA Sewer	2008 PFA Water	2008 PFA Sewer	
RECEIPTS					
Property Taxes	\$	\$	\$	\$	\$ 36,678
Special Assessments	69,860	32,364			36,403
Investment Earnings	183	135	11		41
TOTAL RECEIPTS	70,043	32,499	11		73,122
DISBURSEMENTS					
Debt Service					
Principal	146,000	59,000	8,000	7,000	70,000
Interest and Other Charges	11,731	3,180	761	1,284	14,083
TOTAL DISBURSEMENTS	157,731	62,180	8,761	8,284	84,083
Receipts Over (Under) Disbursements	(87,688)	(29,681)	(8,750)	(8,284)	(10,961)
OTHER FINANCING SOURCES					
Transfer In	89,000	33,000	10,000	8,700	
Debt Issued					
TOTAL OTHER FINANCING SOURCES	89,000	33,000	10,000	8,700	
Net Change in Fund Balances	1,312	3,319	1,250	416	(10,961)
Fund Balances - Beginning	225,416	165,364	13,606	2,409	52,292
Fund Balances - Ending	\$ 226,728	\$ 168,683	\$ 14,856	\$ 2,825	\$ 41,331

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B-4

	Nonmajor Funds					Total Nonmajor Debt Service Exhibit A-2
	13 Cretex/ Hwy10	Bond TIF	Autumn View	Nature Lane	2021 Phase 3	
RECEIPTS						
Property Taxes	\$ 77,940	\$	\$	\$	\$	\$ 114,618
Special Assessments	107,933		45,355	59,082	27,503	378,500
Investment Earnings	388	22	5	35	4	824
TOTAL RECEIPTS	186,261	22	45,360	59,117	27,507	493,942
DISBURSEMENTS						
Debt Service						
Principal	180,000	145,000	28,000	40,000		683,000
Interest and Other Charges	17,145	18,345	9,434	14,235	26,963	117,161
TOTAL DISBURSEMENTS	197,145	163,345	37,434	54,235	26,963	800,161
Receipts Over (Under) Disbursements	(10,884)	(163,323)	7,926	4,882	544	(306,219)
OTHER FINANCING SOURCES						
Transfer In		162,850			10,126	313,676
Debt Issued					17,316	17,316
TOTAL OTHER FINANCING SOURCES		162,850			27,442	330,992
Net Change in Fund Balances	(10,884)	(473)	7,926	4,882	27,986	24,773
Fund Balances - Beginning	147,168	21,198	23,495	27,574		678,522
Fund Balances - Ending	\$ 136,284	\$ 20,725	\$ 31,421	\$ 32,456	\$ 27,986	\$ 703,295

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Balance 1/1/2021	Additions	Deductions	Balance 12/31/2021
HAWLEY AREA FIRE DISTRICT - JOINT POWERS				
ASSETS				
Cash and Investments	\$ 44,063	\$ 241,904	\$ 173,552	\$ 112,415
Total Assets	\$ 44,063	\$ 241,904	\$ 173,552	\$ 112,415
NET POSITION				
Restricted for Other Governments	\$ 44,063	\$ 241,904	\$ 173,552	\$ 112,415
Total Restricted for Other Governments	\$ 44,063	\$ 241,904	\$ 173,552	\$ 112,415
 HAWLEY AREA EMERGENCY RESPONSE DISTRICT - JOINT POWERS				
ASSETS				
Cash and Investments	\$ _____	\$ 59,313	\$ 59,313	\$ _____
NET POSITION				
Restricted for Other Government	\$ _____	\$ 59,313	\$ 59,313	\$ _____
 TOTAL				
ASSETS				
Cash and Investments	\$ 44,063	\$ 301,217	\$ 232,865	\$ 112,415
	\$ 44,063	\$ 301,217	\$ 232,865	\$ 112,415
NET POSITION				
Restricted for Other Government	\$ 44,063	\$ 301,217	\$ 232,865	\$ 112,415
	\$ 44,063	\$ 301,217	\$ 232,865	\$ 112,415

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Debt Issued	Balance End of Year
Governmental Funds							
General Fund							
Committed for:							
2016 Levy Reduction	\$ 33,089	\$ 80,000					\$ 113,089
Seal Coat/Crack Fill	247,959	128,500					376,459
Plow Truck/Equipment	16,700	45,000					61,700
Street Patching	194,700		100,000				94,700
Sidewalks	48,100		48,100				
Lawn Mower	6,600						6,600
Tornado Siren	21,500						21,500
Park Board Sinking Fund	136,320	30,000	122,500				43,820
Park - Brekken	1,256						1,256
Park - Disc Golf	2,000						2,000
Park Donations	11,759						11,759
Fire Building	711,185		711,185				
Police - Night to Unite	2,640						2,640
Police Vehicle	28,050	29,000					57,050
Zoning Comprehensive Plan	2,960						2,960
Economic Development	16,800						16,800
River Remeandering - Phase 3	20,000						20,000
Community Center	19,200		14,997				4,203
Building Demolition	19,500		19,500				
Public Works Vehicle	15,000	35,000					50,000
Library	21,680						21,680
Police Building	35,000						35,000
Health Savings Account	67,975	9,900					77,875
Prosecution	8,500						8,500
Phase 3 Infrastructure Project	375,000		375,000				
Organizational Study		29,845					29,845
Small Cities Asst/15th Street		47,568					47,568
ARPA - COVID		120,101					120,101
Unassigned	1,573,918	1,263,696	649,104	(532,500)			1,656,010
Total General Fund	3,637,391	1,818,610	2,040,386	(532,500)			2,883,115
Special Revenue							
Revolving Loan	130,437	23,983	4,535				149,885
TIF RDO		113,713	27,163	(86,550)			
TIF Cretex		104,760	28,460	(76,300)			
GN Property		36,282	36,282				
TIF		11,539	11,539				
TIF Hefty		6,361	6,361				
Garbage	264,015	360,276	313,774	(20,000)			290,517
Deputy Registrar	130,629	171,988	160,430				142,187
Airport	108,754	107,986	250,217		103,250		69,773
Storm Water	269,033	108,104	3,113	(304,553)			69,471
Clinic	32,040	30,917	7,310				55,647
Fire		53,680	281,514	211,185	(40,000)		(56,649)
Capital Project							
Phase 3	51,263	319,628	5,228,936	1,264,997		4,780,500	1,187,452
SRTS		29	60,800	155,600			94,829

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND CHANGES IN NET POSITION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Debt Issued	Balance End of Year
Debt Service							
2006 PFA Water	\$ 225,416	\$ 70,043	\$ 157,731	\$ 89,000	\$	\$	\$ 226,728
2006 PFA Sewer	165,364	32,499	62,180	33,000			168,683
2008 PFA Water	13,606	11	8,761	10,000			14,856
2008 PFA Sewer	2,409		8,284	8,700			2,825
11 Street Rebuild	52,292	73,122	84,083				41,331
13 Cretex/Hwy10	147,168	186,261	197,145				136,284
Bond TIF	21,198	22	163,345	162,850			20,725
Autumn View Bond	23,495	45,360	37,434				31,421
Nature Lane Bond	27,574	59,117	54,235				32,456
2021 Phase 3		27,507	26,963	10,126		17,316	27,986
Total Governmental Funds	\$ 5,302,084	\$ 3,761,798	\$ 9,260,981	\$ 925,555	\$ 63,250	\$ 4,797,816	\$ 5,589,522
	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Debt Issued	Balance End of Year
Proprietary Funds							
Water	\$ 2,241,010	\$ 403,983	\$ 300,350	\$ (617,573)	\$	\$	\$ 1,727,070
Sewer	2,037,062	329,411	302,445	(86,700)			1,977,328
Electric	2,323,139	2,510,447	2,380,444	(146,714)			2,306,428
Gas	1,479,685	833,392	711,355	(59,568)			1,542,154
Liquor	279,453	1,537,716	1,440,489	(15,000)			361,680
Total Proprietary Funds	\$ 8,360,349	\$ 5,614,949	\$ 5,135,083	\$ (925,555)	\$	\$	\$ 7,914,660

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 12/31/2020	Issued 2021	Retired 2021	Balance 12/31/2021	Principal Due In 2022	Interest Due In 2022
General Obligation Bonds										
G.O. Improvement Bonds, 2011B	2.5 - 3.3%	2011	2022/26	\$ 1,260,000	\$ 445,000	\$	\$ 70,000	\$ 375,000	\$ 70,000	\$ 11,837
G.O. Improvement Bonds, 2013A	3.00%	2013	2022/23	1,625,000	555,000		180,000	375,000	185,000	11,250
G.O. TIF Bonds 2014A	3.00%	2014	2022/25	1,270,000	595,000		145,000	450,000	145,000	13,500
G.O. Improvement Note 2016B	2.65%	2016	2022/31	411,000	356,000		28,000	328,000	29,000	8,692
G.O. Improvement Bonds 2020A	1.55 - 3.0%	2017	2022/32	605,000	565,000		40,000	525,000	40,000	13,120
G.O. Bonds 2021A	1.0-1.6%	2021	2022/36	4,080,000		4,080,000		4,080,000	215,000	46,668
Total General Obligation Bonds					<u>2,516,000</u>	<u>4,080,000</u>	<u>463,000</u>	<u>6,133,000</u>	<u>684,000</u>	<u>105,067</u>
General Obligation Revenue Bonds										
G.O. Water Revenue Note, 2006A	1.56%	2006	2022/25	2,565,987	752,000		146,000	606,000	148,000	9,454
G.O. Sewer Revenue Note, 2006B	1.06%	2006	2022/25	1,010,110	300,000		59,000	241,000	59,000	2,556
G.O. Water Revenue Note, 2008A	1.29%	2008	2022/27	150,010	59,000		8,000	51,000	8,000	656
G.O. Sewer Revenue Note, 2008B	2.29%	2008	2022/27	132,954	56,000		7,000	49,000	8,000	1,124
G.O. Water Revenue Note, 2001		2001		660,000	45,000		45,000			
G.O. MPFA Clean Water 2021	1.00%	2021	2022/41	679,959		679,959		679,959	17,657	4,521
Total General Obligation Revenue Bonds					<u>1,212,000</u>	<u>679,959</u>	<u>265,000</u>	<u>1,626,959</u>	<u>240,657</u>	<u>18,311</u>
Revenue Bonds										
Refunding Revenue Note, 2016A	3.25%	2016	2022/27	329,000	225,000		28,000	197,000	32,000	5,882
Total Revenue Bonds					<u>225,000</u>		<u>28,000</u>	<u>197,000</u>	<u>32,000</u>	<u>5,882</u>
Total					<u>\$ 3,953,000</u>	<u>\$ 4,759,959</u>	<u>\$ 756,000</u>	<u>\$ 7,956,959</u>	<u>\$ 956,657</u>	<u>\$ 129,260</u>

CITY OF HAWLEY, MINNESOTA
GOVERNMENTAL FUNDS RECEIPTS BY SOURCE
LAST TEN YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-governmental</u>	<u>Charges for Services</u>	<u>Fines & Forfeitures</u>	<u>Special Assessments</u>	<u>Interest</u>	<u>Tax Increment Financing</u>	<u>Miscellaneous</u>	<u>Total</u>
2011	\$ 432,565	\$ 13,410	\$ 666,560	\$ 410,507	\$ 35,666	\$ 765,375	\$ 15,440	\$	\$ 156,896	\$ 2,496,419
2012	445,132	14,565	909,389	390,310	48,678	710,895	8,792		161,430	2,689,191
2013	469,930	19,170	1,002,695	415,314	21,867	731,903	5,904		195,174	2,861,957
2014	505,529	23,721	903,166	438,474	22,518	636,666	5,515		172,731	2,708,320
2015	491,586	20,304	1,004,614	485,480	29,237	777,959	5,630	17,665	155,333	2,987,808
2016	519,475	19,129	996,263	492,685	20,711	708,555	6,394	264,069	221,162	3,248,443
2017	573,634	17,037	1,142,813	537,413	22,341	773,884	10,740	269,164	176,854	3,523,880
2018	596,442	16,106	1,271,118	562,927	24,329	619,550	22,523	199,841	233,689	3,546,525
2019	630,837	19,911	807,228	597,336	23,075	666,953	32,297	249,728	342,546	3,369,911
2020	665,503	19,395	995,899	616,970	19,145	505,952	18,597	253,956	262,650	3,358,067
2021	704,673	23,333	1,210,412	653,666	12,913	507,162	18,317	272,655	358,667	3,761,798

CITY OF HAWLEY, MINNESOTA
GOVERNMENTAL FUNDS DISBURSEMENTS BY FUNCTION
LAST TEN YEARS
(UNAUDITED)

Fiscal Year	General Government	Public Safety	Streets and Highways	Sanitation	Culture and Recreation	Debt Service	Capital Outlay	Other	Total
2011	\$ 255,634	\$ 418,393	\$ 145,416	\$ 207,053	\$ 92,088	\$ 710,846	\$ 1,549,006	\$ 164,820	\$ 3,543,256
2012	276,370	445,933	171,789	206,049	84,576	1,428,371 (a)	925,547	183,979	3,722,614
2013	279,059	419,166	158,763	195,544	87,250	758,837	2,387,410	224,901	4,510,930
2014	320,254	547,069	142,558	198,071	100,971	877,139	665,773	303,049	3,154,884
2015	323,724	468,973	123,623	215,228	102,171	1,227,501	940,211	264,168	3,665,599
2016	308,992	565,007	166,665	227,400	106,574	1,111,805	722,094	456,387	3,664,924
2017	299,613	551,616	224,755	274,286	122,889	1,081,900	1,184,859	447,734	4,187,652
2018	312,475	530,329	187,372	273,830	143,528	1,342,862	846,409	274,150	3,910,955
2019	359,258	643,675	188,191	282,262	114,063	1,225,592	382,178	303,770	3,498,989
2020	382,034	757,698	187,286	288,070	127,963	773,495	444,781	317,204	3,278,531
2021	380,185	755,955	166,472	313,774	132,669	890,838	6,302,933	318,155	9,260,981

(a) The City reported principal payments on refunded bonds in the amount of \$515,000 as debt service.

CITY OF HAWLEY, MINNESOTA
ASSESSED VALUATION/TAX CAPACITY, TAX LEVIES AND RATES
LAST TEN YEARS
(UNAUDITED)

Ley Year	Tax Capacity	Tax Lewy	Tax Capacity Rates					Total
			City	School	County	Water Shed District	EDA/HRA	
2011	\$ 991,582	\$ 433,500	43.718	36.384	56.167	2.125		138.394
2012	902,413	400,000	44.326	35.751	55.719	2.235		138.031
2013	908,972	420,000	46.206	33.761	53.736	2.215		135.918
2014	1,012,934	441,000	43.537	27.391	50.223	1.776	0.707	123.634
2015	1,095,403	476,500	43.500	26.942	46.032	1.733		118.207
2016	1,249,225	519,500	41.586	25.435	45.173	1.724		113.918
2017	1,381,939	566,300	40.979	23.203	46.477	1.697		112.356
2018	1,567,890	601,000	38.332	22.360	47.888	1.706		110.286
2019	1,584,181	631,000	39.831	26.774	48.859	1.674	0.563	117.701
2020	1,631,309	662,500	40.612	26.617	51.180	1.694	0.326	120.429
2021	1,677,536	696,000	41.490	28.030	52.321	1.838		123.679

Note: Information obtained from the Clay County Auditor

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND NET POSITION – CUSTODIAL FUND –
HAWLEY AREA EMERGENCY RESPONSE DISTRICT – JOINT POWERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

ADDITIONS	
Operating Reimbursements	
City of Hawley	\$ 39,542
Townships	<u>19,771</u>
TOTAL ADDITIONS	<u>59,313</u>
DEDUCTIONS	
Current	
Professional Services	55,000
RRR Dispatch	<u>4,313</u>
TOTAL DEDUCTIONS	<u>59,313</u>
CHANGES IN ASSETS AND NET POSITION	
ASSETS AND NET POSITION, BEGINNING	<u> </u>
ASSETS AND NET POSITION, ENDING	<u>\$ <u> </u></u>

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND NET POSITION – CUSTODIAL FUND –
HAWLEY AREA FIRE DISTRICT – JOINT POWERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

ADDITIONS	
Intergovernmental	
City of Hawley	\$ 57,050
Townships	57,050
Fire Relief	46,000
Lease Revenue	53,680
Investment Earnings	92
Miscellaneous	20,992
Interfund Transfer - Fire District Checking Account	7,040
	<hr/>
TOTAL ADDITIONS	241,904
DEDUCTIONS	
Current	
Insurance	9,637
Professional Services	2,500
Training	7,246
Supplies	10,250
Fuel and Additives	1,877
Repairs and Maintenance	10,674
Utilities	6,289
Salaries and Benefits	25,746
Fire Relief Contribution	9,100
RRR Dispatch	1,658
Miscellaneous	71,518
Capital Outlay	17,057
	<hr/>
TOTAL DEDUCTIONS	173,552
CHANGES IN ASSETS AND NET POSITION	68,352
ASSETS AND NET POSITION, BEGINNING	44,063
	<hr/>
ASSETS AND NET POSITION, ENDING	\$ 112,415
	<hr/> <hr/>

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Honorable Mayor and
Members of the City Council
City of Hawley
Hawley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the City of Hawley as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2022. Our report disclosed that, as described in Note 1 to the financial statements, the City prepares its financial statements on the regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Legal Compliance

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

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
THIEF RIVER FALLS, MINNESOTA

March 1, 2022

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

To the Honorable Mayor and
Members of the City Council
City of Hawley
Hawley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the City of Hawley as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Hawley's basic financial statements and have issued our report thereon dated March 1, 2022. Our report disclosed that, as described in Note 1 to the financial statements, the City prepares its financial statements on the regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



BRADY, MARTZ & ASSOCIATES, P.C.
THIEF RIVER FALLS, MINNESOTA

March 1, 2022

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2021

2021-001 FINDING

Criteria

An appropriate system of internal control requires the City to prepare financial statements in compliance with the regulatory basis of accounting.

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the city council. However, the City currently does not prepare the financial statements, including the accompanying note disclosures, as required by the regulatory basis of accounting. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The City elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the City's financial statements.

Recommendation

We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control, the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review the financial statements disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will review on an annual basis.

CITY OF HAWLEY, MINNESOTA
CORRECTIVE ACTION PLAN
DECEMBER 31, 2021

2021-001 FINDING

Contact Person – Lisa Jetvig, City Clerk/Treasurer

Corrective Action Plan - Will establish a policy to document review of financial statements and notes.

Completion Date - Ongoing