

**CITY OF HAYWARD, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2025**

# **HILL, BENDA, SKOV & BERNAU, P. A.**

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable City Council  
City of Hayward, Minnesota  
Hayward, Minnesota 56043

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the statement of balances arising from cash transactions of each fund of the City of Hayward (the City), Minnesota, as of December 31, 2025, and the related statement of cash receipts, disbursements, and change in cash fund balances for the governmental funds, statement of cash receipts, disbursements and changes in net cash assets the proprietary funds and, where applicable, cash flows thereof for each fund for the year ended and the related notes to the financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the balances arising from cash transactions of each fund of the City as of December 31, 2025 and their respective cash receipts, disbursements and changes in cash fund balances and cash net position for the year then ended in accordance with the financial reporting provisions of the Minnesota Office of the State Auditor described in Note 1.

#### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" section of our report, the accompanying financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2025 or its changes in financial position and, where applicable, cash flows thereof for the year then ended. Further the City of Hayward has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 by the City on the basis of the financial reporting provisions of the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Minnesota Office of the State Auditor. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

#### **Responsibilities of management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Office of the State Auditor. Management is also responsible for the Design, implementation, and Maintenance of internal control relevant the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

In performing an audit in accordance with GAAS we:

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

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

### **Supplementary information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's regulatory basis financial statements. The budgetary comparison schedule and accrual basis proprietary financials are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing process applied in the audit reconciling such information directly to the underlying accounting and other records used to prepare the other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the members of the city council, schedule of accounts receivable and schedule of accounts payable but does not include the regulatory basis financial statements and our auditors' report thereon. Our opinions on the regulatory basis financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

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



Hill, Benda, Skov & Bernau, P.A.  
June 8, 2026

CITY OF HAYWARD, MINNESOTA

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CITY OF HAYWARD, MINNESOTA  
**Statement of Balances Arising From Cash Transactions-Regulatory Basis**  
**GOVERNMENTAL FUNDS**  
For the year ended December 31, 2025

	General Fund	Fire Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 844,131	\$ 217,019	\$ 483,483	\$ 57,632	\$ 1,602,265
Investments	123,443	-	-	-	123,443
Total Assets	<u>\$ 967,574</u>	<u>\$ 217,019</u>	<u>\$ 483,483</u>	<u>\$ 57,632</u>	<u>\$ 1,725,708</u>
<b>Cash Fund Balance</b>					
Committed for					
Fire protection	\$ -	\$ 87,019	\$ -	\$ -	\$ 87,019
Equipment	-	130,000	-	-	130,000
Street repairs	-	-	354,821	-	354,821
Restricted for					
Debt service	-	-	-	57,632	57,632
Assigned for					
Park improvements	472,240	-	-	-	472,240
Civil defense	7,000	-	-	-	7,000
Unassigned	488,334	-	128,662	-	616,996
Total Cash Fund Balances	<u>\$ 967,574</u>	<u>\$ 217,019</u>	<u>\$ 483,483</u>	<u>\$ 57,632</u>	<u>\$ 1,725,708</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Statement of Cash Receipts, Disbursements, and Changes in Fund Balances-Regulatory Basis**  
**GOVERNMENTAL FUNDS**

For the year ended December 31, 2025

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Property taxes	\$ 117,397	\$ 5,613	\$ 68,615	\$ 100	\$ 191,725
Franchise fees	695	-	-	-	695
Licenses and permits	900	-	-	-	900
Intergovernmental	59,733	30,401	-	-	90,134
Donations and grants	596,365	43,300	-	-	639,665
Interest income	2,048	-	-	-	2,048
Charges for services	19,608	-	-	-	19,608
Township fire contracts and firecalls	-	49,981	-	-	49,981
Miscellaneous	6,904	1,671	-	-	8,575
Total receipts	<u>803,650</u>	<u>130,966</u>	<u>68,615</u>	<u>100</u>	<u>1,003,331</u>
<b>Disbursements:</b>					
Current					
General government	147,793	-	-	-	147,793
Streets and highways	-	-	14,360	-	14,360
Public safety	-	62,568	-	-	62,568
95 3rd addition	-	-	-	-	-
Capital outlay	153,925	11,565	27,477	-	192,967
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total disbursements	<u>301,718</u>	<u>74,133</u>	<u>41,837</u>	<u>-</u>	<u>417,688</u>
Excess of receipts over disbursements	<u>501,932</u>	<u>56,833</u>	<u>26,778</u>	<u>100</u>	<u>585,643</u>
Net change in cash fund balances	501,932	56,833	26,778	100	585,643
Fund balance, beginning of year	<u>465,642</u>	<u>160,186</u>	<u>456,705</u>	<u>57,532</u>	<u>1,140,065</u>
Fund balance, end of year	<u>\$ 967,574</u>	<u>\$ 217,019</u>	<u>\$ 483,483</u>	<u>\$ 57,632</u>	<u>\$ 1,725,708</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Statement of Balances Arising From Cash Transactions-Regulatory Basis**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2025

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Assets:</b>			
Current assets:			
Cash	\$ 87,475	\$ 72,943	\$ 160,418
Total assets	<u>\$ 87,475</u>	<u>\$ 72,943</u>	<u>\$ 160,418</u>
 <b>Net Position:</b>			
Restricted for debt service	\$ 20,293	\$ -	\$ 20,293
Unrestricted-net assets	<u>67,182</u>	<u>72,943</u>	<u>140,125</u>
 Total Net Position	<u><u>\$ 87,475</u></u>	<u><u>\$ 72,943</u></u>	<u><u>\$ 160,418</u></u>

*See accompanying notes to financial statements*

CITY OF HAYWARD, MINNESOTA  
**Statement of Receipts, Disbursements, and Changes in Net Position-Regulatory Basis**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2025

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Operating receipts</b>			
User charges	\$ 63,862	\$ 52,521	\$ 116,383
Late fees	1,423	-	1,423
<b>Total operating receipts</b>	<u>65,285</u>	<u>52,521</u>	<u>117,806</u>
<b>Operating disbursements</b>			
Wages	18,449	28,652	47,101
Payroll tax	1,374	1,399	2,773
Testing	-	2,444	2,444
Supplies	6,274	1,914	8,188
Fees, dues and permits	2,309	43	2,352
Repairs and maintenance	16,526	10,719	27,245
Insurance	394	591	985
Utilities	6,907	3,730	10,637
Miscellaneous	568	814	1,382
<b>Total operating disbursements</b>	<u>52,801</u>	<u>50,306</u>	<u>103,107</u>
<b>Operating income (loss)</b>	12,484	2,215	14,699
<b>Nonoperating Receipts (Disbursements)</b>			
Interest income	-	13,325	13,325
Capital outlay	(44,279)	-	(44,279)
Interest expense	(480)	(709)	(1,189)
Debt principal	(14,000)	(12,000)	(26,000)
<b>Total Nonoperating Receipts (Disbursements)</b>	<u>(58,759)</u>	<u>616</u>	<u>(58,143)</u>
<b>Change in net position</b>	(46,275)	2,831	(43,444)
Total net cash position, beginning of year	<u>133,750</u>	<u>70,112</u>	<u>203,862</u>
Total net cash position, end of year	<u>\$ 87,475</u>	<u>\$ 72,943</u>	<u>\$ 160,418</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Statement of Cash Flows - Regulatory Basis**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2025

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 65,285	\$ 52,521	\$ 117,806
Payments to suppliers	(34,352)	(21,654)	(56,006)
Payments to employees	(18,449)	(28,652)	(47,101)
Net cash provided by operating activities	12,484	2,215	14,699
<b>Cash flows from capital and related financing activities</b>			
Capital outlay	(44,279)	-	(44,279)
Interest income	-	13,325	13,325
Principal paid on capital debt	(14,000)	(12,000)	(26,000)
Interest paid on capital debt	(480)	(709)	(1,189)
Net cash provided by (used in) capital and related financing activities	(58,759)	616	(58,143)
Net increase (decrease) in cash and cash equivalents	(46,275)	2,831	(43,444)
Cash balances - beginning of year	133,750	70,112	203,862
Cash balances - end of year	\$ 87,475	\$ 72,943	\$ 160,418
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	\$ 87,475	\$ 72,943	\$ 160,418
Total cash and cash equivalents - end of year	\$ 87,475	\$ 72,943	\$ 160,418

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025

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**Note I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City utilizes a combined clerk-treasurer position. The City has no component units that meet the GASB criteria.

The City's financial statements for financial reporting purposes include all funds over which the City Council exercises oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, securing of outstanding debt by the City's full faith and credit, and responsibility for funding.

**B. Fund Accounting**

The accounts of the City are organized on the basis of funds each of which is considered a separate accounting entity. The various funds are grouped in the financial statements as follows:

**Major Governmental Funds**

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The City's Special Revenue Fund and purpose is as follows:

**Fire Fund** - This fund is used to account for the revenues from the township fire contracts and firecalls and intergovernmental state aid used to fund the operation of the fire department and their related expenditures for fire protection.

**Street Fund** - This fund is used to account for tax monies levied by the City on the community's residents and their related expenditures for construction, repair, upkeep and maintenance of city streets.

**Non Major Governmental Funds**

**Debt Service Funds** - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long term debt principal and interest. The resources for payment are obtained through tax levies, special assessments and user charges.

**Major Enterprise Funds**

**Water and Sewer Funds** - The Water and Sewer Funds are used to account for the cost of providing water and sewer services to the general public, the costs of which are to be financed or recovered primarily through user charges.

The Governmental Funds and Proprietary Funds are not combined at any point in the financial reporting.

CITY OF HAYWARD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

December 31, 2025

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C. Basis of Accounting

The City of Hayward, Minnesota, follows the regulatory basis of accounting for all funds. The financial statements were prepared on the regulatory basis and accordingly, revenues and expenditures are recognized only as cash is received or paid out. These statements do not give effect to receivables, payables, accrued expenses and inventories and accordingly, are not presented in accordance with generally accepted accounting principles. Accrual basis financial statements for the Water and Sewer Fund are presented in the accompanying information. These procedures are in accordance with the State Auditor's manual on Minimum Reporting Requirements for Cities Under 2,500 in Population, which are reporting on the regulatory basis of accounting.

D. Statement Presentation

Under the statement presentation for minimum reporting requirements for cities under 2,500 in population, the water and sewer funds are removed from the primary financial statement since they are proprietary funds. The primary statements are grouped by primary operating, special revenue, debt service and in total they are referred to as governmental funds. The budget comparison statements now appear later in the report. The water and sewer funds are called proprietary funds and they are of a business activity in nature. Since they are proprietary funds an accrual basis statement is required in addition to the cash basis statements.

E. Budgets

Budgets are prepared on the regulatory basis of accounting. Budgeted amounts are as originally adopted or as amended by the City Council.

F. Fixed Assets

The City does not maintain records of general fixed assets. Capital outlays for property, equipment, and construction costs are charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. Accordingly, the accompanying financial statements are not intended to present results of operations in conformity with generally accepted accounting principles.

G. Property Tax Revenue Recognition

The City records property tax revenue in the year received. In Minnesota, counties act as collection agents for all property taxes. Taxes levied become a lien on the property on January 1. Real property taxes are generally due from taxpayers in equal installments on May 15 and October 15.

H. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the City considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

J. Private-Sector Standards

Private-Sector Standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the Utility enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF HAYWARD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS

December 31, 2025

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**K. Operating and Nonoperating Items**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**L. Fund Balance**

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* – This category includes fund balances that cannot be spent because it is either not in spendable form, or is legally or contractually required to be maintained intact. Examples include inventories and pre-paid accounts.

*Restricted* – Fund balances are reported as restricted when constraints placed on those resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit those amounts.

*Assigned* – Fund balances that are constrained by the government's intent to use for specified purposes, but are neither restricted nor committed. Assigned fund balance in the General Fund includes amounts that are intended to be used for specific purposes. In the General Fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adapted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Clerk/Treasurer.

*Unassigned* – Unassigned fund balance represents the residual classification for the General Fund. It includes amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

When both restricted and unrestricted resource 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 first use committed resources, then assigned resources, and then use unassigned resources as they are needed.

The City has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unassigned fund balance of not less than 40% of the next year's budgeted General Fund expenditures. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs, because major revenues including property taxes and other government aids are typically received in the second half of the year.

CITY OF HAYWARD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025

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**Note 2. Cash and Investments**

Deposits and investments

The City's total cash and investments are reported as follows:

Primary government	
Cash and CDs	\$ 1,725,708
Business-type fund activities	
Cash and CDs	<u>160,418</u>
Total Cash and CDs	<u>\$ 1,886,126</u>

A. Deposits

Minn. Stat. 118A.02 and 118A.04 authorize the City to designate a depository for public funds. Minn. Stat. 118A.03 requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credits issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City's policy is to have all accounts collateralized in excess of the FDIC coverage. As of December 31, 2025 the City's deposits were not exposed to custodial credit risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in Certificates of deposit covered by FDIC insurance.

Concentration of Credit Risk

The concentration of credit risk is the risk of the loss that may be caused by the City's investment in a single issuer. The City has not diversified its investments but is relying on the stability of the U.S. Government. All of the City's cash and investments are at Produce State Bank.

Collateral Detail

Deposits - In accordance with Minnesota statutes, the City maintains deposits at a depository bank, authorized by the city council, which is a member 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% of the deposits not covered by insurance or bonds. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the city clerk or in a financial institution other than that furnishing the collateral.

CITY OF HAYWARD, MINNESOTA  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2025

The checking account earns interest at 1.0%, savings account earns interest at 1.0% and certificate of deposits earn interest at 1.0%.

Balances at December 31, 2025:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
(1) Insured or collateralized by securities held by the City or its agent in the City's name	\$ -	\$ -
(2) Insured or collateralized with securities held by the pledging institution's trust department in the City's name	1,898,892	1,886,126
(3) Uncollateralized or collateralized with securities not in the City's name	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,898,892</u>	<u>\$ 1,886,126</u>

Pooling of Cash

The City makes investments from a "pooled" bank account.

**B. Investments**

The City has no investments. The CD's are covered by FDIC insurance and are considered deposits which are covered in item A above.

**Note 3. Defined Benefit Pension Plans - Statewide**

**A. Plan Description**

There are two employees of the City of Hayward covered by a defined benefit plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for in the General Employees Fund), the Public Employees Police and Fire Retirement Plan (Police and Fire Plan accounted for in the Police and Fire Fund), and the Local Government Correctional Service Retirement Plan, called the Public Employees Correctional Plan (accounted for in the Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the Police and Fire Plan. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the Correctional Plan.

CITY OF HAYWARD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025

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PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by State Statute. Benefits for members of the General Employees Plan vest after five years of credited service. Benefits for the Police and Fire Plan vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years. In the Correctional Plan, benefits vest on a prorated basis from 50 percent after 5 years up to 100 percent after 10 years. The defined retirement benefits are based on a members highest average salary for any 60 successive months of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Police and Fire Plan members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for Correctional Plan members.

Normal retirement age is 55 for Police and Fire and Correctional plan members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement with an actuarial reduction in the member's benefit. For all General Employee Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

A full unreduced pension is earned when Police and Fire and Correctional plan members meet the following conditions: age 55 and vested or age plus years of service total at least 90 if first hired prior to July 1, 1989.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. PERA issues a publicly available financial report that

CITY OF HAYWARD, MINNESOTA  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2025

includes financial statements and required supplementary information for General Employees, Police and Fire, and Correctional plans. That report may be obtained on the PERA's website at [www.mnpera.org](http://www.mnpera.org)

**B. Funding Policy**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.5%, respectively, of their annual covered salary in 2025. Police and Fire Plan members were required to contribute 10.8% of their annual covered salary in 2025 and Correctional Plan members were required to contribute 5.83% of their annual covered salary. In 2025, the City of Hayward was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.5% for Coordinated Plan members, and 16.2% for Police and Fire Plan members, and 8.75% for members of the Correctional Plan.

The City's contributions to the General Employees Fund for the years ending December 31, 2025, 2024, and 2023 were \$8,109, \$7,853, and \$7,559, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2025, 2024, and 2023 were \$ -0-, \$ -0-. And \$ -0-. Respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

**Note 4. Disbursements over Budget**

Disbursements exceeded budgeted amounts in 2025 for the following funds:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
General Fund	\$146,582	\$301,718	\$155,136

**Note 5. Deficit Fund Balances**

The city did not have any deficit fund balances at the end of 2025.

**Note 6. Long-term Debt**

The following is a summary of debt transactions for the year ended December 31, 2025:

	<u>Debt Outstanding</u>
Balance payable January 1, 2025	\$ 89,871
Debt issued in 2025	0
Payment on debt	(26,000)
Balance payable December 31, 2025	<u>\$ 63,871</u>

CITY OF HAYWARD, MINNESOTA  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2025

At December 31, 2025, the City had the following debt outstanding:

<u>Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Outstanding Balance 12/31/2025</u>
2015 General Obligation Revenue Note	1.00%	05/11/2015	08/20/2030	\$ 58,871
2010 General Obligation Water Revenue	4.00%	09/01/2010	02/01/2026	<u>5,000</u>
Total outstanding debt				<u>\$ 63,871</u>

The Water Fund pays for the General Obligation Water Revenue and the Sewer Fund pays for the General Obligation Revenue Note.

Annual debt service requirements necessary to service the outstanding debt at December 31, 2025, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2026	17,000	3,371
2027	12,000	2,298
2028	12,000	1,297
2029	12,000	229
2030	10,871	109
2031	0	0

**Note 7. Enterprise Fund Statements**

In accordance with the state auditor's manual on Minimum Reporting Requirements for Cities Under 2,500 in Population, accrual basis financial statements have been prepared for the City's enterprise funds. These statements are included in the accompanying information. For the purpose of the statement of changes in financial position, cash includes cash in checking and savings.

**Note 8. Risk Management**

The City is exposed to various risks of loss by theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance policies to cover any losses arising from the various risks. There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's insurance coverage in any of the prior three years.

**Note 9. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 8, 2026 the date the financial statements were available to be issued.

CITY OF HAYWARD, MINNESOTA  
**Budgetary Comparison Schedule - Regulatory Basis**  
**GENERAL FUND**  
For the year ended December 31, 2025

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>Receipts:</b>				
<b>Taxes:</b>				
General property taxes	\$ 200,000	\$ 200,000	\$ 117,397	\$ (82,603)
	200,000	200,000	117,397	(82,603)
 <b>Intergovernmental revenue:</b>				
State aid:				
Local government aid	52,000	52,000	52,585	585
PNP reimbursement	-	-	-	-
Grant	-	-	-	-
Market value credit	86	86	236	150
Small city assistance	-	-	6,912	6,912
Total Intergovernmental revenue	52,086	52,086	59,733	7,647
 <b>Miscellaneous:</b>				
Franchise fee	2,000	2,000	695	(1,305)
Liquor license	900	900	900	-
Interest income	-	-	2,048	2,048
Donations	-	-	596,365	596,365
Miscellaneous income	250	250	6,904	6,654
Rental income	21,500	21,500	19,608	(1,892)
Total miscellaneous	24,650	24,650	626,520	601,870
<b>Total receipts</b>	\$ 276,736	\$ 276,736	\$ 803,650	\$ 526,914

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Budgetary Comparison Schedule - Regulatory Basis**  
**GENERAL FUND**  
For the year ended December 31, 2025

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Disbursements:</b>				
<b>General government:</b>				
Mayor and council salaries	\$ 2,287	\$ 2,287	\$ 5,040	\$ (2,753)
Election expense	2,000	2,000	-	2,000
Finance clerk salary	17,400	17,400	20,320	(2,920)
Insurance	27,950	27,950	9,347	18,603
Wages	34,336	34,336	39,580	(5,244)
Dues, subscriptions and meetings	1,250	1,250	580	670
Office supplies	2,945	2,945	4,791	(1,846)
Professional fees	12,400	12,400	30,229	(17,829)
Supplies and repairs	13,468	13,468	2,375	11,093
Fuel, oil, utilities & communication	11,490	11,490	10,622	868
Miscellaneous	100	100	337	(237)
Advertising	1,000	1,000	532	468
Property tax expense	9,580	9,580	7,046	2,534
Payroll taxes and PERA	10,376	10,376	16,994	(6,618)
Total General Government	<u>146,582</u>	<u>146,582</u>	<u>147,793</u>	<u>(1,211)</u>
 Excess of receipts over (under) disbursements	 <u>130,154</u>	 <u>130,154</u>	 <u>655,857</u>	 <u>525,703</u>
<b>Other financing sources (uses)</b>				
Capital outlay	<u>-</u>	<u>-</u>	<u>(153,925)</u>	<u>153,925</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(153,925)</u>	<u>153,925</u>
 Net change in cash fund balances	 130,154	 130,154	 501,932	 679,628
Fund balance, beginning of year	<u>465,642</u>	<u>465,642</u>	<u>465,642</u>	<u>-</u>
 Fund balance, end of year	 <u>\$ 595,796</u>	 <u>\$ 595,796</u>	 <u>\$ 967,574</u>	 <u>\$ 371,778</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Combining Statement of Cash Receipts, Disbursement,  
and Changes in Cash Fund Balances**  
**Special Revenue Funds-Regulatory Basis**  
For the year ended December 31, 2025

	<b>Street Fund</b>	<b>Fire Fund</b>	<b>Total Special Revenue Funds</b>
<b>Receipts:</b>			
Property taxes	\$ 68,615	\$ 5,613	\$ 74,228
Donations and grants	-	43,300	43,300
Fire contracts	-	46,707	46,707
Fire calls	-	3,274	3,274
State fire aid	-	30,401	30,401
Other income	-	1,671	1,671
Grant income	-	-	-
<b>Total receipts</b>	<u>68,615</u>	<u>130,966</u>	<u>199,581</u>
<b>Disbursements</b>			
Wages	143	3,597	3,740
Fees and licenses	-	1,650	1,650
Payroll tax	804	275	1,079
Repair & maintenance	4,742	2,955	7,697
Legal and professional	-	-	-
Insurance	3,093	9,917	13,010
Utilities	5,431	2,621	8,052
Miscellaneous	46	2,848	2,894
Education seminars	-	12,650	12,650
Relief Association-donation	-	4,500	4,500
Relief Association-state aid	-	18,465	18,465
Supplies	101	3,090	3,191
<b>Total disbursements</b>	<u>14,360</u>	<u>62,568</u>	<u>76,928</u>
Excess of receipts over (under) disbursements	<u>54,255</u>	<u>68,398</u>	<u>122,653</u>
<b>Other Financing Sources (Uses):</b>			
Capital outlay	(27,477)	(11,565)	(39,042)
<b>Total Other Financing Sources (Uses)</b>	<u>(27,477)</u>	<u>(11,565)</u>	<u>(39,042)</u>
Net Change in Cash Fund Balance	26,778	56,833	83,611
Fund balance, beginning of year	<u>456,705</u>	<u>160,186</u>	<u>616,891</u>
Fund balance, end of year	<u>\$ 483,483</u>	<u>\$ 217,019</u>	<u>\$ 700,502</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Combining Statement of Cash Receipts, Disbursement,  
and Changes in Cash Fund Balances  
Debt Service Funds-Regulatory Basis**  
For the year ended December 31, 2025

	<u><b>1995 3rd Addition Debt Fund</b></u>
<b>Receipts:</b>	
Tax assessments	\$ 100
<b>Total receipts</b>	<u>100</u>
<b>Disbursements:</b>	
Debt payment	
Principal	-
Interest	-
<b>Total disbursements</b>	<u>-</u>
Excess of receipts over (under) disbursements	<u>100</u>
Net Change in Cash Fund Balance	100
Fund balance, beginning of year	<u>57,532</u>
Fund balance, end of year	<u><u>\$ 57,632</u></u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Statement of Net Position - Regularatory Basis**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2025

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ 87,475	\$ 72,943	\$ 160,418
Accounts receivable	11,053	6,174	17,227
Total Current Assets	<u>98,528</u>	<u>79,117</u>	<u>177,645</u>
Noncurrent Assets:			
Property and equipment	492,497	500,000	992,497
Accumulated depreciation	<u>(372,111)</u>	<u>(287,327)</u>	<u>(659,438)</u>
Total Noncurrent Assets	<u>120,386</u>	<u>212,673</u>	<u>333,059</u>
<b>Total Assets</b>	<b>218,914</b>	<b>291,790</b>	<b>510,704</b>
<b>Liabilities:</b>			
Current Liabilities			
Accounts payable	<u>815</u>	<u>1,735</u>	<u>2,550</u>
Total Current Liabilities	<u>815</u>	<u>1,735</u>	<u>2,550</u>
Noncurrent Liabilities			
Bonds, Notes and loans payable	<u>5,000</u>	<u>58,872</u>	<u>63,872</u>
<b>Total Liabilities</b>	<u><u>5,815</u></u>	<u><u>60,607</u></u>	<u><u>66,422</u></u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	115,386	153,801	269,187
Unrestricted	<u>97,713</u>	<u>77,382</u>	<u>175,095</u>
<b>Total Net Position</b>	<u><u>\$ 213,099</u></u>	<u><u>\$ 231,183</u></u>	<u><u>\$ 444,282</u></u>

*See accompanying notes to financial statements*

CITY OF HAYWARD, MINNESOTA  
**Statement of Revenues, Expenses, and Changes in Net Position - Regulatory Basis**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2025

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Operating Revenues:</b>			
User charges	\$ 64,385	\$ 52,813	\$ 117,198
Late charges	1,423	-	1,423
<b>Total Operating Receipts</b>	<b>65,808</b>	<b>52,813</b>	<b>118,621</b>
<b>Operating Expenses:</b>			
Wages	18,449	28,652	47,101
Bad debts	-	-	-
Testing	-	2,444	2,444
Insurance	394	591	985
Supplies	6,254	1,914	8,168
Fees, dues and permits	2,217	337	2,554
Professional fees	-	-	-
Payroll tax	1,374	1,399	2,773
Repairs and maintenance	14,437	10,719	25,156
Utilities	7,000	4,908	11,908
Depreciation	9,449	12,702	22,151
Miscellaneous	568	814	1,382
<b>Total Operating Expenses</b>	<b>60,142</b>	<b>64,480</b>	<b>124,622</b>
<b>Operating Income (loss)</b>	<b>5,666</b>	<b>(11,667)</b>	<b>(6,001)</b>
<b>Nonoperating Revenue(Expense)</b>			
Interest income	-	13,325	13,325
Interest expense	(480)	(709)	(1,189)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(480)</b>	<b>12,616</b>	<b>12,136</b>
<b>Change in Net Position</b>	<b>5,186</b>	<b>949</b>	<b>6,135</b>
<b>Total Net Position - Beginning</b>	<b>207,913</b>	<b>230,234</b>	<b>438,147</b>
<b>Total Net Position - Ending</b>	<b>\$ 213,099</b>	<b>\$ 231,183</b>	<b>\$ 444,282</b>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Statement of Cash Flows - Regularity Basis**  
**PROPRIETARY FUNDS**  
For the year ended December 31, 2025

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>			
Change in net position	\$ 5,186	\$ 949	\$ 6,135
Adjustments to reconcile to net cash from operating:			
Depreciation	9,449	12,702	22,151
(Increase) Decrease in accounts receivable	(523)	(292)	(815)
Increase (Decrease) in accounts payable	(2,108)	1,472	(636)
Net cash provided by operating activities	<u>12,004</u>	<u>14,831</u>	<u>26,835</u>
<b>Cash flows from capital and related financing activities</b>			
Capital purchases	(44,279)	-	(44,279)
Increase (Decrease) in long term notes payable	(14,000)	(12,000)	(26,000)
Net cash provided by (used in) capital and related financing activities	<u>(58,279)</u>	<u>(12,000)</u>	<u>(70,279)</u>
Net increase (decrease) in cash and cash equivalents	(46,275)	2,831	(43,444)
Cash balances - beginning of year	<u>133,750</u>	<u>70,112</u>	<u>203,862</u>
Cash balances - end of year	<u>\$ 87,475</u>	<u>\$ 72,943</u>	<u>\$ 160,418</u>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	<u>\$ 87,475</u>	<u>\$ 72,943</u>	<u>\$ 160,418</u>
Total cash and cash equivalents - end of year	<u>\$ 87,475</u>	<u>\$ 72,943</u>	<u>\$ 160,418</u>

*See accompanying notes to financial statements.*

CITY OF HAYWARD, MINNESOTA  
**Schedule of Indebtedness - Regulatory Basis**  
 For the Year Ended December 31, 2025

<u>Bonded Indebtedness</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Fund</u>	<u>Outstanding January 1, 2025</u>	<u>Issued in 2025</u>	<u>Paid in 2025</u>	<u>Outstanding December 31, 2025</u>
General Obligation Revenue								
2010 Water Revenue Bonds	4.00%	9/1/2010	2/1/2026	Water	19,000	-	14,000	5,000
General Obligation Revenue Note of 2015	1.00%	5/11/2015	8/20/2030	Sewer	70,871	-	12,000	58,871
<b>Total Bonded Indebtedness</b>					<u>89,871</u>	<u>-</u>	<u>26,000</u>	<u>63,871</u>
<b>Total Indebtedness</b>					<u>\$ 89,871</u>	<u>\$ -</u>	<u>\$ 26,000</u>	<u>\$ 63,871</u>

CITY OF HAYWARD, MINNESOTA  
**Schedule of Accounts Receivable - Regulatory Basis (Unaudited)**  
 For the Year Ended December 31, 2025

<u>Fund</u>	<u>Source of Revenue</u>	<u>Purpose</u>	<u>Amount</u>
Water	Customers	User Charges	\$ 11,054
Sewer	Customers	User Charges	6,174
<b>Total</b>			<b><u><u>\$ 17,228</u></u></b>

CITY OF HAYWARD, MINNESOTA  
**Schedule of Accounts Payable - Regularity Basis (Unaudited)**  
For the Year Ended December 31, 2025

<b>Fund</b>	<b>Vendor Name</b>	<b>Item and Purpose</b>	<b>Amount</b>
<b>General</b>	Albert Lea Electric	Repair	\$ 84
	Innovative IT Solutions	Computer	105
	Metro Sales	Copier	105
<b>Street</b>	Freeborn Mower Cooperative	Street lights	1,483
<b>Fire</b>	Com Tec Radio	Repairs	100
	H & K Propane	Utilities	180
	Krohnberg Garage	Repairs	240
<b>Water</b>	Cardmember Services	Permits	188
	Gopher State One Call	Repairs	11
	Minnesota Energy	Utilities	616
<b>Sewer</b>	Freeborn Mower Coop Svs	Utilities	1,441
	MN Public Facilities Authority	Dues	294
<b>Total</b>			<u>\$ 4,847</u>

**HILL, BENDA, SKOV & BERNAU, P. A.**

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Andrew M. Bernau, C.P.A.

INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

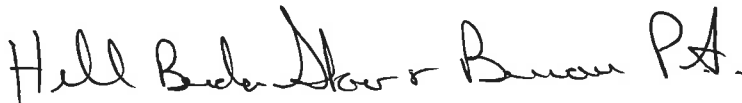
Members of the City Council  
Hayward, Minnesota 56043

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Hayward, Minnesota as of and for the year ended December 31, 2025, and the related notes to the financial statements, and have issued our report thereon dated June 8, 2026.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minnesota Statutes Sec 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 study included all of the listed categories, except that we did not test for compliance in Tax Increment Financing because the city has no Tax Increment Financing.

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

This report is intended solely for the use of the City of Hayward, Minnesota and other state agencies and should not be used for any other purposes.



Hill, Benda, Skov & Bernau, P.A.

June 8, 2026