New Issue S & P Global Rating Requested

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain covenants, if the Bonds are issued as tax-exempt bonds, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. Such interest is not included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions. See "Taxability of Interest" herein.

$3,450,000

City of Hawley, Minnesota

General Obligation Improvement Bonds, Series 2026A

PURPOSE/AUTHORITY: The $3,450,000 General Obligation Improvement Bonds, Series 2026A are issued pursuant to Minnesota Statutes, Chapters 429 and 475 to finance the Edna Street extension serving the Grow Hawley development (the "Project") located within the City. The Bonds will be general obligations of the City for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City pledges special assessments to benefitted properties.

BID OPEN & AWARD: Monday, November 2, 2026; Open 11:00 A.M. CST; Award 6:00 P.M. CST.

DATED DATE: November 16, 2026

MATURITY: The bonds will mature November 1 as follows:

Year	Amount	Year	Amount	Year	Amount
2029	$ 135,000	2035	$ 165,000	2041	$ 215,000
2030	140,000	2036	175,000	2042	225,000
2031	145,000	2037	180,000	2043	235,000
2032	150,000	2038	190,000	2044	245,000
2033	155,000	2039	200,000	2045	260,000
2034	160,000	2040	205,000	2046	270,000

INTEREST: November 1, 2027, and each November 1 and May 1 thereafter.

CALL DATE: November 1, 2034

MINIMUM BID: $3,405,150.00 (98.7%)

TAX STATUS: Tax-exempt; bank-qualified

GOOD FAITH DEPOSIT: $69,000 payable to the City on November 2, 2026

CLOSING/ DELIVERY DATE: On or about November 16, 2026

The Bonds are offered, subject to prior sale, withdrawal or modification, when, as and if issued and subject to receipt of an approving legal opinion of Fryberger, Buchanan, Smith and Frederick, P.A., Bond Counsel, Duluth, Minnesota. This Preliminary Official Statement will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and underwriter, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the Issuer with respect to the Bonds, as defined in S.E.C. Rule 15c2-12.

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this POS constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

COMPLIANCE WITH S.E.C. RULE 15C-12

Municipal obligations (issued in an aggregate amount over $1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

PRELIMINARY OFFICIAL STATEMENT

This Preliminary Official Statement was prepared for the Issuer for dissemination to potential customers. The primary purpose of the Preliminary Official Statement is to disclose information regarding the Obligations to prospective underwriters in the interest of receiving competitive bids in accordance with the sale notice contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the "Near Final Official Statement."

REVIEW PERIOD

This Preliminary Official Statement has been distributed to members of the legislative body and other public officials of the Issuer as well as to prospective bidders for an objective review of its disclosure. Comments or omissions or inaccuracies must be submitted to David Drown Associates, Inc. (the "Municipal Advisor") at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a bid received from an underwriter. If there are changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum at least one business day prior to the sale.

FINAL OFFICIAL STATEMENT

Upon award of sale of the Obligations, the legislative body will authorize the preparation of an addendum to the Preliminary Official Statement that includes the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the Syndicate Manager and Syndicate Members. This addendum, together with any previous addendum of corrections or additions to the Preliminary Official Statement shall be deemed the complete Final Official Statement. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the bid acceptance.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the Issuer to give any information or to make any representations, other than those contained in the Preliminary Official Statement. This Preliminary Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. This Preliminary Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Preliminary Official Statement and any addenda thereto was prepared relying on information of the Issuer and other sources and, while believed to be reliable, is not guaranteed as to completeness or accuracy.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of the Municipal Advisor, payable entirely by the Issuer, is contingent upon the sale of the issue.

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CITY OF HAWLEY, MINNESOTA

City of Hawley City Council

Name	Position	Term Expires
Sean Mork	Mayor	2026
David Asleson	Council Member	2028
Brad Eldred	Council Member	2026
Stacey Riedberger	Council Member	2026
Marc Ness	Council Member	2028

Administration

Lonnie Neuner	City Administrator	Appointed
Erica Polley	City Clerk-Treasurer	Appointed

Bond Counsel

Fryberger, Buchanan, Smith and Frederick, P.A.
Duluth, MN

Municipal Advisor

David Drown Associates, Inc.
Minneapolis, MN

INTRODUCTORY SUMMARY OF THE PRELIMINARY OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding the $3,450,000 G.O. Improvement Bonds, Series 2026A, of City of Hawley, Minnesota and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the detailed descriptions appearing in this Preliminary Official Statement, including the appendices hereto.

Issuer:	City of Hawley, Minnesota
Sale Date & Time:	Monday, November 2, 2026, 11:00 A.M. Central
Award Date & Time:	Monday, November 2, 2026; 6:00 P.M. Central
Dated Date:	November 16, 2026
Interest Payments:	November 1, 2027, and each May 1 and November 1 thereafter to registered owners of the Bonds appearing of record in the bond register on the fifteenth day (whether or not a business day) of the month prior (the "Record Date").
Principal Payments:	July 1 in the years and amounts as follows:

Year	Amount	Year	Amount	Year	Amount
2029	$ 135,000	2035	$ 165,000	2041	$ 215,000
2030	140,000	2036	175,000	2042	225,000
2031	145,000	2037	180,000	2043	235,000
2032	150,000	2038	190,000	2044	245,000
2033	155,000	2039	200,000	2045	260,000
2034	160,000	2040	205,000	2046	270,000

Rating:	The City *has* requested a rating from S & P Global Ratings on this Issue
Continuing Disclosure:	Full continuing disclosure
Security:	General Obligation pledge of the City and pledge of special assessments to benefitted properties
Purpose:	Proceeds will finance the Edna Street extension serving the Grow Hawley development
Authority:	Minnesota Statutes, Chapters 429 and 475
Optional Redemption:	Bonds are callable on November 1, 2034
Tax Status:	Tax-exempt, bank-qualified
Legal Opinion:	Fryberger, Buchanan, Smith and Frederick, P.A., Duluth, Minnesota
Municipal Advisor:	David Drown Associates, Inc., Minneapolis, Minnesota
Closing/Delivery:	On or about November 16, 2026

Questions regarding the Bonds or the Preliminary Official Statement can be directed to, and additional copies of the Preliminary Official Statement and the City's audited financial reports can be obtained from the City's Municipal Advisor David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 (612-920-3320).

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TERMS OF OFFERING

City of Hawley, Minnesota

$ 3,450,000

G.O. Improvement Bonds, Series 2026A

(BOOK ENTRY ONLY)

TERMS OF PROPOSAL

Proposals for the Bonds will be received on Monday, November 2, 2026 at 11:00 A.M. Central Time, at the offices of David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at 6:00 P.M., Central Time, on that same date.

SUBMISSION OF PROPOSALS

Proposals may be submitted in a sealed envelope or by fax (612) 605-2375 to David Drown Associates, Inc. Signed Proposals, without final price or coupons, may be submitted to David Drown Associates, Inc. prior to the time of sale. The bidder shall be responsible for submitting to David Drown Associates, Inc. the final Proposal price and coupons, by telephone (612) 920-3320 or fax (612) 605-2375 for inclusion in the submitted Proposal. David Drown Associates, Inc. will assume no liability for the inability of the bidder to reach David Drown Associates, Inc. prior to the time of sale specified above.

Notice is hereby given that electronic proposals will be received via PARITY®, in the manner described below, until 11:00 A.M., CST on November 2, 2026. Bids may be submitted electronically via PARITY® pursuant to this Notice until 11:00 A.M.,CST, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY® conflict with this Notice, the terms of this Notice shall control. For further information about PARITY®, potential bidders may contact David Drown Associates, Inc. or PARITY® at (212) 806-8304.

Neither the City of Hawley nor David Drown Associates, Inc. assumes any liability if there is a malfunction of PARITY. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner of the Proposal submitted.

DETAILS OF THE BONDS

The Bonds will be dated November 16, 2026, as the date of original issue, and will bear interest payable on November 1 and May 1 of each year, commencing November 1, 2027. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will mature November 1 in the years and amounts as follows:

Year	Amount	Year	Amount
2029	$ 135,000	2038	$ 190,000
2030	140,000	2039	200,000
2031	145,000	2040	205,000
2032	150,000	2041	215,000
2033	155,000	2042	225,000
2034	160,000	2043	235,000
2035	165,000	2044	245,000
2036	175,000	2045	260,000
2037	180,000	2046	270,000

TERM BOND OPTION

Bids for the bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR

The City will name Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, MN, as registrar for the Bonds. Northland Bond Services, a division of First National Bank of Omaha shall be subject to applicable SEC regulations. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

The City may elect on November 1, 2034 and on any day thereafter, to prepay Bonds due on or after November 1, 2035. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The City pledges revenues from special assessments against benefitted properties to make the semi-annual Bond payments. Proceeds of this Bond will provide financing for the City's Edna Street extension serving the Grow Hawley development.

TYPE OF PROPOSALS

Proposals shall be for not less than $3,405,150 (98.7%) and accrued interest on the total principal amount of the Bonds. The apparent low-bidder as notified by David Drown Associates, Inc. shall wire, to a designated account, a good faith amount of $69,000 by 3:00 p.m. on the date of sale. If the good faith wire transfer is not in process prior to the award, the City shall retain the right to reject the bid. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the City. No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

AWARD

The proposals will be evaluated on the basis of the lowest interest rate to be determined on a net interest cost (NIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. The City will reserve the right to waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, reject all proposals without cause, and reject any proposal, which the City determines to have failed to comply with the terms herein.

ISSUE PRICE DETERMINATION

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. However, such Issue Price Certificate may indicate that the Purchaser has purchased the Bonds for its own account in a capacity other than as an underwriter or wholesaler, and currently has no intent to reoffer the Bonds for sale to the public. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by David Drown Associates, Inc.

The City intends that the sale of the Bonds pursuant to this Terms of Offering shall constitute a "competitive sale" as defined in the Regulation based on the following:

i. the City shall cause this Terms of Offering to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;

ii. all bidders shall have an equal opportunity to submit a bid;

iii. the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and

iv. the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest net interest cost, as set forth in this Terms of Offering (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Offering shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and David Drown Associates, Inc. if a "substantial amount" (as defined in the Regulation) of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which such substantial amount was sold. The City will treat such sale price as the "issue price" for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the "hold-the-offering-price" requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and David Drown Associates, Inc. the prices at which a substantial amount of such maturities are sold to the public; provided such determination shall be made and the City and David Drown Associates, Inc. notified of such prices not later than three (3) business days prior to the closing date.

BOND INSURANCE AT PURCHASER'S OPTION

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

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The purchaser shall pay the CUSIP Service Bureau charge for the assignment of CUSIP identification numbers.

SETTLEMENT

Within 40 days following the date of their award, the Bonds will be delivered without cost to the purchaser at a place mutually satisfactory to the City and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of bond counsel, and of customary closing papers, including a no-litigation certificate. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's non-compliance with said terms for payment.

FULL CONTINUING DISCLOSURE

On the date of the actual issuance and delivery of the Bonds, the City will execute and deliver a Continuing Disclosure Undertaking where under the City will covenant to provide, or cause to be provided annual financial information, including audited financial statements of the City, and notices of certain material events, as specified in and required by SEC Rule 15c2-12(b)(5). A description of the City's undertaking is set forth in the Official Statement.

OFFICIAL STATEMENT

The City has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the City, David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota 55419, and telephone (612) 920-3320.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded 40 copies of the Official Statement and the addendum or addenda described above. The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its

proposal is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated: September 21, 2026

BY ORDER OF THE CITY COUNCIL

/s/ Lonnie Neuner
City Administrator

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OFFICIAL STATEMENT

CITY OF HAWLEY, MINNESOTA

$3,450,000 General Obligation Improvement Bonds, Series 2026A

INTRODUCTION

This Preliminary Official Statement provides information relating to the issuance of, $3,450,000 G.O. Improvement Bonds, Series 2026A (the “Bonds”) by City of Hawley, Minnesota (the “City”.) This Preliminary Official Statement has been executed on behalf of the City and may be distributed in connection with the sale of Bonds authorized therein.

Inquiries may be made to David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 or by telephoning (612) 920-3320. Information can also be obtained Mr. Lonnie Neuner, City Administrator, City of Hawley, P.O. Box 69, Hawley MN 56549 or by telephoning (218) 483-3331.

Full Continuing Disclosure

In order to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule") the City will enter into an undertaking (the "Undertaking") for the benefit of the holders of the Bonds. Through the Undertaking, the City covenants and agrees to provide certain annual financial information and operating data about the City and to provide notice of the occurrence of certain material events. This information shall be provided according to the time parameters described in the Undertaking and to the information repositories and the Municipal Securities Rulemaking Board as required by the Rule. The specific provisions of the Undertaking are set forth in the Continuing Disclosure Certificate (the "Certificate") in substantially the form attached hereto as Appendix C. The Certificate will be executed and delivered by the City at the time the Bonds are delivered. The City is the only "obligated person" with respect to the Bonds within the meaning of the Rule.

The City has complied with all Continuing Disclosure requirements. A partial listing of filings from EMMA can be found in Appendix E. The City has no debt, either issued or planned, that is not included in this Official Statement. The City works with a dissemination agent to assist in monitoring their continuing disclosure requirements.

Authority and Purpose

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475 for the purpose of financing the Edna Street extension serving the Grow Hawley development (the “Project”) located within the City.

Sources and Uses

Sources		Uses	
Par Amount of the Bonds	$ 3,450,000	Project Costs	$ 3,049,345
		Underwriter's Discount (1.30%)	44,850
		Capitalized Interest	297,872
		Issuance & Legal	56,500
		Surplus Funds	1,433
Totals	$ 3,450,000		$ 3,450,000

Payment and Security

The Bonds are a general obligation of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. The City will use capitalized interest from this issue to make the first two interest payments. In addition, the City pledges special assessments from benefitted properties.

Optional Redemption

The City may elect on November 1, 2034 and on any day thereafter, to prepay Bonds due on or after November 1, 2035. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. Redemption will be made by giving 30 days' notice by registered mail, to the registered owner of the Bond. All prepayments shall be at a price of par plus accrued interest to the date of call.

Rating

The City *has* requested a rating on this issue from S & P Global Ratings. Such a rating, when received, will reflect only the view of the rating agency and any explanation of the significance of such rating may only be obtained from S & P Global Ratings. There is no assurance that such rating, if and when received, will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Taxability of Interest

At closing, Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, will render an opinion based upon present federal and State of Minnesota laws (which excludes any pending legislation which may have a retroactive effect), regulations, ruling and decisions, to the following effect:

1. Gross Income: the Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trust and estates for Minnesota income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of Minnesota franchise tax.

2. Alternative Minimum Tax: interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to individuals or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

3. Compliance: the above opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements that must be satisfied subsequent to the issuance of the Bonds. FAILURE TO COMPLY WITH CERTAIN OF SUCH REQUIREMENTS MAY CAUSE THE INCLUSION OF INTEREST ON THE BONDS IN FEDERAL GROSS INCOME AND IN MINNESOTA TAXABLE NET INCOME RETROACTIVE TO THE DATE OF ISSUANCE OF THE BONDS.

No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences arising with respect to the Bonds. See the form of opinion in Appendix B.

Other Federal Tax Considerations

Property and Casualty Insurance Companies Property and casualty insurance companies are required by federal tax law for taxable years beginning after January 31, 1986, to reduce the amount of their loss reserve deduction by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

Foreign Insurance Companies Foreign companies carrying on an insurance business in the United States are subject to a federal tax on income which is effectively connected with their conduct of any trade or business in the United States. Such income includes tax-exempt interest.

Branch Profits Tax Foreign corporations are subject to a federal "branch profits tax" equal to 30% of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporation's "effectively connected earnings and profits", including tax-exempt municipal bond interest.

Passive Investment Income of S Corporations Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Internal Revenue Code of 1986, as amended, for S corporations that have Subchapter C earnings and profits at the close of the taxable year if more than 25% of the gross receipts of such S corporations is passive investment income.

Financial Institutions For federal income tax purposes, financial institutions are unable to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986, including the Bonds but for their designation as qualified tax-exempt obligations. See "Qualified Tax-Exempt Obligations" below.

Social Security and Railroad Retirement Benefits Certain recipients of social security benefits and railroad retirement benefits are required to include a portion of such benefits within gross income by reason of receipt of interest on tax-exempt obligations, including the Bonds.
Exclusion Not Constitutionally Required The United States Supreme Court ruled in 1988 that the exclusion from gross income of interest on state and local bonds is not required by the United States constitution. The Constitution of the State of Minnesota likewise does not require the exclusion from gross income or taxable net income of interest on bonds of Minnesota issuers. Hence, future federal and/or state laws could cause the inclusion of interest on bonds, including the Bonds, in gross income or taxable net income, or could otherwise cause such interest to be taxed or to be included in the calculation of other income which is taxed.

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

Details of Certain Terms

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

Original Issue Discount

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

Original Issue Premium

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

Term Bond Option

Bids for the bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

Bank-qualified Tax-Exempt Obligations

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the federal Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes interest expense that is allocable to carrying and acquiring tax-exempt obligations. "Qualified tax-exempt obligations" are treated as acquired by the financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance contained in prior law.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York State Banking Law, a "banking organization" within the meaning of the New York State Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York State Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-sale settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporations, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporations (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchanges, Inc., the American Stock Exchanges LLC, and the National Association of Securities

Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Direct and Indirect Participants are on files with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Obligations may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices for the Obligations shall be sent to Cede & Co. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Principal and interest payments on the Obligations will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC’s receipt of funds and corresponding detail information from Issuer or Agent on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name” and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or other such nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, Issuer, or Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Issuer may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered. The information in this section concerning DTC and DTC's book entry-system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Litigation

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

Future Financing

The City of Hawley may issue up to $700,000 within the next six months to extend water and sewer to the Gloryland Development. The Gloryland Development is a larger commercial and industrial corridor for the city, which includes Alderon Industries.

Legality

The Bonds are subject to approval as to certain matters by Fryberger, Buchanan, Smith and Frederick, Professional Association of Duluth, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Preliminary Official Statement and will express no opinion with respect thereto. Legal opinions in substantially the form set out in Appendix A herein will be delivered at closing.

Municipal Advisor

The City has retained David Drown Associates, Inc., Minneapolis, Minnesota, as Municipal Advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. In preparing the Preliminary Official Statement, the Municipal Advisor has relied upon governmental officials and other sources that have access to relevant information contained in the Preliminary Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken to independently verify, the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Preliminary Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Certification

The City has authorized the distribution of this Preliminary Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of the Bonds, the Purchaser(s) will be furnished with a certificate signed by the appropriate officers of the City. The certificate will state that as of the date of the Preliminary Official Statement, it did not and does not as of the date of the certificate contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

VALUATIONS – COUNTY AUDITOR

For full valuation, top ten taxpayers, tax rate, tax levy/collections information, please see the full County Auditor's Certificate for taxes payable in 2026 found under Appendix A.

TRENDS IN VALUATIONS

Year	Economic Market Value	Estimated Market Value	Taxable Market Value	Adjusted Net Tax Capacity
2025/26	$ 270,000,127	$ 246,905,000	$ 231,789,000	$ 2,493,839
2024/25	245,054,193	240,304,100	225,259,600	2,453,189
2023/24	239,149,890	223,502,000	212,712,300	2,322,683
2022/23	215,000,426	200,270,300	188,726,000	1,979,499
2021/22	196,521,293	177,148,400	164,143,600	1,731,479
2020/21	183,822,277	172,566,000	159,908,200	1,677,536
2019/20	183,793,643	167,665,200	155,325,900	1,631,309

CASH AND INVESTMENTS

(as of August 2026)

Fund	Cash/Investments
General	$ 3,035,317
Special	(48,626)
Debt Service	
GO Special Assessment	554,279
GO Revenue	49,924
Capital	(126,209)
Enterprise	4,400,382
Restricted	224,569
Total	$ 8,089,935

CITY INDEBTEDNESS

(as of 11/01/2026)

Legal Debt Limit and Margin

Legal Debt Limit (3% of Estimated Market Value)	$ 7,407,150
Less: Outstanding Debt Subject to Limit	0
Legal Debt Margin as of 11/01/2026	$ 7,407,150

**The Estimated Market Value for taxes payable 2026 is $246,905,000*

General Obligation Debt Supported by Special Assessments

Date of Issue	Original Amount	Purpose	Final Maturity	Principal Outstanding
11/16/2026	$ 3,450,000	Improvements, This Issue	11/01/2046	$ 3,450,000
07/10/2023	1,465,000	Improvements	07/01/2043	1,405
05/03/2021	2,475,000	Improvements Portion 2021A	12/01/2036	2,015,000
07/05/2017	605,000	Improvements	12/01/2032	350,000
11/01/2016	411,000	Improvements	08/01/2031	175,000
10/01/2011	1,260,000	Improvement Bonds	12/01/2026	80,000
Total				$ 7,475,000

General Obligation Debt Supported by Revenues

Date of Issue	Original Amount	Purpose	Final Maturity	Principal Outstanding
08/17/2021	$ 889,192	Water Revenue	08/20/2041	$ 731,000
05/03/2021	1,605,000	Utility Portion 2021A	12/01/2036	1,105,000
06/17/2008	132,954	Sewer Revenue	08/01/2027	9,000
06/17/2008	150,010	Water Revenue	08/01/2027	9,000
Total				$ 1,854,000

Summary of Direct Debt Including This Issue

	Gross Debt	Less: Debt Funds	Net Direct Debt
GO Debt Supported by Special Assessments	$ 7,475,000	$ -	$ 7,475,000
GO Debt Supported by Revenues	1,854,000	-	1,854,000
Total	$ 9,329,000	$ -	$ 9,329,000

Overlapping Debt

Taxing Unit *	2025/26 Tax Capacity	% in City	Total G.O. Debt	City Share
Clay County	$ 102,815,167	2.43%	$ 59,520,000	$ 1,443,691
ISD # 150	8,861,663	28.14%	59,860,000	16,845,732
Total				$ 18,289,423

** Includes only those jurisdictions with General Obligation debt outstanding and debt amounts as of 12/31/25.*

Debt Ratios

	Net G.O. Debt	Debt/Economic Market Value *$ 270,000,127*	Debt per Capita *2,178*
Net Direct G.O. Debt*	$ 7,475,000	2.77%	$ 3,432
Net Direct and Overlapping GO Debt	25,764,423	9.54%	11,829

** Excludes G.O. Debt supported by revenues*

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Annual Debt Service Payments

	GO Debt Supported by Special Assessments			GO Debt Supported by Revenues		
Year	Principal	Payment	% Retired	Principal	Payment	% Retired
2026	$ 270,000	$ 288,471	4%	$ 180,000	$ 186,263	10%
2027	313,000	551,214	8%	243,000	261,357	23%
2028	324,000	562,578	12%	176,000	191,785	32%
2029	465,000	697,077	18%	131,000	145,025	39%
2030	476,000	696,390	25%	132,000	144,715	46%
2031	492,000	700,066	31%	132,000	143,353	54%
2032	470,000	665,070	38%	138,000	147,905	61%
2033	420,000	602,195	43%	138,000	146,300	69%
2034	435,000	605,525	49%	139,000	145,650	76%
2035	445,000	602,955	55%	139,000	143,900	83%
2036	460,000	604,743	61%	50,000	53,060	86%
2037	265,000	395,513	65%	50,000	52,560	89%
2038	280,000	399,193	68%	51,000	53,060	92%
2039	295,000	402,138	72%	51,000	52,550	94%
2040	300,000	394,338	76%	52,000	53,040	97%
2041	315,000	396,210	81%	52,000	52,520	100%
2042	330,000	397,320	85%	-	-	
2043	345,000	397,658	90%	-	-	
2044	245,000	282,213	93%	-	-	
2045	260,000	285,575	96%	-	-	
2046	270,000	283,095	100%	-	-	
	$ 7,475,000	$ 10,209,533		$ 1,854,000	$ 1,973,042	

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GENERAL INFORMATION

The City of Hawley is located in Clay County approximately 230 miles north/north-east of the City of Minneapolis, 20 miles east of the City of Moorhead, 20 miles west of Detroit Lakes and 50 miles north of Fergus Falls. US Highway 10 runs through the City, providing direct access to Moorhead, Detroit Lakes and the Twin Cities metro area.

Organization

The City was incorporated in 1872 and is a statutory city. The City's governing body is the City Council, consisting of the Mayor and four elected council members. Council members are elected at large to serve overlapping four-year terms. The present Council is comprised of the following members:

Name	Position	Term Expires
Sean Mork	Mayor	2026
David Asleson	Council Member	2028
Brad Eldred	Council Member	2026
Stacey Riedberger	Council Member	2026
Marc Ness	Council Member	2028

Lonnie Neuner is the appointed City Administrator and is responsible for administering Council policy on a day-to-day basis. Erica Polley is the City's appointed Clerk-Treasurer. The City employs 18 full-time and two (2) part-time personnel. Departments and services provided by the city include administration, public works, deputy registrar, municipal electric and natural gas, parks and recreation, and a municipal liquor store. Four (4) full-time officers make up the police department. The volunteer fire department is staffed by 30 volunteer firefighters.

City Services

The City's municipal water system consists of three (3) wells with an elevated storage capacity of 250,000-gallons. The system has a pumping capacity of 500 gallons per minute. There are 965 connections to the municipal water system. The average demand is 225,000 gallons per day with a peak demand of 430,000 gallons per day.

The current municipal sewer system is comprised of a stabilization pond system with two (2) primary ponds. The average demand is 225,000 gallons per day, and there are 886 connections to the municipal sewer system.

In addition to the water and sewer utilities, the City also operates a municipal electric utility system (with electric power purchased from the Northern Municipal Power Agency), a municipal gas utility system, a municipal liquor store, the municipal garbage collection system, a municipal airport, and a deputy registrar's office. In 2025, the municipal liquor store had a net income of $55,483.

The City of Hawley has six (6) parks, several open space areas and other community amenities including:

Westgate Park is Hawley's destination park. It is located on the west side of the City, two blocks north of US Highway 10. Westgate Park is an accessible facility that provides a variety of playground equipment, picnic shelter, restrooms, a roller-blading/biking/walking path, as well as a winter ice skating rink and warming house.

Riverbend Park is located on the east side of the railroad tracks south of US Highway 10 adjacent to the Buffalo River. Riverbend Park offers playground equipment, disc golf course, and a walking bridge over the Buffalo River. There is also a picnic shelter.

Community Kids Park is the is located just east of the Community Center. It offers playground equipment and basketball area.

Brekken Park is located on First Street and Reno Street and features playground equipment and a basketball court.

Prairie Hills Park is the newest City park featuring an 8' wide, 1/5th mile long walking/biking path and Lion's picnic shelter.

Asp Park is located a block north of City Hall on Sixth Street. It features a replica of the Hjemkomst Ship and is used as a sledding hill in the winter.

The baseball diamond and quad softball complex offer further availability of public recreational facilities. These facilities are located on the south side of US Highway 10 east of the Buffalo River and the Hawley Golf and Country Club. The City leases this facility to the Hawley School District for school teams, community education/summer recreation, and they sublease to local teams.

The Hawley Rodeo Grounds are located near the softball complex and features two rodeo performances each year during Hawley Rodeo Fest. The City leases this land to local groups who host multiple horse events a year.

The Hawley Community Center is used to hold public, civic, and private activities, dances and social events.

The Hawley Public Library was dedicated in November of 1976. The City owns the building and Lake Agassiz Regional Library System operates the library.

The Hawley Golf & Country Club rests along the edge of the Buffalo River. The 18-hole, par 17 course is nestled amongst the tree-laden rolling hills. The City owns the land and leases it to the Club to operate the golf course.

The Hawley Clinic Building is owned by the City and leased by Sanford to provide clinic services for the Hawley area.

The Hawley Fire Hall is owned by the City and used by the Hawley Area Fire District.

Employee Pensions

Employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA.) PERA administers the General Employees Retirement Plan (GERP) and the Public Employees Police and Fire Plan (PEPFP) which are cost sharing multiple-employer retirement plans. The City contribution to PERA for the year ended December 31, 2022 was $ 155,073.

Census Data

Population Trends

	Population
2010 U.S. Census	1,813
2020 U.S. Census	2,219
2024 U.S. Census	2,178

Source: U.S. Census Bureau

Income and Housing Statistics

	City of Hawley	Clay County	State of Minnesota
2024 per Capita Income	$ 42,767	$ 40,578	$ 47,926
2024 Median Household Income	99,188	82,262	87,117
Percent Living in Poverty	4.6%	10.5%	9.3%
Median Value of Owner-Occupied Housing	$ 280,400	$ 274,900	$ 344,600

Source: U.S. Census Bureau

The City has 780 single family homes and 219 multi-family homes. Two (2) of the single-family units and 24 multi-family have been constructed during the past year. The Prairie Hills Estates subdivision, with 22 lots was developed in 2023.

Employment Data

	Labor Force Clay County	*Unemployment Rate* Clay Cty.	Statewide
August, 2026	35,350	4.3%	4.8%
August, 2025	35,971	3.5%	4.0%

Source: MN Department of Employment and Economic Development

Financial Services

The Bell Bank (a branch of Fargo, ND) reports deposits of $151,192,000 and Valley Premier Bank reports deposits of $93,953,000. All deposits reported are as of June 30, 2026.

Source: FDIC Summary of Deposits

Building Permits

	Number of Permits			Total Value
Year	Comm./Ind.	Residential	Other**	of Permits
2026*	3	2	5	$ 13,907,977
2025	4	5	9	8,052,900
2024	9	5	8	36,029,000
2023	4	0	17	4,669,850
2022	1	3	10	2,088,500

*Source: *City Records as of September 10, 2026*
***Other includes: decks, additions, sheds, and garages*

Commercial/Industrial Development

In the past three (3) years, the City has seen the following commercial/industrial development:

Name of Business	Product/Service	Type of Building	(estimated) Cost of Project
ISD 150	K-12 Education	New Middle School	30,200,000
Hwy 10 Holdings	Varies	4 Shop Condos	860,000
Thunder Seed	Seed/Agricultural	Warehouse	1,350,000
Hwy 10 Holdings	Varies	2 Shop Condos	430,000
Hawley Lutheran Church	Church	Addition	1,600,000
Yeti Properties	Apartment Building	New Apartments	3,375,000
Thor Investments		Car Wash	375,000
Valley Premier Bank	Bank	New Bank	3,600,000
Alderon Holdings	Manufacturing	New Addition	9,346,457
Justin Martin	Storage	Storage Units	60,000

Source: City Records as of September 17, 2026

The City has a 90-acre industrial park that is served by City water and sewer utilities. The industrial park is approximately 65% developed as of September 2026.

Major Employers

Employer	Product/Service	# of Employees
Hawley Public Schools	Public education	140
Alderon Industries	Manufacturing	105
Rapat Corporation	Manufacturing	78
Sellin Brothers	Construction	50
Rinker Materials	Manufacturing	48
RDO Implement	Farm Machinery	40
Muscatell-Burns	Car Dealership	35
Dairy Queen	Fast Food	35
Hawley Senior Living	Assisted Living	34
Implementation Specialists	Software company	20

Source: City Records

Healthcare

The City of Hawley has one medical clinic (Sanford Health), one assisted living facility (Hawley Retirement) and two dentists available within City limits. The nearest hospitals are Sandford Medical Center, located in the City of Fargo, ND – 30 miles to the west, and Essentia Health St. Mary's, located in Detroit Lakes, MN – 24 miles to the east.

Source: www.google.com

Transportation

US Highway 10 runs through the City, providing direct access to Moorhead, Detroit Lakes and the Twin Cities metro area.

The Hawley Municipal Airport provides a 3,400-foot paved, lit runway. The Airport has 40 hangars that house single engine planes and offers 100LL aviation fuel at a self-serve pump. The arrival/departure building features a MnDOT weather system computer for pilots.

Source: www.mapquest.com

Education

The City has one elementary, one junior high and one senior high school.

Minnesota State Community and Technical College located in Detroit Lakes is the nearest community college available. Minnesota State University and Concordia College – Moorhead, both located in Moorhead are the nearest public and private universities.

Source: www.city-data.com

Utilities

All utilities are provided by the City's municipal utilities, including water, sewer, gas, and electric.

Source: City Records

Communications

Qwest/Arvig Communication and Midco all provide telephone services to residents of the City. The City also has access to cable television and the Internet. The City's Official Newspaper is the Hawley Herald, published each Monday. The City has an on-line web presence with an address of: **http://www.hawley.govoffice.com.**

Source: City Records

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Report: MN Auditor's Certificate

Criteria

Tax Year: 2026

Tax Authority: CITY OF HAWLEY

CLAY COUNTY

CERTIFICATE AS TO TAXES AND TAXABLE PROPERTY IN CITY OF HAWLEY

(Herein called the "TAXING DISTRICT")

I hereby certify that the TAXING DISTRICT is situated wholly in this county and that:

1. CURRENT VALUATION - The taxable market values and net tax capacities of all taxable properties in the TAXING DISTRICT in this county as assessed in 2025 for the purpose of computing the rates of taxes collectible in 2026 are as follows:

Property Type	Estimated Market Value	Taxable Market Value	Net Tax Capacity
Real Estate:			
Residential Homestead (Class1a, 1b)		142,160,650	1,426,814
Agricultural (Class 2 and 4b(3))		1,697,800	16,978
Commercial & Industrial (Class 3, 5(1) & 5(3))			
Public Utility		0	0
Railroad Operating Property		0	0
All Other Commercial/Industrial		45,409,900	852,292
Residential Non-Homestead (Class 4a, 4b(1-2), 4bb, 4c(1-4), (7-8), 4d & 4e)		38,998,050	429,635
Seasonal Recreational-Residential (Class 1c, 4c(1), 4(5-6))		748,000	9,350
Other (Class 5(2))		1,815,800	4,539
Total Real Estate	245,946,200	230,830,200	2,739,608
Total Personal Property	958,800	958,800	18,426
Total Real & Personal Property	246,905,000	231,789,000	2,758,034
Subtract: Tax Increment Captured Tax Capacity			264,195
10% of Tax Capacity of 2000KV Powerlines built after 7/1/74			0
Fiscal Disparity Contribution Value			0
Local Tax Rate Determination Value			2,493,839
Add: Fiscal Disparity Distribution Value			
Total Adjusted Taxable Value			2,493,839

2. VALUATION HISTORY (Real & Personal Property)

Pay Year	Estimated Market Value	Taxable Market Value	Net Tax Capacity	TIF Captured	10% Pwr-Lines	Fiscal Disparity Contr.	Net Tax Capacity	Fiscal Disparity Distr.	Adjusted Tax Capacity
2025	240,304,100	225,259,600	2,719,731	266,542	0	0	2,453,189	0	2,453,189
2024	223,502,000	212,712,300	2,535,563	212,880	0	0	2,322,683	0	2,322,683
2023	200,270,300	188,726,000	2,228,830	249,331	0	0	1,979,499	0	1,979,499
2022	177,148,400	164,143,600	1,964,886	233,407	0	0	1,731,479	0	1,731,479
2021	172,566,000	159,908,200	1,902,253	224,717	0	0	1,677,536	0	1,677,536
2020	167,665,200	155,325,900	1,844,598	213,289	0	0	1,631,309	0	1,631,309

3. TOP 10 TAXPAYERS

Taxpayer	Classification	EMV	TMV	TAX	NTC
PROFUTT LTD PARTNERSHIP	3A-Commercial/Industrial/Public Utility	**6,093,200**	**6,093,200**	**194,230**	**120,456**
PIPE PORTFOLIO OWNER LP	3A-Commercial/Industrial/Public Utility	**5,636,300**	**5,636,300**	**176,876**	**110,212**
GREAT NORTH PROPERTIES LLC	4A-Rental/Residential Non-Homestead 4 or More	**3,307,700**	**3,307,700**	**58,830**	**42,412**
BURLINGTON NORTHERN RAILROAD & RR CO PROPERTY TAX DEPT	3A-Commercial/Industrial/Public Utility	**2,066,800**	**2,066,800**	**66,988**	**41,336**
LADDUSAW PROPERTIES	3A-Commercial/Industrial/Public Utility	**2,023,400**	**2,023,400**	**63,778**	**39,718**
HAWLEY HOTEL PARTNERS LLC	3A-Commercial/Industrial/Public Utility	**1,987,700**	**1,987,700**	**62,622**	**39,004**
RAPAT CORPORATION	3A-Commercial/Industrial/Public Utility	**1,913,200**	**1,913,200**	**60,206**	**37,514**
HAWLEY AUTUMN RIDGE LLC	4A-Rental/Residential Non-Homestead 4 or More	**2,915,300**	**2,915,300**	**50,197**	**36,441**
YAGCO LLC	3A-Commercial/Industrial/Public Utility	**1,607,900**	**1,607,900**	**49,175**	**30,909**
PALLANSCH PROPERTIES LLC	4A-Rental/Residential Non-Homestead 4 or More	**2,269,300**	**2,269,300**	**39,073**	**28,366**

4. TAXING AUTHORITY AND RATE HISTORY

The TAXING DISTRICT has the power to tax property situated in the following County or Counties: CLAY COUNTY,

The following governmental units within this county also have the power to levy taxes in the TAXING DISTRICT:

Governmental Unit	Tax Rate History (Levy Year / Collection Year)									
	2021 / 22		2022 / 23		2023 / 24		2024 / 25		2025 / 26	
	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val
****** COUNTY ******										
CLAY COUNTY	53.5208%		50.2918%		45.4413%		46.0009%		46.2376%	
****** SCHOOL ******										
SCHOOL DISTRICT 150	28.1741%	0.13770%	51.6536%	0.13716%	48.4187%	0.13883%	44.6183%	0.13622%	42.0037%	0.13357%
****** CITY ******										
CITY OF HAWLEY	42.6225%		40.4496%		35.7136%		35.9055%		37.2492%	
****** SPECIAL ******										
WATERSHED-BUFFALO	1.9053%		1.7411%		1.7439%		1.6400%		1.2816%	
CLAY HRA					0.2659%		0.3060%		0.2918%	

5. BONDED INDEBTEDNESS

The TAXING DISTRICT and all the governmental units listed in section 4 having bonded debt, have such debt as shown below. Values shown are Adjusted Taxable net tax capacities which have been adjusted for Fiscal Disparity Contribution and Distribution, Tax Increment Captured Tax Capacity, and Powerlines.

Governmental Unit	Taxable Net Tax Capacity of ENTIRE Govt Unit in County	Taxable Net Tax Cap. of Portion in TAXING DIST. in County	Bonded Debt as of 12/31/25	2025 / 26 Debt Service Tax Rate
****** CITY ******				
CITY OF HAWLEY	2,493,839	2,493,839	6,103,000	6.229%
****** COUNTY ******				
CLAY COUNTY	102,815,167	2,493,839	59,520,000	1.050%
****** SCHOOL ******				
SCHOOL DISTRICT 150	8,861,663	2,493,839	59,860,000	36.524%

6. TAX LEVIES AND COLLECTIONS FOR YEAR: 2026

Levy/Col Year	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026
Gross Tax Levy	738,000.00	800,699.87	829,513.07	880,838.20	928,935.02
Fiscal					
Market Values Levy					
Property Credits/Aids					
Net Tax Levy	738,000.00	800,699.87	829,513.07	880,838.20	928,935.02
Adjustments During Coll Year	609.10				
Adjusted Tax Levy	738,609.10	800,699.87	829,513.07	880,838.20	928,935.02
Current Year Collections	-731,804.27	-791,496.81	-820,065.22	-872,527.33	-469,824.25
Year End Delinquency	6,804.83	9,203.06	9,447.85	8,310.87	459,110.77
Delinquent Adjustments as of 5/15/2026					
Delinquent Collections as of 5/15/2026	-6,738.76	-8,569.75	-7,890.66	-2,126.51	
Amount Delinquent as of 5/15/2026	66.07	633.31	1,557.19	6,184.36	459,110.77

Please list below the name, title, and telephone number of a person(s) to contact regarding the completed certificate in case there are any questions.

Contact Person:	Lori J Johnson
Telephone:	218-299-5262

WITNESS My hand and official seal this ____21_____ day of __May_____ , 2026.



CLAY COUNTY AUDITOR

FRYBERGER
LAW FIRM

November 16, 2026

City of Hawley
305 6th Street
P.O. Box 69
Hawley, MN 56549

TBD

Re: City of Hawley, Minnesota
$3,450,000 General Obligation Improvement Bonds, Series 2026A

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by the City of Hawley, Clay County, Minnesota (the "Issuer"), of the above-referenced bonds dated the date hereof (the "Bonds"). The Bonds are issued pursuant to Minnesota Statutes, Chapters 429 and 475.

A. Scope of Examination. For the purpose of rendering this opinion letter, we have examined the following:

1. a resolution of the Issuer adopted on November 2, 2026, authorizing the issuance and delivery of the Bonds (the "Resolution");

2. the Officers' Certificate of the Issuer dated the date hereof setting forth and certifying as to certain matters, including but not limited to the use and investment of the proceeds of the Bonds (the "Tax Certificate");

3. applicable law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer and others with respect to the authorization, sale and issuance of the Bonds; and

4. such other documents and other materials we considered necessary in order to render this opinion.

B. Reliance. As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Issuer and others without undertaking to verify such facts by independent investigation. We have also relied, without independent investigation, upon representations and certifications made by the Issuer in the Tax Certificate and the representations and certifications made by the Issuer, agents of the Issuer and others in connection with the

issuance of the Bonds as to: (a) the nature, cost, use and useful economic life of the facilities and/or improvements financed by the Bonds, (b) the application to be made of the proceeds of the Bonds, (c) the investment of such proceeds and (d) other matters material to the tax-exempt status of the interest borne by the Bonds, including the anticipated sources of repayment of the Bonds.

C. Assumptions.

1. In rendering the opinions contained in Section D below, we have assumed: (a) the legal capacity for all purposes relevant hereto of all natural persons, (b) with respect to all parties to agreements or instruments relevant hereto other than the Issuer, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, (c) that such agreements or instruments are the valid, binding and enforceable obligations of each such party, other than the Issuer, (d) the authenticity of all documents submitted to us as originals and the authenticity of the originals, (e) the conformity to original documents of all documents submitted to us as certified or photostatic copies, (f) the genuineness of the signatures on all documents submitted to us, and (g) the accuracy of the facts and representations stated in all documents submitted to us.

2. In rendering the opinions contained in paragraphs 3 and 4 of Section D below, we have assumed that the proceeds of the Bonds will be applied in accordance with the provisions of the Resolution and the representations made by the Issuer in the Tax Certificate and that the Issuer will make or cause to be made any necessary calculations and pay to the United States any amounts required under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

3. For the purpose of rendering the opinion set forth in paragraph 3 of Section D, below, we have also assumed compliance by the Issuer with requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement.

D. Opinions. Based upon such examination, assumptions and reliance, on the basis of federal and State of Minnesota (the "State") laws, regulations, rulings and decisions in effect on the date hereof, but excluding any pending legislation which may have a retroactive date prior to the date hereof, and subject to certain limitations set forth in Section E below, it is our opinion that:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms.

2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Bonds.

3. The Bonds, as of its date of issuance, bears interest which is (a) not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for State income tax purposes; (b) includable in taxable income of corporations and financial institutions for purposes of State franchise tax; and (c) not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals or the State alternative minimum tax imposed on individuals, trusts and estates; however, such interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations.

4. Based solely on factual representations by the Issuer, the Bonds have been designated by the Issuer as "qualified tax-exempt obligations" under and within the meaning of Section 265(b)(3)(b) of the Code.

E. Qualifications and Limitations. The opinions expressed in Section D above are subject to the following:

1. We express no opinion as to federal or state tax consequences arising from ownership of the Bonds other than as set forth in Section D hereof.

2. The rights of the owners and enforceability of the Bonds are subject to and may be limited by (a) state and federal laws, rulings, decisions and principles of equity affecting remedies, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law); (b) the effect of any applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors' or secured creditors' rights or laws relating to creditors' or secured creditors' rights against public instrumentalities heretofore or hereafter enacted to the extent constitutionally applicable; (c) the exercise of judicial discretion in appropriate cases; and (d) federal and state securities laws and public policy relating thereto.

3. Failure by the Issuer to comply with applicable requirements of the Code could cause the interest on the Bonds to be includable in the gross income of the owners thereof for federal income taxation, either prospectively or retroactively to the date hereof.

4. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no responsibility as to the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

5. Except as expressly stated in this opinion, we express no opinion as to compliance with any federal securities laws or any state securities or Blue Sky laws.

6. This opinion is rendered as of the date set forth above and we express no opinion as to circumstances or events which may occur subsequent to such date.

7. The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

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

Respectfully submitted,

Fryberger, Buchanan, Smith & Frederick, P.A.

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Hawley, Minnesota (the "Issuer") in connection with the issuance of the $3,450,000 General Obligation Improvement Bonds, Series 2026A, dated November 16, 2026 (the "Obligations"). The Obligations are being issued pursuant to a Resolution of the Issuer dated November 2, 2026 (the "Resolution"). The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

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

"Annual Report" means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Code" means the Internal Revenue Code of 1986, as amended.

"Dissemination Agent" means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" means, with respect to the Issuer a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of one of the foregoing. The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

"IRS" means the Internal Revenue Service of the Department of the Treasury.

"Listed Events" means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000, Washington, DC 20005.

"Official Statement" means the Official Statement, dated _____, 2026, delivered in connection with the original issuance and sale of the Obligations, together with any amendments thereto or supplements thereof.

"Participating Underwriter" means any of the original underwriter(s) of the Obligations required to comply with the Rule in connection with offering of the Obligations.

"Rule" means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time. Reference is also made to SEC Release No. 34-83885 (File No. S7-01-17) for additional information relating to the Issuer's compliance with this Certificate.

"SEC" means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2026, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date; provided, however, unaudited financial information will be provided and the Audited Financial Statements will be submitted to the MSRB when and if available. The Issuer may provide the Annual Report by specific reference to documents previously provided to the MSRB or filed with the SEC; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must be available from the MSRB.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to

the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

(a) Valuations – County Auditor

(b) Trend in Valuation

(c) City Indebtedness

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of 10 business days after the occurrence of the event:

(1) principal and interest payment delinquencies;

(2) unscheduled draws on debt service reserves reflecting financial difficulties;

(3) unscheduled draws on credit enhancements reflecting financial difficulties;

(4) substitution of credit or liquidity providers, if any, or their failure to perform;

(5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);

(6) tender offers;

(7) defeasances;

(8) rating changes;

(9) bankruptcy, insolvency, receivership or similar event of the Issuer; or

(10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of 10 business days after the occurrence of the event:

(1) non-payment related defaults;

(2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;

(3) modifications to rights of holders of the Obligations;

(4) bond calls;

(5) release, substitution or sale of property securing repayment of the Obligations;

(6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) appointment of a successor or additional trustee or the change of name of a trustee; or

(8) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) For purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of November 16, 2026.

CITY OF HAWLEY, MINNESOTA

By _____
Mayor

By _____
City Administrator

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Appendix D
Summary of Tax Levies, Payment Provisions & Valuations

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate and multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to $413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a and causes a decrease in the Issuer's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

Property Tax Payments and Delinquencies

(Chapters 275, 276, 277, 279 – 282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on non-homestead property is assessed at a rate of 4% until May 31 and increased

to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on non-homestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for non-homestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits

(Chapter 273, Minnesota Statutes)

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Debt Limitations

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements that are payable wholly or partially from the proceeds of special assessments levied upon benefited property.

2. Warrants or orders having no definite or fixed maturity.

3. Obligations payable wholly from the income from revenue producing conveniences.

4. Obligations issued to create or maintain a permanent improvement revolving fund.

5. Obligations issued for the acquisition and betterment of public waterworks systems, and public lighting, heating or power systems, and any combination thereof, or for any other public convenience from which revenue is or may be derived.

6. Certain debt service loans and capital loans made to school districts.

7. Certain obligations to repay loans.

8. Obligations specifically excluded under the provisions of law authorizing their issuance.

9. Certain obligations to pay pension fund liabilities.

10. Debt service funds for the payment of principal and interest on obligations other than those described above.

11. Obligations issued to pay judgments against the municipality.

12. All other obligations which Minnesota Statutes specifically indicate are not to be included in the computation of the net debt of the municipality.

Levies for General Obligation Debt

(Sections 475.61 and 475.74, Minnesota Statutes)

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

Metropolitan Revenue Distribution

(Chapter 473F, Minnesota Statutes) *("Fiscal Disparities Law")*

The Charles R. Weaver Metropolitan Revenue Distribution Act, more commonly known as "Fiscal Disparities," was first implemented for taxes payable in 1975. Forty percent of the increase in commercial-industrial (including public utility and railroad) net tax capacity valuation since 1971 in each assessment district in the Minneapolis/St. Paul seven-county metropolitan area (Anoka, Carver, Dakota, excluding the City of Northfield, Hennepin, Ramsey, Scott, excluding the City of New Prague, and Washington Counties) is contributed to an area-wide tax base. A distribution index, based on the factors of population and real property market value per capita, is employed in determining what proportion of the net tax capacity value in the area-wide tax base shall be distributed back to each assessment district.

Minnesota Property Class Rate Schedule

(current through taxes payable 2022)

	Taxes Payable Year				
Property Type	**2018**	**2019**	**2020**	**2021**	**2022**
Residential Homestead (1a)					
Up to $500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over $500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Residential Non-homestead					
Single Unit (4bb1)					
Up to $500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over $500,000	1.25%	1.25%	1.25%	1.25%	1.25%
1-3 unit and undeveloped land (4b1)	1.25%	1.25%	1.25%	1.25%	1.25%
Market Rate Apartments					
Regular (4a)	1.25%	1.25%	1.25%	1.25%	1.25%
Low-Income (4d)					
Up to $115, 000[4]	0.75%	0.75%	0.75%	0.75%	0.75%
Over $115, 000[4]	0.25%	0.25%	0.25%	0.25%	0.25%
Commercial/Industrial/Public Utility (3a)					
Up to $150,000	1.50%[1]	1.50%[1]	1.50%[1]	1.50%[1]	1.50%[1]
Over $150,000	2.00%[1]	2.00%[1]	2.00%[1]	2.00%[1]	2.00%[1]
Electric Generation Machinery	2.00%	2.00%	2.00%	2.00%	2.00%
Commercial Seasonal Residential					
Homestead Resorts (1c)					
Up to $600,000	0.50%	0.50%	0.50%	0.50%	0.50%
$600,000 - $2,300,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over $2,300,000	1.25%[1]	1.25%[1]	1.25%[1]	1.25%[1]	1.25%[1]
Seasonal Resorts (4c)					
Up to $500,000	1.00%[1]	1.00%[1]	1.00%[1]	1.00%[1]	1.00%[1]
Over $500,000	1.25%[1]	1.25%[1]	1.25%[1]	1.25%[1]	1.25%[1]
Non-Commercial (4c12)					
Up to $500,000	1.00%[1 2]	1.00%[1 2]	1.00%[1 2]	1.00%[1 2]	1.00%[1 2]
Over $500,000	1.25%[1 2]	1.25%[1 2]	1.25%[1 2]	1.25%[1 2]	1.25%[1 2]
Disabled Homestead (1b)					
Up to $50,000	0.45%	0.45%	0.45%	0.45%	0.45%
Agricultural Land & Buildings					
Homestead (2a)					
Up to $500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over $500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Remainder of Farm					
Up to $2,050,000[4]	0.50%[2]	0.50%[2]	0.50%[2]	0.50%[2]	0.50%[2]
Over $2,050,000[4]	1.00%[2]	1.00%[2]	1.00%[2]	1.00%[2]	1.00%[2]
Non-homestead (2b)	1.00%[2]	1.00%[2]	1.00%[2]	1.00%[2]	1.00%[2]

[1] *Subject to the State General Property Tax.*

[2] *Exempt from referendum market value tax.*

For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First $76,000 – 0.40%; $76,000 to $500,000 – 1.00%; and over $500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in St. Paul are exempt under this provision).

APPENDIX E

FINANCIAL STATEMENT

The City's financial statements are audited annually. The following pages contain a copy of the 2025 Audited Financial Statement. Copies of audits are available upon request from David Drown Associates, Inc.

Brady Martz, the City's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein any procedures on the financial statements addressed in that report. Brady Martz also has not performed any procedures relating to this offering document.

CITY OF HAWLEY
HAWLEY, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

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CITY OF HAWLEY, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2025

Mayor	Sean Mork
Vice Mayor	Brad Eldred
Council Member	Stacey Riedberger
Council Member	David Asleson
Council Member	Marc Ness
City Administrator	Lonnie Neuner
Clerk Treasurer	Erica Polley

BradyMartz

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 accompanying 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, 2025, 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, 2025, 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, 2025, 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 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 of Hawley's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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 9, 2026, 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

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

March 9, 2026

Make Every Day Count | www.bradymartz.com

CITY OF HAWLEY, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Airport	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 3,207,523	$ 120,995	$ 1,254,974	$ 4,583,492
Cash with Fiscal Agent			107,975	107,975
Due From Other Funds	837			837
TOTAL ASSETS	$ 3,208,360	$ 120,995	$ 1,362,949	$ 4,692,304
LIABILITIES				
Due to Other Funds	$	$	$ 837	$ 837
TOTAL LIABILITIES			837	837
FUND BALANCES				
Restricted for:				
Revolving Loan			271,703	271,703
TIF Districts			16,299	16,299
Debt Service			308,485	308,485
Committed for:				
Levy Reduction	66,089			66,089
Seal Coat/Crack Fill	247,959			247,959
Plow Truck/Equipment	140,600			140,600
Street Patching	38,073			38,073
Sidewalks	22,000			22,000
Lawn Mower	21,600			21,600
Park - Brekken	1,256			1,256
Park - Disc Golf	2,000			2,000
Police - Night to Unite	5,715			5,715
Police Vehicle	33,595			33,595
Zoning Comprehensive Fund	5,760			5,760
Economic Development	16,800			16,800
River Meandering - Phase 3	20,000			20,000
Community Center	15,773			15,773
Public Works Vehicle	64,838			64,838
Library	25,660			25,660
Police Building	16,170			16,170
Police Public Safety Aid	19,351			19,351
Health Savings Account	81,525			81,525
Prosecution	40,700			40,700
Organizational Study	29,845			29,845
Administrative Discretionary	1,270			1,270
Municipal Airport		120,995		120,995
Garbage Service/Recycling			374,801	374,801
Deputy Registrar/Office			121,751	121,751
Storm Water Maint/Repairs			121,275	121,275
Building Upkeep/Repair			148,635	148,635
Unassigned	2,291,781		(837)	2,290,944
TOTAL FUND BALANCES	3,208,360	120,995	1,362,112	4,691,467
TOTAL LIABILITIES AND FUND BALANCES	$ 3,208,360	$ 120,995	$ 1,362,949	$ 4,692,304

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, 2025

	General Fund	Airport	Other Governmental Funds	Total Governmental Funds
RECEIPTS				
Property Taxes	$ 761,232	$	$ 128,472	$ 889,704
Tax Increment Financing			325,754	325,754
Special Assessments	2,464		327,350	329,814
Licenses and Permits	19,704			19,704
Intergovernmental	919,820	248,143	45,000	1,212,963
Charges for Services	20,222		696,996	717,218
Fines and Forfeitures	7,155			7,155
Investment Earnings	47,505	862	21,841	70,208
Miscellaneous	221,009	97,874	110,036	428,919
TOTAL RECEIPTS	1,999,111	346,879	1,655,449	4,001,439
DISBURSEMENTS				
Current				
General Government	290,198		165,602	455,800
Public Safety	845,069		20,873	865,942
Streets and Highways	240,551			240,551
Sanitation			403,100	403,100
Culture and Recreation	231,086			231,086
Conservation of Natural Resources	31,988			31,988
Economic Development	72,745		257,128	329,873
Airport		142,358		142,358
Debt Service				
Principal			779,000	779,000
Interest and Other Charges			137,348	137,348
Capital Outlay				
General Government	1,922			1,922
Public Safety	17,366			17,366
Streets and Highways	6,521		495,577	502,098
Culture and Recreation	138,400			138,400
TOTAL DISBURSEMENTS	1,875,846	142,358	2,258,628	4,276,832
Receipts Over (Under) Disbursements	123,265	204,521	(603,179)	(275,393)
OTHER FINANCING SOURCES (USES)				
Transfer In	760,439		899,031	1,659,470
Transfer In - Interfund Loan	16,038			16,038
Transfer Out	(450,576)		(680,546)	(1,131,122)
Transfer Out - Interfund Loan		(111,376)	(56,038)	(167,414)
TOTAL OTHER FINANCING SOURCES (USES)	325,901	(111,376)	162,447	376,972
Net Change in Fund Balances	449,166	93,145	(440,732)	101,579
Fund Balances - Beginning	2,759,194	27,850	1,802,844	4,589,888
Fund Balances - Ending	$ 3,208,360	$ 120,995	$ 1,362,112	$ 4,691,467

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2025

	Water	Sewer	Electric	Gas	Liquor	Total
ASSETS						
Current Assets						
Cash and Investments	$ 551,459	$ 482,744	$ 630,722	$ 864,983	$ 276,867	$ 2,806,775
Accounts Receivable	34,132	25,534	340,488	149,150		549,304
Inventory	19,069		268,877	15,607	184,323	487,876
Total Current Assets	604,660	508,278	1,240,087	1,029,740	461,190	3,843,955
Noncurrent Assets						
Assessments Receivable		84,127				84,127
Capital Assets						
Land			32,241		55,000	87,241
Building	16,273		234,925	71,094	436,676	758,968
Improvements Other Than Building	6,547,092	5,614,327	2,378,627	1,626,759		16,166,805
Equipment	56,269	8,000	508,899	48,040	99,715	720,923
Less: Accumulated Depreciation	(3,516,507)	(4,125,202)	(2,405,520)	(908,594)	(261,636)	(11,217,459)
Net Capital Assets	3,103,127	1,497,125	749,172	837,299	329,755	6,516,478
Other Assets						
Cash-Restricted for Lottery					15,243	15,243
Advance to Other Funds		474,455	343,879	121,848		940,182
Total Other Assets		474,455	343,879	121,848	15,243	955,425
TOTAL ASSETS	3,707,787	2,563,985	2,333,138	1,988,887	806,188	11,399,985
DEFERRED OUTFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	9,372	10,036	33,464	20,079	16,060	89,011
LIABILITIES						
Current Liabilities						
Accounts Payable	1,406	501	164,770	59,633	1,276	227,586
Salary Payable	1,183	1,513	6,490	4,462	2,826	16,474
Advance from Other Funds	596,303					596,303
Due to Other Governmental Units	7,930				15,242	23,172
Customer Deposits			48,718			48,718
Unearned Revenue			11,325			11,325
Interest Payable					580	580
Compensated Absences	26,615	30,700	57,065	32,319	59,693	206,392
Current Portion - Long-Term Liabilities					33,000	33,000
Total Current Liabilities	633,437	32,714	288,368	96,414	112,617	1,163,550
Long-Term Liabilities						
Bonds Payable					70,000	70,000
Net Pension Liability	31,088	33,310	111,032	66,619	53,296	295,345
Less: Current Portion - Long-Term Debt					(33,000)	(33,000)
Total Long-Term Liabilities	31,088	33,310	111,032	66,619	90,296	332,345
TOTAL LIABILITIES	664,525	66,024	399,400	163,033	202,913	1,495,895

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2025

	Water	Sewer	Electric	Gas	Liquor	Total
DEFERRED INFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	$ 20,561	$ 22,032	$ 73,438	$ 44,062	$ 35,249	$ 195,342
NET POSITION						
Net Investment in Capital Assets	3,103,127	1,497,125	749,172	837,299	259,755	6,446,478
Unrestricted	(71,054)	988,840	1,144,592	964,572	324,331	3,351,281
TOTAL NET POSITION	$ 3,032,073	$ 2,485,965	$ 1,893,764	$ 1,801,871	$ 584,086	$ 9,797,759

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, 2025

	Water	Sewer	Electric	Gas	Liquor	Total
Operating Revenues						
Sales	$	$	$	$	$ 1,534,369	$ 1,534,369
Cost of Sales					(1,102,754)	(1,102,754)
Gross Profit					431,615	431,615
Charges for Sales and Services	506,684	376,312	3,180,047	1,065,268		5,128,311
Other Charges and Income	437	3,490	152,706	611	1,096	158,340
Total Operating Revenue	507,121	379,802	3,332,753	1,065,879	432,711	5,718,266
Operating Expenses						
Purchased Power and Gas			1,826,975	381,150		2,208,125
Salaries and Wages	65,986	79,903	383,137	256,925	202,362	988,313
Employee Benefits	20,896	20,797	104,657	67,693	48,308	262,351
Repairs and Maintenance	36,359	6,638	430,374	172,650	6,231	652,252
Chemicals	7,735	10,917				18,652
Utilities	25,165	5,602	12,636	6,104	21,418	70,925
Insurance	7,960	10,125	6,595	5,820	5,141	35,641
Professional Fees	27,847	34,584	30,752	13,220	9,325	115,728
Supplies	3,758	984	27,124	16,930	11,315	60,111
Other Expenses	6,041	2,359	73,459	35,241	42,112	159,212
Depreciation	144,145	124,058	55,607	38,042	15,815	377,667
Total Operating Expenses	345,892	295,967	2,951,316	993,775	362,027	4,948,977
Operating Income	161,229	83,835	381,437	72,104	70,684	769,289
Nonoperating Income (Expense)						
Investment Earnings	9,929	16,650	24,339	38,781	2,264	91,963
Interest and Other Charges	(11,231)				(2,465)	(13,696)
Special Assessments		42,937				42,937
Total Nonoperating Income (Expense)	(1,302)	59,587	24,339	38,781	(201)	121,204
Net Income Before Transfers	159,927	143,422	405,776	110,885	70,483	890,493
Transfers Out	(139,352)	(138,900)	(149,416)	(85,680)	(15,000)	(528,348)
Change in Net Position	20,575	4,522	256,360	25,205	55,483	362,145
Net Position, Beginning	3,011,498	2,481,443	1,637,404	1,776,666	528,603	9,435,614
Net Position, Ending	$ 3,032,073	$ 2,485,965	$ 1,893,764	$ 1,801,871	$ 584,086	$ 9,797,759

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Water	Sewer	Electric	Gas	Liquor	Total
Cash Flows From Operating Activities:						
Receipts from Customers	$ 508,386	$ 384,091	$ 3,287,001	$ 1,067,427	$ 1,537,859	$ 6,784,764
Payments to Suppliers	(108,811)	(70,708)	(2,436,221)	(622,897)	(1,199,712)	(4,438,349)
Payments to Employees	(86,781)	(99,862)	(495,097)	(328,647)	(246,943)	(1,257,330)
Net Cash Provided By Operating Activities	312,794	213,521	355,683	115,883	91,204	1,089,085
Cash Flows From Noncapital Financing Activities:						
Transfers to Other Funds	(139,352)	(138,900)	(149,416)	(85,680)	(15,000)	(528,348)
Advance From (To) Other Funds		6,781	32,475	147,830		187,086
Net Cash Provided (Used) By Noncapital Financing Activities	(139,352)	(132,119)	(116,941)	62,150	(15,000)	(341,262)
Cash Flows From Capital and Related Financing Activities:						
Capital Asset Purchased	(30,000)	(30,000)	(62,250)	(370,234)		(492,484)
Advance from Other Funds	(45,419)					(45,419)
Special Assessment Revenue Received		8,541				8,541
Principal Paid on Debt					(34,000)	(34,000)
Interest and Other Charges Paid on Debt	(11,231)				(2,825)	(14,056)
Net Cash Used By Capital and Related Financing Activities	(86,650)	(21,459)	(62,250)	(370,234)	(36,825)	(577,418)
Cash Flows From Investing Activities:						
Investment Earnings	9,929	16,650	24,339	38,781	2,261	91,960
Net Cash Provided By Investing Activities	9,929	16,650	24,339	38,781	2,261	91,960
Net Increase (Decrease) In Cash, Cash Equivalents, and Restricted Cash	96,721	76,593	200,831	(153,420)	41,640	262,365
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	454,738	406,151	429,891	1,018,403	250,470	2,559,653
Cash, Cash Equivalents, and Restricted Cash - End of Year	$ 551,459	$ 482,744	$ 630,722	$ 864,983	$ 292,110	$ 2,822,018
Reconciliation of Cash, Cash Equivalents, and Restricted Cash						
Cash and Investments	$ 551,459	$ 482,744	$ 630,722	$ 864,983	$ 276,867	$ 2,806,775
Restricted Cash - Lottery					15,243	15,243
Total Cash, Cash Equivalents, and Restricted Cash	$ 551,459	$ 482,744	$ 630,722	$ 864,983	$ 292,110	$ 2,822,018

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF CASH FLOWS – CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Water	Sewer	Electric	Gas	Liquor	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Operating Income	$ 161,229	$ 83,835	$ 381,437	$ 72,104	$ 70,684	$ 769,289
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	144,145	124,058	55,607	38,042	15,815	377,667
Effects on Operating Cash Flows due to Changes in:						
Accounts Receivable	1,641	4,289	(44,478)	1,548		(37,000)
Inventory	5,242		(33,930)	3,247	9,577	(15,864)
Accounts Payable	812	501	5,624	4,971	(10,993)	915
Salary Payable	876	1,141	4,619	3,211	1,830	11,677
Due to Other Governments	(376)				2,394	2,018
Unearned Revenue			(1,274)			(1,274)
Net Pension	(1,656)	(1,774)	(5,914)	(3,549)	(2,839)	(15,732)
Deferred Outflows	(2,146)	(2,299)	(7,664)	(4,599)	(3,678)	(20,386)
Deferred Inflows	(2,650)	(2,839)	(9,462)	(5,678)	(4,542)	(25,171)
Compensated Absences	5,677	6,609	11,118	6,586	12,956	42,946
Total Adjustments	151,565	129,686	(25,754)	43,779	20,520	319,796
Net Cash Provided by Operating Activities	$ 312,794	$ 213,521	$ 355,683	$ 115,883	$ 91,204	$ 1,089,085

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2025

	Custodial
ASSETS	
Cash and Investments	$ 112,298
TOTAL ASSETS	$ 112,298
NET POSITION	
Restricted for Other Governments	$ 112,298
TOTAL RESTRICTED FOR OTHER GOVERNMENTS	$ 112,298

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

ADDITIONS		
Intergovernmental		
City of Hawley	$	107,596
Townships		84,835
Fire Relief		150,000
Local Grant		10,681
Lease Revenue		66,800
Investment Earnings		1,316
Miscellaneous		5,986
Interfund Transfer - Fire District Checking Account		7,945
TOTAL ADDITIONS		435,159
DEDUCTIONS		
Current		
Insurance		10,573
Professional Services		63,000
Training		7,279
Supplies		10,458
Fuel and Additives		2,267
Repairs and Maintenance		2,099
Utilities		6,815
Salaries and Benefits		26,921
RRR Dispatch		1,524
Miscellaneous		200,702
Capital Outlay		70,283
TOTAL DEDUCTIONS		401,921
CHANGES IN ASSETS AND NET POSITION		33,238
ASSETS AND NET POSITION, BEGINNING		79,060
ASSETS AND NET POSITION, ENDING	$	112,298

See Notes to the Financial Statements

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.

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.

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.

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 cost 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.

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, 2025, 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 up to a maximum of 120 days. Upon termination, unused accumulated sick leave will be paid into a health care savings plan at a prorated amount depending on years of service if the employee has been with the City for more than two years, is 55 years of age or older, and are in good standing. As of December 31, 2025, a liability for unused sick leave has been set up for the proprietary fund employees and is included in the compensated absences.

The City accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability.

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. 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.

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.

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, 2025, of $837. The City will relieve the deficit with future revenues and 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, 2025, was $136,822. The pooled cash and investment account is comprised of the following:

Cash and Investments	
Governmental Funds	$ 4,583,492
Proprietary Funds	2,822,018
Fiduciary Funds	112,298
	$ 7,517,808
Deposits	
Cash, Checking and Change Funds	$ 609,248
Certificates of Deposits	680,748
Savings	5,422,675
Investments	805,137
	$ 7,517,808

As of December 31, 2025, the City had the following investments:

Investments	Maturities	Level	Fair Value
4-M External Investment Pool	N/A	N/A	$ 805,137

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.

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, 2025, 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 $15,243 for the lottery account.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Proprietary Fund				
Capital Assets, Not Being Depreciated:				
Land	$ 87,241	$	$	$ 87,241
Total Capital Assets, Not Being Depreciated	87,241			87,241
Capital Assets, Being Depreciated:				
Building	758,968			758,968
Improvements Other Than Buildings	15,751,196	415,609		16,166,805
Equipment	644,048	76,875		720,923
Total Capital Assets, Being Depreciated	17,154,212	492,484		17,646,696
Less Accumulated Depreciation for:				
Building	372,300	18,899		391,199
Improvements Other Than Buildings	9,953,148	335,485		10,288,633
Equipment	514,344	23,283		537,627
Total Accumulated Depreciation	10,839,792	377,667		11,217,459
Total Capital Assets, Being Depreciated, Net	6,314,420	114,817		6,429,237
Proprietary Fund Capital Assets, Net	$ 6,401,661	$ 114,817	$	$ 6,516,478

Depreciation expense was charged to the functions as follows:

Proprietary Funds:	
Water	$ 144,145
Sewer	124,058
Electric	55,607
Gas	38,042
Liquor	15,815
Total Depreciation Expense - Proprietary Funds	$ 377,667

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.

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). These plan provisions are established and administered according to *Minnesota Statutes*, chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)
Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

Public Employees Police and Fire Retirement Plan (Police and Fire Plan)
Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan Benefits
General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. 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 prorated increase.

Police and Fire Plan Benefits
Benefits for Police and Fire Plan members first hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2020, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increases by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3% of the highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month the members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. 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 prorated increase.

Contributions – *Minnesota Statutes* chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions
General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025 were $92,332. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions
Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2025 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, 2025 were $62,741. 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, 2025, the City reported a liability of $444,128 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 $10,694.

City's proportionate share of the net pension liability	$	444,128
State of Minnesota's proportionate share of the net pension liability associated with the City		10,694
Total	$	454,822

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The

City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0134% at the end of the measurement period and 0.0127% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of ($293,746) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional ($1,643) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At December 31, 2025, the City reported 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	$ 42,316	$
Difference between projected and actual investment earnings		176,723
Changes in actuarial assumptions	10,701	102,192
Changes in proportion	34,662	14,831
Contributions paid to PERA subsequent to the measurement date	46,166	
Total	$ 133,845	$ 293,746

$46,166 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2026	$ (51,082)
2027	(52,592)
2028	(46,309)
2029	(56,084)

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

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

Actuarial Methods and Assumptions – The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0 percent. The 7.0 percent assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0 percent is within that range.

- Inflation is assumed to be 2.25 percent for the General Employees Plan and Police and Fire Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% after 23 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 General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The Police and Fire Plan was reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund
Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund
Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.

- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued used of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

Discount Rate – The discount rate used to measure the total pension liability in 2025 was 7.0%. 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 and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. 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		
1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
$ 1,078,717	$ 444,128	$ (70,667)

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 was extended through March 31, 2026.

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 $9,091,000.

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:

Purpose	Interest Rates	Maturity Dates	Amount
Governmental Fund	1.0 - 4.0%	2026/43	$ 5,222,000
Total			$ 5,222,000

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

Year Ending December 31	Governmental Fund	
	Principal	Interest
2026	$ 542,000	$ 113,554
2027	493,000	103,330
2028	454,000	95,381
2029	415,000	87,579
2030	421,000	79,903
2031-2035	1,932,000	280,266
2036-2040	650,000	121,400
2041-2043	315,000	25,600
	$ 5,222,000	$ 907,013

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 $302,173 that exceeded the annual payments from the pledged revenue for debt

of $209,000. The Sewer fund had net revenues, excluding depreciation, of $218,398 that exceeded the annual payments from the pledged revenue for debt of $69,000. The original amount of general obligation revenue bonds issued in prior years was $4,785,718. General obligation revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Maturity Dates	Amount
Governmental Fund	1.0 - 2.3%	2026/41	$ 811,000
			$ 811,000

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

Year Ending December 31	Governmental Fund Principal	Interest
2026	$ 62,000	$ 8,382
2027	63,000	7,632
2028	46,000	6,860
2029	46,000	6,400
2030	47,000	5,940
2031-2035	241,000	22,580
2036-2040	254,000	10,270
2041	52,000	520
	$ 811,000	$ 68,584

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 $89,103 that exceeded the annual payments from the pledged revenue for debt of $34,000. The original amount of revenue bonds issued in prior years was $329,000. Revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Maturity Dates	Amount
Proprietary Fund - Refunding	3.25%	2026/27	$ 70,000

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

Year Ending December 31	Proprietary Fund Principal	Interest
2026	$ 33,000	$ 1,738
2027	37,000	601
	$ 70,000	$ 2,339

D. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Fund					
General Obligation Bonds	$ 5,723,000	$	$ 501,000	$ 5,222,000	$ 542,000
General Obligation Revenue Bonds	1,089,000		278,000	811,000	62,000
Governmental Fund Long-Term Liabilities	6,812,000		779,000	6,033,000	604,000
Proprietary Fund					
Revenue Bonds	104,000		34,000	70,000	33,000
Proprietary Fund Long-Term Liabilities	104,000		34,000	70,000	33,000
Total Long-Term Liabilities	$ 6,916,000	$	$ 813,000	$ 6,103,000	$ 637,000

The City's interest expense for the year ended December 31, 2025, was $148,816.

See the Schedule of Indebtedness for detail and payment provisions.

NOTE 10 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2025, is as follows:

Due From / To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	$ 837

The interfund loans are to cover the cash shortages in the Fire Hall fund.

Advance From / To Other Funds:

Receivable Fund	Payable Fund	Amount
Electric	Nonmajor Governmental	$ 343,879
Gas	Water	121,848
Sewer	Water	474,455
Nonmajor Governmental	General	16,038
Total		$ 956,220

Based on the amortization schedules, $125,647 will be paid in 2025.

Interfund Transfers:

Transfer In	Transfer Out	Amount
General	Liquor	$ 15,000
General	Sewer	45,000
General	Electric	149,416
General	Gas	85,680
General	Nonmajor Governmental	465,343
Nonmajor Governmental	Nonmajor Governmental	215,203
Nonmajor Governmental	General	450,576
Nonmajor Governmental	Water	139,352
Nonmajor Governmental	Sewer	93,900
		$ 1,659,470

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.

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 2025 was $50,000.

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: 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 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, 2025 was $14,851.

NOTE 15 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 2025.

NOTE 16 TAX ABATEMENT DISCLOSURE

Purpose of Tax Abatement	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated
Residential New Housing Tax Abatement-2 year duration		
New Houses Built: 6 in 2018, 6 in 2019, 5 in 2020, 3 in 2021, 3 in 2022, 0 in 2023, 5 in 2024, 6 in 2025	100% of City taxes on the first $400,000 value (Zoning Permits from 2019 on)	$ 10,954
AmericInn/Hawley Hotel Partners Tax Abatement - to reimburse for certain development costs of Nationally Franchised "AmericInn" 10 year duration	75% of City taxes abated	11,785
Tonys SV Hardware Store Tax Abatement 9 year duration	100% of the increased taxes abated	6,139
Total Abatements 2025		$ 28,878

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 2022, the City approved Housing Abatements for houses built in 2023 and 2024 on the whole value of the home.

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 17 NEW PRONOUNCEMENTS

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

GASB Statement No. 105, *Subsequent Events*, defines subsequent events as transactions or other events occurring after the financial statement date but before the statements are available for issuance. Financial statements are considered available for issuance when they are complete in accordance with generally accepted accounting principles and have received all required approvals. The Statement also requires disclosure of the date through which subsequent events were evaluated and clarifies the distinction between recognized and nonrecognized subsequent events, including related note disclosure requirements. This statement is effective for fiscal years beginning after June 15, 2026. Earlier application is encouraged.

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, 2025

	2025				
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	2024 Actual
RECEIPTS					
Property Taxes	$ 727,368	$ 761,368	$ 761,232	$ (136)	$ 698,403
Tax Increment Financing		6,000			
Special Assessments	7,000	2,500	2,464	(36)	8,153
Licenses and Permits	18,600	19,800	19,704	(96)	24,601
Intergovernmental					
State					
Local Government Aid	739,839	739,839	739,839		738,678
Fire State Aid	36,000	52,200	52,199	(1)	44,266
Police State Aid	36,000	69,300	69,293	(7)	63,059
Small Cities Assistance	51,700	25,000	24,935	(65)	38,889
Other State Aid	13,600	14,400	17,445	3,045	22,772
Local - County	15,500	16,150	16,109	(41)	15,393
Total Intergovernmental	892,639	916,889	919,820	2,931	923,057
Charges for Services					
Franchise Fee - Cable	7,200	6,700	6,822	122	6,844
Street Charges and Sales	1,000	4,400	4,400		8,000
Parks	9,000	9,000	9,000		9,000
Total Charges for Services	17,200	20,100	20,222	122	23,844
Fines and Forfeitures	13,000	10,500	7,155	(3,345)	11,265
Investment Earnings	25,000	46,000	47,505	1,505	61,719
Miscellaneous					
Rents	5,601	2,601	2,346	(255)	5,006
Donations	5,000	11,400	11,420	20	11,090
Insurance Proceeds	4,000	4,000	1,042	(2,958)	5,450
Other Receipts	53,200	201,700	206,201	4,501	127,759
TOTAL RECEIPTS	1,768,608	2,002,858	1,999,111	2,253	1,900,347
DISBURSEMENTS					
General Government					
Current					
City Council	64,375	49,980	48,323	(1,657)	123,046
Election					7,595
Finance	96,560	90,260	91,582	1,322	88,663
Assessor	7,500	7,500	7,468	(32)	7,468
Legal	50,000	25,000	22,143	(2,857)	23,746
Other General Government	95,750	155,675	120,682	(34,993)	165,901
Capital Outlay	35,000	2,000	1,922	(78)	1,317
Total General Government	349,185	330,415	292,120	(38,295)	417,736
Public Safety					
Current					
Police Protection	782,528	648,863	650,483	1,620	826,152
Fire Relief	36,000	52,200	52,199	(1)	44,266
Fire Joint Powers District	95,500	95,500	95,475	(25)	92,250
Animal Control	1,100	1,300	1,391	91	1,318

cont.

CITY OF HAWLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025				
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	2024 Actual
DISBURSEMENTS - Continued					
Public Safety - Continued					
Current - Continued					
Emergency Response					
Joint Powers District	$ 45,620	$ 45,620	$ 45,521	$ (99)	$ 44,893
Capital Outlay	52,500	17,905	17,366	(539)	84,548
Total Public Safety	1,013,248	861,388	862,435	1,047	1,093,427
Streets and Highways					
Current					
Street Maintenance	225,600	214,200	240,551	26,351	242,586
Capital Outlay	175,000	7,000	6,521	(479)	68,406
Total Streets and Highways	400,600	221,200	247,072	25,872	310,992
Culture and Recreation					
Current					
Community Building	22,875	70,913	72,112	1,199	115,099
Parks	141,850	127,750	130,756	3,006	149,203
Library	8,150	28,400	28,218	(182)	5,721
Capital Outlay	53,500	138,433	138,400	(33)	91,665
Total Culture and Recreation	226,375	365,496	369,486	3,990	361,688
Conservation of Natural Resources					
Vector Control	32,100	12,250	11,537	(713)	15,703
Forestry Shade Tree	19,000	21,100	20,451	(649)	12,830
Total Conservation of Natural Resources	51,100	33,350	31,988	(1,362)	28,533
Economic Development					
Current					
Economic Development	103,100	80,500	72,745	(7,755)	92,150
Total Economic Development	103,100	80,500	72,745	(7,755)	92,150
TOTAL DISBURSEMENTS	2,143,608	1,892,349	1,875,846	(16,503)	2,304,526
Receipts Over (Under) Disbursements	(375,000)	110,509	123,265	18,756	(404,179)
OTHER FINANCING SOURCES (USES)					
Transfer In	375,000	361,200	760,439	399,239	310,895
Transfer In - Interfund Loan			16,038	16,038	
Transfer Out			(450,576)	(450,576)	(139,039)
TOTAL OTHER FINANCING SOURCES (USES)	375,000	361,200	325,901	(35,299)	171,856
Net Change in Fund Balances		471,709	449,166	(16,543)	(232,323)
Fund Balances - Beginning	2,759,194	2,759,194	2,759,194		2,991,517
Fund Balances - Ending	$ 2,759,194	$ 3,230,903	$ 3,208,360	$ (16,543)	$ 2,759,194

CITY OF HAWLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
AIRPORT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025				
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	2024 Actual
RECEIPTS					
Intergovernmental					
Federal	$	$ 239,650	$ 226,753	$ (12,897)	$ 14,522
State	21,608	21,608	21,390	(218)	15,849
Total Intergovernmental	21,608	261,258	248,143	(13,115)	30,371
Investment Earnings	900	900	862	(38)	455
Miscellaneous					
Rents	60,000	65,000	66,900	1,900	69,982
Other Receipts	29,500	33,000	30,974	(2,026)	26,883
TOTAL RECEIPTS	112,008	360,158	346,879	(13,279)	127,691
DISBURSEMENTS					
Current	111,850	143,175	142,358	(817)	156,596
TOTAL DISBURSEMENTS	111,850	143,175	142,358	(817)	156,596
Receipts Over (Under) Disbursements	158	216,983	204,521	(12,462)	(28,905)
OTHER FINANCING USES					
Transfer Out - Interfund Loan			(111,376)	(111,376)	
TOTAL OTHER FINANCING USES			(111,376)	(111,376)	
Net Change in Fund Balances	158	216,983	93,145	(123,838)	(28,905)
Fund Balances - Beginning	27,850	27,850	27,850		56,755
Fund Balances - Ending	$ 28,008	$ 244,833	$ 120,995	$ (123,838)	$ 27,850

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	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
	2022	74,470	74,470		992,374	7.50
	2023	79,351	79,351		1,058,095	7.50
	2024	87,232	87,232		1,163,101	7.50
	2025	92,332	92,332		1,228,969	7.51

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 and the State'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	2016	0.0136	%	$ 1,104,253	$ 14,445	$ 1,118,698	$ 847,750	130.26	%	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	
	2022	0.0130		1,029,604	30,228	1,059,832	963,501	110.00		76.67	
	2023	0.0131		732,537	20,252	752,789	1,025,235	73.43		83.10	
	2024	0.0127		467,784	12,096	479,880	1,110,598	43.21		89.08	
	2025	0.0134		444,128	10,694	454,822	1,196,035	38.03		90.78	

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

NOTE 1 DEFINED BENEFIT PLANS

PERA

General Employees Fund

2025 Changes

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

Exhibit A-1

	Special Revenue Exhibit B-1	Debt Service Exhibit B-3	Total Nonmajor Governmental Funds
ASSETS			
Cash and Investments	$ 946,489	$ 308,485	$ 1,254,974
Cash with Fiscal Agent	107,975		107,975
TOTAL ASSETS	$ 1,054,464	$ 308,485	$ 1,362,949
LIABILITIES			
Due to Other Funds	$ 837	$	$ 837
TOTAL LIABILITIES	837		837
FUND BALANCES			
Restricted for:			
Revolving Loan	271,703		271,703
TIF Districts	16,299		16,299
Debt Service		308,485	308,485
Committed for:			
Garbage Service/Recycling	374,801		374,801
Deputy Registrar/Office	121,751		121,751
Storm Water Maint/Repairs	121,275		121,275
Building Upkeep/Repair	148,635		148,635
Unassigned	(837)		(837)
TOTAL FUND BALANCES	1,053,627	308,485	1,362,112
TOTAL LIABILITIES AND FUND BALANCES	$ 1,054,464	$ 308,485	$ 1,362,949

CITY OF HAWLEY, MINNESOTA

COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2025

Exhibit A-2

	Special Revenue Exhibit B-2	Debt Service Exhibit B-4	Capital Projects			Total Nonmajor Governmental Funds
			PHE NE	15th Street Project	2025 Street Project	
RECEIPTS						
Property Taxes	$	$ 128,472	$	$	$	$ 128,472
Tax Increment Financing	325,754					325,754
Special Assessments		327,350				327,350
Intergovernmental - Local				45,000		45,000
Charges for Services	696,996					696,996
Investment Earnings	13,537	7,979	325			21,841
Miscellaneous						
Rent	97,700					97,700
Other Receipts	12,336					12,336
TOTAL RECEIPTS	1,146,323	463,801	325	45,000		1,655,449
DISBURSEMENTS						
Current						
General Government	165,602					165,602
Public Safety	20,873					20,873
Sanitation	403,100					403,100
Economic Development	257,128					257,128
Debt Service						
Principal		779,000				779,000
Interest and Other Charges		137,348				137,348
Capital Outlay						
Streets and Highways				325,306	170,271	495,577
TOTAL DISBURSEMENTS	846,703	916,348		325,306	170,271	2,258,628
Receipts Over (Under) Disbursements	299,620	(452,547)	325	(280,306)	(170,271)	(603,179)
OTHER FINANCING SOURCES (USES)						
Transfer In		448,454		280,306	170,271	899,031
Transfer Out	(203,807)	(437,928)	(38,811)			(680,546)
Transfer Out - Interfund Loan	(56,038)					(56,038)
TOTAL OTHER FINANCING SOURCES (USES)	(259,845)	10,526	(38,811)	280,306	170,271	162,447
Net Change in Fund Balances	39,775	(442,021)	(38,486)			(440,732)
Fund Balances - Beginning	1,013,852	750,506	38,486			1,802,844
Fund Balances - Ending	$ 1,053,627	$ 308,485	$	$	$	$ 1,362,112

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2025

	Nonmajor Funds							Total Nonmajor		Total
	Revolving Loan	Garbage	Deputy Registrar	Storm Water	Clinic	Fire Hall	TIF Thor Investments	Special Revenue Exhibit A-1	Major Fund Airport	Special Revenue
ASSETS										
Cash and Investments	$ 163,728	$ 374,801	$ 121,751	$ 121,275	$ 148,635	$	$ 16,299	$ 946,489	$ 120,995	$ 1,067,484
Cash with Fiscal Agent	107,975							107,975		107,975
TOTAL ASSETS	$ 271,703	$ 374,801	$ 121,751	$ 121,275	$ 148,635	$	$ 16,299	$ 1,054,464	$ 120,995	$ 1,175,459
LIABILITIES										
Due to Other Funds	$	$	$	$	$	$ 837	$	$ 837	$	$ 837
TOTAL LIABILITIES						837		837		837
FUND BALANCES										
Restricted for:										
Revolving Loan	271,703							271,703		271,703
TIF Districts							16,299	16,299		16,299
Committed for:										
Municipal Airport									120,995	120,995
Garbage Service/Recycling		374,801						374,801		374,801
Deputy Registrar/Office			121,751					121,751		121,751
Storm Water Maint/Repairs				121,275				121,275		121,275
Building Upkeep/Repair					148,635			148,635		148,635
Unassigned						(837)		(837)		(837)
TOTAL FUND BALANCES	271,703	374,801	121,751	121,275	148,635	(837)	16,299	1,053,627	120,995	1,174,622
TOTAL LIABILITIES AND FUND BALANCES	$ 271,703	$ 374,801	$ 121,751	$ 121,275	$ 148,635	$	$ 16,299	$ 1,054,464	$ 120,995	$ 1,175,459

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

Exhibit B-2

	Nonmajor Funds							
	Revolving Loan	GN Property TIF	Garbage	Deputy Registrar	Storm Water	Clinic	Fire Hall	TIF RDO
RECEIPTS								
Tax Increment Financing	$	$ 45,044	$	$	$	$	$	$ 179,157
Intergovernmental - Federal								
Intergovernmental - State								
Charges for Services			433,173	149,163	114,660			
Investment Earnings	3,547		4,544	1,926	1,573	1,947		
Miscellaneous								
Rent						30,900	66,800	
Other Receipts	9,000		2,255	1,081				
TOTAL RECEIPTS	12,547	45,044	439,972	152,170	116,233	32,847	66,800	179,157
DISBURSEMENTS								
Current								
General Government				148,726		16,876		
Public Safety							20,873	
Sanitation			403,100					
Economic Development	23,180	45,044						103,650
Airport								
TOTAL DISBURSEMENTS	23,180	45,044	403,100	148,726		16,876	20,873	103,650
Receipts Over (Under) Disbursements	(10,633)		36,872	3,444	116,233	15,971	45,927	75,507
OTHER FINANCING USES								
Transfer Out			(20,000)	(10,000)	(98,300)			(75,507)
Transfer Out - Interfund Loan			(16,038)				(40,000)	
TOTAL OTHER FINANCING USES			(36,038)	(10,000)	(98,300)		(40,000)	(75,507)
Net Change in Fund Balances	(10,633)		834	(6,556)	17,933	15,971	5,927	
Fund Balances - Beginning	282,336		373,967	128,307	103,342	132,664	(6,764)	
Fund Balances - Ending	$ 271,703	$	$ 374,801	$ 121,751	$ 121,275	$ 148,635	$ (837)	$

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, 2025

Exhibit B-2

	Nonmajor Funds				Total Nonmajor Special Revenue Exhibit A-2	Major Fund Airport	Total Special Revenue
	TIF Hefty	TIF Goldmine	TIF Autumn Ridge Apts	TIF Thor Investments			
RECEIPTS							
Tax Increment Financing	$ 14,000	$ 12,307	$ 39,780	$ 35,466	$ 325,754	$	$ 325,754
Intergovernmental - Federal						226,753	226,753
Intergovernmental - State						21,390	21,390
Charges for Services					696,996		696,996
Investment Earnings					13,537	862	14,399
Miscellaneous							
Rent					97,700	66,900	164,600
Other Receipts					12,336	30,974	43,310
TOTAL RECEIPTS	14,000	12,307	39,780	35,466	1,146,323	346,879	1,493,202
DISBURSEMENTS							
Current							
General Government					165,602		165,602
Public Safety					20,873		20,873
Sanitation					403,100		403,100
Economic Development	14,000	12,307	39,780	19,167	257,128		257,128
Airport						142,358	142,358
TOTAL DISBURSEMENTS	14,000	12,307	39,780	19,167	846,703	142,358	989,061
Receipts Over (Under) Disbursements				16,299	299,620	204,521	504,141
OTHER FINANCING USES							
Transfer Out					(203,807)		(203,807)
Transfer Out - Interfund Loan					(56,038)	(111,376)	(167,414)
TOTAL OTHER FINANCING USES					(259,845)	(111,376)	(371,221)
Net Change in Fund Balances				16,299	39,775	93,145	132,920
Fund Balances - Beginning					1,013,852	27,850	1,041,702
Fund Balances - Ending	$	$	$	$ 16,299	$ 1,053,627	$ 120,995	$ 1,174,622

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
DEBT SERVICE FUNDS
DECEMBER 31, 2025

Exhibit B-3

	Nonmajor Funds				
	2008 PFA Water	2008 PFA Sewer	11 Street Rebuild	Autumn View	Nature Lane
ASSETS					
Cash and Investments	$ 20,216	$ 2,283	$ 45,238	$ 51,711	$ 42,976
TOTAL ASSETS	$ 20,216	$ 2,283	$ 45,238	$ 51,711	$ 42,976
FUND BALANCES					
Restricted for Debt Service	$ 20,216	$ 2,283	$ 45,238	$ 51,711	$ 42,976
TOTAL FUND BALANCES	$ 20,216	$ 2,283	$ 45,238	$ 51,711	$ 42,976

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
DEBT SERVICE FUNDS – CONTINUED
DECEMBER 31, 2025

Exhibit B-3

	Nonmajor Funds			Total Nonmajor Debt Service Exhibit A-1	Total Debt Service
	2021 Phase 3	PFA 2022	PHE NE		
ASSETS					
Cash and Investments	$ 91,180	$ 26,773	$ 28,108	$ 308,485	$ 308,485
TOTAL ASSETS	$ 91,180	$ 26,773	$ 28,108	$ 308,485	$ 308,485
FUND BALANCES					
Restricted for Debt Service	$ 91,180	$ 26,773	$ 28,108	$ 308,485	$ 308,485
TOTAL FUND BALANCES	$ 91,180	$ 26,773	$ 28,108	$ 308,485	$ 308,485

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

Exhibit B-4

	Nonmajor Funds					
	2006 PFA Water	2006 PFA Sewer	2008 PFA Water	2008 PFA Sewer	11 Street Rebuild	Bond TIF
RECEIPTS						
Property Taxes	$	$	$	$	$ 37,257	$
Special Assessments	74,020	34,292			35,454	
Investment Earnings	2,848	2,080	135	19	723	
TOTAL RECEIPTS	76,868	36,372	135	19	73,434	
DISBURSEMENTS						
Debt Service						
Principal	155,000	61,000	9,000	8,000	80,000	80,000
Interest and Other Charges	2,418	647	348	573	5,695	2,647
TOTAL DISBURSEMENTS	157,418	61,647	9,348	8,573	85,695	82,647
Receipts Over (Under) Disbursements	(80,550)	(25,275)	(9,213)	(8,554)	(12,261)	(82,647)
OTHER FINANCING SOURCES (USES)						
Transfer In	88,877	33,200	10,000	8,700		78,091
Transfer Out	(246,621)	(191,307)				
TOTAL OTHER FINANCING SOURCES (USES)	(157,744)	(158,107)	10,000	8,700		78,091
Net Change in Fund Balances	(238,294)	(183,382)	787	146	(12,261)	(4,556)
Fund Balances - Beginning	238,294	183,382	19,429	2,137	57,499	4,556
Fund Balances - Ending	$	$	$ 20,216	$ 2,283	$ 45,238	$

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, 2025

Exhibit B-4

	Nonmajor Funds						
	Autumn View	Nature Lane	2021 Phase 3	PFA 2022	PHE NE	Total Nonmajor Debt Service Exhibit A-2	Total Debt Service
RECEIPTS							
Property Taxes	$	$	$ 91,215	$	$	$ 128,472	$ 128,472
Special Assessments	38,785	59,920	84,879			327,350	327,350
Investment Earnings	430	361	702	258	423	7,979	7,979
TOTAL RECEIPTS	39,215	60,281	176,796	258	423	463,801	463,801
DISBURSEMENTS							
Debt Service							
Principal	31,000	45,000	265,000	45,000		779,000	779,000
Interest and Other Charges	6,307	11,195	40,213	8,210	59,095	137,348	137,348
TOTAL DISBURSEMENTS	37,307	56,195	305,213	53,210	59,095	916,348	916,348
Receipts Over (Under) Disbursements	1,908	4,086	(128,417)	(52,952)	(58,672)	(452,547)	(452,547)
OTHER FINANCING SOURCES (USES)							
Transfer In			138,775	52,000	38,811	448,454	448,454
Transfer Out						(437,928)	(437,928)
TOTAL OTHER FINANCING SOURCES (USES)			138,775	52,000	38,811	10,526	10,526
Net Change in Fund Balances	1,908	4,086	10,358	(952)	(19,861)	(442,021)	(442,021)
Fund Balances - Beginning	49,803	38,890	80,822	27,725	47,969	750,506	750,506
Fund Balances - Ending	$ 51,711	$ 42,976	$ 91,180	$ 26,773	$ 28,108	$ 308,485	$ 308,485

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Balance 1/1/2025	Additions	Deductions	Balance 12/31/2025
HAWLEY AREA FIRE DISTRICT - JOINT POWERS				
ASSETS				
Cash and Investments	$ 79,060	$ 366,878	$ 334,960	$ 110,978
Total Assets	$ 79,060	$ 366,878	$ 334,960	$ 110,978
NET POSITION				
Restricted for Other Governments	$ 79,060	$ 366,878	$ 334,960	$ 110,978
Total Restricted for Other Governments	$ 79,060	$ 366,878	$ 334,960	$ 110,978
HAWLEY AREA EMERGENCY RESPONSE DISTRICT - JOINT POWERS				
ASSETS				
Cash and Investments	$	$ 68,281	$ 66,961	$ 1,320
NET POSITION				
Restricted for Other Government	$	$ 68,281	$ 66,961	$ 1,320
TOTAL				
ASSETS				
Cash and Investments	$ 79,060	$ 435,159	$ 401,921	$ 112,298
	$ 79,060	$ 435,159	$ 401,921	$ 112,298
NET POSITION				
Restricted for Other Government	$ 79,060	$ 435,159	$ 401,921	$ 112,298
	$ 79,060	$ 435,159	$ 401,921	$ 112,298

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025

Governmental Funds	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Balance End of Year
General Fund						
Committed for:						
2016 Levy Reduction	$ 66,089	$	$	$	$	$ 66,089
Seal Coat/Crack Fill	247,959					247,959
Plow Truck/Equipment	140,600					140,600
Street Patching	143,700	70,000	175,627			38,073
Sidewalks	21,000	1,000				22,000
Lawn Mower	11,600	10,000				21,600
Park Board Sinking Fund	49,011		49,011			
Park - Brekken	1,256					1,256
Park - Prairie Hills		625	625			
Park - Disc Golf	2,000					2,000
Park Donations	11,759		11,759			
Police - Night to Unite	3,866	1,849				5,715
Police Vehicle		33,595				33,595
Zoning Comprehensive Plan	5,760					5,760
Economic Development	16,800					16,800
River Remeandering - Phase 3	20,000					20,000
Community Center	15,773					15,773
Public Works Vehicle	54,838	10,000				64,838
Library	25,660					25,660
Police Building	11,170	5,000				16,170
Police Public Safety Aid	19,351					19,351
Health Savings Account	93,125		11,600			81,525
Prosecution	15,700	25,000				40,700
Organizational Study	29,845					29,845
15th Street Paving	97,404	30,000	127,404			
2025 Street Rebuild Project	55,564	91,983	147,547			
Administrative Discretionary	1,270					1,270
Unassigned	1,598,094	1,720,059	1,352,273	309,863	16,038	2,291,781
Total General Fund	2,759,194	1,999,111	1,875,846	309,863	16,038	3,208,360
Special Revenue						
Revolving Loan	282,336	12,547	23,180			271,703
TIF RDO		179,157	103,650	(75,507)		
GN Property		45,044	45,044			
TIF Hefty		14,000	14,000			
TIF Goldmine		12,307	12,307			
TIF Autumn Ridge Apts		39,780	39,780			
TIF Thor Investments		35,466	19,167			16,299
Garbage	373,967	439,972	403,100	(20,000)	(16,038)	374,801
Deputy Registrar	128,307	152,170	148,726	(10,000)		121,751
Airport	27,850	346,879	142,358		(111,376)	120,995
Storm Water	103,342	116,233		(98,300)		121,275
Clinic	132,664	32,847	16,876			148,635
Fire	(6,764)	66,800	20,873		(40,000)	(837)
Capital Project						
PHE NE	38,486	325		(38,811)		
15th Street Project		45,000	325,306	280,306		
2025 Street Project			170,271	170,271		

CITY OF HAWLEY, MINNESOTA

SCHEDULE OF CHANGES IN FUND BALANCES AND CHANGES IN NET POSITION - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2025

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Balance End of Year
Debt Service						
2006 PFA Water	$ 238,294	$ 76,868	$ 157,418	$ (157,744)	$	$
2006 PFA Sewer	183,382	36,372	61,647	(158,107)		
2008 PFA Water	19,429	135	9,348	10,000		20,216
2008 PFA Sewer	2,137	19	8,573	8,700		2,283
11 Street Rebuild	57,499	73,434	85,695			45,238
Bond TIF	4,556		82,647	78,091		
Autumn View Bond	49,803	39,215	37,307			51,711
Nature Lane Bond	38,890	60,281	56,195			42,976
2021 Phase 3	80,822	176,796	305,213	138,775		91,180
PFA 2022	27,725	258	53,210	52,000		26,773
PHE NE	47,969	423	59,095	38,811		28,108
Total Governmental Funds	$ 4,589,888	$ 4,001,439	$ 4,276,832	$ 528,348	$ (151,376)	$ 4,691,467

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Balance End of Year
Proprietary Funds						
Water	$ 3,011,498	$ 517,050	$ 357,123	$ (139,352)	$	$ 3,032,073
Sewer	2,481,443	439,389	295,967	(138,900)		2,485,965
Electric	1,637,404	3,357,092	2,951,316	(149,416)		1,893,764
Gas	1,776,666	1,104,660	993,775	(85,680)		1,801,871
Liquor	528,603	1,537,729	1,467,246	(15,000)		584,086
Total Proprietary Funds	$ 9,435,614	$ 6,955,920	$ 6,065,427	$ (528,348)	$	$ 9,797,759

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 12/31/2024	Issued 2025	Retired 2025	Balance 12/31/2025	Principal Due In 2026	Interest Due In 2026
General Obligation Bonds										
G.O. Improvement Bonds, 2011B	3.25%	2011	2026	$ 1,260,000	$ 160,000	$	$ 80,000	$ 80,000	$ 80,000	$ 2,600
G.O. TIF Bonds 2014A		2014		1,270,000	80,000		80,000			
G.O. Improvement Note 2016B	2.65%	2016	2026/31	411,000	238,000		31,000	207,000	32,000	5,486
G.O. Improvement Bonds 2017A	2.0 - 3.0%	2017	2026/32	605,000	395,000		45,000	350,000	45,000	9,800
G.O. Bonds 2021A	1.0-1.6%	2021	2026/36	4,080,000	3,385,000		265,000	3,120,000	325,000	37,068
G.O. Improvement Bonds 2023A	4.00%	2023	2026/43	1,465,000	1,465,000			1,465,000	60,000	58,600
Total General Obligation Bonds					5,723,000		501,000	5,222,000	542,000	113,554
General Obligation Revenue Bonds										
G.O. Water Revenue Note, 2006A		2006		2,565,987	155,000		155,000			
G.O. Sewer Revenue Note, 2006B		2006		1,010,110	61,000		61,000			
G.O. Water Revenue Note, 2008A	1.29%	2008	2026/27	150,010	27,000		9,000	18,000	9,000	232
G.O. Sewer Revenue Note, 2008B	2.29%	2008	2026/27	132,954	25,000		8,000	17,000	8,000	390
G.O. MPFA Clean Water 2021	1.00%	2021	2026/41	926,657	821,000		45,000	776,000	45,000	7,760
Total General Obligation Revenue Bonds					1,089,000		278,000	811,000	62,000	8,382
Revenue Bonds										
Refunding Revenue Note, 2016A	3.25%	2016	2026/27	329,000	104,000		34,000	70,000	33,000	1,738
Total Revenue Bonds					104,000		34,000	70,000	33,000	1,738
Total					$ 6,916,000	$	$ 813,000	$ 6,103,000	$ 637,000	$ 123,674

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

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines & Forfeitures	Special Assessments	Interest	Tax Increment Financing	Misc-ellaneous	Total
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
2022	741,509	18,279	1,092,845	642,006	16,369	487,212	23,583	284,528	644,820	3,951,151
2023	798,750	15,380	1,184,890	663,346	22,843	427,038	71,625	303,558	310,541	3,797,971
2024	826,341	24,601	953,428	686,614	11,265	319,906	85,984	258,831	363,674	3,530,644
2025	889,704	19,704	1,212,963	717,218	7,155	329,814	70,208	325,754	428,919	4,001,439

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
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
2022	439,332	829,648	232,164	329,567	147,937	1,050,354	1,839,298	479,588	5,347,888
2023	402,378	851,293	218,809	343,906	134,719	1,096,926	2,461,812	457,231	5,967,074
2024	563,485	1,015,294	242,586	355,809	270,023	948,299	449,078	451,863	4,296,437
2025	455,800	865,942	240,551	403,100	231,086	916,348	659,786	504,219	4,276,832

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

Levy Year	Tax Capacity	Tax Levy	Tax Capacity Rates					
			City	School	County	Water Shed District	EDA/HRA	Total
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
2022	1,731,479	738,000	42.623	28.174	53.521	1.905		126.223
2023	1,979,499	800,700	40.450	51.654	50.292	1.741		144.137
2024	2,322,683	829,513	35.714	48.419	45.441	1.744	0.266	131.584
2025	2,453,216	880,838	35.905	44.618	46.001	1.634	0.306	128.464

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, 2025
(UNAUDITED)

ADDITIONS	
Operating Reimbursements	
City of Hawley	$ 45,521
Townships	22,760
TOTAL ADDITIONS	68,281
DEDUCTIONS	
Current	
Professional Services	63,000
RRR Dispatch	3,961
TOTAL DEDUCTIONS	66,961
CHANGES IN ASSETS AND NET POSITION	1,320
ASSETS AND NET POSITION, BEGINNING	
ASSETS AND NET POSITION, ENDING	$ 1,320

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, 2025
(UNAUDITED)

ADDITIONS		
Intergovernmental		
City of Hawley	$	62,075
Townships		62,075
Fire Relief		150,000
Local Grant		10,681
Lease Revenue		66,800
Investment Earnings		1,316
Miscellaneous		5,986
Interfund Transfer - Fire District Checking Account		7,945
TOTAL ADDITIONS		366,878
DEDUCTIONS		
Current		
Professional Services		
Insurance		10,573
Training		7,279
Supplies		10,458
Fuel and Additives		2,267
Repairs and Maintenance		2,099
Utilities		6,815
Salaries and Benefits		26,921
RRR Dispatch		1,524
Miscellaneous		196,741
Capital Outlay		70,283
TOTAL DEDUCTIONS		334,960
CHANGES IN ASSETS AND NET POSITION		31,918
ASSETS AND NET POSITION, BEGINNING		79,060
ASSETS AND NET POSITION, ENDING	$	110,978

BradyMartz

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 9, 2026. 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 the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities,* promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions insofar as they relate to accounting matters.

Purpose of the Report

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

Brady Martz

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

March 9, 2026

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BradyMartz

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 the 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, 2025, 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 9, 2026. 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.

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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 2025-001 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 finding 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

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

March 9, 2026

2025-001 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, 2025

2025-001 FINDING

Contact Person – Erica Polley, City Clerk/Treasurer

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

Completion Date – Ongoing

APPENDIX F:
CONTINUING DISCLOSURE FILINGS

The following pages have been printed directly from the EMMA website information for the Continuing Disclosure filings in recent years.

Issue Details

CITY OF HAWLEY, MINNESOTA GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2017A (MN)

HAWLEY MINN GO IMPT BDS 2017 A (MN)*

Dated Date:	**07/05/2017**
Underwriting Spread Amount:	**Not Disclosed - Competitive Sale**
Closing Date:	07/05/2017
Time of Formal Award:	06/19/2017 06:30 PM
Time of First Execution:	06/20/2017 12:30 PM

Final Scale | Official Statement | Continuing Disclosure | Trade Activity

View continuing disclosure or advance refunding document, which provides important information about the security after initial issuance.

FINANCIAL INFORMATION & DOCUMENTS

Collapse

Most Recent 2025 Audit - Hawley MN for the year ended 12/31/2025 posted 06/02/2026 (1019 KB) details

Annual Financial Information and Operating Data

CD Report - Year end 2024 - Hawley MN for the year ended 12/31/2024 posted 09/24/2025 (675 KB)	details
CD Report - Year end 2023 - Hawley MN for the year ended 12/31/2023 posted 09/04/2024 (327 KB)	details
2022 Year End CD Report - Hawley MN for the year ended 12/31/2022 posted 11/27/2023 (3.2 MB)	details
CD Report - Year end 2021 - Hawley MN for the year ended 12/31/2021 posted 11/14/2022 (425 KB)	details
CD Report - Year end 2020 - Hawley MN for the year ended 12/31/2020 posted 09/09/2021 (1.4 MB)	details
CD Report - Year end 2019 - Hawley MN for the year ended 12/31/2019 posted 11/30/2020 (359 KB)	details
CD Report - Year end 2018 - Hawley MN for the year ended 12/31/2018 posted 11/22/2019 (365 KB)	details
CD Report - Year-end 2017 - Hawley MN for the year ended 12/31/2017 posted 10/31/2018 (945 KB) (Modified 10/31/2018)	details

Audited Financial Statements or ACFR

2025 Audit - Hawley MN for the year ended 12/31/2025 posted 06/02/2026 (1019 KB)	details
2024 Audit - Hawley MN for the year ended 12/31/2024 posted 09/24/2025 (1 MB)	details
2023 Audit - Hawley MN for the year ended 12/31/2023 posted 09/04/2024 (1022 KB)	details
2022 Audit - Hawley MN for the year ended 12/31/2022 posted 03/23/2023 (1.3 MB)	details
2021 Audit - Hawley MN for the year ended 12/31/2021 posted 11/14/2022 (551 KB)	details
2020 Audit - Hawley MN for the year ended 12/31/2020 posted 03/18/2021 (555 KB)	details
2019 Audit - Hawley MN for the year ended 12/31/2019 posted 04/07/2020 (380 KB)	details
2018 Audit - Hawley MN for the year ended 12/31/2018 posted 11/22/2019 (426 KB)	details
2017 Audit - Hawley MN for the year ended 12/31/2017 posted 10/31/2018 (562 KB) (Modified 10/31/2018)	details

EVENT NOTICES

Collapse

Most Recent Notice of Bond Pay Agent/Registrar Acquisition dated 12/31/2024 posted 12/31/2024 (80 KB) details

Successor, Additional or Change in Trustee

Notice of Bond Pay Agent/Registrar Acquisition dated 12/31/2024 posted 12/31/2024 (80 KB)	details
Event Filing posted 12/26/2024 (133 KB)	details

Links to Former NRMSIRs

Until 2009, the organizations listed below served as Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and may have primary market and continuing disclosure documents produced before July 1, 2009, when the EMMA website became the official repository for municipal market disclosures.

- Bloomberg L.P.
- DPC Data
- ICE Data Services (formerly Interactive Data Pricing and Reference Data)
- Standard & Poor's

View Document Archive

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