CITY OF HAWLEY
HAWLEY, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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CITY OF HAWLEY, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2024

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, 2024, 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, 2024, 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, 2024, 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.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 2 to the financial statements, the City has adopted new accounting guidance, GASB Statement No. 100, *Accounting Change and Error Corrections – An Amendment to GASB Statement No. 62,* as a result PHE NE (Debt), Phase 3 Project, and PHE NE (Capital Project) funds have been previously reported as major funds and for the year ended December 31, 2024, the funds are reported as nonmajor.

As discussed in Note 2 to the financial statements, the City has adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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 17, 2025, 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 & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

March 17, 2025

CITY OF HAWLEY, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General Fund	Airport	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 2,752,430	$ 27,850	$ 1,688,927	$ 4,469,207
Cash with Fiscal Agent			120,681	120,681
Due From Other Funds	6,764			6,764
TOTAL ASSETS	$ 2,759,194	$ 27,850	$ 1,809,608	$ 4,596,652
LIABILITIES				
Due to Other Funds	$	$	$ 6,764	$ 6,764
TOTAL LIABILITIES			6,764	6,764
FUND BALANCES				
Restricted for:				
Revolving Loan			282,336	282,336
Debt Service			750,506	750,506
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	143,700			143,700
Sidewalks	21,000			21,000
Lawn Mower	11,600			11,600
Park Board Sinking Fund	49,011			49,011
Park - Brekken	1,256			1,256
Park - Disc Golf	2,000			2,000
Park Donations	11,759			11,759
Police - Night to Unite	3,866			3,866
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	54,838			54,838
Library	25,660			25,660
Police Building	11,170			11,170
Police Public Safety Aid	19,351			19,351
Health Savings Account	93,125			93,125
Prosecution	15,700			15,700
Organizational Study	29,845			29,845
15th Street Paving	97,404			97,404
2025 Street Rebuild Project	55,564			55,564
Administrative Discretionary	1,270			1,270
Municipal Airport		27,850		27,850
Garbage Service/Recycling			373,967	373,967
Deputy Registrar/Office			128,307	128,307
Storm Water Maint/Repairs			103,342	103,342
Building Upkeep/Repair			132,664	132,664
Assigned for:				
Capital Projects			38,486	38,486
Unassigned	1,598,094		(6,764)	1,591,330
TOTAL FUND BALANCES	2,759,194	27,850	1,802,844	4,589,888
TOTAL LIABILITIES AND FUND BALANCES	$ 2,759,194	$ 27,850	$ 1,809,608	$ 4,596,652

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, 2024

	General Fund	Airport	Formerly Major Funds: PHE NE (Debt)	Formerly Major Funds: Phase 3 Project	Formerly Major Funds: PHE NE (Capital Project)	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property Taxes	$ 698,403	$	$	$	$	$ 127,938	$ 826,341
Tax Increment Financing						258,831	258,831
Special Assessments	8,153					311,753	319,906
Licenses and Permits	24,601						24,601
Intergovernmental	923,057	30,371					953,428
Charges for Services	23,844					662,770	686,614
Fines and Forfeitures	11,265						11,265
Investment Earnings	61,719	455				23,810	85,984
Miscellaneous	149,305	96,865				117,504	363,674
TOTAL RECEIPTS	1,900,347	127,691				1,502,606	3,530,644
DISBURSEMENTS							
Current							
General Government	416,419					147,066	563,485
Public Safety	1,008,879					6,415	1,015,294
Streets and Highways	242,586						242,586
Sanitation						355,809	355,809
Culture and Recreation	270,023						270,023
Conservation of Natural Resources	28,533						28,533
Economic Development	92,150					174,584	266,734
Airport		156,596					156,596
Debt Services							
Principal						770,000	770,000
Interest and Other Charges						178,299	178,299
Capital Outlay							
General Government	1,317						1,317
Public Safety	84,548						84,548
Streets and Highways	68,406					194,642	263,048
Sanitation						8,500	8,500
Culture and Recreation	91,665						91,665
TOTAL DISBURSEMENTS	2,304,526	156,596				1,835,315	4,296,437
Receipts Over (Under) Disbursements	(404,179)	(28,905)				(332,709)	(765,793)
OTHER FINANCING SOURCES (USES)							
Transfer In	310,895					556,563	867,458
Transfer Out	(139,039)					(214,050)	(353,089)
Transfer Out - Interfund Loan						(40,000)	(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	171,856					302,513	474,369
Net Change in Fund Balances	(232,323)	(28,905)				(30,196)	(291,424)
Fund Balances - 12/31/23, as previously reported	2,991,517	56,755	133,661	(6,587)	99,801	1,606,165	4,881,312
Change within financial reporting entity (major to nonmajor fund)			(133,661)	6,587	(99,801)	226,875	
Fund Balances - 12/31/23, as restated	2,991,517	56,755				1,833,040	4,881,312
Fund Balances - Ending	$ 2,759,194	$ 27,850	$	$	$	$ 1,802,844	$ 4,589,888

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Water	Sewer	Electric	Gas	Liquor	Total
ASSETS						
Current Assets						
Cash and Investments	$ 454,738	$ 406,151	$ 429,891	$ 1,018,403	$ 237,621	$ 2,546,804
Accounts Receivable	35,773	29,823	296,010	150,698		512,304
Inventory	24,311		234,947	18,854	193,900	472,012
Total Current Assets	514,822	435,974	960,848	1,187,955	431,521	3,531,120
Noncurrent Assets						
Assessments Receivable		49,731				49,731
Capital Assets						
Land			32,241		55,000	87,241
Building	16,273		234,925	71,094	436,676	758,968
Improvements Other Than Building	6,517,092	5,584,327	2,378,627	1,271,150		15,751,196
Equipment	56,269	8,000	446,649	33,415	99,715	644,048
Less: Accumulated Depreciation	(3,372,362)	(4,001,144)	(2,349,913)	(870,552)	(245,821)	(10,839,792)
Net Capital Assets	3,217,272	1,591,183	742,529	505,107	345,570	6,401,661
Other Assets						
Cash-Restricted for Lottery					12,849	12,849
Advance to Other Funds		481,236	376,354	269,678		1,127,268
Total Other Assets		481,236	376,354	269,678	12,849	1,140,117
TOTAL ASSETS	3,732,094	2,558,124	2,079,731	1,962,740	789,940	11,122,629
DEFERRED OUTFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	7,226	7,737	25,800	15,480	12,382	68,625
LIABILITIES						
Current Liabilities						
Accounts Payable	594		159,146	54,662	12,269	226,671
Salary Payable	307	372	1,871	1,251	996	4,797
Advance from Other Funds	641,722					641,722
Due to Other Governmental Units	8,306				12,848	21,154
Customer Deposits			48,718			48,718
Unearned Revenue			12,599			12,599
Interest Payable					943	943
Compensated Absences	20,938	24,091	45,947	25,733	46,737	163,446
Current Portion - Long-Term Liabilities					34,000	34,000
Total Current Liabilities	671,867	24,463	268,281	81,646	107,793	1,154,050
Long-Term Liabilities						
Bonds Payable					104,000	104,000
Net Pension Liability	32,744	35,084	116,946	70,168	56,135	311,077
Less: Current Portion - Long-Term Debt					(34,000)	(34,000)
Total Long-Term Liabilities	32,744	35,084	116,946	70,168	126,135	381,077
TOTAL LIABILITIES	704,611	59,547	385,227	151,814	233,928	1,535,127

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Water	Sewer	Electric	Gas	Liquor	Total
DEFERRED INFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	$ 23,211	$ 24,871	$ 82,900	$ 49,740	$ 39,791	$ 220,513
NET POSITION						
Net Investment in Capital Assets	3,217,272	1,591,183	742,529	505,107	241,570	6,297,661
Unrestricted	(205,774)	890,260	894,875	1,271,559	287,033	3,137,953
TOTAL NET POSITION	$ 3,011,498	$ 2,481,443	$ 1,637,404	$ 1,776,666	$ 528,603	$ 9,435,614

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, 2024

	Water	Sewer	Electric	Gas	Liquor	Total
Operating Revenues						
Sales	$	$	$	$	$ 1,553,056	$ 1,553,056
Cost of Sales					(1,124,883)	(1,124,883)
Gross Profit					428,173	428,173
Charges for Sales and Services	507,005	377,132	2,713,212	934,173		4,531,522
Other Charges and Income	3,253	1,588	18,196	980	2,063	26,080
Total Operating Revenue	510,258	378,720	2,731,408	935,153	430,236	4,985,775
Operating Expenses						
Purchased Power and Gas			1,721,858	327,830		2,049,688
Salaries and Wages	57,979	71,425	355,541	229,871	182,292	897,108
Employee Benefits	16,381	18,827	104,885	69,223	50,057	259,373
Repairs and Maintenance	28,572	73,250	592,405	132,443	8,049	834,719
Chemicals	6,337	9,671				16,008
Utilities	25,187	5,041	10,044	5,140	15,204	60,616
Insurance	8,762	10,614	8,394	7,418	5,067	40,255
Professional Fees	98,304	23,722	49,868	85,995	7,806	265,695
Supplies	2,367	765	22,616	15,275	9,542	50,565
Other Expenses	37,375	10,932	88,535	14,969	44,602	196,413
Depreciation	142,340	146,621	57,593	36,858	14,638	398,050
Total Operating Expenses	423,604	370,868	3,011,739	925,022	337,257	5,068,490
Operating Income (Loss)	86,654	7,852	(280,331)	10,131	92,979	(82,715)
Nonoperating Income (Expense)						
Investment Earnings	12,682	15,912	35,491	45,516	1,899	111,500
Interest and Other Charges	(12,275)				(3,522)	(15,797)
Total Nonoperating Income (Expense)	407	15,912	35,491	45,516	(1,623)	95,703
Net Income (Loss) Before Transfers and Capital Contributions	87,061	23,764	(244,840)	55,647	91,356	12,988
Capital Contributions	240,202					240,202
Transfers Out	(139,775)	(138,700)	(147,546)	(73,348)	(15,000)	(514,369)
Change in Net Position	187,488	(114,936)	(392,386)	(17,701)	76,356	(261,179)
Net Position, Beginning	2,832,268	2,605,118	2,046,896	1,803,782	467,153	9,755,217
GASB 101 - Adjustment - See Note 2	(8,258)	(8,739)	(17,106)	(9,415)	(14,906)	(58,424)
Net Position, Beginning as Restated	2,824,010	2,596,379	2,029,790	1,794,367	452,247	9,696,793
Net Position, Ending	$ 3,011,498	$ 2,481,443	$ 1,637,404	$ 1,776,666	$ 528,603	$ 9,435,614

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Water	Sewer	Electric	Gas	Liquor	Total
Cash Flows From Operating Activities:						
Receipts from Customers	$ 512,565	$ 380,572	$ 2,722,274	$ 910,633	$ 1,558,669	$ 6,084,713
Payments to Suppliers	(209,942)	(133,995)	(2,424,301)	(574,038)	(1,209,633)	(4,551,909)
Payments to Employees	(75,273)	(90,963)	(466,997)	(303,655)	(233,919)	(1,170,807)
Net Cash Provided (Used) By Operating Activities	227,350	155,614	(169,024)	32,940	115,117	361,997
Cash Flows From Noncapital Financing Activities:						
Transfers to Other Funds	(139,775)	(138,700)	(147,546)	(73,348)	(15,000)	(514,369)
Advance From (To) Other Funds		6,681	31,836	37,744		76,261
Net Cash Used By Noncapital Financing Activities	(139,775)	(132,019)	(115,710)	(35,604)	(15,000)	(438,108)
Cash Flows From Capital and Related Financing Activities:						
Capital Asset Purchased	(249,596)				(8,990)	(258,586)
Advance from Other Funds	153,805					153,805
Special Assessment Revenue Received		3,527				3,527
Principal Paid on Debt					(30,000)	(30,000)
Interest and Other Charges Paid on Debt	(12,275)				(3,865)	(16,140)
Net Cash Provided (Used) By Capital and Related Financing Activities	(108,066)	3,527			(42,855)	(147,394)
Cash Flows From Investing Activities:						
Investment Earnings	12,682	15,909	35,484	45,520	1,892	111,487
Net Cash Provided By Investing Activities	12,682	15,909	35,484	45,520	1,892	111,487
Net Increase (Decrease) In Cash, Cash Equivalents, and Restricted Cash	(7,809)	43,031	(249,250)	42,856	59,154	(112,018)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	462,547	363,120	679,141	975,547	191,316	2,671,671
Cash, Cash Equivalents, and Restricted Cash - End of Year	$ 454,738	$ 406,151	$ 429,891	$ 1,018,403	$ 250,470	$ 2,559,653
Reconciliation of Cash, Cash Equivalents, and Restricted Cash						
Cash and Investments	$ 454,738	$ 406,151	$ 429,891	$ 1,018,403	$ 237,621	$ 2,546,804
Restricted Cash - Lottery					12,849	12,849
Total Cash, Cash Equivalents, and Restricted Cash	$ 454,738	$ 406,151	$ 429,891	$ 1,018,403	$ 250,470	$ 2,559,653

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF CASH FLOWS – CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Water	Sewer	Electric	Gas	Liquor	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Operating Income (Loss)	$ 86,654	$ 7,852	$ (280,331)	$ 10,131	$ 92,979	$ (82,715)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	142,340	146,621	57,593	36,858	14,638	398,050
Effects on Operating Cash Flows due to Changes in:						
Accounts Receivable	2,721	1,852	(5,871)	(24,520)		(25,818)
Inventory	(3,632)		50,951	(1,436)	(5,640)	40,243
Accounts Payable	594		18,468	16,468	11,160	46,690
Salary Payable	307	372	1,871	1,251	996	4,797
Due to Other Governments	(414)				3,550	3,136
Customer Deposits			(2,380)			(2,380)
Unearned Revenue			(883)			(883)
Net Pension	(18,533)	(19,856)	(66,188)	(39,713)	(31,770)	(176,060)
Deferred Outflows	7,152	7,664	25,543	15,326	12,260	67,945
Deferred Inflows	7,766	8,321	27,735	16,641	13,313	73,776
Compensated Absences	2,395	2,788	4,468	1,934	3,631	15,216
Total Adjustments	140,696	147,762	111,307	22,809	22,138	444,712
Net Cash Provided (Used) by Operating Activities	$ 227,350	$ 155,614	$ (169,024)	$ 32,940	$ 115,117	$ 361,997
NONCASH CAPITAL ACTIVITIES						
Contributions of Capital Assets from Government	$ 240,202	$	$	$	$	$ 240,202

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2024

	Custodial
ASSETS	
Cash and Investments	$ 79,060
TOTAL ASSETS	$ 79,060
NET POSITION	
Restricted for Other Governments	$ 79,060
TOTAL RESTRICTED FOR OTHER GOVERNMENTS	$ 79,060

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, 2024

ADDITIONS		
Intergovernmental		
City of Hawley	$	103,743
Townships		81,297
Fire Relief		46,500
Local Grant		1,570
Lease Revenue		66,800
Investment Earnings		1,258
Loan Proceeds		146,813
Miscellaneous		50,227
Interfund Transfer - Fire District Checking Account		14,554
TOTAL ADDITIONS		512,762
DEDUCTIONS		
Current		
Insurance		10,523
Professional Services		63,000
Training		5,304
Supplies		14,514
Fuel and Additives		4,886
Repairs and Maintenance		1,541
Utilities		5,945
Salaries and Benefits		34,721
Fire Relief Contribution		9,100
RRR Dispatch		1,669
Miscellaneous		83,396
Capital Outlay		312,331
TOTAL DEDUCTIONS		546,930
CHANGES IN ASSETS AND NET POSITION		(34,168)
ASSETS AND NET POSITION, BEGINNING		113,228
ASSETS AND NET POSITION, ENDING	$	79,060

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, 2024, 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, 2024, 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 CHANGE IN ACCOUNTING PRINCIPLES

The City implemented GASB Statement No. 100, *Accounting Change and Error Corrections – An Amendment to GASB Statement No. 62,* during the year ended December 31, 2024. GASB Statement No. 100 enhances the accounting and financial reporting requirements for accounting changes and error corrections.

The PHE NE (Debt), Phase 3 Project, and PHE NE (Capital Project) funds were previously reported as major funds. For the year ended December 31, 2024, these funds are reported as non major funds.

The City implemented GASB Statement No. 101, *Compensated Absences* in the fiscal year ended December 31, 2024. GASB Statement No. 101 establishes uniform accounting and financial reporting requirements for 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.

The adoption of GASB 101 resulted in the recognition of an additional compensated absence liability of $58,424 as of January 1, 2024. Results for periods prior to December 31, 2023 continue to be reported in accordance with the City's historical accounting treatment.

NOTE 3 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2024, expenditures exceeded appropriations in the airport fund by $9,526.

NOTE 4 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 5 DEFICIT FUND BALANCE

The Fire Hall fund had a deficit fund balance as of December 31, 2024, of $6,764. The City will relieve the deficit with future revenues and lease revenue.

NOTE 6 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, 2024, was $173,642. The pooled cash and investment account is comprised of the following:

Cash and Investments		
Governmental Funds	$	4,469,207
Proprietary Funds		2,559,653
Fiduciary Funds		79,060
	$	7,107,920
Deposits		
Cash, Checking and Change Funds	$	189,524
Certificates of Deposits		658,642
Savings		5,487,475
Investments		772,279
	$	7,107,920

As of December 31, 2024, the City had the following investments:

Investments	Maturities	Level		Fair Value
4-M External Investment Pool	N/A	N/A	$	772,279

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, 2024, 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 7 RESTRICTED CASH

The liquor fund is required to have a reserve account of $12,849 for the lottery account.

NOTE 8 CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2024, 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	15,261,398	489,798		15,751,196
Equipment	635,058	8,990		644,048
Total Capital Assets, Being Depreciated	16,655,424	498,788		17,154,212
Less Accumulated Depreciation for:				
Building	353,401	18,899		372,300
Improvements Other Than Buildings	9,595,257	357,891		9,953,148
Equipment	493,084	21,260		514,344
Total Accumulated Depreciation	10,441,742	398,050		10,839,792
Total Capital Assets, Being Depreciated, Net	6,213,682	100,738		6,314,420
Proprietary Fund Capital Assets, Net	$ 6,300,923	$ 100,738	$	$ 6,401,661

Depreciation expense was charged to the functions as follows:

Proprietary Funds:		
Water	$	142,340
Sewer		146,621
Electric		57,593
Gas		36,858
Liquor		14,638
Total Depreciation Expense - Proprietary Funds	$	398,050

NOTE 9 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 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent 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 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent 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 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a 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 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increases by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent 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 percent 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 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of June 30 before the effective date of the increase will receive a 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 2024 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, 2024, were $87,232. 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 2024 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, 2024, were $73,251. 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, 2024, the City reported a liability of $467,784 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 $12,096.

City's proportionate share of the net pension liability	$	467,784
State of Minnesota's proportionate share of the net pension liability associated with the City		12,096
Total	$	479,880

The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0127% at the end of the measurement period and 0.0131% for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of $51,154 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional $232 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed $170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the $170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized ($232) for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, 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	$ 44,474	$
Difference between projected and actual investment earnings		128,931
Changes in actuarial assumptions	2,347	181,612
Changes in proportion	12,751	21,065
Contributions paid to PERA subsequent to the measurement date	43,616	
Total	$ 103,188	$ 331,608

$43,616 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, 2025. 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
2025	$ (140,220)
2026	(31,088)
2027	(64,876)
2028	(35,852)

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, 2024, 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 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1 percent for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and

Fire Plan, salary growth assumptions range in annual increments from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The 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 PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

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: None

Changes in Plan provisions:

- The State contribution of $9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional $9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

Discount Rate – The discount rate used to measure the total pension liability in 2024 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

City Proportionate Share of NPL		
1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
$ 1,021,716	$ 467,784	$ 12,125

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 10 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 11 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%	2025/43	$ 5,723,000
Total			$ 5,723,000

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

Year Ending December 31	Governmental Fund Principal	Governmental Fund Interest
2025	$ 501,000	$ 93,624
2026	542,000	113,554
2027	493,000	103,330
2028	454,000	95,381
2029	415,000	87,579
2030-2034	1,983,000	318,818
2035-2039	925,000	146,350
2040-2043	410,000	42,000
	$ 5,723,000	$ 1,000,636

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 $228,994 that exceeded the annual payments from the pledged revenue for debt of $205,000. The Sewer fund had net revenues, excluding depreciation, of $154,473 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%	2025/41	$ 1,089,000
			$ 1,089,000

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

Year Ending December 31	Governmental Fund Principal	Governmental Fund Interest
2025	$ 278,000	$ 12,196
2026	62,000	8,384
2027	63,000	7,632
2028	46,000	6,860
2029	46,000	6,400
2030-2034	239,000	24,970
2035-2039	251,000	12,780
2040-2041	104,000	1,560
	$ 1,089,000	$ 80,782

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 $107,617 that exceeded the annual payments from the pledged revenue for debt

of $30,000. 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%	2025/27	$ 104,000

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

Year Ending December 31	Proprietary Fund Principal	Proprietary Fund Interest
2025	$ 34,000	$ 2,828
2026	33,000	1,738
2027	37,000	601
	$ 104,000	$ 5,167

D. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Fund					
General Obligation Bonds	$ 6,219,000	$	$ 496,000	$ 5,723,000	$ 501,000
General Obligation Revenue Bonds	1,363,000		274,000	1,089,000	278,000
Governmental Fund Long-Term Liabilities	7,582,000		770,000	6,812,000	779,000
Proprietary Fund					
Revenue Bonds	134,000		30,000	104,000	34,000
Proprietary Fund Long-Term Liabilities	134,000		30,000	104,000	34,000
Total Long-Term Liabilities	$ 7,716,000	$	$ 800,000	$ 6,916,000	$ 813,000

The City's interest expense for the year ended December 31, 2024, was $191,618.

See the Schedule of Indebtedness for detail and payment provisions.

NOTE 12 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2024, is as follows:

Due From / To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	$ 6,764

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	$	376,354
Gas	Nonmajor Governmental		109,192
Gas	Water		160,486
Sewer	Water		481,236
Total		$	1,127,268

Based on the amortization schedules, $187,085 will be paid in 2025.

Interfund Transfers:

Transfer In	Transfer Out		Amount
General	Liquor	$	15,000
General	Sewer		45,000
General	Electric		147,546
General	Gas		73,348
General	Nonmajor Governmental		30,000
Nonmajor Governmental	Nonmajor Governmental		184,050
Nonmajor Governmental	General		139,039
Nonmajor Governmental	Water		139,775
Nonmajor Governmental	Sewer		93,700
		$	867,458

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 13 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 2024 was $50,000.

NOTE 14 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 15 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 16 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, 2024 was $15,638.

NOTE 17 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 2024.

NOTE 18 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, and 5 in 2024	100% of City taxes on the first $400,000 value (Zoning Permits from 2019 on)	$ 11,762
AmericInn/Hawley Hotel Partners Tax Abatement - to reimburse for certain development costs of Nationally Franchised "AmericInn" 10 year duration	75% of City taxes abated	9,885
Tonys SV Hardware Store Tax Abatement 9 year duration	100% of the increased taxes abated	3,986
Total Abatements 2024		$ 25,633

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 19 NEW PRONOUNCEMENTS

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

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.

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, 2024

	2024				
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	2023 Actual
RECEIPTS					
Property Taxes	$ 674,573	$ 674,573	$ 698,403	$ 23,830	$ 689,255
Special Assessments	7,800	8,100	8,153	53	8,121
Licenses and Permits	16,900	24,600	24,601	1	15,380
Intergovernmental					
State					
Local Government Aid	738,678	738,678	738,678		664,743
Fire State Aid	36,000	44,300	44,266	(34)	39,293
Police State Aid	36,000	63,100	63,059	(41)	151,945
Small Cities Assistance		35,350	38,889	3,539	
Other State Aid	7,000	22,900	22,772	(128)	6,866
Local - County	13,500	15,500	15,393	(107)	13,785
Total Intergovernmental	831,178	919,828	923,057	3,229	876,632
Charges for Services					
Franchise Fee - Cable	7,200	7,200	6,844	(356)	7,118
Street Charges and Sales	1,000	7,800	8,000	200	240
Parks	9,000	9,000	9,000		9,000
Total Charges for Services	17,200	24,000	23,844	(156)	16,358
Fines and Forfeitures	13,000	11,000	11,265	265	22,843
Investment Earnings	25,000	60,000	61,719	1,719	46,949
Miscellaneous					
Rents	6,851	5,351	5,006	(345)	6,746
Donations	2,500	7,500	11,090	3,590	3,735
Insurance Proceeds	12,000	12,000	5,450	(6,550)	3,064
Other Receipts	43,738	116,138	127,759	11,621	56,578
TOTAL RECEIPTS	1,650,740	1,863,090	1,900,347	37,257	1,745,661
DISBURSEMENTS					
General Government					
Current					
City Council	80,700	123,890	123,046	(844)	42,952
Election	3,700	7,612	7,595	(17)	
Finance	88,500	89,500	88,663	(837)	87,316
Assessor	7,500	7,500	7,468	(32)	7,453
Legal	31,000	23,800	23,746	(54)	25,039
Other General Government	80,450	213,431	165,901	(47,530)	76,626
Capital Outlay	5,000	1,350	1,317	(33)	1,491
Total General Government	296,850	467,083	417,736	(49,347)	240,877
Public Safety					
Current					
Police Protection	735,740	831,962	826,152	(5,810)	669,976
Fire Relief	36,000	44,270	44,266	(4)	38,293
Fire Joint Powers District	93,000	92,250	92,250		91,200
Animal Control	1,100	1,600	1,318	(282)	2,103

cont.

CITY OF HAWLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024				
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	2023 Actual
DISBURSEMENTS - Continued					
Public Safety - Continued					
Current - Continued					
Emergency Response					
Joint Powers District	$ 42,000	$ 44,900	$ 44,893	$ (7)	$ 39,387
Capital Outlay	52,500	84,787	84,548	(239)	56,012
Total Public Safety	960,340	1,099,769	1,093,427	(6,342)	896,971
Streets and Highways					
Current					
Street Maintenance	221,050	222,350	242,586	20,236	218,809
Capital Outlay	165,000	54,923	68,406	13,483	34,812
Total Streets and Highways	386,050	277,273	310,992	33,719	253,621
Culture and Recreation					
Current					
Community Building	21,200	118,180	115,099	(3,081)	14,684
Parks	146,700	151,450	149,203	(2,247)	112,767
Library	7,800	5,820	5,721	(99)	7,268
Capital Outlay	53,000	91,769	91,665	(104)	20,392
Total Culture and Recreation	228,700	367,219	361,688	(5,531)	155,111
Conservation of Natural Resources					
Vector Control	33,000	16,000	15,703	(297)	31,433
Forestry Shade Tree	10,300	13,100	12,830	(270)	15,611
Total Conservation of Natural Resources	43,300	29,100	28,533	(567)	47,044
Economic Development					
Current					
Economic Development	95,500	91,800	92,150	350	107,668
Total Economic Development	95,500	91,800	92,150	350	107,668
TOTAL DISBURSEMENTS	2,010,740	2,332,244	2,304,526	(27,718)	1,701,292
Receipts Over (Under) Disbursements	(360,000)	(469,154)	(404,179)	64,975	44,369
OTHER FINANCING SOURCES (USES)					
Transfer In	360,000	354,200	310,895	(43,305)	370,241
Transfer Out		(111,807)	(139,039)	(27,232)	(460,202)
TOTAL OTHER FINANCING SOURCES (USES)	360,000	242,393	171,856	(70,537)	(89,961)
Net Change in Fund Balances		(226,761)	(232,323)	(5,562)	(45,592)
Fund Balances - Beginning	2,991,517	2,991,517	2,991,517		3,037,109
Fund Balances - Ending	$ 2,991,517	$ 2,764,756	$ 2,759,194	$ (5,562)	$ 2,991,517

CITY OF HAWLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
AIRPORT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024				
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	2023 Actual
RECEIPTS					
Intergovernmental					
Federal	$ 109,250	$ 186,126	$ 14,522	$ (171,604)	$ 231,913
State	21,608	15,908	15,849	(59)	76,345
Total Intergovernmental	130,858	202,034	30,371	(171,663)	308,258
Investment Earnings	400	500	455	(45)	297
Miscellaneous					
Rents	60,000	67,250	69,982	2,732	65,170
Other Receipts	30,000	27,600	26,883	(717)	31,832
TOTAL RECEIPTS	221,258	297,384	127,691	(169,693)	405,557
DISBURSEMENTS					
Airport					
Current	102,950	147,070	156,596	9,526	137,424
Capital Outlay					268,873
TOTAL DISBURSEMENTS	102,950	147,070	156,596	9,526	406,297
Receipts Over (Under) Disbursements	118,308	150,314	(28,905)	(179,219)	(740)
OTHER FINANCING USES					
Transfer Out - Interfund Loan	(111,400)	(111,400)		111,400	(13,371)
TOTAL OTHER FINANCING USES	(111,400)	(111,400)		111,400	(13,371)
Net Change in Fund Balances	6,908	38,914	(28,905)	(67,819)	(14,111)
Fund Balances - Beginning	56,755	56,755	56,755		70,866
Fund Balances - Ending	$ 63,663	$ 95,669	$ 27,850	$ (67,819)	$ 56,755

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

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

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	2015	0.0144	%	$ 746,283	$	$ 746,283	$ 839,866	88.86	%	78.19	%
	2016	0.0136		1,104,253	14,445	1,118,698	847,750	131.96		68.90	
	2017	0.0131		836,295	10,512	846,807	843,736	100.36		75.90	
	2018	0.0128		710,092	23,257	733,349	859,449	85.33		79.53	
	2019	0.0123		680,039	21,166	701,205	863,819	81.17		80.23	
	2020	0.0119		713,459	22,060	735,519	855,906	85.93		79.06	
	2021	0.0123		525,265	15,945	541,210	894,551	60.50		87.00	
	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	

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

2024 Changes

Changes in Actuarial Assumptions:

The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023):

- 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.

Changes in Plan Provisions:

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

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024

Exhibit A-1

	Special Revenue Exhibit B-1	Debt Service Exhibit B-3	Capital Project PHE NE	Total Nonmajor Governmental Funds
ASSETS				
Cash and Investments	$ 899,935	$ 750,506	$ 38,486	$ 1,688,927
Cash with Fiscal Agent	120,681			120,681
TOTAL ASSETS	$ 1,020,616	$ 750,506	$ 38,486	$ 1,809,608
LIABILITIES				
Due to Other Funds	$ 6,764.00	$	$	$ 6,764.00
TOTAL LIABILITIES	6,764.00			6,764.00
FUND BALANCES				
Restricted for:				
Revolving Loan	282,336			282,336
Debt Service		750,506		750,506
Committed for:				
Garbage Service/Recycling	373,967			373,967
Deputy Registrar/Office	128,307			128,307
Storm Water Maint/Repairs	103,342			103,342
Building Upkeep/Repair	132,664			132,664
Assigned for:				
Capital Projects			38,486	38,486
Unassigned	(6,764)			(6,764)
TOTAL FUND BALANCES	1,013,852	750,506	38,486	1,802,844
TOTAL LIABILITIES AND FUND BALANCES	$ 1,020,616	$ 750,506	$ 38,486	$ 1,809,608

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

Exhibit A-2

	Special Revenue Exhibit B-2	Debt Service Exhibit B-4	Capital Projects				Total Nonmajor Governmental Funds
			Phase 3 Project	PHE NE	15th Street Project	2025 Street Project	
RECEIPTS							
Property Taxes	$	$ 127,938	$	$	$	$	$ 127,938
Tax Increment Financing	258,831						258,831
Special Assessments		311,753					311,753
Charges for Services	662,770						662,770
Investment Earnings	14,343	8,591		876			23,810
Miscellaneous							
Rent	97,700						97,700
Other Receipts	19,804						19,804
TOTAL RECEIPTS	1,053,448	448,282		876			1,502,606
DISBURSEMENTS							
Current							
General Government	147,066						147,066
Public Safety	6,415						6,415
Sanitation	355,809						355,809
Economic Development	174,584						174,584
Debt Service							
Principal		770,000					770,000
Interest and Other Charges		178,299					178,299
Capital Outlay							
Streets and Highways				62,191	105,201	27,250	194,642
Sanitation	8,500						8,500
TOTAL DISBURSEMENTS	692,374	948,299		62,191	105,201	27,250	1,835,315
Receipts Over (Under) Disbursements	361,074	(500,017)		(61,315)	(105,201)	(27,250)	(332,709)
OTHER FINANCING SOURCES (USES)							
Transfer In		417,525	6,587		105,201	27,250	556,563
Transfer Out	(214,050)						(214,050)
Transfer Out - Interfund Loan	(40,000)						(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	(254,050)	417,525	6,587		105,201	27,250	302,513
Net Change in Fund Balances	107,024	(82,492)	6,587	(61,315)			(30,196)
Fund Balances - Beginning	906,828	832,998	(6,587)	99,801			1,833,040
Fund Balances - Ending	$ 1,013,852	$ 750,506	$	$ 38,486	$	$	$ 1,802,844

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2024

Exhibit B-1

	Nonmajor Funds						Total Nonmajor Special Revenue Exhibit A-1	Major Fund Airport	Total Special Revenue
	Revolving Loan	Garbage	Deputy Registrar	Storm Water	Clinic	Fire Hall			
ASSETS									
Cash and Investments	$ 161,655	$ 373,967	$ 128,307	$ 103,342	$ 132,664	$	$ 899,935	$ 27,850	$ 927,785
Cash with Fiscal Agent	120,681						120,681		120,681
TOTAL ASSETS	$ 282,336	$ 373,967	$ 128,307	$ 103,342	$ 132,664	$	$ 1,020,616	$ 27,850	$ 1,048,466
LIABILITIES									
Due to Other Funds	$	$	$	$	$	$ 6,764	$ 6,764	$	$ 6,764
TOTAL LIABILITIES						6,764	6,764		6,764
FUND BALANCES									
Restricted for:									
Revolving Loan	282,336						282,336		282,336
Committed for:									
Municipal Airport								27,850	27,850
Garbage Service/Recycling		373,967					373,967		373,967
Deputy Registrar/Office			128,307				128,307		128,307
Storm Water Maint/Repairs				103,342			103,342		103,342
Building Upkeep/Repair					132,664		132,664		132,664
Unassigned						(6,764)	(6,764)		(6,764)
TOTAL FUND BALANCES	282,336	373,967	128,307	103,342	132,664	(6,764)	1,013,852	27,850	1,041,702
TOTAL LIABILITIES AND FUND BALANCES	$ 282,336	$ 373,967	$ 128,307	$ 103,342	$ 132,664	$	$ 1,020,616	$ 27,850	$ 1,048,466

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

Exhibit B-2

	Nonmajor Funds							
	Revolving Loan	GN Property TIF	Garbage	Deputy Registrar	Storm Water	Clinic	Fire Hall	TIF RDO
RECEIPTS								
Tax Increment Financing	$	$ 36,282	$	$	$	$	$	$ 148,724
Intergovernmental - Federal								
Intergovernmental - State								
Charges for Services			384,674	165,955	112,141			
Investment Earnings	4,029		4,581	2,147	1,684	1,862	40	
Miscellaneous								
Rent						30,900	66,800	
Other Receipts	9,000		9,481	1,323				
TOTAL RECEIPTS	13,029	36,282	398,736	169,425	113,825	32,762	66,840	148,724
DISBURSEMENTS								
Current								
General Government				142,079		4,987		
Public Safety							6,415	
Sanitation			355,809					
Economic Development	553	36,282						63,924
Airport								
Capital Outlay								
Sanitation			8,500					
TOTAL DISBURSEMENTS	553	36,282	364,309	142,079		4,987	6,415	63,924
Receipts Over (Under) Disbursements	12,476		34,427	27,346	113,825	27,775	60,425	84,800
OTHER FINANCING USES								
Transfer Out			(20,000)	(10,000)	(99,250)			(84,800)
Transfer Out - Interfund Loan							(40,000)	
TOTAL OTHER FINANCING USES			(20,000)	(10,000)	(99,250)		(40,000)	(84,800)
Net Change in Fund Balances	12,476		14,427	17,346	14,575	27,775	20,425	
Fund Balances - Beginning	269,860		359,540	110,961	88,767	104,889	(27,189)	
Fund Balances - Ending	$ 282,336	$	$ 373,967	$ 128,307	$ 103,342	$ 132,664	$ (6,764)	$

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, 2024

Exhibit B-2

	Nonmajor Funds					Total Nonmajor		Total
	TIF	TIF Hefty	TIF Goldmine	TIF Autumn Ridge Apts	TIF Thor Investments	Special Revenue Exhibit A-2	Major Fund Airport	Special Revenue
RECEIPTS								
Tax Increment Financing	$ 12,705	$ 11,795	$ 10,709	$ 29,945	$ 8,671	$ 258,831	$	$ 258,831
Intergovernmental - Federal							14,522	14,522
Intergovernmental - State							15,849	15,849
Charges for Services						662,770		662,770
Investment Earnings						14,343	455	14,798
Miscellaneous								
Rent						97,700	69,982	167,682
Other Receipts						19,804	26,883	46,687
TOTAL RECEIPTS	12,705	11,795	10,709	29,945	8,671	1,053,448	127,691	1,181,139
DISBURSEMENTS								
Current								
General Government						147,066		147,066
Public Safety						6,415		6,415
Sanitation						355,809		355,809
Economic Development	12,705	11,795	10,709	29,945	8,671	174,584		174,584
Airport							156,596	156,596
Capital Outlay								
Sanitation						8,500		8,500
TOTAL DISBURSEMENTS	12,705	11,795	10,709	29,945	8,671	692,374	156,596	848,970
Receipts Over (Under) Disbursements						361,074	(28,905)	332,169
OTHER FINANCING USES								
Transfer Out						(214,050)		(214,050)
Transfer Out - Interfund Loan						(40,000)		(40,000)
TOTAL OTHER FINANCING USES						(254,050)		(254,050)
Net Change in Fund Balances						107,024	(28,905)	78,119
Fund Balances - Beginning						906,828	56,755	963,583
Fund Balances - Ending	$	$	$	$	$	$ 1,013,852	$ 27,850	$ 1,041,702

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
DEBT SERVICE FUNDS
DECEMBER 31, 2024

Exhibit B-3

	Nonmajor Funds					
	2006 PFA Water	2006 PFA Sewer	2008 PFA Water	2008 PFA Sewer	11 Street Rebuild	Bond TIF
ASSETS						
Cash and Investments	$ 238,294	$ 183,382	$ 19,429	$ 2,137	$ 57,499	$ 4,556
TOTAL ASSETS	$ 238,294	$ 183,382	$ 19,429	$ 2,137	$ 57,499	$ 4,556
FUND BALANCES						
Restricted for Debt Service	$ 238,294	$ 183,382	$ 19,429	$ 2,137	$ 57,499	$ 4,556
TOTAL FUND BALANCES	$ 238,294	$ 183,382	$ 19,429	$ 2,137	$ 57,499	$ 4,556

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
DEBT SERVICE FUNDS – CONTINUED
DECEMBER 31, 2024

	Nonmajor Funds						
	Autumn View	Nature Lane	2021 Phase 3	PFA 2022	PHE NE	Total Nonmajor Debt Service Exhibit A-1	Total Debt Service
ASSETS							
Cash and Investments	$ 49,803	$ 38,890	$ 80,822	$ 27,725	$ 47,969	$ 750,506	$ 750,506
TOTAL ASSETS	$ 49,803	$ 38,890	$ 80,822	$ 27,725	$ 47,969	$ 750,506	$ 750,506
FUND BALANCES							
Restricted for Debt Service	$ 49,803	$ 38,890	$ 80,822	$ 27,725	$ 47,969	$ 750,506	$ 750,506
TOTAL FUND BALANCES	$ 49,803	$ 38,890	$ 80,822	$ 27,725	$ 47,969	$ 750,506	$ 750,506

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

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	$	$	$	$	$ 37,224	$
Special Assessments	66,234	30,390			35,987	
Investment Earnings	2,862	2,197	75	22	774	29
TOTAL RECEIPTS	69,096	32,587	75	22	73,985	29
DISBURSEMENTS						
Debt Service						
Principal	153,000	61,000	8,000	8,000	75,000	80,000
Interest and Other Charges	4,805	1,293	452	757	8,133	5,295
TOTAL DISBURSEMENTS	157,805	62,293	8,452	8,757	83,133	85,295
Receipts Over (Under) Disbursements	(88,709)	(29,706)	(8,377)	(8,735)	(9,148)	(85,266)
OTHER FINANCING SOURCES						
Transfer In	89,000	33,000	10,000	8,700		84,800
TOTAL OTHER FINANCING SOURCES	89,000	33,000	10,000	8,700		84,800
Net Change in Fund Balances	291	3,294	1,623	(35)	(9,148)	(466)
Fund Balances - Beginning	238,003	180,088	17,806	2,172	66,647	5,022
Fund Balances - Ending	$ 238,294	$ 183,382	$ 19,429	$ 2,137	$ 57,499	$ 4,556

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, 2024

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	$	$	$ 90,714	$	$	$ 127,938	$ 127,938
Special Assessments	39,814	56,351	82,977			311,753	311,753
Investment Earnings	356	137	648	253	1,238	8,591	8,591
TOTAL RECEIPTS	40,170	56,488	174,339	253	1,238	448,282	448,282
DISBURSEMENTS							
Debt Service							
Principal	31,000	45,000	265,000	44,000		770,000	770,000
Interest and Other Charges	7,129	12,095	42,863	8,547	86,930	178,299	178,299
TOTAL DISBURSEMENTS	38,129	57,095	307,863	52,547	86,930	948,299	948,299
Receipts Over (Under) Disbursements	2,041	(607)	(133,524)	(52,294)	(85,692)	(500,017)	(500,017)
OTHER FINANCING SOURCES							
Transfer In			140,025	52,000		417,525	417,525
TOTAL OTHER FINANCING SOURCES			140,025	52,000		417,525	417,525
Net Change in Fund Balances	2,041	(607)	6,501	(294)	(85,692)	(82,492)	(82,492)
Fund Balances - Beginning	47,762	39,497	74,321	28,019	133,661	832,998	832,998
Fund Balances - Ending	$ 49,803	$ 38,890	$ 80,822	$ 27,725	$ 47,969	$ 750,506	$ 750,506

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Balance 1/1/2024	Additions	Deductions	Balance 12/31/2024
HAWLEY AREA FIRE DISTRICT - JOINT POWERS				
ASSETS				
Cash and Investments	$ 113,228	$ 445,422	$ 479,590	$ 79,060
Total Assets	$ 113,228	$ 445,422	$ 479,590	$ 79,060
NET POSITION				
Restricted for Other Governments	$ 113,228	$ 445,422	$ 479,590	$ 79,060
Total Restricted for Other Governments	$ 113,228	$ 445,422	$ 479,590	$ 79,060
HAWLEY AREA EMERGENCY RESPONSE DISTRICT - JOINT POWERS				
ASSETS				
Cash and Investments	$	$ 67,340	$ 67,340	$
NET POSITION				
Restricted for Other Government	$	$ 67,340	$ 67,340	$
TOTAL				
ASSETS				
Cash and Investments	$ 113,228	$ 512,762	$ 546,930	$ 79,060
	$ 113,228	$ 512,762	$ 546,930	$ 79,060
NET POSITION				
Restricted for Other Government	$ 113,228	$ 512,762	$ 546,930	$ 79,060
	$ 113,228	$ 512,762	$ 546,930	$ 79,060

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024

Governmental Funds	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Capital Contributions	Change in Accounting Standard	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	115,600	25,000						140,600
Street Patching	143,700							143,700
Sidewalks	20,000	1,000						21,000
Lawn Mower	6,600	5,000						11,600
Park Board Sinking Fund	95,380		46,369					49,011
Park - Brekken	1,256							1,256
Park - Disc Golf	2,000							2,000
Park Donations	11,759							11,759
Police - Night to Unite	3,101	765						3,866
Police Vehicle	27,457		27,457					
Zoning Comprehensive Plan	5,760							5,760
Economic Development	16,800							16,800
River Remeandering - Phase 3	20,000							20,000
Community Center	13,703	2,070						15,773
Public Works Vehicle	34,838	20,000						54,838
Library	23,680	1,980						25,660
Police Building	14,253		3,083					11,170
Police Public Safety Aid		97,498	78,147					19,351
Health Savings Account	106,175		13,050					93,125
Prosecution	8,500	7,200						15,700
Organizational Study	29,845							29,845
15th Street Paving	145,000	57,605	105,201					97,404
2025 Street Rebuild Project		82,814	27,250					55,564
Administrative Discretionary		1,270						1,270
Unassigned	1,832,062	1,598,145	2,003,969	171,856				1,598,094
Total General Fund	2,991,517	1,900,347	2,304,526	171,856				2,759,194
Special Revenue								
Revolving Loan	269,860	13,029	553					282,336
TIF RDO		148,724	63,924	(84,800)				
GN Property		36,282	36,282					
TIF		12,705	12,705					
TIF Hefty		11,795	11,795					
TIF Goldmine		10,709	10,709					
TIF Autumn Ridge Apts		29,945	29,945					
TIF Thor Investments		8,671	8,671					
Garbage	359,540	398,736	364,309	(20,000)				373,967
Deputy Registrar	110,961	169,425	142,079	(10,000)				128,307
Airport	56,755	127,691	156,596					27,850
Storm Water	88,767	113,825		(99,250)				103,342
Clinic	104,889	32,762	4,987					132,664
Fire	(27,189)	66,840	6,415		(40,000)			(6,764)
Capital Project								
Phase 3	(6,587)			6,587				
PHE NE	99,801	876	62,191					38,486
15th Street Project			105,201	105,201				
2025 Street Project			27,250	27,250				

CITY OF HAWLEY, MINNESOTA

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

FOR THE YEAR ENDED DECEMBER 31, 2024

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Capital Contributions	Change in Accounting Standard	Balance End of Year
Debt Service								
2006 PFA Water	$ 238,003	$ 69,096	$ 157,805	$ 89,000	$	$	$	$ 238,294
2006 PFA Sewer	180,088	32,587	62,293	33,000				183,382
2008 PFA Water	17,806	75	8,452	10,000				19,429
2008 PFA Sewer	2,172	22	8,757	8,700				2,137
11 Street Rebuild	66,647	73,985	83,133					57,499
Bond TIF	5,022	29	85,295	84,800				4,556
Autumn View Bond	47,762	40,170	38,129					49,803
Nature Lane Bond	39,497	56,488	57,095					38,890
2021 Phase 3	74,321	174,339	307,863	140,025				80,822
PFA 2022	28,019	253	52,547	52,000				27,725
PHE NE	133,661	1,238	86,930					47,969
Total Governmental Funds	$ 4,881,312	$ 3,530,644	$ 4,296,437	$ 514,369	$ (40,000)	$	$	$ 4,589,888

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Capital Contributions	Change in Accounting Standard	Balance End of Year
Proprietary Funds								
Water	$ 2,832,268	$ 522,940	$ 435,879	$ (139,775)	$	$ 240,202	$ (8,258)	$ 3,011,498
Sewer	2,605,118	394,632	370,868	(138,700)			(8,739)	2,481,443
Electric	2,046,896	2,766,899	3,011,739	(147,546)			(17,106)	1,637,404
Gas	1,803,782	980,669	925,022	(73,348)			(9,415)	1,776,666
Liquor	467,153	1,557,018	1,465,662	(15,000)			(14,906)	528,603
Total Proprietary Funds	$ 9,755,217	$ 6,222,158	$ 6,209,170	$ (514,369)	$	$ 240,202	$ (58,424)	$ 9,435,614

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 12/31/2023	Issued 2024	Retired 2024	Balance 12/31/2024	Principal Due In 2025	Interest Due In 2025
General Obligation Bonds										
G.O. Improvement Bonds, 2011B	3.25%	2011	2025/26	$ 1,260,000	$ 235,000	$	$ 75,000	$ 160,000	$ 80,000	$ 5,200
G.O. TIF Bonds 2014A	3.00%	2014	2025	1,270,000	160,000		80,000	80,000	80,000	2,400
G.O. Improvement Note 2016B	2.65%	2016	2025/31	411,000	269,000		31,000	238,000	31,000	6,307
G.O. Improvement Bonds 2017A	2.0 - 3.0%	2017	2025/32	605,000	440,000		45,000	395,000	45,000	10,700
G.O. Bonds 2021A	1.0-1.6%	2021	2025/36	4,080,000	3,650,000		265,000	3,385,000	265,000	39,717
G.O. Improvement Bonds 2023A	4.00%	2023	2025/43	1,465,000	1,465,000			1,465,000		29,300
Total General Obligation Bonds					6,219,000		496,000	5,723,000	501,000	93,624
General Obligation Revenue Bonds										
G.O. Water Revenue Note, 2006A	1.56%	2006	2025	2,565,987	308,000		153,000	155,000	155,000	2,418
G.O. Sewer Revenue Note, 2006B	1.06%	2006	2025	1,010,110	122,000		61,000	61,000	61,000	647
G.O. Water Revenue Note, 2008A	1.29%	2008	2025/27	150,010	35,000		8,000	27,000	9,000	348
G.O. Sewer Revenue Note, 2008B	2.29%	2008	2025/27	132,954	33,000		8,000	25,000	8,000	573
G.O. MPFA Clean Water 2021	1.00%	2021	2025/41	926,657	865,000		44,000	821,000	45,000	8,210
Total General Obligation Revenue Bonds					1,363,000		274,000	1,089,000	278,000	12,196
Revenue Bonds										
Refunding Revenue Note, 2016A	3.25%	2016	2025/27	329,000	134,000		30,000	104,000	34,000	2,828
Total Revenue Bonds					134,000		30,000	104,000	34,000	2,828
Total					$ 7,716,000	$	$ 800,000	$ 6,916,000	$ 813,000	$ 108,648

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
2015	$ 491,586	$ 20,304	$ 1,004,614	$ 485,480	$ 29,237	$ 777,959	$ 5,630	$ 17,665	$ 155,333	$ 2,987,808
2016	519,475	19,129	996,263	492,685	20,711	708,555	6,394	264,069	221,162	3,248,443
2017	573,634	17,037	1,142,813	537,413	22,341	773,884	10,740	269,164	176,854	3,523,880
2018	596,442	16,106	1,271,118	562,927	24,329	619,550	22,523	199,841	233,689	3,546,525
2019	630,837	19,911	807,228	597,336	23,075	666,953	32,297	249,728	342,546	3,369,911
2020	665,503	19,395	995,899	616,970	19,145	505,952	18,597	253,956	262,650	3,358,067
2021	704,673	23,333	1,210,412	653,666	12,913	507,162	18,317	272,655	358,667	3,761,798
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

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
2015	$ 323,724	$ 468,973	$ 123,623	$ 215,228	$ 102,171	$ 1,227,501	$ 940,211	$ 264,168	$ 3,665,599
2016	308,992	565,007	166,665	227,400	106,574	1,111,805	722,094	456,387	3,664,924
2017	299,613	551,616	224,755	274,286	122,889	1,081,900	1,184,859	447,734	4,187,652
2018	312,475	530,329	187,372	273,830	143,528	1,342,862	846,409	274,150	3,910,955
2019	359,258	643,675	188,191	282,262	114,063	1,225,592	382,178	303,770	3,498,989
2020	382,034	757,698	187,286	288,070	127,963	773,495	444,781	317,204	3,278,531
2021	380,185	755,955	166,472	313,774	132,669	890,838	6,302,933	318,155	9,260,981
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

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
2015	$ 1,095,403	$ 476,500	43.500	26.942	46.032	1.733		118.207
2016	1,249,225	519,500	41.586	25.435	45.173	1.724		113.918
2017	1,381,939	566,300	40.979	23.203	46.477	1.697		112.356
2018	1,567,890	601,000	38.332	22.360	47.888	1.706		110.286
2019	1,584,181	631,000	39.831	26.774	48.859	1.674	0.563	117.701
2020	1,631,309	662,500	40.612	26.617	51.180	1.694	0.326	120.429
2021	1,677,536	696,000	41.490	28.030	52.321	1.838		123.679
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

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, 2024
(UNAUDITED)

ADDITIONS	
Operating Reimbursements	
City of Hawley	$ 44,893
Townships	22,447
TOTAL ADDITIONS	67,340
DEDUCTIONS	
Current	
Professional Services	63,000
RRR Dispatch	4,340
TOTAL DEDUCTIONS	67,340
CHANGES IN ASSETS AND NET POSITION	
ASSETS AND NET POSITION, BEGINNING	
ASSETS AND NET POSITION, ENDING	$

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, 2024
(UNAUDITED)

ADDITIONS		
Intergovernmental		
City of Hawley	$	58,850
Townships		58,850
Fire Relief		46,500
Local Grant		1,570
Lease Revenue		66,800
Investment Earnings		1,258
Loan Proceeds		146,813
Miscellaneous		50,227
Interfund Transfer - Fire District Checking Account		14,554
TOTAL ADDITIONS		445,422
DEDUCTIONS		
Current		
Professional Services		
Insurance		10,523
Training		5,304
Supplies		14,514
Fuel and Additives		4,886
Repairs and Maintenance		1,541
Utilities		5,945
Salaries and Benefits		34,721
Fire Relief Contribution		9,100
RRR Dispatch		1,669
Miscellaneous		79,056
Capital Outlay		312,331
TOTAL DEDUCTIONS		479,590
CHANGES IN ASSETS AND NET POSITION		(34,168)
ASSETS AND NET POSITION, BEGINNING		113,228
ASSETS AND NET POSITION, ENDING	$	79,060

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, 2024, 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 17, 2025. 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 & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

March 17, 2025

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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, 2024, 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 17, 2025. 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 2024-001 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 & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

March 17, 2025

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2024

2024-001 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, 2024

2024-001 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