CITY OF HAWLEY
HAWLEY, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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CITY OF HAWLEY, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2023

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 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, 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, 2023, or changes in net position and cash flows thereof for the year then ended.

Basis for Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2024, 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.
THIEF RIVER FALLS, MINNESOTA

April 17, 2024

CITY OF HAWLEY, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	Airport	PHE NE (Debt)	Phase 3 Project	PHE NE (Capital Project)	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Investments	$ 2,957,741	$ 56,755	$ 133,661	$	$ 99,801	$ 1,523,218	$ 4,771,176
Cash with Fiscal Agent						110,136	110,136
Due From Other Funds	33,776						33,776
TOTAL ASSETS	$ 2,991,517	$ 56,755	$ 133,661	$	$ 99,801	$ 1,633,354	$ 4,915,088
LIABILITIES							
Due to Other Funds	$	$	$	$ 6,587	$	$ 27,189	$ 33,776
TOTAL LIABILITIES				6,587		27,189	33,776
FUND BALANCES							
Restricted for:							
Revolving Loan						269,860	269,860
Debt Service			133,661			699,337	832,998
Committed for:							
Levy Reduction	66,089						66,089
Seal Coat/Crack Fill	247,959						247,959
Plow Truck/Equipment	115,600						115,600
Street Patching	143,700						143,700
Sidewalks	20,000						20,000
Lawn Mower	6,600						6,600
Park Board Sinking Fund	95,380						95,380
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						3,101
Police Vehicle	27,457						27,457
Zoning Comprehensive Fund	5,760						5,760
Economic Development	16,800						16,800
River Meandering - Phase 3	20,000						20,000
Community Center	13,703						13,703
Public Works Vehicle	34,838						34,838
Library	23,680						23,680
Police Building	14,253						14,253
Health Savings Account	106,175						106,175
Prosecution	8,500						8,500
Organizational Study	29,845						29,845
15th Street Paving	145,000						145,000
Municipal Airport		56,755					56,755
Garbage Service/Recycling						359,540	359,540
Deputy Registrar/Office						110,961	110,961
Storm Water Maint/Repairs						88,767	88,767
Building Upkeep/Repair						104,889	104,889
Assigned for:							
Capital Projects					99,801		99,801
Unassigned	1,832,062			(6,587)		(27,189)	1,798,286
TOTAL FUND BALANCES	2,991,517	56,755	133,661	(6,587)	99,801	1,606,165	4,881,312
TOTAL LIABILITIES AND FUND BALANCES	$ 2,991,517	$ 56,755	$ 133,661	$	$ 99,801	$ 1,633,354	$ 4,915,088

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, 2023

	General Fund	Airport	PHE NE (Debt)	Phase 3 Project	PHE NE (Capital Project)	Water Tower Rehab	Other Governmental Funds	Total Governmental Funds
RECEIPTS								
Property Taxes	$ 689,255	$	$	$	$	$	$ 109,495	$ 798,750
Tax Increment Financing							303,558	303,558
Special Assessments	8,121						418,917	427,038
Licenses and Permits	15,380							15,380
Intergovernmental	876,632	308,258						1,184,890
Charges for Services	16,358						646,988	663,346
Fines and Forfeitures	22,843							22,843
Investment Earnings	46,949	297	699	418	942		22,320	71,625
Miscellaneous	70,123	97,002					143,416	310,541
TOTAL RECEIPTS	1,745,661	405,557	699	418	942		1,644,694	3,797,971
DISBURSEMENTS								
Current								
General Government	239,386						162,992	402,378
Public Safety	840,959						10,334	851,293
Streets and Highways	218,809							218,809
Sanitation							343,906	343,906
Culture and Recreation	134,719							134,719
Conservation of Natural Resources	47,044							47,044
Economic Development	107,668						165,095	272,763
Airport		137,424						137,424
Debt Services								
Principal							965,000	965,000
Interest and Other Charges			21,020				110,906	131,926
Capital Outlay								
General Government	1,491							1,491
Public Safety	56,012							56,012
Streets and Highways	34,812			360,040	1,242,591	438,432	39,169	2,115,044
Airport		268,873						268,873
Culture and Recreation	20,392							20,392
TOTAL DISBURSEMENTS	1,701,292	406,297	21,020	360,040	1,242,591	438,432	1,797,402	5,967,074
Receipts Over (Under) Disbursements	44,369	(740)	(20,321)	(359,622)	(1,241,649)	(438,432)	(152,708)	(2,169,103)
OTHER FINANCING SOURCES (USES)								
Transfer In	370,241			141,114		240,202	614,957	1,366,514
Transfer In - Interfund Loan						198,230		198,230
Transfer Out	(460,202)						(377,394)	(837,596)
Transfer Out - Interfund Loan		(13,371)					(40,000)	(53,371)
Bond Premium					30,432			30,432
Debt Issued			153,982	37,465	1,311,018			1,502,465
TOTAL OTHER FINANCING SOURCES (USES)	(89,961)	(13,371)	153,982	178,579	1,341,450	438,432	197,563	2,206,674
Net Change in Fund Balances	(45,592)	(14,111)	133,661	(181,043)	99,801		44,855	37,571
Fund Balances - Beginning	3,037,109	70,866		174,456			1,561,310	4,843,741
Fund Balances - Ending	$ 2,991,517	$ 56,755	$ 133,661	$ (6,587)	$ 99,801	$	$ 1,606,165	$ 4,881,312

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Water	Sewer	Electric	Gas	Liquor	Total
ASSETS						
Current Assets						
Cash and Investments	$ 462,547	$ 363,118	$ 679,133	$ 975,551	$ 182,013	$ 2,662,362
Accounts Receivable	38,494	31,675	290,139	126,178		486,486
Inventory	20,679		285,898	17,418	188,260	512,255
Total Current Assets	521,720	394,793	1,255,170	1,119,147	370,273	3,661,103
Noncurrent Assets						
Assessments Receivable		53,258				53,258
Capital Assets						
Land			32,241		55,000	87,241
Building	16,273		234,925	71,094	436,676	758,968
Improvements Other Than Building	6,027,294	5,584,327	2,378,627	1,271,150		15,261,398
Equipment	56,269	8,000	446,649	33,415	90,725	635,058
Less: Accumulated Depreciation	(3,230,022)	(3,854,524)	(2,292,319)	(833,694)	(231,183)	(10,441,742)
Net Capital Assets	2,869,814	1,737,803	800,123	541,965	351,218	6,300,923
Other Assets						
Cash-Restricted for Lottery					9,299	9,299
Advance to Other Funds		487,917	408,190	307,422		1,203,529
Total Other Assets		487,917	408,190	307,422	9,299	1,212,828
TOTAL ASSETS	3,391,534	2,673,771	2,463,483	1,968,534	730,790	11,228,112
DEFERRED OUTFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	14,378	15,401	51,343	30,806	24,642	136,570
LIABILITIES						
Current Liabilities						
Accounts Payable			140,678	38,194	1,109	179,981
Advance from Other Funds	487,917					487,917
Due to Other Governmental Units	8,720				9,298	18,018
Customer Deposits			51,098			51,098
Unearned Revenue			13,482			13,482
Interest Payable					1,289	1,289
Compensated Absences	10,285	12,564	24,373	14,384	28,200	89,806
Current Portion - Long-Term Liabilities					30,000	30,000
Total Current Liabilities	506,922	12,564	229,631	52,578	69,896	871,591
Long-Term Liabilities						
Bonds Payable					134,000	134,000
Net Pension Liability	51,277	54,940	183,134	109,881	87,905	487,137
Less: Current Portion - Long-Term Debt					(30,000)	(30,000)
Total Long-Term Liabilities	51,277	54,940	183,134	109,881	191,905	591,137
TOTAL LIABILITIES	558,199	67,504	412,765	162,459	261,801	1,462,728

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Water	Sewer	Electric	Gas	Liquor	Total
DEFERRED INFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	$ 15,445	$ 16,550	$ 55,165	$ 33,099	$ 26,478	$ 146,737
NET POSITION						
Net Investment in Capital Assets	2,869,814	1,737,803	800,123	541,965	217,218	6,166,923
Unrestricted	(37,546)	867,315	1,246,773	1,261,817	249,935	3,588,294
TOTAL NET POSITION	$ 2,832,268	$ 2,605,118	$ 2,046,896	$ 1,803,782	$ 467,153	$ 9,755,217

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, 2023

	Water	Sewer	Electric	Gas	Liquor	Total
Operating Revenues						
Sales	$	$	$	$	$ 1,511,858	$ 1,511,858
Cost of Sales					(1,103,399)	(1,103,399)
Gross Profit					408,459	408,459
Charges for Sales and Services	422,852	308,192	2,647,292	1,044,514		4,422,850
Other Charges and Income	637	726	16,923	8,300	1,018	27,604
Total Operating Revenue	423,489	308,918	2,664,215	1,052,814	409,477	4,858,913
Operating Expenses						
Purchased Power and Gas			1,732,173	368,611		2,100,784
Salaries and Wages	51,737	66,888	294,120	192,486	155,927	761,158
Employee Benefits	24,528	28,053	102,535	67,666	56,783	279,565
Repairs and Maintenance	23,905	9,743	443,805	142,859	973	621,285
Chemicals	9,289	10,099				19,388
Utilities	31,247	5,333	9,725	5,459	15,441	67,205
Insurance	8,302	10,293	8,063	7,109	4,875	38,642
Professional Fees	10,032	28,710	61,424	15,956	7,691	123,813
Supplies	3,067	1,363	25,396	14,748	17,850	62,424
Other Expenses	2,866	4,098	70,255	37,222	35,756	150,197
Depreciation	129,568	143,201	60,977	36,860	14,531	385,137
Total Operating Expenses	294,541	307,781	2,808,473	888,976	309,827	4,609,598
Operating Income	128,948	1,137	(144,258)	163,838	99,650	249,315
Nonoperating Income (Expense)						
Investment Earnings	8,894	13,782	36,377	30,288	931	90,272
Interest and Other Charges	(7,417)				(4,528)	(11,945)
Total Nonoperating Income (Expense)	1,477	13,782	36,377	30,288	(3,597)	78,327
Net Income Before Transfers	130,425	14,919	(107,881)	194,126	96,053	327,642
Capital Contributions		130,500				130,500
Transfers Out	(140,076)	(138,700)	(147,059)	(88,084)	(15,000)	(528,919)
Change in Net Position	(9,651)	6,719	(254,940)	106,042	81,053	(70,777)
Net Position, Beginning	2,841,919	2,598,399	2,301,836	1,697,740	386,100	9,825,994
Net Position, Ending	$ 2,832,268	$ 2,605,118	$ 2,046,896	$ 1,803,782	$ 467,153	$ 9,755,217

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water	Sewer	Electric	Gas	Liquor	Total
Cash Flows From Operating Activities:						
Receipts from Customers	$ 413,531	$ 301,977	$ 2,664,506	$ 1,072,275	$ 1,515,812	$ 5,968,101
Payments to Suppliers	(85,543)	(69,639)	(2,428,295)	(638,908)	(1,178,217)	(4,400,602)
Payments to Employees	(75,473)	(98,871)	(420,367)	(282,508)	(212,736)	(1,089,955)
Net Cash Provided (Used) By Operating Activities	252,515	133,467	(184,156)	150,859	124,859	477,544
Cash Flows From Noncapital Financing Activities:						
Transfers to Other Funds	(140,076)	(138,700)	(147,059)	(88,084)	(15,000)	(528,919)
Advance From (To) Other Funds		6,583	39,170	(195,297)		(149,544)
Net Cash Used By Noncapital Financing Activities	(140,076)	(132,117)	(107,889)	(283,381)	(15,000)	(678,463)
Cash Flows From Capital and Related Financing Activities:						
Advance from Other Funds	(6,583)					(6,583)
Special Assessment Revenue Received		2,766				2,766
Principal Paid on Debt					(31,000)	(31,000)
Interest and Other Charges Paid on Debt	(7,417)				(4,856)	(12,273)
Net Cash Provided (Used) By Capital and Related Financing Activities	(14,000)	2,766			(35,856)	(47,090)
Cash Flows From Investing Activities:						
Investment Earnings	8,893	13,780	36,368	30,292	924	90,257
Net Cash Provided By Investing Activities	8,893	13,780	36,368	30,292	924	90,257
Net Increase (Decrease) In Cash, Cash Equivalents, and Restricted Cash	107,332	17,896	(255,677)	(102,230)	74,927	(157,752)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	355,215	345,222	934,810	1,077,781	116,385	2,829,413
Cash, Cash Equivalents, and Restricted Cash - End of Year	$ 462,547	$ 363,118	$ 679,133	$ 975,551	$ 191,312	$ 2,671,661
Reconciliation of Cash, Cash Equivalents, and Restricted Cash						
Cash and Investments	$ 462,547	$ 363,118	$ 679,133	$ 975,551	$ 182,013	$ 2,662,362
Restricted Cash - Lottery					9,299	9,299
Total Cash, Cash Equivalents, and Restricted Cash	$ 462,547	$ 363,118	$ 679,133	$ 975,551	$ 191,312	$ 2,671,661

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF CASH FLOWS – CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water	Sewer	Electric	Gas	Liquor	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Operating Income (Loss)	$ 128,948	$ 1,137	$ (144,258)	$ 163,838	$ 99,650	$ 249,315
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	129,568	143,201	60,977	36,860	14,531	385,137
Effects on Operating Cash Flows due to Changes in:						
Accounts Receivable	(9,629)	(6,941)	(10,827)	19,461		(7,936)
Inventory	3,165		(64,671)	(7,343)	6,659	(62,190)
Accounts Payable			(12,783)	(39,601)	1,109	(51,275)
Salary Payable	(1,991)	(2,682)	(12,482)	(8,777)	(6,752)	(32,684)
Due to Other Governments	(329)				2,936	2,607
Customer Deposits			2,380			2,380
Unearned Revenue			8,738			8,738
Net Pension	(20,795)	(22,280)	(74,267)	(44,560)	(35,648)	(197,550)
Deferred Outflows	9,692	10,385	34,618	20,770	16,617	92,082
Deferred Inflows	14,006	15,006	50,021	30,012	24,010	133,055
Compensated Absences	(120)	(4,359)	(21,602)	(19,801)	1,747	(44,135)
Total Adjustments	123,567	132,330	(39,898)	(12,979)	25,209	228,229
Net Cash Provided (Used) by Operating Activities	$ 252,515	$ 133,467	$ (184,156)	$ 150,859	$ 124,859	$ 477,544
NONCASH CAPITAL ACTIVITIES						
Contributions of Capital Assets from Government	$	$ 130,500	$	$	$	$ 130,500

See Notes to the Financial Statements

CITY OF HAWLEY, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2023

	Custodial
ASSETS	
Cash and Investments	$ 113,228
TOTAL ASSETS	$ 113,228
NET POSITION	
Restricted for Other Governments	$ 113,228
TOTAL RESTRICTED FOR OTHER GOVERNMENTS	$ 113,228

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, 2023

ADDITIONS		
Intergovernmental		
City of Hawley	$	97,187
Townships		77,493
Fire Relief		70,000
Local Grant		14,001
Lease Revenue		66,800
Investment Earnings		1,081
Miscellaneous		1,034
Interfund Transfer - Fire District Checking Account		9,161
TOTAL ADDITIONS		336,757
DEDUCTIONS		
Current		
Insurance		2,993
Professional Services		57,900
Training		6,768
Supplies		18,347
Fuel and Additives		3,386
Repairs and Maintenance		1,854
Utilities		6,207
Salaries and Benefits		29,154
Fire Relief Contribution		9,100
RRR Dispatch		1,569
Miscellaneous		74,212
Capital Outlay		9,520
TOTAL DEDUCTIONS		221,010
CHANGES IN ASSETS AND NET POSITION		115,747
ASSETS AND NET POSITION, BEGINNING		(2,519)
ASSETS AND NET POSITION, ENDING	$	113,228

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.

Debt Service Fund – PHE NE – Accounts for debt issued for the City's Prairie Hills Estates project.

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

Capital Project Fund – PHE NE – Accounts for the activities associated with the City's Prairie Hills Estates project.

Capital Project Fund – Water Tower Rehab – Accounts for the activities associated with the City's Water Tower Rehab project.

Major Proprietary Funds

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

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

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

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

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

Additionally, the City reports the following fiduciary fund type:

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

D. Specific Account Information

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

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

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

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, 2023, 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, 2023, a liability for unused sick leave has been set up for the proprietary fund employees and is included in the compensated absences.

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that

applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The City has one item that qualifies for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* which represents actuarial differences within PERA pension plans as well as amounts paid to the plans after the measurement date.

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

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

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

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

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

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

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

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

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

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

E. Use of Estimates

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

NOTE 2 BUDGETARY DATA

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

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

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

NOTE 3 DEFICIT FUND BALANCE

The Phase 3 Project and Fire Hall funds had deficit fund balances as of December 31, 2023, of $6,587 and $27,189, respectively. The City will relieve the deficit with future revenues and lease revenue.

NOTE 4 DEPOSITS AND INVESTMENTS

The City maintains a cash account at its depository bank. Investments are carried at fair value. The City considers certificates of deposit to be cash. The City's interest income for the year ended December 31, 2023, was $137,125. The pooled cash and investment account is comprised of the following:

Cash and Investments		
Governmental Funds	$	4,771,176
Proprietary Funds		2,671,661
Fiduciary Funds		113,228
	$	7,556,065
Deposits		
Cash, Checking and Change Funds	$	217,225
Certificates of Deposits		622,724
Savings		5,982,089
Investments		734,027
	$	7,556,065

As of December 31, 2023, the City had the following investments:

Investments	Maturities	Level		Fair Value
4-M External Investment Pool	N/A	N/A	$	734,027

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, 2023, the City was not exposed to custodial credit risk.

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

NOTE 5 RESTRICTED CASH

The liquor fund is required to have a reserve account of $9,299 for the lottery account.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2023, 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	15,130,898	130,500		15,261,398
Equipment	635,058			635,058
Total Capital Assets, Being Depreciated	16,524,924	130,500		16,655,424
Less Accumulated Depreciation for:				
Building	334,502	18,899		353,401
Improvements Other Than Buildings	9,251,516	343,741		9,595,257
Equipment	470,587	22,497		493,084
Total Accumulated Depreciation	10,056,605	385,137		10,441,742
Total Capital Assets, Being Depreciated, Net	6,468,319	(254,637)		6,213,682
Proprietary Fund Capital Assets, Net	$ 6,555,560	$ (254,637)	$	$ 6,300,923

Depreciation expense was charged to the functions as follows:

Proprietary Funds:	
Water	$ 129,568
Sewer	143,201
Electric	60,977
Gas	36,860
Liquor	14,531
Total Depreciation Expense - Proprietary Funds	$ 385,137

NOTE 7 DEFINED BENEFIT PENSION PLANS-STATEWIDE

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

regulatory basis of accounting, it is only required to include net pension liability for the proprietary funds.

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

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

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

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

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

Benefit increases are provided to benefit recipients each January. The postretirement increase 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. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement.

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

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

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

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

General Employees Fund Contributions
Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were $79,351. 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 11.8% of their annual covered salary in fiscal year 2023 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, 2023, were $66,473. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs –
At December 31, 2023, the City reported a liability of $732,537 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 $20,252.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0131% at the end of the measurement period and 0.0130% for the beginning of the period.

City's proportionate share of the net pension liability	$	732,537
State of Minnesota's proportionate share of the net pension liability associated with the City		20,252
Total	$	752,789

For the year ended December 31, 2023, the City recognized pension expense of $120,263 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional $91 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At December 31, 2023, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 24,012	$ 4,738
Difference between projected and actual investment earnings		15,139
Changes in actuarial assumptions	111,599	200,782
Changes in proportion	30,075	
Contributions paid to PERA subsequent to the measurement date	39,676	
Total	$ 205,362	$ 220,659

$39,676 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, 2024. 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
2024	$ 34,255
2025	(91,234)
2026	17,898
2027	(15,892)

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 in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 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. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund
Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan provisions:

- An additional one-time direct state aid contribution on $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund
Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4% to 7.0%.

Changes in Plan provisions:

- Additional one-time direct state aid contribution on $19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

Discount Rate – The discount rate used to measure the total pension liability in 2023 was 7.0%. 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 Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity – The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 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%)
$ 1,295,917	$ 732,537	$ 269,136

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

NOTE 8 LEASE AGREEMENTS

The City financed construction of a medical facility in 1982. The facility is leased to Sanford Health. Monthly lease payments of $2,575 to the City are made by the organization. The lease was extended through March 31, 2024.

NOTE 9 LONG-TERM LIABILITIES

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was $9,251,000. In 2023, the City issued $1,465,000 in general obligation bonds to assist in the PHE NE construction project.

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

Purpose	Interest Rates	Maturity Dates	Amount
Governmental Fund	1.0 - 4.0%	2024/43	$ 6,219,000
Total			$ 6,219,000

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

Year Ending December 31	Governmental Fund Principal	Governmental Fund Interest
2024	$ 496,000	$ 130,670
2025	501,000	122,924
2026	542,000	113,554
2027	493,000	103,330
2028	454,000	95,381
2029-2033	2,033,000	357,857
2034-2038	1,195,000	174,690
2039-2043	505,000	62,200
	$ 6,219,000	$ 1,160,606

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 $258,516 that exceeded the annual payments from the pledged revenue for debt of $202,000. The Sewer fund had net revenues, excluding depreciation, of $144,338 that exceeded the annual payments from the pledged revenue for debt of $68,000. The original amount of general obligation revenue bonds issued in prior years was $4,748,253. In 2023, the City issued $37,465 in general obligation clean water bonds to assist in the construction of the Phase 3 project. General obligation revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Maturity Dates	Amount
Governmental Fund	1.0 - 2.3%	2024/41	$ 1,363,000
			$ 1,363,000

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

Year Ending December 31	Governmental Fund Principal	Governmental Fund Interest
2024	$ 274,000	$ 15,854
2025	278,000	12,198
2026	62,000	8,384
2027	63,000	7,632
2028	46,000	6,860
2029-2033	236,000	27,330
2034-2038	249,000	15,270
2039-2041	155,000	3,110
	$ 1,363,000	$ 96,638

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 $114,181 that exceeded the annual payments from the pledged revenue for debt

of $31,000. 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%	2023/27	$ 134,000

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

Year Ending December 31	Proprietary Fund Principal	Proprietary Fund Interest
2024	$ 30,000	$ 3,868
2025	34,000	2,828
2026	33,000	1,738
2027	37,000	601
	$ 134,000	$ 9,035

D. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Fund					
General Obligation Bonds	$ 5,449,000	$ 1,465,000	$ 695,000	$ 6,219,000	$ 496,000
General Obligation Revenue Bonds	1,595,535	37,465	270,000	1,363,000	274,000
Governmental Fund Long-Term Liabilities	7,044,535	1,502,465	965,000	7,582,000	770,000
Proprietary Fund					
Revenue Bonds	165,000		31,000	134,000	30,000
Proprietary Fund Long-Term Liabilities	165,000		31,000	134,000	30,000
Total Long-Term Liabilities	$ 7,209,535	$ 1,502,465	$ 996,000	$ 7,716,000	$ 800,000

The City's interest expense for the year ended December 31, 2023, was $120,374.

See the Schedule of Indebtedness for detail and payment provisions.

NOTE 10 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2023, is as follows:

Due From / To Other Funds:

Receivable Fund	Payable Fund		Amount
General	Phase 3 Project	$	6,587
General	Nonmajor Governmental		27,189
Total		$	33,776

The interfund loans are to cover the cash shortages in the Phase 3 Project fund and the Fire Hall.

Advance From / To Other Funds:

Receivable Fund	Payable Fund		Amount
Electric	Nonmajor Governmental	$	408,190
Gas	Water Tower Rehab		198,230
Gas	Airport		109,192
Sewer	Water		487,917
Total		$	1,203,529

Based on the amortization schedules, $185,454 will be paid in 2024.

Interfund Transfers:

Transfer In	Transfer Out		Amount
General	Liquor	$	15,000
General	Sewer		45,000
General	Electric		147,059
General	Gas		88,084
General	Nonmajor Governmental		75,098
Phase 3	General		141,114
Water Tower Rehab	General		240,202
Nonmajor Governmental	Nonmajor Governmental		302,296
Nonmajor Governmental	General		78,889
Nonmajor Governmental	Water		140,075
Nonmajor Governmental	Sewer		93,700
		$	1,366,517

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

NOTE 11 JOINT POWERS AGREEMENT

A. Hawley Area Fire District – Joint Powers

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

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

City of Hawley	50%
Six Townships	50%

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

B. Hawley Area Emergency Response District – Joint Powers

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

City of Hawley	66.66%
Six Townships	33.34%

The participating government agencies are responsible for determining the allocation of cost responsibilities. The agreement calls for the City of Hawley to act as the fiscal agent and to maintain the funds in a separate fund. The joint powers agreement will be in effect until terminated by action of all its members. Any entity may elect to withdraw from participation upon giving a one-year written notice. The agreement was updated in March of 2007 to clarify roles and ensure compliance with laws. The new agreement will be in effect until terminated by affirmative vote of a two-thirds majority of the members, and the contract will be reviewed every five years to assure compliance with law changes. The District changed to a contract with a service provider effective January 1, 2009. The amount of contract in 2023 was $50,000.

NOTE 12 CONTINGENCIES

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

NOTE 13 COMMITTED CONTRACTS

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

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

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

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

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

NOTE 14 IN-KIND PAYMENTS

The electric fund provides street lighting for the City of Hawley at no charge. The total in-kind payment to the City of Hawley for the year ended December 31, 2023 was $18,858.

NOTE 15 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers compensation for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the City's insurance coverage in fiscal 2023.

NOTE 16 TAX ABATEMENT DISCLOSURE

Purpose of Tax Abatement	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated
Residential New Housing Tax Abatement-2 year duration		
New Houses Built: 6 in 2018, 6 in 2019, 5 in 2020	100% of City taxes on the first $400,000 value (Zoning Permits from 2019 on)	$ 10,029
AmericInn/Hawley Hotel Partners Tax Abatement - to reimburse for certain development costs of Nationally Franchised "AmericInn" 10 year duration	75% of City taxes abated	10,087
Tonys SV Hardware Store Tax Abatement 9 year duration	100% of the increased taxes abated	2,787
Total Abatements 2023		$ 22,903

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

City provided Housing Abatement on the first $200,000 of value for new homes built in 2018 and prior. In 2019 the City increased the Housing Abatement to cover the first $400,000 of value for new homes built in 2019 and 2020 and again approved for 2021 and 2022 new houses. In 2022, the City approved Housing Abatements for houses built in 2023 and 2024 on the whole value of the home.

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

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

NOTE 17 NEW PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022,* provides guidance on the following accounting matters:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences,* updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

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.

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, 2023

	2023				
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	2022 Actual
RECEIPTS					
Property Taxes	$ 678,000	$ 689,300	$ 689,255	$ (45)	$ 635,147
Special Assessments	7,000	8,121	8,121		22,953
Licenses and Permits	17,990	15,385	15,380	(5)	18,279
Intergovernmental					
Federal					120,101
State					
Local Government Aid	664,743	664,743	664,743		657,960
Fire State Aid	36,000	38,293	39,293	1,000	69,059
Police State Aid	36,000	54,448	151,945	97,497	46,743
Other State Aid	7,000	6,867	6,866	(1)	5,074
Local - County	13,000	13,785	13,785		13,224
Total Intergovernmental	756,743	778,136	876,632	98,496	912,161
Charges for Services					
Franchise Fee - Cable	7,000	7,050	7,118	68	7,836
Street Charges and Sales	1,000	250	240	(10)	3,400
Airport	9,000	9,000	9,000		9,000
Total Charges for Services	17,000	16,300	16,358	58	20,236
Fines and Forfeitures	15,000	21,585	22,843	1,258	16,369
Investment Earnings	10,000	46,550	46,949	399	12,844
Miscellaneous					
Rents	6,201	6,351	6,746	395	6,301
Donations	2,500	3,735	3,735		2,990
Insurance Proceeds	8,000	8,000	3,064	(4,936)	11,638
Other Receipts	65,172	50,360	56,578	6,218	217,072
TOTAL RECEIPTS	1,583,606	1,643,823	1,745,661	101,838	1,875,990
DISBURSEMENTS					
General Government					
Current					
City Council	79,990	43,720	42,952	(768)	57,295
Election					2,965
Finance	88,692	87,587	87,316	(271)	58,951
Assessor	7,600	7,460	7,453	(7)	7,453
Legal	32,000	25,100	25,039	(61)	20,297
Other General Government	92,155	123,535	76,626	(46,909)	120,503
Capital Outlay	6,000	1,500	1,491	(9)	2,513
Total General Government	306,437	288,902	240,877	(48,025)	269,977
Public Safety					
Current					
Police Protection	687,185	695,736	669,976	(25,760)	625,492
Fire Relief	36,000	38,293	38,293		69,059
Fire Joint Powers District	91,200	91,200	91,200		91,300
Animal Control	2,100	2,015	2,103	88	126

cont.

CITY OF HAWLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023				
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	2022 Actual
DISBURSEMENTS - Continued					
Public Safety - Continued					
Current - Continued					
Emergency Response					
Joint Powers District	$ 39,387	$ 39,387	$ 39,387	$	$ 39,313
Capital Outlay	22,500	55,765	56,012	247	11,417
Total Public Safety	878,372	922,396	896,971	(25,425)	836,707
Streets and Highways					
Current					
Street Maintenance	230,434	228,597	218,809	(9,788)	232,164
Capital Outlay	160,000	34,813	34,812	(1)	377,834
Total Streets and Highways	390,434	263,410	253,621	(9,789)	609,998
Culture and Recreation					
Current					
Community Building	23,265	14,753	14,684	(69)	20,754
Parks	127,881	117,276	112,767	(4,509)	121,540
Library	9,450	7,380	7,268	(112)	5,643
Capital Outlay	43,000	20,560	20,392	(168)	16,920
Total Culture and Recreation	203,596	159,969	155,111	(4,858)	164,857
Conservation of Natural Resources					
Vector Control	29,000	31,450	31,433	(17)	18,109
Forestry Shade Tree	15,300	15,725	15,611	(114)	16,877
Total Conservation of Natural Resources	44,300	47,175	47,044	(131)	34,986
Economic Development					
Current					
Economic Development	96,000	104,910	107,668	2,758	100,044
Total Economic Development	96,000	104,910	107,668	2,758	100,044
TOTAL DISBURSEMENTS	1,919,139	1,786,762	1,701,292	(85,470)	2,016,569
Receipts Over (Under) Disbursements	(335,533)	(142,939)	44,369	187,308	(140,579)
OTHER FINANCING SOURCES (USES)					
Transfer In	340,310	372,110	370,241	(1,869)	341,573
Transfer Out		(45,000)	(460,202)	(415,202)	(47,000)
TOTAL OTHER FINANCING SOURCES (USES)	340,310	327,110	(89,961)	(417,071)	294,573
Net Change in Fund Balances	4,777	184,171	(45,592)	(229,763)	153,994
Fund Balances - Beginning	3,037,109	3,037,109	3,037,109		2,883,115
Fund Balances - Ending	$ 3,041,886	$ 3,221,280	$ 2,991,517	$ (229,763)	$ 3,037,109

CITY OF HAWLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
AIRPORT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023				
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	2022 Actual
RECEIPTS					
Intergovernmental					
Federal	$	$	$ 231,913	$ 231,913	$ 110,113
State	21,570	40,445	76,345	35,900	21,570
Total Intergovernmental	21,570	40,445	308,258	267,813	131,683
Investment Earnings	100	300	297	(3)	94
Miscellaneous					
Rents	60,000	60,665	65,170	4,505	58,857
Other Receipts	30,252	31,252	31,832	580	43,903
TOTAL RECEIPTS	111,922	132,662	405,557	272,895	234,537
DISBURSEMENTS					
Airport					
Current	103,273	146,987	137,424	(9,563)	171,519
Capital Outlay		268,950	268,873	(77)	
TOTAL DISBURSEMENTS	103,273	415,937	406,297	(9,640)	171,519
Receipts Over (Under) Disbursements	8,649	(283,275)	(740)	282,535	63,018
OTHER FINANCING SOURCES (USES)					
Transfer In - Interfund Loan					
Transfer Out - Interfund Loan	(10,889)	(13,372)	(13,371)	1	(61,925)
TOTAL OTHER FINANCING SOURCES (USES)	(10,889)	(13,372)	(13,371)	1	(61,925)
Net Change in Fund Balances	(2,240)	(296,647)	(14,111)	282,536	1,093
Fund Balances - Beginning	70,866	70,866	70,866		69,773
Fund Balances - Ending	$ 68,626	$ (225,781)	$ 56,755	$ 282,536	$ 70,866

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

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

See Note to the Pension Schedules

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

	Fiscal Year Ended June 30	City's Proportionate Share of the Net Pension Liability		City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability 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	

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

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

NOTE 1 DEFINED BENEFIT PLANS

PERA

General Employees Fund

2023 Changes

Changes in Plan Provisions: An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Changes in Actuarial Assumptions: The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023

Exhibit A-1

	Special Revenue Exhibit B-1	Debt Service Exhibit B-3	Total Nonmajor Governmental Funds
ASSETS			
Cash and Investments	$ 823,881	$ 699,337	$ 1,523,218
Cash with Fiscal Agent	110,136		110,136
TOTAL ASSETS	$ 934,017	$ 699,337	$ 1,633,354
LIABILITIES			
Due to Other Funds	$ 27,189	$	$ 27,189
TOTAL LIABILITIES	27,189		27,189
FUND BALANCES			
Restricted for:			
Revolving Loan	269,860		269,860
Debt Service		699,337	699,337
Committed for:			
Garbage Service/Recycling	359,540		359,540
Deputy Registrar/Office	110,961		110,961
Storm Water Maint/Repairs	88,767		88,767
Building Upkeep/Repair	104,889		104,889
Unassigned	(27,189)		(27,189)
TOTAL FUND BALANCES	906,828	699,337	1,606,165
TOTAL LIABILITIES AND FUND BALANCES	$ 934,017	$ 699,337	$ 1,633,354

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Exhibit A-2

	Special Revenue Exhibit B-2	Debt Service Exhibit B-4	Capital Project SRTS	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	$	$ 109,495	$	$ 109,495
Tax Increment Financing	303,558			303,558
Special Assessments		418,917		418,917
Charges for Services	646,988			646,988
Investment Earnings	13,149	9,171		22,320
Miscellaneous				
Rent	100,275			100,275
Other Receipts	43,141			43,141
TOTAL RECEIPTS	1,107,111	537,583		1,644,694
DISBURSEMENTS				
Current				
General Government	162,992			162,992
Public Safety	10,334			10,334
Sanitation	343,906			343,906
Economic Development	165,095			165,095
Debt Service				
Principal		965,000		965,000
Interest and Other Charges		110,906		110,906
Capital Outlay				
Streets and Highways			39,169	39,169
TOTAL DISBURSEMENTS	682,327	1,075,906	39,169	1,797,402
Receipts Over (Under) Disbursements	424,784	(538,323)	(39,169)	(152,708)
OTHER FINANCING SOURCES (USES)				
Debt Issued				
Transfer In		581,071	33,886	614,957
Transfer Out	(269,296)	(108,098)		(377,394)
Transfer Out - Interfund Loan	(40,000)			(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	(309,296)	472,973	33,886	197,563
Net Change in Fund Balances	115,488	(65,350)	(5,283)	44,855
Fund Balances - Beginning	791,340	764,687	5,283	1,561,310
Fund Balances - Ending	$ 906,828	$ 699,337	$	$ 1,606,165

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2023

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	$ 159,724	$ 359,540	$ 110,961	$ 88,767	$ 104,889	$	$ 823,881	$ 56,755	$ 880,636
Cash with Fiscal Agent	110,136						110,136		110,136
TOTAL ASSETS	$ 269,860	$ 359,540	$ 110,961	$ 88,767	$ 104,889	$	$ 934,017	$ 56,755	$ 990,772
LIABILITIES									
Due to Other Funds	$	$	$	$	$	$ 27,189	$ 27,189	$	$ 27,189
TOTAL LIABILITIES						27,189	27,189		27,189
FUND BALANCES									
Restricted for:									
Revolving Loan	269,860						269,860		269,860
Committed for:									
Municipal Airport								56,755	56,755
Garbage Service/Recycling		359,540					359,540		359,540
Deputy Registrar/Office			110,961				110,961		110,961
Storm Water Maint/Repairs				88,767			88,767		88,767
Building Upkeep/Repair					104,889		104,889		104,889
Unassigned						(27,189)	(27,189)		(27,189)
TOTAL FUND BALANCES	269,860	359,540	110,961	88,767	104,889	(27,189)	906,828	56,755	963,583
TOTAL LIABILITIES AND FUND BALANCES	$ 269,860	$ 359,540	$ 110,961	$ 88,767	$ 104,889	$	$ 934,017	$ 56,755	$ 990,772

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Nonmajor Funds						
	Revolving Loan	GN Property TIF	Garbage	Deputy Registrar	Storm Water	Clinic	Fire Hall
RECEIPTS							
Tax Increment Financing	$	$ 36,282	$	$	$	$	$
Intergovernmental - Federal							
Intergovernmental - State							
Charges for Services			405,671	131,244	110,073		
Investment Earnings	5,622		3,132	1,980	1,035	1,348	32
Miscellaneous							
Rent						33,475	66,800
Other Receipts	9,500		1,175	32,466			
TOTAL RECEIPTS	15,122	36,282	409,978	165,690	111,108	34,823	66,832
DISBURSEMENTS							
Current							
General Government				155,468		7,524	
Public Safety							10,334
Sanitation			343,906				
Economic Development	633	36,282					
Airport							
Capital Outlay							
Airport							
TOTAL DISBURSEMENTS	633	36,282	343,906	155,468		7,524	10,334
Receipts Over (Under) Disbursements	14,489		66,072	10,222	111,108	27,299	56,498
OTHER FINANCING USES							
Transfer Out			(20,000)	(10,000)	(100,200)		
Transfer Out - Interfund Loan							(40,000)
TOTAL OTHER FINANCING USES			(20,000)	(10,000)	(100,200)		(40,000)
Net Change in Fund Balances	14,489		46,072	222	10,908	27,299	16,498
Fund Balances - Beginning	255,371		313,468	110,739	77,859	77,590	(43,687)
Fund Balances - Ending	$ 269,860	$	$ 359,540	$ 110,961	$ 88,767	$ 104,889	$ (27,189)

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, 2023

Exhibit B-2

	Nonmajor Funds					Total Nonmajor Special Revenue Exhibit A-2	Major Fund Airport	Total Special Revenue
	TIF Cretex	TIF	TIF Hefty	TIF Goldmine	TIF Autumn Ridge Apts			
RECEIPTS								
Tax Increment Financing	$ 117,997	$ 10,067	$ 11,795	$ 7,734	$ 4,391	$ 303,558	$	$ 303,558
Intergovernmental - Federal							231,913	231,913
Intergovernmental - State							76,345	76,345
Charges for Services						646,988		646,988
Investment Earnings						13,149	297	13,446
Miscellaneous								
Rent						100,275	65,170	165,445
Other Receipts						43,141	31,832	74,973
TOTAL RECEIPTS	117,997	10,067	11,795	7,734	4,391	1,107,111	405,557	1,512,668
DISBURSEMENTS								
Current								
General Government						162,992		162,992
Public Safety						10,334		10,334
Sanitation						343,906		343,906
Economic Development	60,951	10,067	11,795	7,734	4,391	165,095		165,095
Airport							137,424	137,424
Capital Outlay								
Airport							268,873	268,873
TOTAL DISBURSEMENTS	60,951	10,067	11,795	7,734	4,391	682,327	406,297	1,088,624
Receipts Over (Under) Disbursements	57,046					424,784	(740)	424,044
OTHER FINANCING USES								
Transfer Out	(57,046)					(269,296)		(269,296)
Transfer Out - Interfund Loan						(40,000)	(13,371)	(53,371)
TOTAL OTHER FINANCING USES	(57,046)					(309,296)	(13,371)	(322,667)
Net Change in Fund Balances						115,488	(14,111)	101,377
Fund Balances - Beginning						791,340	70,866	862,206
Fund Balances - Ending	$	$	$	$	$	$ 906,828	$ 56,755	$ 963,583

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
DEBT SERVICE FUNDS
DECEMBER 31, 2023

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	$ 238,003	$ 180,088	$ 17,806	$ 2,172	$ 66,647	$ 5,022
TOTAL ASSETS	$ 238,003	$ 180,088	$ 17,806	$ 2,172	$ 66,647	$ 5,022
FUND BALANCES						
Restricted for Debt Service	$ 238,003	$ 180,088	$ 17,806	$ 2,172	$ 66,647	$ 5,022
TOTAL FUND BALANCES	$ 238,003	$ 180,088	$ 17,806	$ 2,172	$ 66,647	$ 5,022

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
DEBT SERVICE FUNDS – CONTINUED
DECEMBER 31, 2023

	Nonmajor Funds						
	Autumn View	Nature Lane	2021 Phase 3	PFA 2022	Total Nonmajor Debt Service Exhibit A-1	Major Fund PHE NE	Total Debt Service
ASSETS							
Cash and Investments	$ 47,762	$ 39,497	$ 74,321	$ 28,019	$ 699,337	$ 133,661	$ 832,998
TOTAL ASSETS	$ 47,762	$ 39,497	$ 74,321	$ 28,019	$ 699,337	$ 133,661	$ 832,998
FUND BALANCES							
Restricted for Debt Service	$ 47,762	$ 39,497	$ 74,321	$ 28,019	$ 699,337	$ 133,661	$ 832,998
TOTAL FUND BALANCES	$ 47,762	$ 39,497	$ 74,321	$ 28,019	$ 699,337	$ 133,661	$ 832,998

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Nonmajor Funds						
	2006 PFA Water	2006 PFA Sewer	2008 PFA Water	2008 PFA Sewer	11 Street Rebuild	13 Cretex/ Hwy10	Bond TIF
RECEIPTS							
Property Taxes	$	$	$	$	$ 36,505	$ 32,553	$
Special Assessments	66,482	30,038			32,357	104,353	
Investment Earnings	2,149	1,987	143	9	401	2,530	174
TOTAL RECEIPTS	68,631	32,025	143	9	69,263	139,436	174
DISBURSEMENTS							
Debt Service							
Principal	150,000	60,000	8,000	8,000	70,000	190,000	145,000
Interest and Other Charges	7,145	1,929	555	940	10,233	6,195	9,645
TOTAL DISBURSEMENTS	157,145	61,929	8,555	8,940	80,233	196,195	154,645
Receipts Over (Under) Disbursements	(88,514)	(29,904)	(8,412)	(8,931)	(10,970)	(56,759)	(154,471)
OTHER FINANCING SOURCES (USES)							
Debt Issued							
Transfer In	89,000	33,000	10,000	8,700	45,000	45,000	139,096
Transfer Out						(108,098)	
TOTAL OTHER FINANCING SOURCES (USES)	89,000	33,000	10,000	8,700	45,000	(63,098)	139,096
Net Change in Fund Balances	486	3,096	1,588	(231)	34,030	(119,857)	(15,375)
Fund Balances - Beginning	237,517	176,992	16,218	2,403	32,617	119,857	20,397
Fund Balances - Ending	$ 238,003	$ 180,088	$ 17,806	$ 2,172	$ 66,647	$	$ 5,022

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, 2023

Exhibit B-4

	Autumn View	Nature Lane	2021 Phase 3	PFA 2022	Total Nonmajor Debt Service Exhibit A-2	Major Fund PHE NE	Total Debt Service
RECEIPTS							
Property Taxes	$	$	$ 40,437	$	$ 109,495	$	$ 109,495
Special Assessments	33,682	58,059	93,946		418,917		418,917
Investment Earnings	275	455	724	324	9,171	699	9,870
TOTAL RECEIPTS	33,957	58,514	135,107	324	537,583	699	538,282
DISBURSEMENTS							
Debt Service							
Principal	30,000	45,000	215,000	44,000	965,000		965,000
Interest and Other Charges	7,924	12,995	45,013	8,332	110,906	21,020	131,926
TOTAL DISBURSEMENTS	37,924	57,995	260,013	52,332	1,075,906	21,020	1,096,926
Receipts Over (Under) Disbursements	(3,967)	519	(124,906)	(52,008)	(538,323)	(20,321)	(558,644)
OTHER FINANCING SOURCES (USES)							
Debt Issued						153,982	153,982
Transfer In	18,000		141,275	52,000	581,071		581,071
Transfer Out					(108,098)		(108,098)
TOTAL OTHER FINANCING SOURCES (USES)	18,000		141,275	52,000	472,973	153,982	626,955
Net Change in Fund Balances	14,033	519	16,369	(8)	(65,350)	133,661	68,311
Fund Balances - Beginning	33,729	38,978	57,952	28,027	764,687		764,687
Fund Balances - Ending	$ 47,762	$ 39,497	$ 74,321	$ 28,019	$ 699,337	$ 133,661	$ 832,998

CITY OF HAWLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Balance 1/1/2023	Additions	Deductions	Balance 12/31/2023
HAWLEY AREA FIRE DISTRICT - JOINT POWERS				
ASSETS				
Cash and Investments	$ (2,519)	$ 277,677	$ 161,930	$ 113,228
Total Assets	$ (2,519)	$ 277,677	$ 161,930	$ 113,228
NET POSITION				
Restricted for Other Governments	$ (2,519)	$ 277,677	$ 161,930	$ 113,228
Total Restricted for Other Governments	$ (2,519)	$ 277,677	$ 161,930	$ 113,228
HAWLEY AREA EMERGENCY RESPONSE DISTRICT - JOINT POWERS				
ASSETS				
Cash and Investments	$	$ 59,080	$ 59,080	$
NET POSITION				
Restricted for Other Government	$	$ 59,080	$ 59,080	$
TOTAL				
ASSETS				
Cash and Investments	$ (2,519)	$ 336,757	$ 221,010	$ 113,228
	$ (2,519)	$ 336,757	$ 221,010	$ 113,228
NET POSITION				
Restricted for Other Government	$ (2,519)	$ 336,757	$ 221,010	$ 113,228
	$ (2,519)	$ 336,757	$ 221,010	$ 113,228

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

Governmental Funds	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Debt Issued	Capital Contributions	Balance End of Year
General Fund								
Committed for:								
2016 Levy Reduction	$ 66,089	$ 45,000	$ 45,000	$	$	$	$	$ 66,089
Seal Coat/Crack Fill	152,959	95,000						247,959
Plow Truck/Equipment	80,600	35,000						115,600
Street Patching	126,700	17,000						143,700
Sidewalks	10,000	10,000						20,000
Lawn Mower	6,600							6,600
Tornado Siren	760		760					
Park Board Sinking Fund	73,820	21,560						95,380
Park - Brekken	1,256							1,256
Park - Disc Golf	2,000							2,000
Park Donations	11,759							11,759
Police - Night to Unite	1,191	1,910						3,101
Police Vehicle	67,050	5,822	45,415					27,457
Zoning Comprehensive Plan	2,960	2,800						5,760
Economic Development	16,800							16,800
River Remeandering - Phase 3	20,000							20,000
Community Center	4,203	9,500						13,703
Public Works Vehicle	40,000		5,162					34,838
Library	21,680	2,000						23,680
Police Building	35,000		20,747					14,253
Health Savings Account	89,375	16,800						106,175
Prosecution	8,500							8,500
City Projects Phase 3/SRTS	175,000		175,000					
Organizational Study	29,845							29,845
ARPA - COVID	240,202		240,202					
15th Street Paving	145,000							145,000
Unassigned	1,607,760	1,483,269	1,169,006	(89,961)				1,832,062
Total General Fund	3,037,109	1,745,661	1,701,292	(89,961)				2,991,517
Special Revenue								
Revolving Loan	255,371	15,122	633					269,860
TIF RDO		115,292	33,242	(82,050)				
TIF Cretex		117,997	60,951	(57,046)				
GN Property		36,282	36,282					
TIF		10,067	10,067					
TIF Hefty		11,795	11,795					
TIF Goldmine		7,734	7,734					
TIF Autumn Ridge Apts		4,391	4,391					
Garbage	313,468	409,978	343,906	(20,000)				359,540
Deputy Registrar	110,739	165,690	155,468	(10,000)				110,961
Airport	70,866	405,557	406,297		(13,371)			56,755
Storm Water	77,859	111,108		(100,200)				88,767
Clinic	77,590	34,823	7,524					104,889
Fire	(43,687)	66,832	10,334		(40,000)			(27,189)
Capital Project								
Phase 3	174,456	418	360,040	141,114		37,465		(6,587)
SRTS	5,283		39,169	33,886				
PHE NE		942	1,242,591			1,341,450		99,801
Water Tower Rehab			438,432	240,202	198,230			

CITY OF HAWLEY, MINNESOTA

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

FOR THE YEAR ENDED DECEMBER 31, 2023

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Debt Issued	Capital Contributions	Balance End of Year
Debt Service								
2006 PFA Water	$ 237,517	$ 68,631	$ 157,145	$ 89,000	$	$	$	$ 238,003
2006 PFA Sewer	176,992	32,025	61,929	33,000				180,088
2008 PFA Water	16,218	143	8,555	10,000				17,806
2008 PFA Sewer	2,403	9	8,940	8,700				2,172
11 Street Rebuild	32,617	69,263	80,233	45,000				66,647
13 Cretex/Hwy10	119,857	139,436	196,195	(63,098)				
Bond TIF	20,397	174	154,645	139,096				5,022
Autumn View Bond	33,729	33,957	37,924	18,000				47,762
Nature Lane Bond	38,978	58,514	57,995					39,497
2021 Phase 3	57,952	135,107	260,013	141,275				74,321
PFA 2022	28,027	324	52,332	52,000				28,019
PHE NE		699	21,020			153,982		133,661
Total Governmental Funds	$ 4,843,741	$ 3,797,971	$ 5,967,074	$ 528,918	$ 144,859	$ 1,532,897	$	$ 4,881,312

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Debt Issued	Capital Contributions	Balance End of Year
Proprietary Funds								
Water	$ 2,841,919	$ 432,383	$ 301,958	$ (140,076)	$	$	$	$ 2,832,268
Sewer	2,598,399	322,700	307,781	(138,700)			130,500	2,605,118
Electric	2,301,836	2,700,592	2,808,473	(147,059)				2,046,896
Gas	1,697,740	1,083,102	888,976	(88,084)				1,803,782
Liquor	386,100	1,513,807	1,417,754	(15,000)				467,153
Total Proprietary Funds	$ 9,825,994	$ 6,052,584	$ 5,724,942	$ (528,919)	$	$	$ 130,500	$ 9,755,217

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 12/31/2022	Issued 2023	Retired 2023	Balance 12/31/2023	Principal Due In 2024	Interest Due In 2024
General Obligation Bonds										
G.O. Improvement Bonds, 2011B	3.25%	2011	2024/26	$ 1,260,000	$ 305,000	$	$ 70,000	$ 235,000	$ 75,000	$ 7,638
G.O. Improvement Bonds, 2013A		2013		1,625,000	190,000		190,000			
G.O. TIF Bonds 2014A	3.00%	2014	2024/25	1,270,000	305,000		145,000	160,000	80,000	4,800
G.O. Improvement Note 2016B	2.65%	2016	2024/31	411,000	299,000		30,000	269,000	31,000	7,129
G.O. Improvement Bonds 2017A	2.0 - 3.0%	2017	2024/32	605,000	485,000		45,000	440,000	45,000	11,600
G.O. Bonds 2021A	1.0-1.6%	2021	2024/36	4,080,000	3,865,000		215,000	3,650,000	265,000	42,368
G.O. Improvement Bonds 2023A	4.00%	2023	2024/43	1,465,000		1,465,000		1,465,000		57,135
Total General Obligation Bonds					5,449,000	1,465,000	695,000	6,219,000	496,000	130,670
General Obligation Revenue Bonds										
G.O. Water Revenue Note, 2006A	1.56%	2006	2024/25	2,565,987	458,000		150,000	308,000	153,000	4,805
G.O. Sewer Revenue Note, 2006B	1.06%	2006	2024/25	1,010,110	182,000		60,000	122,000	61,000	1,293
G.O. Water Revenue Note, 2008A	1.29%	2008	2024/27	150,010	43,000		8,000	35,000	8,000	452
G.O. Sewer Revenue Note, 2008B	2.29%	2008	2024/27	132,954	41,000		8,000	33,000	8,000	757
G.O. MPFA Clean Water 2021	1.00%	2021	2024/41	889,192	871,535	37,465	44,000	865,000	44,000	8,547
Total General Obligation Revenue Bonds					1,595,535	37,465	270,000	1,363,000	274,000	15,854
Revenue Bonds										
Refunding Revenue Note, 2016A	3.25%	2016	2024/27	329,000	165,000		31,000	134,000	30,000	3,868
Total Revenue Bonds					165,000		31,000	134,000	30,000	3,868
Total					$ 7,209,535	$ 1,502,465	$ 996,000	$ 7,716,000	$ 800,000	$ 150,392

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
2013	$ 469,930	$ 19,170	$ 1,002,695	$ 415,314	$ 21,867	$ 731,903	$ 5,904	$	$ 195,174	$ 2,861,957
2014	505,529	23,721	903,166	438,474	22,518	636,666	5,515		172,731	2,708,320
2015	491,586	20,304	1,004,614	485,480	29,237	777,959	5,630	17,665	155,333	2,987,808
2016	519,475	19,129	996,263	492,685	20,711	708,555	6,394	264,069	221,162	3,248,443
2017	573,634	17,037	1,142,813	537,413	22,341	773,884	10,740	269,164	176,854	3,523,880
2018	596,442	16,106	1,271,118	562,927	24,329	619,550	22,523	199,841	233,689	3,546,525
2019	630,837	19,911	807,228	597,336	23,075	666,953	32,297	249,728	342,546	3,369,911
2020	665,503	19,395	995,899	616,970	19,145	505,952	18,597	253,956	262,650	3,358,067
2021	704,673	23,333	1,210,412	653,666	12,913	507,162	18,317	272,655	358,667	3,761,798
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

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
2013	$ 279,059	$ 419,166	$ 158,763	$ 195,544	$ 87,250	$ 758,837	$ 2,387,410	$ 224,901	$ 4,510,930
2014	320,254	547,069	142,558	198,071	100,971	877,139	665,773	303,049	3,154,884
2015	323,724	468,973	123,623	215,228	102,171	1,227,501	940,211	264,168	3,665,599
2016	308,992	565,007	166,665	227,400	106,574	1,111,805	722,094	456,387	3,664,924
2017	299,613	551,616	224,755	274,286	122,889	1,081,900	1,184,859	447,734	4,187,652
2018	312,475	530,329	187,372	273,830	143,528	1,342,862	846,409	274,150	3,910,955
2019	359,258	643,675	188,191	282,262	114,063	1,225,592	382,178	303,770	3,498,989
2020	382,034	757,698	187,286	288,070	127,963	773,495	444,781	317,204	3,278,531
2021	380,185	755,955	166,472	313,774	132,669	890,838	6,302,933	318,155	9,260,981
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

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
2013	$ 908,972	$ 420,000	46.206	33.761	53.736	2.215		135.918
2014	1,012,934	441,000	43.537	27.391	50.223	1.776	0.707	123.634
2015	1,095,403	476,500	43.500	26.942	46.032	1.733		118.207
2016	1,249,225	519,500	41.586	25.435	45.173	1.724		113.918
2017	1,381,939	566,300	40.979	23.203	46.477	1.697		112.356
2018	1,567,890	601,000	38.332	22.360	47.888	1.706		110.286
2019	1,584,181	631,000	39.831	26.774	48.859	1.674	0.563	117.701
2020	1,631,309	662,500	40.612	26.617	51.180	1.694	0.326	120.429
2021	1,677,536	696,000	41.490	28.030	52.321	1.838		123.679
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

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, 2023
(UNAUDITED)

ADDITIONS	
Operating Reimbursements	
City of Hawley	$ 39,387
Townships	19,693
TOTAL ADDITIONS	59,080
DEDUCTIONS	
Current	
Professional Services	55,000
RRR Dispatch	4,080
TOTAL DEDUCTIONS	59,080
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, 2023
(UNAUDITED)

ADDITIONS		
Intergovernmental		
City of Hawley	$	57,800
Townships		57,800
Fire Relief		70,000
Local Grant		14,001
Lease Revenue		66,800
Investment Earnings		1,081
Miscellaneous		1,034
Interfund Transfer - Fire District Checking Account		9,161
TOTAL ADDITIONS		277,677
DEDUCTIONS		
Current		
Professional Services		2,900
Insurance		2,993
Training		6,768
Supplies		18,347
Fuel and Additives		3,386
Repairs and Maintenance		1,854
Utilities		6,207
Salaries and Benefits		29,154
Fire Relief Contribution		9,100
RRR Dispatch		1,569
Miscellaneous		70,132
Capital Outlay		9,520
TOTAL DEDUCTIONS		161,930
CHANGES IN ASSETS AND NET POSITION		115,747
ASSETS AND NET POSITION, BEGINNING		(2,519)
ASSETS AND NET POSITION, ENDING	$	113,228

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, 2023, and the related notes to the financial statements, and have issued our report thereon dated April 17, 2024. 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, we noted that the City of Hawley failed to comply with provisions of contracting – bid laws of the *Minnesota Legal Compliance Audit Guide for Cities,* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate accounting matters as described in the schedule of findings as item 2023-002. Also, 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 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,* 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.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Hawley's response to the legal compliance finding identified in our audit and described in the accompanying schedule of findings and corrective action plan. 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 the Report

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

Brady Martz

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

April 17, 2024

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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 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, 2023, 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 April 17, 2024. Our report disclosed that, as described in Note 1 to the financial statements, the City prepares its financial statements on the regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 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.
THIEF RIVER FALLS, MINNESOTA

April 17, 2024

CITY OF HAWLEY, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2023

2023-001 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.

2023-002 FINDING

Criteria
Per Minnesota Statute § 471.345, for contracts or purchases from $25,000 to $175,000, sealed bids or direct negotiations with two quotations is required.

Condition
The City did not obtain quotes for the purchase of a pickup.

Cause
Oversight by the staff.

Effect
The City is not in compliance with the requirements of Minnesota Legal Compliance statutes.

Recommendation
We recommend the City obtain at least two quotes or sealed bids for all contracts or purchases made in excess of $25,000.

Views of Responsible Officials and Planned Corrective Actions
The City agrees with the recommendation and implement immediately.

CITY OF HAWLEY, MINNESOTA
CORRECTIVE ACTION PLAN
DECEMBER 31, 2023

2023-001 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

2023-002 FINDING

Contact Person – Erica Polley, City Clerk/Treasurer

Corrective Action Plan – The City will obtain at least two quotes for all purchases in excess of $25,000.

Completion Date - Immediately