

**CITY OF HAWLEY  
HAWLEY, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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**CITY OF HAWLEY, MINNESOTA**  
CITY OFFICIALS  
DECEMBER 31, 2019

Mayor	James Joy
Council Member	Ben Gunkelman
Council Member	Jonathan Donnelly
Council Member	Sean Mork
Council Member	Brad Eldred
Clerk Treasurer	Lisa Jetvig

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the City of Hawley as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. 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 Responsibility***

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

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

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

### **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 on the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with 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.

### **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” paragraph, the financial statements referred to in the first paragraph do not present fairly in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Hawley, as of December 31, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the 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, 2019, and the revenues it received and expenditures 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 on the basis of accounting described in Note 1.

### ***Other Matters***

#### *Other 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 and schedules 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. The other information section noted in the table of contents is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedules, combining statements and schedules, as listed supplementary information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole as described in the basis of accounting described in Note 1.

The other information section noted in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2020, on our consideration of the City of Hawley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

March 2, 2020

**CITY OF HAWLEY, MINNESOTA**  
**STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	General Fund	Airport	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 3,028,003	\$ 89,139	\$ 1,266,273	\$ 4,383,415
Cash with Fiscal Agent			112,804	112,804
<b>TOTAL ASSETS</b>	<b>\$ 3,028,003</b>	<b>\$ 89,139</b>	<b>\$ 1,379,077</b>	<b>\$ 4,496,219</b>
<b>FUND BALANCES</b>				
Restricted for:				
Revolving Loan	\$	\$	\$ 127,159	\$ 127,159
Debt Service			698,817	698,817
Committed for:				
Levy Reduction	33,089			33,089
Seal Coat/Crack Fill	151,459			151,459
Plow Truck/Equipment	109,700			109,700
Street Patching	194,700			194,700
Sidewalks	48,100			48,100
Lawn Mower	6,600			6,600
Tornado Siren	21,500			21,500
Park Board Sinking Fund	116,320			116,320
Park - Brekken	1,256			1,256
Park - Disc Golf	2,000			2,000
Park Donations	11,759			11,759
Fire Building	130,000			130,000
Police - Night to Unite	2,640			2,640
Police Armor Upgrade	600			600
Police Vehicle	82,300			82,300
Zoning Comprehensive Fund	2,960			2,960
Economic Development	31,800			31,800
River Meandering - Phase 3	20,000			20,000
Community Center	19,200			19,200
Building Demolition	19,500			19,500
Public Works Vehicle	15,000			15,000
Library	15,180			15,180
Police Building	50,000			50,000
Health Savings Account	49,100			49,100
Prosecution	8,500			8,500
City Hall Office Flooring	10,000			10,000
Phase 3 Infrastructure Project	375,000			375,000
Municipal Airport		89,139		89,139
Garbage Service/Recycling			231,616	231,616
Deputy Registrar/Office			115,988	115,988
Storm Water Maint/Repairs			183,499	183,499
Building Upkeep/Repair			21,998	21,998
Unassigned	1,499,740			1,499,740
<b>TOTAL FUND BALANCES</b>	<b>\$ 3,028,003</b>	<b>\$ 89,139</b>	<b>\$ 1,379,077</b>	<b>\$ 4,496,219</b>

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, 2019**

	General Fund	Airport	15 Refund	Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>					
Property Taxes	\$ 523,672	\$	\$	\$ 107,165	\$ 630,837
Tax Increment Financing				249,728	249,728
Special Assessments	236,917		127,781	302,255	666,953
Licenses and Permits	19,911				19,911
Intergovernmental	717,037	90,191			807,228
Charges for Services	22,703			574,633	597,336
Fines and Forfeitures	23,075				23,075
Investment Earnings	21,778	110	2,043	8,366	32,297
Miscellaneous	157,202	87,261		98,083	342,546
<b>TOTAL RECEIPTS</b>	<u>1,722,295</u>	<u>177,562</u>	<u>129,824</u>	<u>1,340,230</u>	<u>3,369,911</u>
<b>DISBURSEMENTS</b>					
Current					
General Government	247,398			111,860	359,258
Public Safety	643,485			190	643,675
Streets and Highways	188,191				188,191
Sanitation				282,262	282,262
Culture and Recreation	114,063				114,063
Conservation of Natural Resources	29,363				29,363
Economic Development	72,093			120,836	192,929
Airport		81,478			81,478
Debt Services					
Principal	26,203		415,000	656,000	1,097,203
Interest and Other Charges	1,004		9,045	118,340	128,389
Capital Outlay					
General Government	5,441			10,339	15,780
Public Safety	60,523				60,523
Streets and Highways	300,580				300,580
Culture and Recreation	5,295				5,295
<b>TOTAL DISBURSEMENTS</b>	<u>1,693,639</u>	<u>81,478</u>	<u>424,045</u>	<u>1,299,827</u>	<u>3,498,989</u>
Receipts Over (Under) Disbursements	28,656	96,084	(294,221)	40,403	(129,078)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In	293,441			354,879	648,320
Transfer Out				(234,179)	(234,179)
Transfer Out - Interfund Loan	(35,882)	(8,300)		(27,980)	(72,162)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>257,559</u>	<u>(8,300)</u>		<u>92,720</u>	<u>341,979</u>
Net Change in Fund Balances	286,215	87,784	(294,221)	133,123	212,901
Fund Balances - Beginning	2,741,788	1,355	294,221	1,245,954	4,283,318
Fund Balances - Ending	<u>\$ 3,028,003</u>	<u>\$ 89,139</u>	<u>\$</u>	<u>\$ 1,379,077</u>	<u>\$ 4,496,219</u>

See Notes to the Financial Statements

**CITY OF HAWLEY, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

	Water	Sewer	Electric	Gas	Liquor	Total
<b>ASSETS</b>						
Current Assets						
Cash and Investments	\$ 168,583	\$ 413,826	\$ 1,311,207	\$ 659,066	\$ 486	\$ 2,553,168
Accounts Receivable	26,798	22,947	276,183	135,613		461,541
Inventory	3,397		91,604	14,243	168,070	277,314
Total Current Assets	<u>198,778</u>	<u>436,773</u>	<u>1,678,994</u>	<u>808,922</u>	<u>168,556</u>	<u>3,292,023</u>
Noncurrent Assets						
Assessments Receivable		39,785				39,785
Capital Assets						
Land			32,241		55,000	87,241
Building	16,273		234,925	71,094	436,676	758,968
Improvements Other Than Building	4,850,502	4,704,518	2,406,515	1,271,150		13,232,685
Equipment	56,269	8,000	408,780	22,321	90,725	586,095
Less: Accumulated Depreciation	(2,750,878)	(3,232,701)	(2,091,172)	(688,301)	(170,556)	(8,933,608)
Net Capital Assets	<u>2,172,166</u>	<u>1,479,817</u>	<u>991,289</u>	<u>676,264</u>	<u>411,845</u>	<u>5,731,381</u>
Other Assets						
Cash-Restricted for Debt		109,921				109,921
Cash-Restricted for Lottery					4,427	4,427
Advance to Other Funds		148,610	110,285			258,895
Total Other Assets		<u>258,531</u>	<u>110,285</u>		<u>4,427</u>	<u>373,243</u>
<b>TOTAL ASSETS</b>	<u>2,370,944</u>	<u>2,214,906</u>	<u>2,780,568</u>	<u>1,485,186</u>	<u>584,828</u>	<u>9,436,432</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Cost Sharing Defined Benefit Pension Plan	3,611	3,866	12,896	7,738	6,189	34,300
<b>LIABILITIES</b>						
Current Liabilities						
Accounts Payable	108		152,564	47,690		200,362
Salary Payable	1,895	2,022	6,947	4,206	4,788	19,858
Due to Other Governmental Units	7,164				4,427	11,591
Customer Deposits			42,792			42,792
Unearned Revenue			14,258			14,258
Interest Payable	973				2,595	3,568
Compensated Absences	6,016	11,465	37,733	26,492	16,815	98,521
Current Portion - Long-Term Liabilities	43,000				29,000	72,000
Total Current Liabilities	<u>59,156</u>	<u>13,487</u>	<u>254,294</u>	<u>78,388</u>	<u>57,625</u>	<u>462,950</u>
Long-Term Liabilities						
Advance from Other Funds					11,585	11,585
Bonds Payable	88,000				254,000	342,000
Net Pension Liability	47,603	51,003	170,010	102,006	81,605	452,227
Less: Current Portion - Long-Term Debt	(43,000)				(29,000)	(72,000)
Total Long-Term Liabilities	<u>92,603</u>	<u>51,003</u>	<u>170,010</u>	<u>102,006</u>	<u>318,190</u>	<u>733,812</u>
<b>TOTAL LIABILITIES</b>	<u>151,759</u>	<u>64,490</u>	<u>424,304</u>	<u>180,394</u>	<u>375,815</u>	<u>1,196,762</u>

See Notes to the Financial Statements

**CITY OF HAWLEY, MINNESOTA**  
**STATEMENT OF NET POSITION - CONTINUED**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Gas</u>	<u>Liquor</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	\$ 11,732	\$ 12,572	\$ 41,904	\$ 25,142	\$ 20,114	\$ 111,464
NET POSITION						
Net Investment in Capital Assets	2,084,166	1,479,817	991,289	676,264	157,845	5,389,381
Restricted for Debt Service		109,921				109,921
Unrestricted	<u>126,898</u>	<u>551,972</u>	<u>1,335,967</u>	<u>611,124</u>	<u>37,243</u>	<u>2,663,204</u>
TOTAL NET POSITION	<u>\$ 2,211,064</u>	<u>\$ 2,141,710</u>	<u>\$ 2,327,256</u>	<u>\$ 1,287,388</u>	<u>\$ 195,088</u>	<u>\$ 8,162,506</u>

See Notes to the Financial Statements

**CITY OF HAWLEY, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Water	Sewer	Electric	Gas	Liquor	Total
Operating Revenues						
Sales	\$	\$	\$	\$	\$ 1,228,690	\$ 1,228,690
Cost of Sales					(899,136)	(899,136)
Gross Profit					329,554	329,554
Charges for Sales and Services	362,940	290,482	2,506,729	983,440		4,143,591
Other Charges and Income	524	883	55,029	707	5,963	63,106
Total Operating Revenue	<u>363,464</u>	<u>291,365</u>	<u>2,561,758</u>	<u>984,147</u>	<u>335,517</u>	<u>4,536,251</u>
Operating Expenses						
Purchased Power and Gas			1,741,686	381,481		2,123,167
Salaries and Wages	53,745	73,970	266,865	144,183	145,752	684,515
Employee Benefits	20,367	21,514	87,391	52,947	48,856	231,075
Repairs and Maintenance	33,316	6,156	48,533	27,868	8,199	124,072
Chemicals	2,217	9,432				11,649
Utilities	17,393	3,837	10,720	4,842	14,927	51,719
Insurance	4,473	3,115	5,134	5,268	5,875	23,865
Professional Fees	13,774	21,151	18,555	3,038	7,590	64,108
Supplies	1,615	938	18,052	6,565	8,686	35,856
Other Expenses	3,302	6,256	95,187	21,578	36,042	162,365
Depreciation	121,318	174,644	87,075	31,038	15,783	429,858
Total Operating Expenses	<u>271,520</u>	<u>321,013</u>	<u>2,379,198</u>	<u>678,808</u>	<u>291,710</u>	<u>3,942,249</u>
Operating Income (Loss)	91,944	(29,648)	182,560	305,339	43,807	594,002
Nonoperating Income (Expense)						
Investment Earnings	516	8,887	17,710	4,284		31,397
Interest and Other Charges	(3,850)				(9,204)	(13,054)
Total Nonoperating Income (Expense)	<u>(3,334)</u>	<u>8,887</u>	<u>17,710</u>	<u>4,284</u>	<u>(9,204)</u>	<u>18,343</u>
Net Income (Loss) Before Transfers	88,610	(20,761)	200,270	309,623	34,603	612,345
Transfers Out	<u>(99,000)</u>	<u>(86,700)</u>	<u>(148,137)</u>	<u>(72,304)</u>	<u>(8,000)</u>	<u>(414,141)</u>
Change in Net Position	(10,390)	(107,461)	52,133	237,319	26,603	198,204
Net Position, Beginning	<u>2,221,454</u>	<u>2,249,171</u>	<u>2,275,123</u>	<u>1,050,069</u>	<u>168,485</u>	<u>7,964,302</u>
Net Position, Ending	<u>\$ 2,211,064</u>	<u>\$ 2,141,710</u>	<u>\$ 2,327,256</u>	<u>\$ 1,287,388</u>	<u>\$ 195,088</u>	<u>\$ 8,162,506</u>

See Notes to the Financial Statements

**CITY OF HAWLEY, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Water	Sewer	Electric	Gas	Liquor	Total
<b>Cash Flows From Operating Activities:</b>						
Receipts from Customers	\$ 362,278	\$ 290,450	\$ 2,527,576	\$ 966,506	\$ 1,231,794	\$ 5,378,604
Payments to Suppliers	(68,400)	(50,885)	(1,928,631)	(470,561)	(975,001)	(3,493,478)
Payments to Employees	(75,582)	(94,804)	(337,907)	(184,834)	(192,708)	(885,835)
<b>Net Cash Provided By Operating Activities</b>	<u>218,296</u>	<u>144,761</u>	<u>261,038</u>	<u>311,111</u>	<u>64,085</u>	<u>999,291</u>
<b>Cash Flows From Noncapital Financing Activities:</b>						
Due from Other Funds			11,735			11,735
Due to Other Funds					(11,735)	(11,735)
Transfers to Other Funds	(99,000)	(86,700)	(148,137)	(72,304)	(8,000)	(414,141)
Advance From (To) Other Funds		35,882	35,508			71,390
<b>Net Cash Used By Noncapital Financing Activities</b>	<u>(99,000)</u>	<u>(50,818)</u>	<u>(100,894)</u>	<u>(72,304)</u>	<u>(19,735)</u>	<u>(342,751)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Purchase of Capital Assets			(10,000)	(172,614)		(182,614)
Advance from Other Funds					(8,208)	(8,208)
Special Assessment Revenue Received		1,615				1,615
Principal Paid on Debt	(42,000)				(29,000)	(71,000)
Interest and Other Charges Paid on Debt	(4,316)				(9,515)	(13,831)
<b>Net Cash Provided (Used) By Capital and Related Financing Activities</b>	<u>(46,316)</u>	<u>1,615</u>	<u>(10,000)</u>	<u>(172,614)</u>	<u>(46,723)</u>	<u>(274,038)</u>
<b>Cash Flows From Investing Activities:</b>						
Investment Earnings	516	8,887	17,712	4,283		31,398
<b>Net Cash Provided By Investing Activities</b>	<u>516</u>	<u>8,887</u>	<u>17,712</u>	<u>4,283</u>		<u>31,398</u>
<b>Net Increase (Decrease) In Cash, Cash Equivalents, and Restricted Cash</b>	73,496	104,445	167,856	70,476	(2,373)	413,900
<b>Cash, Cash Equivalents, and Restricted Cash - Beginning of Year</b>	<u>95,087</u>	<u>419,302</u>	<u>1,143,351</u>	<u>588,590</u>	<u>7,286</u>	<u>2,253,616</u>
<b>Cash, Cash Equivalents, and Restricted Cash - End of Year</b>	<u>\$ 168,583</u>	<u>\$ 523,747</u>	<u>\$ 1,311,207</u>	<u>\$ 659,066</u>	<u>\$ 4,913</u>	<u>\$ 2,667,516</u>
<b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash</b>						
Cash and Investments	\$ 168,583	\$ 413,826	\$ 1,311,207	\$ 659,066	\$ 486	\$ 2,553,168
Restricted Cash - Debt		109,921				109,921
Restricted Cash - Lottery					4,427	4,427
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	<u>\$ 168,583</u>	<u>\$ 523,747</u>	<u>\$ 1,311,207</u>	<u>\$ 659,066</u>	<u>\$ 4,913</u>	<u>\$ 2,667,516</u>

See Notes to the Financial Statements

**CITY OF HAWLEY, MINNESOTA**  
**STATEMENT OF CASH FLOWS – CONTINUED**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Gas</u>	<u>Liquor</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Operating Income (Loss)	\$ 91,944	\$ (29,648)	\$ 182,560	\$ 305,339	\$ 43,807	\$ 594,002
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	121,318	174,644	87,075	31,038	15,783	429,858
Effects on Operating Cash Flows due to Changes in:						
Accounts Receivable	(1,343)	(915)	(9,708)	(17,641)		(29,607)
Inventory	7,582		6,691	(8,908)	5,489	10,854
Accounts Payable	108		2,545	(11,013)	(35)	(8,395)
Salary Payable	511	327	1,607	936	1,382	4,763
Due to Other Governments	157				(2,859)	(2,702)
Customer Deposits			4,100			4,100
Unearned Revenue			(28,574)			(28,574)
Net Pension	(2,104)	(2,254)	(7,513)	(4,508)	(3,606)	(19,985)
Deferred Outflows	5,064	5,427	18,085	10,851	8,682	48,109
Deferred Inflows	(3,073)	(3,292)	(10,973)	(6,584)	(5,267)	(29,189)
Compensated Absences	(1,868)	472	15,143	11,601	709	26,057
Total Adjustments	<u>126,352</u>	<u>174,409</u>	<u>78,478</u>	<u>5,772</u>	<u>20,278</u>	<u>405,289</u>
Net Cash Provided by Operating Activities	<u>\$ 218,296</u>	<u>\$ 144,761</u>	<u>\$ 261,038</u>	<u>\$ 311,111</u>	<u>\$ 64,085</u>	<u>\$ 999,291</u>

See Notes to the Financial Statements

**CITY OF HAWLEY, MINNESOTA**  
**STATEMENT OF ASSETS AND NET POSITION**  
**CUSTODIAL FUNDS**  
**DECEMBER 31, 2019**

	<u>Custodial</u>
ASSETS	
Cash and Investments	\$ <u>169,042</u>
TOTAL ASSETS	\$ <u><u>169,042</u></u>
NET POSITION	
Restricted for Other Governments	\$ <u>169,042</u>
TOTAL RESTRICTED FOR OTHER GOVERNMENTS	\$ <u><u>169,042</u></u>

See Notes to the Financial Statements

**CITY OF HAWLEY, MINNESOTA**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND NET POSITION**  
**CUSTODIAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

ADDITIONS	
Intergovernmental	
City of Hawley	\$ 93,573
Townships	73,018
Fire Relief	27,500
Grant	15,422
Investment Earnings	735
Miscellaneous	840
Interfund Transfer - Fire District Checking Account	<u>7,372</u>
 TOTAL ADDITIONS	 <u>218,460</u>
DEDUCTIONS	
Current	
Insurance	10,061
Professional Services	55,625
Training	3,400
Supplies	17,454
Fuel and Additives	1,953
Repairs and Maintenance	6,125
Utilities	6,181
Salaries and Benefits	25,144
Fire Relief Contribution	9,100
RRR Dispatch	1,532
Miscellaneous	8,299
Capital Outlay	<u>113,405</u>
 TOTAL DEDUCTIONS	 <u>258,279</u>
 CHANGES IN ASSETS AND NET POSITION	 (39,819)
 ASSETS AND NET POSITION, BEGINNING	 <u>208,861</u>
 ASSETS AND NET POSITION, ENDING	 <u>\$ 169,042</u>

See Notes to the Financial Statements

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**CITY OF HAWLEY, MINNESOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2019

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.

**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 – 15 Refund – The *2015A G.O. improvement bonds fund* accounts for all activities associated with debt serviced for the 2015A General Obligation Improvement Bonds.

**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

**CITY OF HAWLEY, MINNESOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2019

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF HAWLEY, MINNESOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2019

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, 2019, a liability for unpaid vacation has been set up for the proprietary fund employees and is included in compensated absences.

Unused sick leave may be accumulated to a maximum of 120 days. Upon termination, one fourth of the unused accumulated sick leave will be paid to the employee. As of December 31, 2019, a liability for unused sick leave has been set up for the proprietary fund employees and is included in the compensated absences.

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

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

**CITY OF HAWLEY, MINNESOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2019

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.

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2019**

**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 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, 2019, was \$63,693. The pooled cash and investment account is comprised of the following:

Cash and Investments	
Governmental Funds	\$ 4,383,415
Proprietary Funds	2,667,516
Fiduciary Funds	169,042
	<u>\$ 7,219,973</u>
Deposits	
Cash, Checking and Change Funds	\$ 79,601
Certificates of Deposits	1,337,755
Savings	5,350,717
Investments	451,900
	<u>\$ 7,219,973</u>

As of December 31, 2019, the City had the following investments:

Investments	Maturities	Level	Fair Value
4-M External Investment Pool	N/A	N/A	\$ 451,900

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.

**CITY OF HAWLEY, MINNESOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2019

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, 2019, 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.

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2019**

**NOTE 4 RESTRICTED CASH**

The City of Hawley is required to set aside funds each year per an agreement with Minnesota Public Facilities Authority and the WIF grant for a wastewater treatment project. The following summarizes the activity in this savings account.

	Capital Replacement Account
Balance, Beginning of Year	\$ 104,347
Additions	
Flow payment	5,261
Interest	313
Balance, End of Year	\$ 109,921

The liquor fund is also required to have a reserve account of \$4,427 for the lottery account.

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Proprietary Fund				
Capital Assets, Not Being Depreciated:				
Land	\$ 77,241	\$ 10,000	\$	\$ 87,241
Capital Assets, Being Depreciated:				
Building	758,968			758,968
Improvements Other Than Buildings	13,060,071	172,614		13,232,685
Equipment	586,095			586,095
Total Capital Assets, Being Depreciated	14,405,134	172,614		14,577,748
Less Accumulated Depreciation for:				
Building	258,906	18,899		277,805
Improvements Other Than Buildings	7,882,464	359,250		8,241,714
Equipment	362,380	51,709		414,089
Total Accumulated Depreciation	8,503,750	429,858		8,933,608
Total Capital Assets, Being Depreciated, Net	5,901,384	(257,244)		5,644,140
Proprietary Fund Capital Assets, Net	\$ 5,978,625	\$ (247,244)	\$	\$ 5,731,381

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2019**

Depreciation expense was charged to the functions as follows:

Proprietary Funds:	
Water	\$ 121,318
Sewer	174,644
Electric	87,075
Gas	31,038
Liquor	<u>15,783</u>
Total Depreciation Expense - Proprietary Funds	<u>\$ 429,858</u>

**NOTE 6 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 (General Employees Plan (accounted or in the General Employees Fund))*

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 (Police and Fire Plan (accounted for in the Police and Fire Fund))*

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association 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

**CITY OF HAWLEY, MINNESOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2019

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. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

*Police and Fire Plan Benefits*

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be 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. For 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 2019. 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, 2019, were \$64,300. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2019**

*Police and Fire Fund Contributions*

Police and Fire member’s contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City’s contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$46,707. The City’s contributions were equal to the required contributions as set by state statute.

Pension Costs – General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$680,039 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 \$16,000,000 to the fund in 2019. 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 \$21,166. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2019, the City’s proportion was 0.0123% which was a decrease of 0.0005% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$59,904 for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized an additional \$1,585 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16,000,000 to the General Employees Fund.

At December 31, 2019, 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	\$ 19,430	\$ -
Difference between projected and actual investment earnings		71,189
Changes in actuarial assumptions		55,815
Changes in proportion		40,616
Contributions paid to PERA subsequent to the measurement date	32,150	
Total	\$ 51,580	\$ 167,620

\$32,150 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2019**

Year Ending December 31	Pension Expense Amount
2020	\$ (56,904)
2021	(70,414)
2022	(21,971)
2023	1,099

Actuarial Assumptions – The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

*General Employees Fund*

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan provisions:

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

*Police and Fire Fund*

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan provisions:

- There have been no changes since the prior valuation.

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

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2019**

each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35.5%	5.10%
International Equity	17.5%	5.90%
Fixed Income	20.0%	0.75%
Private Market	25.0%	5.90%
Cash Equivalents	2.0%	0.00%

Discount Rate – The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund 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		
<u>1% Decrease (6.5%)</u>	<u>Current (7.5%)</u>	<u>1% Increase (8.5%)</u>
\$ 1,117,948	\$ 680,039	\$ 318,459

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](http://www.mnpera.org).

**NOTE 7 LEASE AGREEMENTS**

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

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2019**

**NOTE 8 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 \$6,111,000.

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
Governmental Fund	1.55 - 3.3%	2020/32	\$ 2,969,000
Total			<u>\$ 2,969,000</u>

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

<u>Year Ending December 31</u>	<u>Governmental Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 453,000	\$ 82,448
2021	463,000	71,261
2022	469,000	58,399
2023	480,000	45,012
2024	231,000	31,167
2025-2029	640,000	76,280
2030-2032	233,000	12,665
	<u>\$ 2,969,000</u>	<u>\$ 377,232</u>

**B. General Obligation Revenue Bonds**

The City issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of general obligation revenue bonds issued in prior years was \$4,519,061. General obligation revenue bonds outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
Governmental Fund	1.1 - 2.3%	2020/27	\$ 1,383,000
Proprietary Fund	3.30%	2020/21	88,000
			<u>\$ 1,471,000</u>

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2019**

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

Year Ending December 31	Governmental Fund		Proprietary Fund	
	Principal	Interest	Principal	Interest
2020	\$ 216,000	\$ 20,066	\$ 43,000	\$ 2,920
2021	220,000	16,954	45,000	1,494
2022	223,000	13,790		
2023	226,000	10,570		
2024	230,000	7,306		
2025-2027	268,000	4,934		
	<u>\$ 1,383,000</u>	<u>\$ 73,620</u>	<u>\$ 88,000</u>	<u>\$ 4,414</u>

**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 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%	2020/27	\$ 254,000

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

Year Ending December 31	Proprietary Fund	
	Principal	Interest
2020	\$ 29,000	\$ 7,784
2021	28,000	6,857
2022	32,000	5,882
2023	31,000	4,859
2024	30,000	3,868
2025-2027	104,000	5,167
	<u>\$ 254,000</u>	<u>\$ 34,417</u>

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2019**

**D. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Fund</b>					
General Obligation Bonds	\$ 3,826,000	\$	\$ 857,000	\$ 2,969,000	\$ 453,000
General Obligation Revenue Bonds	1,597,000		214,000	1,383,000	216,000
Capital Lease	<u>26,203</u>		<u>26,203</u>		
Governmental Fund Long-Term Liabilities	<u>5,449,203</u>		<u>1,097,203</u>	<u>4,352,000</u>	<u>669,000</u>
<b>Proprietary Fund</b>					
General Obligation Revenue Bonds	130,000		42,000	88,000	43,000
Revenue Bonds	<u>283,000</u>		<u>29,000</u>	<u>254,000</u>	<u>29,000</u>
Proprietary Fund Long-Term Liabilities	<u>413,000</u>		<u>71,000</u>	<u>342,000</u>	<u>72,000</u>
<b>Total Long-Term Liabilities</b>	<b><u>\$ 5,862,203</u></b>	<b><u>\$</u></b>	<b><u>\$ 1,168,203</u></b>	<b><u>\$ 4,694,000</u></b>	<b><u>\$ 741,000</u></b>

The City's interest expense for the year ended December 31, 2019, was \$138,717.

See the Schedule of Indebtedness for detail and payment provisions.

**NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of December 31, 2019, is as follows:

Advance From / To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric	Airport	\$ 81,700
Electric	Nonmajor Governmental	17,000
Electric	Liquor	11,585
Sewer	General	<u>148,610</u>
Total		<u>\$ 258,895</u>

Based on the amortization schedules, \$60,858 will be paid in 2020.

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2019**

Interfund Transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Liquor	\$ 8,000
General	Sewer	45,000
General	Electric	148,137
General	Gas	72,304
General	Nonmajor Governmental	20,000
Nonmajor Governmental	Nonmajor Governmental	214,179
Nonmajor Governmental	Water	99,000
Nonmajor Governmental	Sewer	41,700
Total		<u>\$ 648,320</u>

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

**NOTE 10 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

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2019**

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 2019 was \$50,000.

**NOTE 11 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 12 COMMITTED CONTRACTS**

The City entered into several agreements in 2015, 2016, 2017, and 2019 with Constellation Energy for its natural gas requirements. The City has multiple contracts for 66% of the monthly requirements through October 2025. The contracts consist of: two locks as of May 27, 2015 and October 28, 2015, at an average price of approximately \$3.355 per MMBtu which goes from September 2016 through October 2019; two locks as of April 21, 2016 and May 26, 2017, at an average price of approximately 3.115 per MMBtu from November 2019 to October 2020; two locks both as of June 9, 2017, at an average price of approximately 3.033 per MMBtu from November 2020 to October 2021; a lock of 2/3rds of usage as of May 22, 2018, at an average price of approximately 3.00 per MMBtu which goes from November 2021 to October 2023; a lock of 2/3rds of usage as of June 19, 2019, at an average price of approximately 2.97 per MMBtu which goes from November 2023 to October 2024; and a lock of 2/3rds of usage as of August 13, 2019, at an average price of approximately 2.99 per MMBtu which goes from November 2024 to October 2025. The remaining gas requirement of 34% will be purchased in the Managed Procurement Fund.

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.

**CITY OF HAWLEY, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2019**

Effective November 1, 2015, the City entered into a Firm Transportation Agreement with Viking Gas Transmission Company for additional capacity through October 31, 2020 – adding 100Dth/day, for a total contract of 696 Dth/day.

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 13 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, 2019 was \$24,690.

**NOTE 14 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. SettleCd 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 2019.

**NOTE 15 TAX ABATEMENT DISCLOSURE**

<u>Purpose of Tax Abatement</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated</u>
Residential New Housing Tax Abatement-2 year duration 2 houses built in 2015, 10 homes built in 2016	100% of City taxes on the first \$200,000 value	\$ 8,902
AmericInn/Hawley Hotel Partners Tax Abatement - to reimburse for certain development costs of construction of much needed Nationally Franchised "AmericInn" 10 year duration	75% of City taxes abated	<u>14,090</u>
<b>Total Abatements 2019</b>		<u><u>\$ 22,992</u></u>

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

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.

**CITY OF HAWLEY, MINNESOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2019

**NOTE 16 NEW PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

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

**CITY OF HAWLEY, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – CASH BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019				2018 Actual
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	
<b>RECEIPTS</b>					
Property Taxes	\$ 513,617	\$ 523,617	\$ 523,672	\$ 55	\$ 497,101
Property Taxes - Tax Increment Financing					
Special Assessments	153,000	236,900	236,917	17	78,749
Licenses and Permits	19,000	19,000	19,911	911	16,106
<b>Intergovernmental</b>					
<b>State</b>					
Local Government Aid	625,865	625,865	625,865		625,042
Fire State Aid	30,000	35,700	35,702	2	
Police State Aid	33,000	36,600	36,638	38	34,800
PERA	2,402	2,402	2,402		2,402
Market Value Credit			366	366	288
Small City Assistance					21,098
Other State Aid	1,900	7,150	3,977	(3,173)	7,080
Local - County	9,500	9,500	10,686	1,186	9,799
Other Local Aid		1,400	1,401	1	
Total Intergovernmental	<u>702,667</u>	<u>718,617</u>	<u>717,037</u>	<u>(1,580)</u>	<u>700,509</u>
<b>Charges for Services</b>					
Franchise Fee - Cable	9,000	9,000	9,768	768	10,135
Street Charges and Sales	2,000	3,900	3,935	35	1,500
Airport	8,000	8,000	9,000	1,000	8,000
Total Charges for Services	<u>19,000</u>	<u>20,900</u>	<u>22,703</u>	<u>1,803</u>	<u>19,635</u>
Fines and Forfeitures	20,000	22,900	23,075	175	24,329
Investment Earnings	6,000	21,700	21,778	78	13,193
<b>Miscellaneous</b>					
Rents	7,051	7,951	17,629	9,678	8,607
Donations		58,145	58,229	84	30,570
Insurance Proceeds	7,000	7,000	7,131	131	5,318
Other Receipts	15,900	41,000	74,213	33,213	49,576
<b>TOTAL RECEIPTS</b>	<u>1,463,235</u>	<u>1,677,730</u>	<u>1,722,295</u>	<u>44,565</u>	<u>1,443,693</u>
<b>DISBURSEMENTS</b>					
<b>General Government</b>					
<b>Current</b>					
City Council	70,210	53,210	47,709	(5,501)	51,191
Election					2,597
Finance	53,133	52,433	51,715	(718)	50,147
Assessor	6,400	6,400	6,348	(52)	6,348
Legal	27,000	27,000	24,850	(2,150)	18,366
Other General Government	84,760	122,400	116,776	(5,624)	67,121
Capital Outlay	37,000	5,000	5,441	441	47,166
Total General Government	<u>278,503</u>	<u>266,443</u>	<u>252,839</u>	<u>(13,604)</u>	<u>242,936</u>
<b>Public Safety</b>					
<b>Current</b>					
Police Protection	529,271	517,750	513,953	(3,797)	441,097
Fire Relief	30,000	35,700	35,702	2	
Fire Joint Powers District	54,250	54,250	54,250		53,000
Animal Control	700	700	257	(443)	209

cont.

**CITY OF HAWLEY, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – CASH BASIS**  
**GENERAL FUND - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019				2018 Actual
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget	
DISBURSEMENTS - Continued					
Public Safety - Continued					
Current - Continued					
Emergency Response					
Joint Powers District	\$ 39,367	\$ 39,367	\$ 39,323	\$ (44)	\$ 36,023
Capital Outlay	40,500	60,700	60,523	(177)	52,403
Total Public Safety	<u>694,088</u>	<u>708,467</u>	<u>704,008</u>	<u>(4,459)</u>	<u>582,732</u>
Streets and Highways					
Current					
Street Maintenance	225,932	198,332	188,191	(10,141)	187,372
Capital Outlay	201,000	300,400	300,580	180	29,396
Total Streets and Highways	<u>426,932</u>	<u>498,732</u>	<u>488,771</u>	<u>(9,961)</u>	<u>216,768</u>
Culture and Recreation					
Current					
Community Building	18,765	16,765	16,366	(399)	15,663
Parks	113,529	101,535	92,841	(8,694)	122,675
Library	9,290	6,290	4,856	(1,434)	5,190
Capital Outlay	63,800	15,800	5,295	(10,505)	138,254
Total Culture and Recreation	<u>205,384</u>	<u>140,390</u>	<u>119,358</u>	<u>(21,032)</u>	<u>281,782</u>
Conservation of Natural Resources					
Vector Control	17,200	12,100	12,025	(75)	12,344
Forestry Shade Tree	8,800	17,300	17,338	38	7,041
Total Conservation of Natural Resources	<u>26,000</u>	<u>29,400</u>	<u>29,363</u>	<u>(37)</u>	<u>19,385</u>
Economic Development - Current	63,300	69,500	72,093	2,593	85,255
Debt Service					
Principal			26,203	26,203	25,236
Interest			1,004	1,004	7,204
Total Debt Service			<u>27,207</u>	<u>27,207</u>	<u>32,440</u>
<b>TOTAL DISBURSEMENTS</b>	<u>1,694,207</u>	<u>1,712,932</u>	<u>1,693,639</u>	<u>(19,293)</u>	<u>1,461,298</u>
Receipts Over (Under) Disbursements	(230,972)	(35,202)	28,656	63,858	(17,605)
OTHER FINANCING SOURCES (USES)					
Transfer In	285,000	327,400	293,441	(33,959)	294,233
Transfer Out	(17,084)	(17,084)		17,084	(13,039)
Transfer Out - Interfund Loan	(30,000)	(40,500)	(35,882)	4,618	(24,768)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>237,916</u>	<u>269,816</u>	<u>257,559</u>	<u>(12,257)</u>	<u>256,426</u>
Net Change in Fund Balances	6,944	234,614	286,215	51,601	238,821
Fund Balances - Beginning	<u>2,741,788</u>	<u>2,741,788</u>	<u>2,741,788</u>		<u>2,502,967</u>
Fund Balances - Ending	<u>\$ 2,748,732</u>	<u>\$ 2,976,402</u>	<u>\$ 3,028,003</u>	<u>\$ 51,601</u>	<u>\$ 2,741,788</u>

**CITY OF HAWLEY, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – CASH BASIS**  
**AIRPORT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019			2018 Actual
	Original and Final Budget	Actual Amounts	Over (Under) Final Budget	
<b>RECEIPTS</b>				
Intergovernmental				
Federal	\$ 70,300	\$ 70,289	\$ (11)	\$ 484,129
State	21,006	19,902	(1,104)	86,480
Total Intergovernmental	<u>91,306</u>	<u>90,191</u>	<u>(1,115)</u>	<u>570,609</u>
Investment Earnings		110	110	47
Miscellaneous				
Rents	56,890	58,725	1,835	53,796
Other Receipts	28,200	28,536	336	24,664
<b>TOTAL RECEIPTS</b>	<u>176,396</u>	<u>177,562</u>	<u>1,166</u>	<u>649,116</u>
<b>DISBURSEMENTS</b>				
Airport				
Current	82,553	81,478	(1,075)	107,518
Capital Outlay				483,523
<b>TOTAL DISBURSEMENTS</b>	<u>82,553</u>	<u>81,478</u>	<u>(1,075)</u>	<u>591,041</u>
Receipts Over (Under) Disbursements	93,843	96,084	2,241	58,075
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In - Interfund Loan				90,000
Transfer Out - Interfund Loan	(11,000)	(8,300)	2,700	(165,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(11,000)</u>	<u>(8,300)</u>	<u>2,700</u>	<u>(75,000)</u>
Net Change in Fund Balances	82,843	87,784	4,941	(16,925)
Fund Balances - Beginning	<u>1,355</u>	<u>1,355</u>		<u>18,280</u>
Fund Balances - Ending	<u>\$ 84,198</u>	<u>\$ 89,139</u>	<u>\$ 4,941</u>	<u>\$ 1,355</u>

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

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

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 Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>PERA</b>	2015	0.0144 %	\$ 746,283	\$ 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

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.

See Note to the Pension Schedules

**CITY OF HAWLEY, MINNESOTA**  
**NOTE TO THE PENSION SCHEDULES**  
**DECEMBER 31, 2019**

**NOTE 1    DEFINED BENEFIT PLANS**

**PERA**

**General Employees Fund**

*2019 Changes*

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

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

*2018 Changes*

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

*2017 Changes*

Changes in Actuarial Assumptions: The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

*2016 Changes*

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

*2015 Changes*

Changes in Plan Provisions: On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

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

**CITY OF HAWLEY, MINNESOTA**  
**COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

Exhibit A-1

	Special Revenue Exhibit B-1	Debt Service Exhibit B-3	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and Investments	\$ 567,456	\$ 698,817	\$ 1,266,273
Cash with Fiscal Agent	<u>112,804</u>	<u>                    </u>	<u>112,804</u>
<b>TOTAL ASSETS</b>	<u>\$ 680,260</u>	<u>\$ 698,817</u>	<u>\$ 1,379,077</u>
<b>FUND BALANCES</b>			
Restricted for:			
Revolving Loan	\$ 127,159	\$	\$ 127,159
Debt Service		698,817	698,817
Committed for:			
Garbage Service/Recycling	231,616		231,616
Deputy Registrar/Office	115,988		115,988
Storm Water Maint/Repairs	183,499		183,499
Building Upkeep/Repair	<u>21,998</u>	<u>                    </u>	<u>21,998</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 680,260</u>	<u>\$ 698,817</u>	<u>\$ 1,379,077</u>

**CITY OF HAWLEY, MINNESOTA**  
**COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Exhibit A-2

	Special Revenue Exhibit B-2	Debt Service Exhibit B-4	Total Nonmajor Governmental Funds
<b>RECEIPTS</b>			
Property Taxes	\$	\$ 107,165	\$ 107,165
Tax Increment Financing	249,728		249,728
Special Assessments		302,255	302,255
Charges for Services	574,633		574,633
Investment Earnings	5,436	2,930	8,366
Miscellaneous			
Rent	40,108		40,108
Other Receipts	57,975		57,975
<b>TOTAL RECEIPTS</b>	<u>927,880</u>	<u>412,350</u>	<u>1,340,230</u>
<b>DISBURSEMENTS</b>			
Current			
General Government	111,860		111,860
Streets and Highways	190		190
Sanitation	282,262		282,262
Economic Development	120,836		120,836
Debt Service			
Principal		656,000	656,000
Interest and Other Charges		118,340	118,340
Capital Outlay			
General Government	10,339		10,339
<b>TOTAL DISBURSEMENTS</b>	<u>525,487</u>	<u>774,340</u>	<u>1,299,827</u>
Receipts Over (Under) Disbursements	402,393	(361,990)	40,403
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In		354,879	354,879
Transfer Out	(234,179)		(234,179)
Transfer Out - Interfund Loan	(27,980)		(27,980)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(262,159)</u>	<u>354,879</u>	<u>92,720</u>
Net Change in Fund Balances	140,234	(7,111)	133,123
Fund Balances - Beginning	540,026	705,928	1,245,954
Fund Balances - Ending	<u>\$ 680,260</u>	<u>\$ 698,817</u>	<u>\$ 1,379,077</u>

**CITY OF HAWLEY, MINNESOTA**  
**COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2019**

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			
<b>ASSETS</b>								
Cash and Investments	\$ 14,355	\$ 231,616	\$ 115,988	\$ 183,499	\$ 21,998	\$ 567,456	\$ 89,139	\$ 656,595
Cash with Fiscal Agent	112,804					112,804		112,804
<b>TOTAL ASSETS</b>	<u>\$ 127,159</u>	<u>\$ 231,616</u>	<u>\$ 115,988</u>	<u>\$ 183,499</u>	<u>\$ 21,998</u>	<u>\$ 680,260</u>	<u>\$ 89,139</u>	<u>\$ 769,399</u>
<b>FUND BALANCES</b>								
Restricted for:								
Revolving Loan	\$ 127,159					\$ 127,159		\$ 127,159
Committed for:								
Municipal Airport							89,139	89,139
Garbage Service/Recycling		231,616				231,616		231,616
Deputy Registrar/Office			115,988			115,988		115,988
Storm Water Maint/Repairs				183,499		183,499		183,499
Building Upkeep/Repair					21,998	21,998		21,998
<b>TOTAL FUND BALANCES</b>	<u>\$ 127,159</u>	<u>\$ 231,616</u>	<u>\$ 115,988</u>	<u>\$ 183,499</u>	<u>\$ 21,998</u>	<u>\$ 680,260</u>	<u>\$ 89,139</u>	<u>\$ 769,399</u>

**CITY OF HAWLEY, MINNESOTA**  
**COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Exhibit B-2

	Nonmajor Funds					
	Revolving Loan	GN Property	Garbage	Deputy Registrar	Storm Water	
RECEIPTS						
Tax Increment Financing	\$	\$ 36,127	\$	\$	\$	\$
Intergovernmental - Federal						
Intergovernmental - State						
Charges for Services			338,816	128,955	106,862	
Investment Earnings	2,864		812	973	586	201
Miscellaneous						
Rent	9,208					30,900
Other Receipts	20,266		1,400	36,309		
TOTAL RECEIPTS	<u>32,338</u>	<u>36,127</u>	<u>341,028</u>	<u>166,237</u>	<u>107,448</u>	<u>31,101</u>
DISBURSEMENTS						
Current						
General Government				100,799		11,061
Streets and Highways					190	
Sanitation			282,262			
Economic Development	47,438	36,127				
Airport						
Capital Outlay						
General Government				10,339		
TOTAL DISBURSEMENTS	<u>47,438</u>	<u>36,127</u>	<u>282,262</u>	<u>111,138</u>	<u>190</u>	<u>11,061</u>
Receipts Over (Under) Disbursements	(15,100)		58,766	55,099	107,258	20,040
OTHER FINANCING USES						
Transfer Out			(20,000)		(46,829)	
Transfer Out - Interfund Loan						(19,000)
TOTAL OTHER FINANCING USES			<u>(20,000)</u>		<u>(46,829)</u>	<u>(19,000)</u>
Net Change in Fund Balances	(15,100)		38,766	55,099	60,429	1,040
Fund Balances - Beginning	142,259		192,850	60,889	123,070	20,958
Fund Balances - Ending	<u>\$ 127,159</u>	<u>\$</u>	<u>\$ 231,616</u>	<u>\$ 115,988</u>	<u>\$ 183,499</u>	<u>\$ 21,998</u>

**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, 2019**

	Nonmajor Funds			Total Nonmajor Special Revenue Exhibit A-2	Major Fund Airport	Exhibit B-2 Total Special Revenue
	TIF RDO	TIF Cretex	TIF			
RECEIPTS						
Tax Increment Financing	\$ 104,474	\$ 97,326	\$ 11,801	\$ 249,728	\$	\$ 249,728
Intergovernmental - Federal					70,289	70,289
Intergovernmental - State					19,902	19,902
Charges for Services				574,633		574,633
Investment Earnings				5,436	110	5,546
Miscellaneous						
Rent				40,108	58,725	98,833
Other Receipts				57,975	28,536	86,511
TOTAL RECEIPTS	<u>104,474</u>	<u>97,326</u>	<u>11,801</u>	<u>927,880</u>	<u>177,562</u>	<u>1,105,442</u>
DISBURSEMENTS						
Current						
General Government				111,860		111,860
Streets and Highways				190		190
Sanitation				282,262		282,262
Economic Development	20,124	5,346	11,801	120,836		120,836
Airport					81,478	81,478
Capital Outlay						
General Government				10,339		10,339
TOTAL DISBURSEMENTS	<u>20,124</u>	<u>5,346</u>	<u>11,801</u>	<u>525,487</u>	<u>81,478</u>	<u>606,965</u>
Receipts Over (Under) Disbursements	84,350	91,980		402,393	96,084	498,477
OTHER FINANCING SOURCES (USES)						
Transfer Out	(84,350)	(83,000)		(234,179)		(234,179)
Transfer Out - Interfund Loan		(8,980)		(27,980)	(8,300)	(36,280)
TOTAL OTHER FINANCING USES	<u>(84,350)</u>	<u>(91,980)</u>		<u>(262,159)</u>	<u>(8,300)</u>	<u>(270,459)</u>
Net Change in Fund Balances				140,234	87,784	228,018
Fund Balances - Beginning				540,026	1,355	541,381
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 680,260</u>	<u>\$ 89,139</u>	<u>\$ 769,399</u>

**CITY OF HAWLEY, MINNESOTA**  
**COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**DEBT SERVICE FUNDS**  
**DECEMBER 31, 2019**

Exhibit B-3

	Nonmajor Funds				
	2006 PFA Water	2006 PFA Sewer	2008 PFA Water	2008 PFA Sewer	11 Street Rebuild
ASSETS					
Cash and Investments	\$ 221,279	\$ 160,654	\$ 12,449	\$ 2,153	\$ 61,213
TOTAL ASSETS	<u>\$ 221,279</u>	<u>\$ 160,654</u>	<u>\$ 12,449</u>	<u>\$ 2,153</u>	<u>\$ 61,213</u>
FUND BALANCES					
Restricted for Debt Service	\$ 221,279	\$ 160,654	\$ 12,449	\$ 2,153	\$ 61,213
TOTAL FUND BALANCES	<u>\$ 221,279</u>	<u>\$ 160,654</u>	<u>\$ 12,449</u>	<u>\$ 2,153</u>	<u>\$ 61,213</u>

**CITY OF HAWLEY, MINNESOTA**  
**COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**DEBT SERVICE FUNDS – CONTINUED**  
**DECEMBER 31, 2019**

Exhibit B-3

	Nonmajor Funds				
	13 Cretex/ Hwy 10	Bond TIF	Autumn View	Nature Lane	Total Nonmajor Debt Service Exhibit A-1
ASSETS					
Cash and Investments	\$ 164,973	\$ 18,666	\$ 31,477	\$ 25,953	\$ 698,817
TOTAL ASSETS	<u>\$ 164,973</u>	<u>\$ 18,666</u>	<u>\$ 31,477</u>	<u>\$ 25,953</u>	<u>\$ 698,817</u>
FUND BALANCES					
Restricted for Debt Service	\$ 164,973	\$ 18,666	\$ 31,477	\$ 25,953	\$ 698,817
TOTAL FUND BALANCES	<u>\$ 164,973</u>	<u>\$ 18,666</u>	<u>\$ 31,477</u>	<u>\$ 25,953</u>	<u>\$ 698,817</u>

**CITY OF HAWLEY, MINNESOTA**  
**COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Exhibit B-4

	Nonmajor Funds				
	2006 PFA Water	2006 PFA Sewer	2008 PFA Water	2008 PFA Sewer	11 Street Rebuild
RECEIPTS					
Property Taxes	\$	\$	\$	\$	\$ 36,465
Special Assessments	80,743	37,406			41,240
Investment Earnings	601	445	32		194
<b>TOTAL RECEIPTS</b>	<b>81,344</b>	<b>37,851</b>	<b>32</b>		<b>77,899</b>
DISBURSEMENTS					
Debt Service					
Principal	141,000	58,000	8,000	7,000	105,000
Interest and Other Charges	16,162	4,410	968	1,605	17,808
<b>TOTAL DISBURSEMENTS</b>	<b>157,162</b>	<b>62,410</b>	<b>8,968</b>	<b>8,605</b>	<b>122,808</b>
Receipts Over (Under) Disbursements	(75,818)	(24,559)	(8,936)	(8,605)	(44,909)
OTHER FINANCING SOURCES					
Transfer In	89,000	33,000	10,000	8,700	46,829
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>89,000</b>	<b>33,000</b>	<b>10,000</b>	<b>8,700</b>	<b>46,829</b>
Net Change in Fund Balances	13,182	8,441	1,064	95	1,920
Fund Balances - Beginning	208,097	152,213	11,385	2,058	59,293
Fund Balances - Ending	<u>\$ 221,279</u>	<u>\$ 160,654</u>	<u>\$ 12,449</u>	<u>\$ 2,153</u>	<u>\$ 61,213</u>

**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, 2019**

Exhibit B-4

	Nonmajor Funds				Total Nonmajor Debt Service Exhibit A-2	Major Fund 15 Refund	Total Debt Services
	13 Cretex/ Hwy10	Bond TIF	Autumn View	Nature Lane			
RECEIPTS							
Property Taxes	\$ 70,700	\$	\$	\$	\$ 107,165	\$	\$ 107,165
Special Assessments	105,316		37,550		302,255	127,781	430,036
Investment Earnings	1,427	74	56	101	2,930	2,043	4,973
<b>TOTAL RECEIPTS</b>	<b>177,443</b>	<b>74</b>	<b>37,606</b>	<b>101</b>	<b>412,350</b>	<b>129,824</b>	<b>542,174</b>
DISBURSEMENTS							
Debt Service							
Principal	175,000	135,000	27,000		656,000	415,000	1,071,000
Interest and Other Charges	27,795	23,845	10,892	14,855	118,340	9,045	127,385
<b>TOTAL DISBURSEMENTS</b>	<b>202,795</b>	<b>158,845</b>	<b>37,892</b>	<b>14,855</b>	<b>774,340</b>	<b>424,045</b>	<b>1,198,385</b>
Receipts Over (Under) Disbursements	(25,352)	(158,771)	(286)	(14,754)	(361,990)	(294,221)	(656,211)
OTHER FINANCING SOURCES							
Transfer In		167,350			354,879		
<b>TOTAL OTHER FINANCING SOURCES</b>		<b>167,350</b>			<b>354,879</b>		
Net Change in Fund Balances	(25,352)	8,579	(286)	(14,754)	(7,111)	(294,221)	(656,211)
Fund Balances - Beginning	190,325	10,087	31,763	40,707	705,928	294,221	1,000,149
Fund Balances - Ending	\$ 164,973	\$ 18,666	\$ 31,477	\$ 25,953	\$ 698,817	\$	\$ 343,938

**CITY OF HAWLEY, MINNESOTA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND NET POSITION**  
**CUSTODIAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance 01/01/19	Additions	Deductions	Balance 12/31/19
<b>HAWLEY AREA FIRE DISTRICT - JOINT POWERS</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 208,861	\$ 160,369	\$ 199,294	\$ 169,936
Total Assets	\$ 208,861	\$ 160,369	\$ 199,294	\$ 169,936
<b>NET POSITION</b>				
Restricted for Other Governments	\$ 208,861	\$ 160,369	\$ 199,294	\$ 169,936
Total Restricted for Other Governments	\$ 208,861	\$ 160,369	\$ 199,294	\$ 169,936
 <b>HAWLEY AREA EMERGENCY RESPONSE DISTRICT - JOINT POWERS</b>				
<b>ASSETS</b>				
Cash and Investments	\$ _____	\$ 58,091	\$ 58,985	\$ (894)
<b>NET POSITION</b>				
Restricted for Other Government	\$ _____	\$ 58,091	\$ 58,985	\$ (894)
 <b>TOTAL</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 208,861	\$ 218,460	\$ 258,279	\$ 169,042
	\$ 208,861	\$ 218,460	\$ 258,279	\$ 169,042
<b>NET POSITION</b>				
Restricted for Other Government	\$ 208,861	\$ 218,460	\$ 258,279	\$ 169,042
	\$ 208,861	\$ 218,460	\$ 258,279	\$ 169,042

**CITY OF HAWLEY, MINNESOTA**  
**SCHEDULE OF CHANGES IN FUND BALANCES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Balance End of Year
<b>Governmental Funds</b>						
<b>General Fund</b>						
Committed for:						
2016 Levy Reduction	\$ 33,089	\$	\$	\$	\$	\$ 33,089
Seal Coat/Crack Fill	226,759		75,300			151,459
Plow Truck/Equipment	79,700			30,000		109,700
Street Patching	184,700			10,000		194,700
Sidewalks	38,100			10,000		48,100
Lawn Mower	600			6,000		6,600
Tornado Siren	21,500					21,500
Park Board Sinking Fund	61,320			55,000		116,320
Park - Brekken	1,256					1,256
Park - Disc Golf	2,000					2,000
Park Donations	11,759					11,759
Fire Building	100,000			30,000		130,000
Police - Night to Unite	1,545			1,095		2,640
Police Armor Upgrade	600					600
Police Vehicle	82,300					82,300
Zoning Comprehensive Plan	21,800		18,840			2,960
Economic Development	31,800					31,800
River Remeandering - Phase 3	20,000					20,000
Community Center	19,200					19,200
Building Demolition	14,500				5,000	19,500
Public Works Vehicle					15,000	15,000
Library	10,180				5,000	15,180
Police Building	50,000					50,000
Health Savings Account	31,200				17,900	49,100
Prosecution	8,500					8,500
City Hall Office Flooring					10,000	10,000
Phase 3 Infrastructure Project					375,000	375,000
Unassigned	1,689,380	1,722,295	1,599,499	(276,554)	(35,882)	1,499,740
<b>Total General Fund</b>	<b>2,741,788</b>	<b>1,722,295</b>	<b>1,693,639</b>	<b>293,441</b>	<b>(35,882)</b>	<b>3,028,003</b>
<b>Special Revenue</b>						
Revolving Loan	142,259	32,338	47,438			127,159
TIF RDO		104,474	20,124	(84,350)		
TIF Cretex		97,326	5,346	(83,000)	(8,980)	
GN Property		36,127	36,127			
TIF		11,801	11,801			
Garbage	192,850	341,028	282,262	(20,000)		231,616
Deputy Registrar	60,889	166,237	111,138			115,988
Airport	1,355	177,562	81,478		(8,300)	89,139
Storm Water	123,070	107,448	190	(46,829)		183,499
Clinic	20,958	31,101	11,061		(19,000)	21,998

**CITY OF HAWLEY, MINNESOTA**  
**SCHEDULE OF CHANGES IN FUND BALANCES AND CHANGES IN NET POSITION - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Balance End of Year
<b>Debt Service</b>						
2006 PFA Water	\$ 208,097	\$ 81,344	\$ 157,162	\$ 89,000	\$	\$ 221,279
2006 PFA Sewer	152,213	37,851	62,410	33,000		160,654
2008 PFA Water	11,385	32	8,968	10,000		12,449
2008 PFA Sewer	2,058		8,605	8,700		2,153
11 Street Rebuild	59,293	77,899	122,808	46,829		61,213
13 Cretex/Hwy10	190,325	177,443	202,795			164,973
Bond TIF	10,087	74	158,845	167,350		18,666
15 Refund	294,221	129,824	424,045			
Autumn View Bond	31,763	37,606	37,892			31,477
Nature Lane Bond	40,707	101	14,855			25,953
<b>Total Governmental Funds</b>	<b>\$ 4,283,318</b>	<b>\$ 3,369,911</b>	<b>\$ 3,498,989</b>	<b>\$ 414,141</b>	<b>\$ (72,162)</b>	<b>\$ 4,496,219</b>

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Transfers Interfund Loan	Balance End of Year
<b>Proprietary Funds</b>						
Water	\$ 2,221,454	\$ 363,980	\$ 275,370	\$ (99,000)	\$	\$ 2,211,064
Sewer	2,249,171	300,252	321,013	(86,700)		2,141,710
Electric	2,275,123	2,579,468	2,379,198	(148,137)		2,327,256
Gas	1,050,069	988,431	678,808	(72,304)		1,287,388
Liquor	168,485	1,234,653	1,200,050	(8,000)		195,088
<b>Total Proprietary Funds</b>	<b>\$ 7,964,302</b>	<b>\$ 5,466,784</b>	<b>\$ 4,854,439</b>	<b>\$ (414,141)</b>	<b>\$</b>	<b>\$ 8,162,506</b>

**CITY OF HAWLEY, MINNESOTA**  
**SCHEDULE OF INDEBTEDNESS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 12/31/2018	Issued 2019	Retired 2019	Balance 12/31/2019	Principal Due In 2020	Interest Due In 2020
General Obligation Bonds										
G.O. Improvement Bonds, 2011B	2.0 - 3.3%	2011	2020/26	\$ 1,260,000	\$ 615,000	\$	\$ 105,000	\$ 510,000	\$ 65,000	\$ 15,212
G.O. Improvement Bonds, 2013A	3.00%	2013	2020/23	1,625,000	910,000		175,000	735,000	180,000	22,050
G.O. TIF Bonds 2014A	2.0 - 3.0%	2014	2020/25	1,270,000	870,000		135,000	735,000	140,000	20,650
G.O. Improvement Refunding, 2015A	2.00%	2015	2020/21	940,000	415,000		415,000			
G.O. Improvement Note 2016B	2.65%	2016	2020/31	411,000	411,000		27,000	384,000	28,000	10,176
G.O. Improvement Bonds 2017A	1.55 - 3.0%	2017	2020/32	605,000	605,000			605,000	40,000	14,360
Total General Obligation Bonds					<u>3,826,000</u>		<u>857,000</u>	<u>2,969,000</u>	<u>453,000</u>	<u>82,448</u>
General Obligation Revenue Bonds										
G.O. Water Revenue Note, 2006A	1.56%	2006	2020/25	2,565,987	1,036,000		141,000	895,000	143,000	13,962
G.O. Sewer Revenue Note, 2006B	1.06%	2006	2020/25	1,010,110	416,000		58,000	358,000	58,000	3,796
G.O. Water Revenue Note, 2008A	1.29%	2008	2020/27	150,010	75,000		8,000	67,000	8,000	864
G.O. Sewer Revenue Note, 2008B	2.29%	2008	2020/27	132,954	70,000		7,000	63,000	7,000	1,444
G.O. Water Revenue Note, 2001	3.32%	2001	2020/21	660,000	130,000		42,000	88,000	43,000	2,920
Total General Obligation Revenue Bonds					<u>1,727,000</u>		<u>256,000</u>	<u>1,471,000</u>	<u>259,000</u>	<u>22,986</u>
Revenue Bonds										
Refunding Revenue Note, 2016A	3.25%	2016	2020/27	329,000	283,000		29,000	254,000	29,000	7,784
Total Revenue Bonds					<u>283,000</u>		<u>29,000</u>	<u>254,000</u>	<u>29,000</u>	<u>7,784</u>
Other Long-Term Debt										
Capital Lease - Street Sweeper		2015		80,000	16,524		16,524			
Capital Lease - Tractor		2017		29,055	9,679		9,679			
Total Other Long-Term Debt					<u>26,203</u>		<u>26,203</u>			
Total					<u>\$ 5,862,203</u>	<u>\$</u>	<u>\$ 1,168,203</u>	<u>\$ 4,694,000</u>	<u>\$ 741,000</u>	<u>\$ 113,218</u>

**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	Lease Payment for Debt Service	Miscellaneous	Total
2010	\$ 402,117	\$ 13,515	\$ 955,879	\$ 383,178	\$ 34,298	\$ 632,505	\$ 18,821		\$ 28,835	\$ 92,697	\$ 2,561,845
2011	432,565	13,410	666,560	410,507	35,666	765,375	15,440			156,896	2,496,419
2012	445,132	14,565	909,389	390,310	48,678	710,895	8,792			161,430	2,689,191
2013	469,930	19,170	1,002,695	415,314	21,867	731,903	5,904			195,174	2,861,957
2014	505,529	23,721	903,166	438,474	22,518	636,666	5,515			172,731	2,708,320
2015	491,586	20,304	1,004,614	485,480	29,237	777,959	5,630	17,665		155,333	2,987,808
2016	519,475	19,129	996,263	492,685	20,711	708,555	6,394	264,069		221,162	3,248,443
2017	573,634	17,037	1,142,813	537,413	22,341	773,884	10,740	269,164		176,854	3,523,880
2018	596,442	16,106	1,271,118	562,927	24,329	619,550	22,523	199,841		233,689	3,546,525
2019	630,837	19,911	807,228	597,336	23,075	666,953	32,297	249,728		342,546	3,369,911

**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
2010	\$ 265,295	\$ 387,452	\$ 112,843	\$ 208,151	\$ 87,593	\$ 809,601	\$ 629,153	\$ 180,207	\$ 2,680,295
2011	255,634	418,393	145,416	207,053	92,088	710,846	1,549,006	164,820	3,543,256
2012	276,370	445,933	171,789	206,049	84,576	1,428,371 (a)	925,547	183,979	3,722,614
2013	279,059	419,166	158,763	195,544	87,250	758,837	2,387,410	224,901	4,510,930
2014	320,254	547,069	142,558	198,071	100,971	877,139	665,773	303,049	3,154,884
2015	323,724	468,973	123,623	215,228	102,171	1,227,501	940,211	264,168	3,665,599
2016	308,992	565,007	166,665	227,400	106,574	1,111,805	722,094	456,387	3,664,924
2017	299,613	551,616	224,755	274,286	122,889	1,081,900	1,184,859	447,734	4,187,652
2018	312,475	530,329	187,372	273,830	143,528	1,342,862	846,409	274,150	3,910,955
2019	359,258	643,675	188,191	282,262	114,063	1,225,592	382,178	303,770	3,498,989

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

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

Ley Year	Tax Capacity	Tax Ley	Tax Capacity Rates				Total	
			City	School	County	Water Shed District		EDA/HRA
2010	\$ 990,285	\$ 412,700	41.664	33.760	55.930	2.366 *	133.720	
2011	991,582	433,500	43.718	36.384	56.167	2.125	138.394	
2012	902,413	400,000	44.326	35.751	55.719	2.235	138.031	
2013	908,972	420,000	46.206	33.761	53.736	2.215	135.918	
2014	1,012,934	441,000	43.537	27.391	50.223	1.776	0.707	123.634
2015	1,095,403	476,500	43.500	26.942	46.032	1.733		118.207
2016	1,249,225	519,500	41.586	25.435	45.173	1.724		113.918
2017	1,381,939	566,300	40.979	23.203	46.477	1.697		112.356
2018	1,567,890	601,000	38.332	22.360	47.888	1.706		110.286
2019	1,584,181	631,000	39.831	26.774	48.859	1.674	0.563	117.701

\* Includes watershed and Clay County HRA

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, 2019**  
**(UNAUDITED)**

ADDITIONS		
Operating Reimbursements		
City of Hawley	\$	39,323
Townships		<u>18,768</u>
TOTAL ADDITIONS		<u>58,091</u>
DEDUCTIONS		
Current		
Professional Services		55,000
RRR Dispatch		<u>3,985</u>
TOTAL DEDUCTIONS		<u>58,985</u>
CHANGES IN ASSETS AND NET POSITION		(894)
ASSETS AND NET POSITION, BEGINNING		<u>          </u>
ASSETS AND NET POSITION, ENDING	\$	<u><u>(894)</u></u>

**CITY OF HAWLEY, MINNESOTA**  
**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND NET POSITION – CUSTODIAL FUND –**  
**HAWLEY AREA FIRE DISTRICT – JOINT POWERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

ADDITIONS	
Intergovernmental	
City of Hawley	\$ 54,250
Townships	54,250
Fire Relief	27,500
Grant	15,422
Investment Earnings	735
Miscellaneous	840
Interfund Transfer - Fire District Checking Account	<u>7,372</u>
<b>TOTAL ADDITIONS</b>	<u><b>160,369</b></u>
DEDUCTIONS	
Current	
Insurance	10,061
Professional Services	625
Training	3,400
Supplies	17,454
Fuel and Additives	1,953
Repairs and Maintenance	6,125
Utilities	6,181
Salaries and Benefits	25,144
Fire Relief Contribution	9,100
RRR Dispatch	1,532
Miscellaneous	4,314
Capital Outlay	<u>113,405</u>
<b>TOTAL DEDUCTIONS</b>	<u><b>199,294</b></u>
<b>CHANGES IN ASSETS AND NET POSITION</b>	<b>(38,925)</b>
<b>ASSETS AND NET POSITION, BEGINNING</b>	<u><b>208,861</b></u>
<b>ASSETS AND NET POSITION, ENDING</b>	<u><u><b>\$ 169,936</b></u></u>

## 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, 2019, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2020. 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

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. 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.

### Purpose of the Report

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



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

March 2, 2020

**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, 2019, and the related notes to the financial statements, which collectively comprise the City of Hawley's basic financial statements and have issued our report thereon dated March 2, 2020. 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.

### **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) to determine the 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 2019-001 that we consider to be a significant deficiency.

### **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 determination of financial statement amounts. 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**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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



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

March 2, 2020

**CITY OF HAWLEY, MINNESOTA**  
**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2019**

**2019-001 FINDING**

Criteria

The City does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity 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. For the year ended December 31, 2019, the City's personnel assisted in the preparation of the year-end journal entries and reviewed a disclosure checklist. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements for external reporting. The city council is aware of this significant deficiency and addresses it by obtaining the auditor's assistance in the preparation of the City's annual financial statements.

Cause

The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The city council is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to the end users.

Recommendation

We recommend the City review its current training system to determine if it is cost effective for the City to obtain this knowledge internally. As a compensating control, the City should establish an internal control policy to document the annual review of the financial statement and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

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

**CITY OF HAWLEY, MINNESOTA**  
**CORRECTIVE ACTION PLAN**  
**DECEMBER 31, 2019**

**2019-001 FINDING**

Contact Person – Lisa Jetvig, City Clerk/Treasurer

Corrective Action Plan - Will obtain internal expertise to handle all aspects of external financial reporting when it becomes economically feasible.

Completion Date - Ongoing