

**CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT  
FINANCIAL REPORT**

**SEPTEMBER 30, 2017 and 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Utility Advisory Board  
Hastings Utilities  
City of Hastings, Nebraska

We have audited the accompanying financial statements of the business-type activities and each major fund of Hastings Utilities, Hastings, Nebraska, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Hastings Utilities' 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 accounting principles generally accepted in the United States of America; this includes 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 misstatement.

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.

Wealth Management, LLC Registered Investment Advisor, is affiliated with Almquist, Maltzahn, Galloway & Luth, P.C.  
and offers wealth management and investment advisory services.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Hastings Utilities, as of September 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Adjustments to Prior Period Financial Statements**

The financial statements of Hastings Utilities as of September 30, 2016, were audited by other auditors whose opinion dated February 20, 2017, expressed an unmodified opinion on those statements. As discussed in Note 21, Hastings Utilities has restated its September 30, 2016 financial statements during the current year to accrue a receivable due from the City of Hastings, to adjust the liability for accumulated fly ash disposal costs and to write off the unamortized bond issuance costs, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the September 30, 2016 financial statements before the restatement.

As part of our audit of the September 30, 2017 financial statements, we also audited adjustments described in Note 21 that were applied to restate the September 30, 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the September 30, 2016 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the September 30, 2016 financial statements as a whole.

## **Emphasis of Matter**

As discussed in Note A, the financial statements present only the Hastings Utilities (Electric System and Combined System) of the City of Hastings, Nebraska, and do not purport to, and do not present fairly the financial position of the City of Hastings, Nebraska, as of September 30, 2017 and 2016, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is

required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hastings Utilities' basic financial statements. The accompanying supplementary information as described in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information as described in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying supplementary information as described in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2018, on our consideration of the Hastings Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Hastings Utilities' 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 Hastings Utilities' internal control over financial reporting and compliance.

*Amquist, Mathalm,*  
*Galloway & Lusk, PC*

Grand Island, Nebraska  
February 23, 2018

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is part of the annual financial report for the City of Hastings Utility Department (HU). The purpose of the MD&A is to present an overview and analysis of the financial activities of HU during the fiscal years ending September 30, 2017, September 30, 2016, and December 31, 2015. HU's fiscal year end was changed from December 31 to September 30 (see Note 17). As a result, for this year there will be a comparison of two twelve month years with a nine month fiscal year that ended September 30, 2016. The MD&A should be read in conjunction with HU's financial statements, which immediately follow this section of the report.

**USING THIS REPORT**

The Statement of Net Position includes information on HU's assets and liabilities at September 30, 2017 and September 30, 2016. It includes all investments in resources (assets), deferred outflows of resources (deferred outflows), obligations to creditors (liabilities), deferred inflows of resources (deferred inflows), and net position (equity).

The Statements of Revenue and Expenses and Changes in Net Position present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year.

The Statement of Cash Flows presents changes in cash and cash equivalents, separated by operating activities, capital and non-capital financing activities, and investing activities.

These statements help to answer the question "Is HU as a whole better off or worse off financially as a result of the period's activities?" Change in net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows, and is one way to measure HU's financial health. Increases or decreases in net position can indicate improving or deteriorating financial health. This information, used along with the rest of this report, should be considered as a whole, along with any notable non-financial factors.

**OVERVIEW OF HASTINGS UTILITIES**

Hastings Utility Department (HU) is a municipally-owned, not-for-profit utility system that provides its customers a number of essential services. Each service operates as its own company, with separate revenue, expense and budgeting functions. These utility operations were brought within the governance of the Mayor and City Council in May 2017. A 5-member Utility Advisory Board appointed by the Mayor reviews the utility operations' and budget and makes recommendations on both to the Mayor and City Council for their approval. These recommendations assist the Mayor and City Council in making sound, well-informed decisions which will provide utility customers with reliable, dependable service at very competitive rates well into the future.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

MANAGEMENT’S DISCUSSION AND ANALYSIS

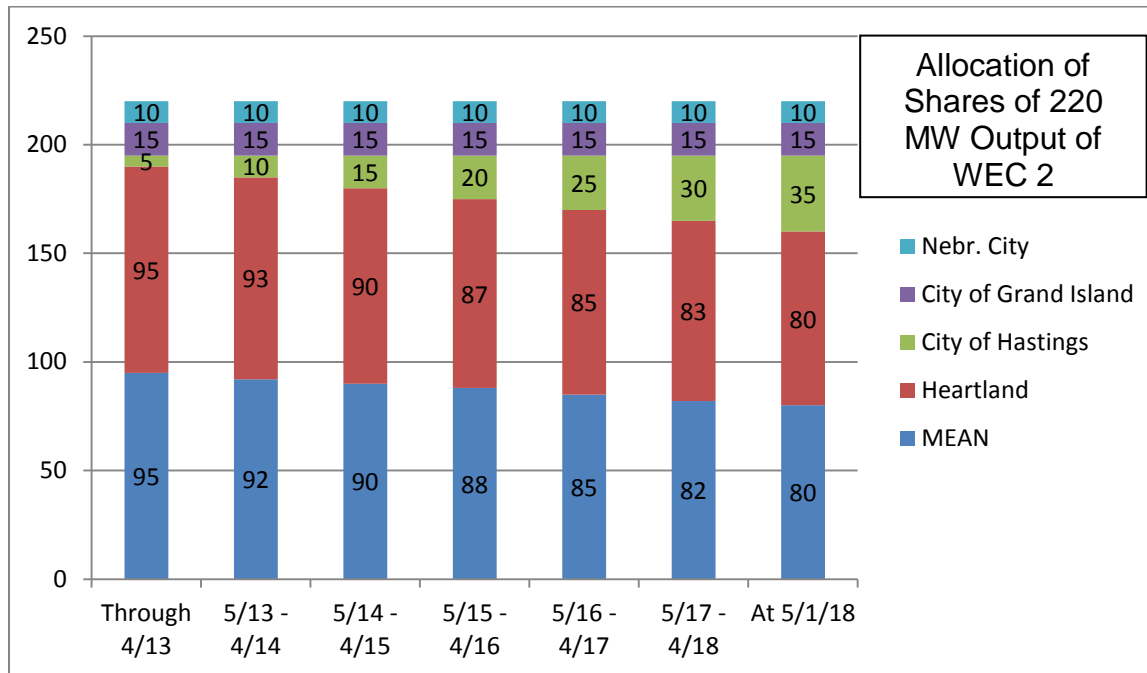
The Utility Advisory Board members are local citizens and also customers of the services provided by HU. Each of the five board members is appointed for a five-year term with one appointment or reappointment made each year.

The Electric system consists of generation at the Whelan Energy Center 1 (WEC 1), a coal fired power plant rated at 77MW; the North Denver Station (NDS) and the Don Henry Power Center (DHPC). Maintenance and construction of transmission and distribution systems is provided by the Line and Substation/Metering departments.

The Combined system includes gas, water, pollution control, and street lighting utilities.

HU also purchases power from Whelan Energy Center 2 (WEC 2), a coal fired power plant rated at 220MW, which is owned by the Public Power Generation Agency (PPGA). In addition to HU, participants in PPGA include Municipal Energy Agency of Nebraska, Heartland Consumers Power District, Grand Island Utilities, and Nebraska City Utilities.

HU is the Operating Agent for WEC 2, which adjoins WEC 1. The 81 employees of WEC 1 also staff WEC 2, which has no actual employees. Each participant shares in the cost of operation and receives a share of the MW output of the facility. HU entered into agreements with Heartland Consumers Power District and Municipal Energy Agency of Nebraska to accept partial assignment of HU’s MW share, which will end April 30, 2018. See Note 14 for additional information.



CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

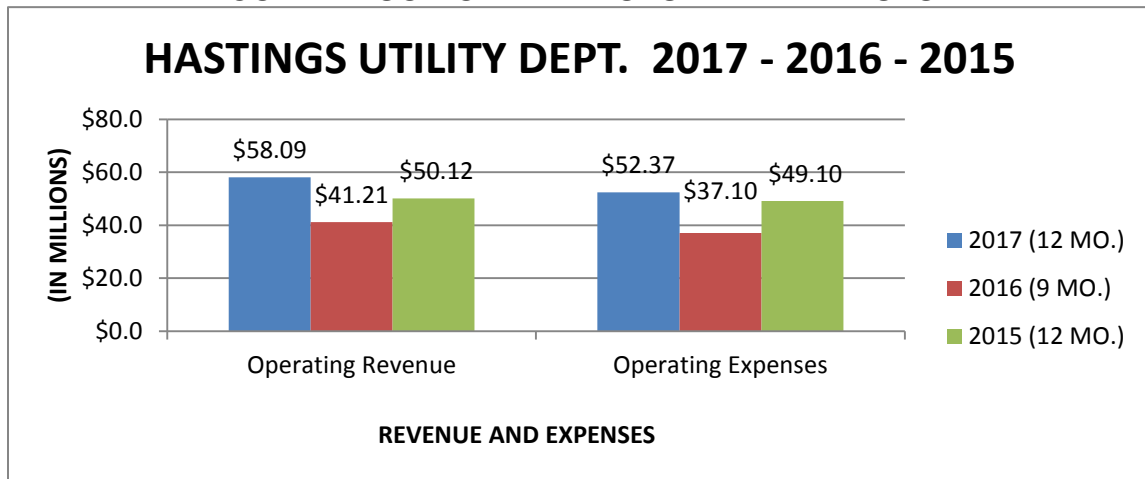
**REVENUES AND EXPENSES**

**Summary Results of Operations (dollars in millions)**

Note: 2017 and 2015 were 12 month fiscal years; 2016 was a 9 month fiscal year.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues:			
Operating Revenues	\$ 58.09	\$ 41.21	\$50.12
Non-Operating Revenues	<u>12.81</u>	<u>8.45</u>	<u>12.11</u>
Total Revenues	70.90	49.66	62.23
Expenses:			
Operating Expenses	52.37	37.10	49.10
Transfers to City	3.33	2.39	2.72
Non-Operating Expenses	<u>11.31</u>	<u>7.58</u>	<u>11.52</u>
Total Expenses	<u>67.01</u>	<u>47.07</u>	<u>63.34</u>
Net Income (loss) before contrib.	3.89	2.59	(1.11)
Capital Contributions	<u>4.47</u>	<u>0.62</u>	<u>.45</u>
Change in Net Position	8.36	3.21	(.66)
Net position - beginning	<u>203.27</u>	<u>200.06</u>	<u>200.72</u>
Net position - ending	<u>\$211.63</u>	<u>\$203.27</u>	<u>\$200.06</u>

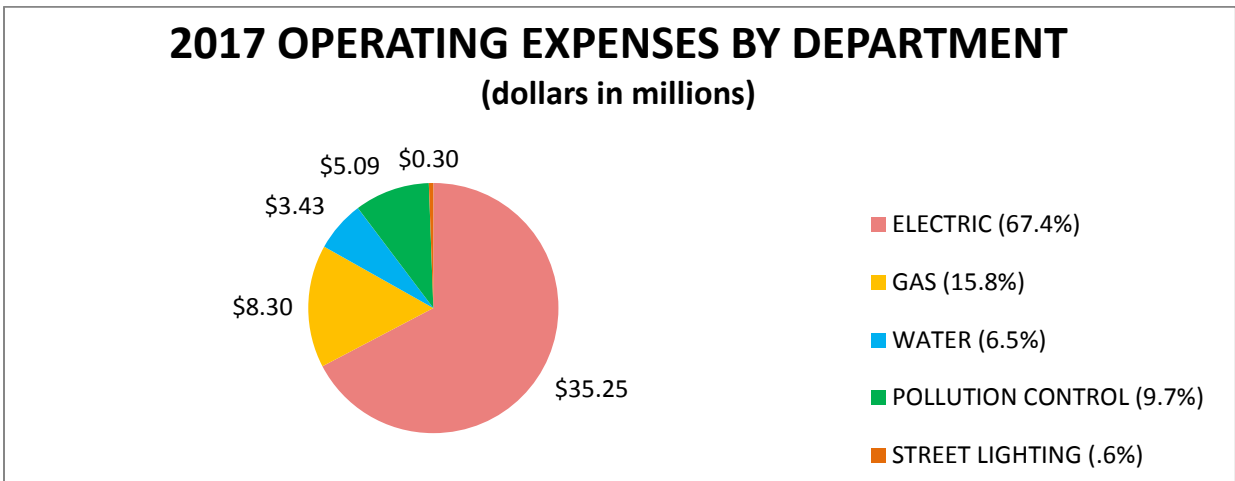
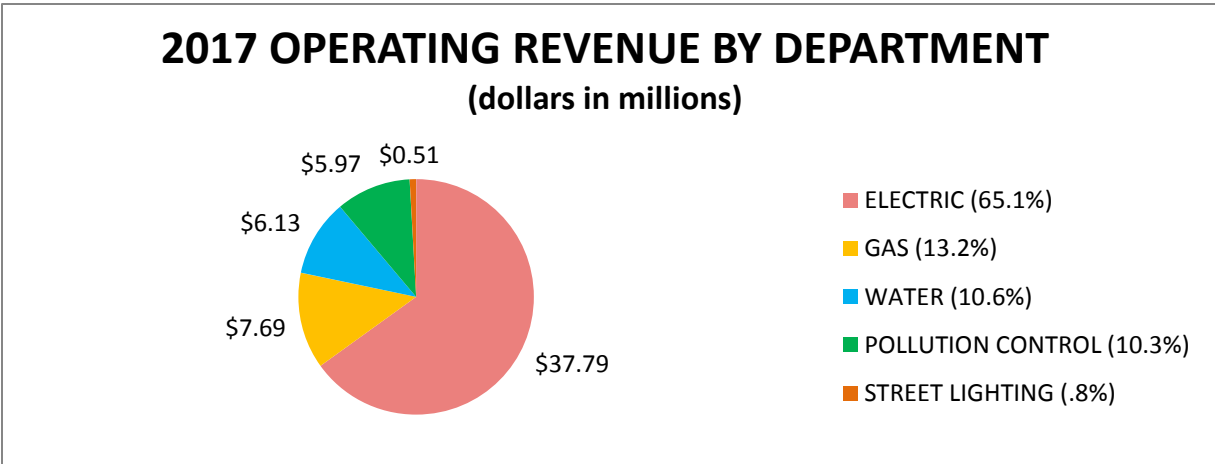
**COMPARISON OF REVENUES AND EXPENSES**





CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS



**TRANSFERS TO THE CITY**

Transfers to the City of Hastings are a huge benefit of local ownership of the utility system. Since HU is a part of the City of Hastings, it does not pay any property taxes, as would be the case if the system were privately owned. Therefore, it has been a longstanding practice of HU to transfer revenues to the City's general fund. The transfers ensure that the other essential service areas provided by the City do not suffer as a result of public ownership of HU. Factors that drive an increase or decrease in transfer payments include the levels of utility service used by HU's customer base.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

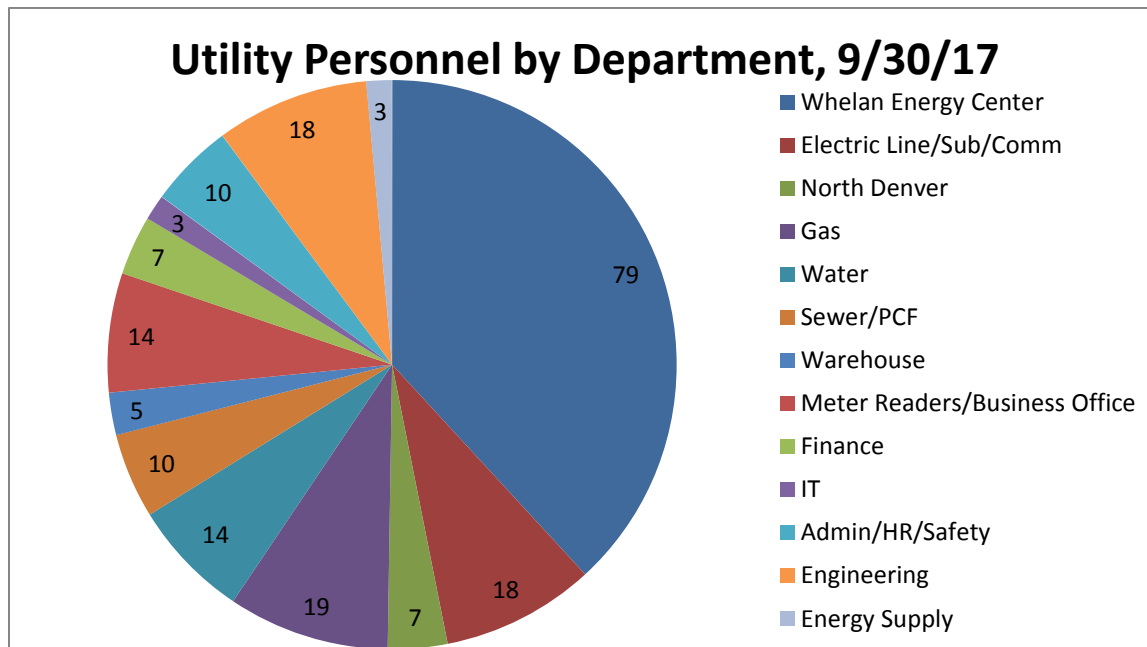
MANAGEMENT'S DISCUSSION AND ANALYSIS

**PERSONNEL**

In 2015, a director of safety was hired, leading HU to one of its best years in safety on record in 2016. \$261,000 was spent in 2017, continuing the emphasis on safety in all departments.

In late September, 2017, an offer was extended to and accepted by Kevin Johnson to fill the position of Manager of Utilities. This position had been vacant for over a year with Assistant Manager Allen Meyer serving as Interim Manager during that time.

At 9/30/2017, Utility employees totaled 207, which included 2 temporary positions.



**MISC. REVENUES AND EXPENSES**

As a whole, non-operating income increased \$4.36M, which was reflected mainly in the electric department. Non-operating expenses increased \$3.73M. Non-operating revenues include interest income, agreement income, coal sales, jobbing reimbursements, reimbursement for services provided to PPGA, and miscellaneous income. Non-operating expenses include interest expense, cost of coal, jobbing and services to PPGA (see note 13).

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CAPITAL ASSETS**

A major philosophy of HU's approach to delivering its services is staying ahead of the "reliability curve". Delivery networks and facilities are constantly evaluated to determine if they are capable of supplying needed services now and into the future, resulting in extensive capital additions in the past years. After depreciation, net utility plant in service increased from \$147.08M in 2016 to \$148.71M in 2017, a difference of \$1.63M. Construction in progress increased from \$8.39M to \$8.70M.

For 2017, some of the additions in the electric department include:

- Plant additions totaling \$1.8M, including the replacement of WEC switchgear, and other projects
- Rural and city distribution additions totaling \$1.2M
- One bucket truck was replaced over the 2016 and 2017 fiscal years, with costs of \$60,000 in 2016 and \$116,000 in 2017.
- Total electric department capital costs were \$2.96M, including the allocation of administrative capital additions and contributions in the amount of \$.26M

In the gas department, additions totaling \$.96M included the following along with administrative capital budget additions:

- \$.71M in distribution additions
- \$.23M in equipment additions

Water department addition totals netted at just over \$2.39M and included the following along with administrative allocations and contributions that included \$3.7M from the State Water Grant:

- Plant additions of \$5.10M included expenses relating to the N. Baltimore water storage facility and the reverse osmosis treatment facility
- Transmission and distribution projects totaled \$1.26M.
- \$.49M in vehicle and equipment additions

Sewage treatment plant additions dropped to \$108,000, and saw the completion of the upgrade of the secondary digester and installation of mixing system for \$1.44M.

- Main additions and misc. equipment additions totaled \$.30M

Street lighting capital costs totaled \$.42M and continued the conversion of existing street lighting to LED, which had a direct impact on the cost of operating and maintaining the street lighting system.

In the administrative department, additions of \$.12M included misc. equipment, computer hardware, replacement of one vehicle and installation of site security.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LONG-TERM DEBT**

Total long-term debt decreased from \$30.5M to \$25.5M.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of HU's primary government finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Hastings, Manager, Utilities, 1228 North Denver Avenue, Hastings, NE 68901.

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CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

STATEMENTS OF NET POSITION  
September 30,

ASSETS	--- ELECTRIC SYSTEM ---		-- COMBINED SYSTEM --		----- TOTAL -----	
	2017	2016	2017	2016	2017	2016
<b>Current assets:</b>						
Cash and cash equivalents	\$ 17,412,867	\$ 18,466,957	\$ 30,220,917	\$ 27,305,184	\$ 47,633,784	\$ 45,772,141
Investments	5,743,745	5,424,370	2,303,322	1,862,337	8,047,067	7,286,707
Accounts receivables	6,660,553	6,473,038	2,450,001	2,149,800	9,110,554	8,622,838
Intercompany receivable	--	--	1,039,598	3,706,015	1,039,598	3,706,015
Due from City of Hastings	--	--	900,852	900,852	900,852	900,852
Inventories	4,868,585	4,772,081	2,012,224	2,004,013	6,880,809	6,776,094
Prepaid expenses	145,710	146,514	--	--	145,710	146,514
<b>Total current assets</b>	<b>34,831,460</b>	<b>35,282,960</b>	<b>38,926,914</b>	<b>37,928,201</b>	<b>73,758,374</b>	<b>73,211,161</b>
<b>Noncurrent assets:</b>						
Restricted Cash and cash equivalents	1,024,676	996,048	1,348,620	1,333,338	2,373,296	2,329,386
Restricted Investments	7,765,810	7,635,315	1,804,000	1,804,000	9,569,810	9,439,315
Loan to Street Lighting	--	--	900,000	600,000	900,000	600,000
Deferred charges	144,312	155,914	2,750	259,219	147,062	415,133
<b>Capital Assets:</b>						
Construction in progress	2,293,437	1,580,397	6,407,166	6,808,878	8,700,603	8,389,275
Electric	184,571,727	182,937,091	--	--	184,571,727	182,937,091
Gas	--	--	33,717,056	33,038,022	33,717,056	33,038,022
Water	--	--	40,947,707	35,593,319	40,947,707	35,593,319
Pollution control	--	--	65,265,044	63,098,474	65,265,044	63,098,474
Street Lighting	--	--	1,632,719	1,509,424	1,632,719	1,509,424
Administrative	--	--	771,321	755,257	771,321	755,257
Less accumulated depreciation	(114,847,026)	(110,182,772)	(63,347,355)	(59,669,061)	(178,194,381)	(169,851,833)
sub-total	72,018,138	74,334,716	85,393,658	81,134,313	157,411,796	155,469,029
Non-utility plant	15,866,333	15,866,333	--	--	15,866,333	15,866,333
Less accumulated depreciation	(4,779,663)	(4,086,891)	--	--	(4,779,663)	(4,086,891)
Net capital assets	83,104,808	86,114,158	85,393,658	81,134,313	168,498,466	167,248,471
Total noncurrent assets	92,039,606	94,901,435	89,449,028	85,130,870	181,488,634	180,032,305
<b>Total assets</b>	<b>126,871,066</b>	<b>130,184,395</b>	<b>128,375,942</b>	<b>123,059,071</b>	<b>255,247,008</b>	<b>253,243,466</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable	6,063,076	5,324,949	3,603,208	3,298,474	9,666,284	8,623,423
Intercompany payable	1,039,598	3,706,015	--	--	1,039,598	3,706,015
Interest payable	89,640	118,976	283,564	297,006	373,204	415,982
Customer deposits	--	--	338,160	313,750	338,160	313,750
Health insurance claims	--	--	327,988	121,070	327,988	121,070
Current portion of long-term obligations	4,120,000	3,900,000	1,190,000	1,160,000	5,310,000	5,060,000
Total current liabilities	11,312,314	13,049,940	5,742,920	5,190,300	17,055,234	18,240,240
<b>Noncurrent liabilities</b>						
Street Lighting Loan	--	--	900,000	600,000	900,000	600,000
Compensated Absences	1,561,482	1,549,122	1,814,389	1,795,254	3,375,871	3,344,376
Noncurrent portion of long-term obligations	4,020,000	8,140,000	16,140,000	17,330,000	20,160,000	25,470,000
Other	1,191,058	1,136,449	567,564	734,079	1,758,622	1,870,528
Advances - refundable	--	--	442	442	442	442
Total noncurrent liabilities	6,772,540	10,825,571	19,422,395	20,459,775	26,194,935	31,285,346
<b>Total liabilities</b>	<b>18,084,854</b>	<b>23,875,511</b>	<b>25,165,315</b>	<b>25,650,075</b>	<b>43,250,169</b>	<b>49,525,586</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unamortized bond discount	29,120	108,982	392,669	473,291	421,789	582,273
Deferral from advanced refunding	(44,959)	(116,958)	(10,067)	(14,123)	(55,026)	(131,081)
<b>Total deferred inflows of resources:</b>	<b>(15,839)</b>	<b>(7,976)</b>	<b>382,602</b>	<b>459,168</b>	<b>366,763</b>	<b>451,192</b>
<b>NET POSITION</b>						
Net investment in capital assets	62,847,231	61,322,157	67,115,800	61,709,843	129,963,031	123,032,000
Restricted	7,793,771	7,685,329	3,152,620	3,137,338	10,946,391	10,822,667
Unrestricted	38,161,049	37,309,374	32,559,605	32,102,647	70,720,654	69,412,021
<b>Total Net Position</b>	<b>\$ 108,802,051</b>	<b>\$ 106,316,860</b>	<b>\$ 102,828,025</b>	<b>\$ 96,949,828</b>	<b>\$ 211,630,076</b>	<b>\$ 203,266,688</b>

See Notes to Financial Statements

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CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended September 30, 2017 and the Year Ended September 30, 2016

	--- ELECTRIC SYSTEM ---		--- COMBINED SYSTEM ---		----- TOTAL -----	
	2017	2016	2017	2016	2017	2016
Operating revenue	\$ 37,788,365	\$ 27,366,880	\$ 20,304,189	\$ 13,841,758	\$ 58,092,554	\$ 41,208,638
Operating expenses	<u>(30,379,881)</u>	<u>(21,786,563)</u>	<u>(13,380,767)</u>	<u>(9,000,091)</u>	<u>(43,760,648)</u>	<u>(30,786,654)</u>
Operating income before depreciation	7,408,484	5,580,317	6,923,422	4,841,667	14,331,906	10,421,984
Less Depreciation	<u>(4,867,008)</u>	<u>(3,591,873)</u>	<u>(3,739,476)</u>	<u>(2,763,504)</u>	<u>(8,606,484)</u>	<u>(6,355,377)</u>
Operating income	2,541,476	1,988,444	3,183,946	2,078,163	5,725,422	4,066,607
Add other income	12,493,486	8,083,053	316,926	365,069	12,810,412	8,448,122
Capital contributions	214,651	255,684	4,256,043	367,953	4,470,694	623,637
Deduct other expenses	(10,648,274)	(7,068,935)	(665,121)	(514,903)	(11,313,395)	(7,583,838)
Transfers to the City	<u>(2,116,148)</u>	<u>(1,532,545)</u>	<u>(1,213,597)</u>	<u>(819,982)</u>	<u>(3,329,745)</u>	<u>(2,352,527)</u>
Change in net position	<u>2,485,191</u>	<u>1,725,701</u>	<u>5,878,197</u>	<u>1,476,300</u>	<u>8,363,388</u>	<u>3,202,001</u>
Net Position - beginning	106,316,860	104,800,242	96,949,828	94,785,028	203,266,688	199,585,270
Restatements		<u>(209,083)</u>		<u>688,500</u>		<u>479,417</u>
Net position - beginning as restated		104,591,159		95,473,528		200,064,687
Net Position - ending	<u>\$ 108,802,051</u>	<u>\$ 106,316,860</u>	<u>\$ 102,828,025</u>	<u>\$ 96,949,828</u>	<u>\$ 211,630,076</u>	<u>\$ 203,266,688</u>

See Notes to Financial Statements



CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

STATEMENTS OF CASH FLOWS  
For the Year Ended September 30, 2017

	Electric System	Combined System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 49,921,761	\$ 20,691,897	\$ 70,613,658
Payments to suppliers	(31,675,873)	(5,751,426)	(37,427,299)
Payments to employees	(10,023,585)	(4,268,424)	(14,292,009)
Net cash provided by operating activities	8,222,303	10,672,047	18,894,350
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers to the City of Hastings	(2,116,148)	(1,213,597)	(3,329,745)
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
Capital contributions	214,651	4,222,130	4,436,781
Grants receivable	--	(387,522)	(387,522)
Purchase of capital assets	(2,775,502)	(8,144,248)	(10,919,750)
Sale of capital assets	23,771	--	23,771
Principal paid on capital debt	(3,900,000)	(1,160,000)	(5,060,000)
Interest expense	(417,242)	(633,349)	(1,050,591)
Net cash used by capital and related financing activities	(6,854,322)	(6,102,989)	(12,957,311)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in investments	(449,870)	(440,985)	(890,855)
Interest income	172,575	16,539	189,114
Net cash used by investing activities	(277,295)	(424,446)	(701,741)
Net increase (decrease) in cash and cash equivalents	(1,025,462)	2,931,015	1,905,553
<b>Balances - beginning of the year</b>	19,463,005	28,638,522	48,101,527
<b>Balances - end of the year</b>	\$ 18,437,543	\$ 31,569,537	\$ 50,007,080
<b>Cash and cash equivalents consist of:</b>			
Cash and cash equivalents	\$ 17,412,867	\$ 30,220,917	\$ 47,633,784
Restricted cash and cash equivalents	1,024,676	1,348,620	2,373,296
	\$ 18,437,543	\$ 31,569,537	\$ 50,007,080
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>			
Non-cash capital contributions	\$ -	\$ 33,913.00	\$ 33,913.00
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 2,541,476.00	\$ 3,183,946.00	\$ 5,725,422.00
Participation and capacity agreements	794,636	-	794,636
Miscellaneous income, net of expenses	1,258,556	177,094	1,435,650
Adjusted operating income	4,594,668	3,361,040	7,955,708
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	5,761,080	3,918,816	9,679,896
Changes in assets and liabilities:			
Receivables, net	(188,025)	2,455,251	2,267,226
Inventories	(96,504)	(8,211)	(104,715)
Accounts and other payables	(1,915,884)	836,062	(1,079,822)
Accrued expenses	66,968	109,089	176,057
Net cash provided by operating activities	\$ 8,222,303	\$ 10,672,047	\$ 18,894,350

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

STATEMENTS OF CASH FLOWS  
For the Nine Months Ended September 30, 2016

	Electric System	Combined System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 34,405,170	\$ 13,735,503	\$ 48,140,673
Payments to suppliers	(17,828,270)	(6,623,314)	(24,451,584)
Payments to employees	(7,586,656)	(3,149,510)	(10,736,166)
Net cash provided by operating activities	8,990,244	3,962,679	12,952,923
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers to the City of Hastings	(1,532,545)	(819,982)	(2,352,527)
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
Capital contributions	255,684	367,953	623,637
Purchase of capital assets	(3,045,540)	(6,814,147)	(9,859,687)
Sale of capital assets	1,292	--	1,292
Gain on sale of property	--	132,217	132,217
Principal paid on capital debt	(3,945,000)	--	(3,945,000)
Interest expense	(550,081)	(324,006)	(874,087)
Net cash used by capital and related financing activities	(7,283,645)	(6,637,983)	(13,921,628)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in investments	1,661,288	3,943,171	5,604,459
Interest income	161,788	18,707	180,495
Net cash provided by investing activities	1,823,076	3,961,878	5,784,954
Net increase in cash and cash equivalents	1,997,130	466,592	2,463,722
<b>Balances - beginning of the year</b>	17,465,875	28,171,930	45,637,805
<b>Balances - end of the year</b>	\$ 19,463,005	\$ 28,638,522	\$ 48,101,527
 Cash and cash equivalents consist of:			
Cash and cash equivalents	\$ 18,466,957	\$ 27,305,184	\$ 45,772,141
Restricted cash and cash equivalents	996,048	1,333,338	2,329,386
	\$ 19,463,005	\$ 28,638,522	\$ 48,101,527
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 1,988,444	\$ 2,078,163	\$ 4,066,607
Participation and capacity agreements	593,362	-	593,362
Miscellaneous income, net of expenses	641,980	125,036	767,016
Adjusted operating income	3,223,786	2,203,199	5,426,985
 Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	4,232,556	2,878,119	7,110,675
 Changes in assets and liabilities:			
Receivables, net	(903,162)	(819,115)	(1,722,277)
Inventories	(88,359)	(256,583)	(344,942)
Accounts and other payables	2,272,077	54,604	2,326,681
Accrued expenses	253,346	(97,545)	155,801
Net cash provided by operating activities	\$ 8,990,244	\$ 3,962,679	\$ 12,952,923

See Notes to Financial Statements

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CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 1. Organization and Significant Accounting Policies

Organization:

The City of Hastings, Nebraska (the "City") under the direction of the City Council, owns and operates electric, gas, water, pollution control/waste water treatment and street lighting utilities ("Utilities"). In accordance with the provisions of Ordinance Number 2622 of the City of Hastings, the Electric System is to be accounted for separately from other utility operations. Therefore, the accompanying financial statements have been prepared to reflect the financial position and results of operations and cash flows of the Electric System and Combined System (gas, water, pollution control/waste water treatment, and street lighting utilities) on a segregated as well as a combined basis. The Electric System follows the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (FERC). Certain costs are shared by the Electric System and the Combined System. Joint administrative and general expenses are paid by the Combined System and the Electric System is billed for its portion on the basis of overhead studies. Total billings for these inter-system charges totaled \$2,938,907 for the year ended September 30, 2017 and \$2,076,470 for the nine months ended September 30, 2016.

Application of accounting pronouncements:

The Utilities applies all Governmental Accounting Standards Board (GASB) pronouncements.

Adoption of accounting principles (GASB #34):

The Utilities adopted the provisions of Governmental Accounting Standards Board (GASB) Statement #34.

The effect of implementing GASB #34 required the Utilities to record financial information on a full accrual basis, as displayed on the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.

The financial statements include the following:

- 1) Segregation of assets that are restricted by third parties.
- 2) Net position is divided into three categories:
  - a) Net investment in capital assets
  - b) Restricted
  - c) Unrestricted

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 1. Organization and Significant Accounting Policies (Continued)

Valuation of capital assets:

The basis of the utility plant in service consists of a 1944 appraisal made by Black and Veatch, consulting engineers, for the electric and water systems, a 1954 appraisal made by Henningson, Durham and Richardson, Inc. for the pollution control/waste water treatment system and the book value of assets received in 1954, the time of consolidation for the gas system. Additions since these dates are at cost. In accordance with FERC requirements, contributions in aid of construction had been used to reduce the cost basis of fixed assets of the electric and gas systems through December 31, 2000. After January 1, 2001, the contributions in aid of construction are included in the statements of revenue and expenses, as directed by Governmental Accounting Standards Statement #33.

The Utilities uses a work order system of accounting for new construction. Under this system, the cost of a project is accumulated in a Construction Work in Progress Account. Upon completion of the project, the total cost is transferred to the appropriate Utility Plant in Service Account.

Depreciation, amortization, and maintenance:

The provision for depreciation is computed at an overall straight-line composite rate of approximately 3.0 for the year ended September 30, 2017 and 2.2% for the nine months ended September 30, 2016. Depreciation expense taken during the year ended September 30, 2017 was \$9,679,896 and for the nine months ended September 30, 2016 was \$7,110,675.

The Utilities charges maintenance and repairs, including the cost of minor renewals of property, to maintenance expense. Replacements of property (except minor replacements) are charged to Utilities plant accounts. Upon retirement of property, the cost of property is removed from the plant accounts and charged to a reserve for depreciation, and the related salvage, net of removal costs, is credited thereto.

Revenue recognition:

Revenue is recorded on the basis of bills rendered on a cycle basis throughout the month. Unbilled revenues, representing estimated consumer usage for the period between the last billing date and the end of the period, are accrued in the period of consumption.

Inter-departmental sales:

Inter-departmental sales have not been eliminated on the total Utilities operating statements.

Investment securities:

Securities are stated at amortized cost which does not differ substantially from market value.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 1. Organization and Significant Accounting Policies (Continued)

Inventories:

Inventories are valued at cost or weighted average cost.

Income taxes:

The Utilities is exempt from federal and state income taxes.

Uncollectible accounts:

The Utilities estimates that uncollectible accounts will be less than .10% of sales annually. No provision has been made for estimated uncollectible accounts.

Cash and cash equivalents:

For purposes of reporting cash flows, the Utilities considers all highly liquid investments and similar instruments purchased with original maturities of three months or less from the date of acquisition, to be cash and cash equivalents.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Rate Matters

Rates are set by the City Council.

Electric System billings include a fuel adjustment clause which provides for the inclusion in rates of the fluctuations in cost of fuel and purchased power over base amounts approximately two months after fuel is consumed and power purchased.

Electric rates were last increased by 5% on January 1, 2016.

Water rates increased by 12% on January 1, 2016, by 12% on October 1, 2016 and by 10% on October 1, 2017.

Gas billings include a purchase gas adjustment factor which reflects changes in the price of wholesale natural gas approximately one month after the increase is effective to the Utilities.

Sewer rates increased by 8% on January 1, 2016, by 8% on October 1, 2016 and by 8% on October 1, 2017.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 3. Segregated Funds and Special Cash Deposits

Electric System:

Under the terms of the revenue bond ordinance, all income and revenue of the Electric System may be used only for specified purposes as provided in the bond ordinance in the priority indicated by the order of the following:

1) Electric Revenue Fund

In each month there shall be reserved in the Electric Revenue Fund such amount as may be necessary to pay the operating expenses during the ensuing month, which amounts so reserved shall be used for and applied to such payments in such month or, to the extent not so applied in succeeding months.

2) Debt Service Account

Specific monthly deposits to the account are required in the amount of 1/12 of the principal of all bonds maturing on or before the following January 1, plus 1/6 of the interest becoming due on the next succeeding interest payment date on all outstanding bonds until the full amount of the net requirements have been accumulated in each fiscal year.

3) Reserve Account

There shall be deposited to the Reserve Account, an amount equal to the maximum amount required to be paid into the Debt Service Account from revenues in any fiscal year. The maximum amount, as computed, of \$4,569,255 was on deposit at September 30, 2017 and September 30, 2016.

4) Capital Improvement Fund

There shall be deposited monthly into the Capital Improvement Fund an amount at least equal to 1/12 of 10% of the average annual operating revenues for the preceding three fiscal years after deducting therefrom "fuel" expense and the energy related components of "purchased power" expense. Amounts deposited in the fund shall be expended for replacements, enlargements, extensions, and betterments of the System, or if not so expended within two years of the date of deposit thereon, shall be used as soon as reasonably possible for the purchase or cancellation or redemption of bonds in advance of maturity. Capital Improvement Fund requirements were \$2,332,056 for the year ended September 30, 2017 and \$1,642,014 for the nine months ended September 30, 2016. Actual Capital Improvements made in the year ended September 30, 2017 were \$2,775,502 and in the nine months ended September 30, 2016 were \$3,045,540.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 3. Segregated Funds and Special Cash Deposits, cont.

The Electric System also maintains the following special accounts:

1) Insurance Fund

A special electric insurance fund was established in 1986 in the amount of \$500,000, increased to \$1,000,000 in 1987, increased to \$1,500,000 in 1988, increased to \$2,000,000 in 1990 and increased to \$2,010,000 in 1997 for the sole and exclusive purpose of insuring property which otherwise would have been insured under lower deductible amounts in the building and contents insurance policy and boiler and machine insurance policy. This electric insurance fund can be used only in the event of a loss in the electric department which would otherwise have been paid by an insurance carrier had there been no deductible or a deductible of a lesser amount and only with the approval of the approval of the City Council of the City of Hastings.

2) Rate Stabilization Fund

The Utilities established a rate stabilization fund in March of 1996. The funds above those needed to meet current reserve requirements as determined by the City Council will be accumulated and used to pay a portion of the costs of anticipated major capital facilities or as otherwise directed by the City Council.

3) Closure/Post Closure Care Account

In 2001, the Utilities entered into an agreement with the Nebraska Department of Environmental Quality to establish a Closure/Post Closure Care Account. The purpose of this account is to accumulate sufficient monies to fund all related costs of closure and post closure of the ash disposal area at the Whelan Energy Center. Monies are deposited into this account at a rate \$2.50 per ton of ash put into the disposal area. The calculated amount of the Closure/Post Closure liability was \$1,139,293 at September 30, 2017 and \$1,088,612 at September 30, 2016. The amount on deposit in the Closure/Post Closure Care Account was \$996,715 at September 30, 2017 and \$946,034 at September 30, 2016.

Combined System:

Under the terms of the revenue bond ordinance, the revenues and earnings of the Combined Utility System are pledged for the payment of principal and interest on the Series 2006 and 2012 bonds and the following special accounts are required:

1) Bond Payment Fund

Specific monthly deposits to the account are required in the amount of 1/6 of the next maturing semiannual interest payment, plus an amount equal to 1/12 of the next maturing principal payment.

2) Debt Service Reserve Fund

The Series 2006 bonds require that \$450,389 be maintained in this fund. The Series 2012 bonds require that \$1,353,500 be maintained in this fund. At September 30, 2016 and December 31, 2015 the required amounts were on deposit in this fund.



CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 3. Segregated Funds and Special Cash Deposits, cont

The Combined System maintains other special accounts for the following purposes:

1) Customer Deposits  
To account for refundable customer security deposits.

2) Insurance Fund

A special combined insurance fund was established in 1986 in the amount of \$250,000, increased to \$500,000 in 1987, increased to \$750,000 in 1988 and increased to \$1,000,000 in 1990 for the sole and exclusive purpose of insuring property which otherwise would have been insured under lower deductible amounts in the building and contents insurance policy fund. This special combined insurance fund can be used only in the event of a loss in the gas, water or pollution control departments which would otherwise have been paid by an insurance carrier had there been no deductible or a deductible of a lesser amount and only with the approval of the City Council of the City of Hastings.

3) Rate Stabilization Fund

The Utilities established a rate stabilization fund in November of 1995. The funds above those needed to meet current reserve requirements as determined by the City Council will be accumulated and used to pay a portion of the costs of major capital facilities or as otherwise directed by the City Council.

Note 4. Long-Term Debt and Deferred Inflows of Resources

Long-term debt and deferred inflows of resources consists of the following:

<u>ELECTRIC SYSTEM</u>	2017	2016
Revenue Bonds - 2011 Issue		
Serial Bonds:		
.7% - 3.796%, due 2012 - 2019	\$ 8,140,000	\$ 12,040,000
Unamortized Original Issue Discount	(2,658)	(5,492)
Unamortized Original Issue Premium	31,778	114,474
Unamortized Deferred Amount From Advanced Refunding	<u>(44,959)</u>	<u>(116,958)</u>
	\$ 8,124,161	\$ 12,032,024
Less current portion	<u>(4,120,000)</u>	<u>(3,900,000)</u>
Net long-term debt and deferred inflows of resources - Electric System	<u>\$ 4,004,161</u>	<u>\$ 8,132,024</u>

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 4. Long-Term Debt and Deferred Inflows of Resources, cont.

On April 25, 2011 the City of Hastings passed ordinance No. 4293 authorizing and providing for the issuance of Electric Utility Revenue Refunding Bonds, Series 2011. The bonds were issued for \$24,960,000, with an average interest rate of 3.78% to advance refund \$26,365,000 of outstanding 2001 Electric Utility Revenue Refunding Bonds with an average interest rate of 5.42%. The net proceeds of \$25,663,571 (after receipt of \$1,031,485 Original Issue Premium, less \$30,932 Original Issue Discount, less \$200,000 underwriting discount) plus \$909,848 transferred from the Electric Debt Service Account and \$340,852 transferred from the Electric Debt Reserve Fund were deposited with the 2001 bond Trustee and used to pay off the bonds and accrued interest on the bonds redeemed on June 1, 2011.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$859,594. This difference reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2018 using the effective interest method. The Utilities completed the advance refunding to reduce its total debt service payments over the next 7 years by \$2,578,240 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,117,395.

<u>COMBINED SYSTEM</u>	2017	2016
Revenue Bonds - 2006 Issue:		
Serial Bonds:		
3.55% - 4.50%, due 2007-2021	\$ 1,600,000	\$ 1,885,000
Term Bonds:		
4.50% due 2022-2026	2,010,000	2,010,000
Unamortized Original Issue Premium	915	1,117
Unamortized Original Issue Discount	(13,729)	(15,667)
	<u>3,597,186</u>	<u>3,880,450</u>
Revenue Bonds - 2012 Issue:		
Serial Bonds:		
1.00% - 4.00%, due 2013-2026	8,150,000	9,025,000
Term Bonds:		
3.250% due 2027-2032	3,960,000	3,960,000
4.000% due 2028-2032	1,610,000	1,610,000
Unamortized Original Issue Premium	475,067	560,918
Unamortized Original Issue Discount	(69,584)	(73,077)
Unamortized Amount Deferred from Refunding	(10,067)	(14,123)
	<u>14,115,416</u>	<u>15,068,718</u>
Total Combined System	17,712,602	18,949,168
Less current portion	<u>(1,190,000)</u>	<u>(1,160,000)</u>
Net long-term debt and deferred inflows of resources - Combined System	<u>\$16,522,602</u>	<u>\$17,789,168</u>

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 4. Long-Term Debt and Deferred Inflows of Resources (Continued)

The Series 2006 Combined Utility Revenue Refunding Bonds are subject to redemption prior to maturing anytime on or after April 15, 2016. The Series 2012 Combined Utility Revenue Bonds maturing on or after October 15, 2023 are subject to redemption prior to maturing anytime on or after October 15, 2022.

On April 24, 2006 the City of Hastings passed ordinance No. 4080 authorizing and directing the issuance of Combined Utility Revenue Bonds, Series 2006. The bonds were issued in the principal amount of \$6,000,000, with an average interest rate of 4.33%. The bonds were issued for the purpose of paying for a portion of the cost of certain capital improvements to the City's combined utility system. The net proceeds of \$5,834,415 (\$6,000,000 less original issue discount in the amount of \$31,350, bond insurance premium of \$62,000, underwriters discount of \$75,000, plus original issue premium of \$2,765) was transferred to the Construction fund.

On August 13, 2012 the City of Hastings passed ordinance No. 4327 authorizing and directing the issuance of Combined Utility Revenue Bonds, Series 2012. The bonds were issued in the principal amount of \$16,535,000, with an average interest rate of 3.40%. The bonds were issued for the purpose of advance refunding \$2,715,000 of outstanding 2001 Combined Utility Revenue Bonds and to pay for a portion of the cost of certain capital improvements to the Combined Utility System of the City. Of the net proceeds of \$17,249,334 (after receipt of \$965,735 Original Issue Premium, less \$86,051 Original Issue Discount, less \$165,350 underwriting discount) plus \$222,795 transferred from the Combined Debt Service Account and \$353,000 transferred from the Combined Bond Reserve Fund, \$2,768,808 was deposited with the 2001 Bond Trustee and used to pay off the bonds and accrued interest on the bonds redeemed on September 13, 2012, \$1,353,500 was transferred to the Combined Bond Reserve Fund and \$13,702,821 was transferred to the Combined Construction Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$35,200. This difference reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2021 using the effective interest method. The Utilities completed the advance refunding to reduce its total debt service payments over the next nine years by \$332,213 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$504,318.

Maturity requirements on long-term debt are as follows:

Bonds

Year Ending	Electric Bonds		Total
	Principal	Interest	
2018	4,120,000	255,580	4,375,580
2019	4,020,000	76,290	4,172,580
	<u>\$ 8,140,000</u>	<u>\$ 331,870</u>	<u>\$ 8,471,870</u>

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 4. Long-Term Debt and Deferred Inflows of Resources (Continued)

Year Ending	Combined Bonds		
	Principal	Interest	Total
2018	\$ 1,190,000	\$ 603,485	\$ 1,793,485
2019	1,215,000	572,780	1,787,780
2020	1,250,000	541,175	1,791,175
2021	1,145,000	501,688	1,646,688
2022	1,285,000	451,725	1,736,725
2023-2027	5,675,000	1,565,775	7,240,775
2028-2032	4,555,000	590,331	5,145,331
2033	1,015,000	17,769	1,032,769
	<u>\$ 17,330,000</u>	<u>\$ 4,844,728</u>	<u>\$ 22,174,728</u>

Note 5. Pension Plan, Sick Leave and Deferred Compensation

Pension Plan:

All employees of the Utilities meeting certain age and length of service requirements are members of a contributory pension plan administered by the City. Total pension expense to the Utilities was \$1,102,117 for the year ended September 30, 2017 and \$736,851 for the nine months ended September 30, 2016. The pension plan is a defined contribution plan and all funding is current. Employee contributions are matched by the City at 4% up to \$20,000 of wages and then 8% thereafter.

Sick Leave:

The Utilities adopted a resolution on November 2, 1990, effective January 1, 1991, allowing utility employees who have been employed for a period of not less than ten continuous years by the Utilities to receive accumulated medical leave upon termination. The amount of compensation is to be 25% of accumulated medical leave. This rate remains in effect for those employees with less than 20 years of service. As of December 28, 2014, this rate was changed to 50% of unused medical leave for employees with 20 continuous years of service or more. Accrued sick leave for the year ended September 30, 2017 decreased by \$10,998 and decreased by \$91,719 for the nine months ended September 30, 2016.

The Utilities also adopted a policy to pay 25% of unused sick pay in excess of 120 days on an annual basis. This policy became effective January 1, 1991. Effective January 1, 2009, the policy was changed to pay 25% of unused sick leave in excess of 132.5 days.

Deferred Compensation:

The Utilities offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Utilities employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. No contributions are made to the plan by the Utilities.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 6. Long-Term Contracts

MEAN Participation Agreement:

As of February 23, 1983, the Utilities entered into a Participation Power Sales Agreement with the Municipal Energy Agency of Nebraska (MEAN). MEAN may purchase up to 6.95% of the power generated by the Whelan Energy Center #1 (WEC #1) for the longer of: 1) the time until the final maturity date of the debts to construct, improve or add to the component facilities of WEC #1 or, 2) the City removes WEC #1 and the part of the City's transmission system in which MEAN participates. MEAN will pay for all fuel related costs of generating the power it uses plus 6.95% of: 1) principal and interest costs of the bonded debt attributable to WEC #1, 2) the capital improvements to WEC #1 and related transmission systems, 3) fixed costs of operating and maintaining WEC #1 and the related transmission system, including taxes, 4) direct and allocated administrative and general costs associated with WEC #1, and 5) costs to prevent or correct unusual loss or damage to the WEC #1 system which are not insured or recovered from a third party.

City of Superior Agreement:

On February 16, 2017, the Utilities entered into an agreement with the City of Superior to provide electric capacity and energy starting January 1, 2018 through December 31, 2022. The capacity quantity begins at 2,300 KW in 2018 and increases over the term of the agreement to 6,800 KW in 2022.

Coal Supply Agreements:

On December 15, 2006, the Utilities entered into an agreement with AGP Corn Processing, Inc. (AGP) to supply coal to a truck loadout facility built and paid for by AGP on the Whelan Energy Center property. Upon completion of the truck loadout facility, the facility was given to the Utilities, with AGP being responsible for the costs to operate and maintain the facility. The agreement is for a sixteen year period beginning on April 1, 2007. Coal deliveries commenced in August of 2008. AGP is obligated to buy annually not less than 100,000 tons and not to exceed 160,000 tons of coal from the Utilities. As a result of an agreement with AGP entered into on December 23, 2013, the minimum annual coal purchase requirement was reduced to 70,000 tons.

On July 27, 2010, the Utilities entered into an agreement with Chief Ethanol Fuels Inc. (Chief) to supply a minimum of 35,000 tons of coal a year. This coal is to be delivered to the Truck Load Out facility located at WEC. The term of the agreement runs from September 1, 2010 to December 31, 2015, and year to year thereafter. On July 14, 2016, an amendment was made to the agreement reducing the minimum annual coal purchase to 25,000 tons.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 6. Long-Term Contracts, cont.

Coal Contracts:

Peabody COALSALES, LLC

On October 16, 2013, the Utilities entered into an agreement with Peabody COALSALES, LLC (Peabody) for the purchase of coal for the period of January 1, 2014 through December 31, 2016. The agreement was for the purchase of 600,000 tons of coal each year. On October 1, 2016, the Utilities entered into an agreement with Peabody for the purchase of coal for the period beginning January 1, 2017 through December 31, 2018. The agreement included the purchase of an additional 100,000 tons of coal in 2016, and 600,000 tons in 2017 and 2018. On December 19, 2016, the agreement was amended to increase the 2017 volume to 647,000 tons. On July 11, 2017 an amendment was executed for the purchase of an additional 350,000 tons and as of September 30, 2017 approximately 82,500 tons remained to be purchased in calendar year 2017.

The Burlington Northern and Santa Fe Railway Company

On September 25, 2006, the Utilities entered into an agreement with The BNSF Railway Company for the transportation of coal for the period of January 1, 2007 through December 31, 2007. The agreement has a minimum annual tonnage requirement of 250,000 tons. This agreement was extended through December 31, 2008. This agreement was further extended through December 31, 2009. This agreement was extended through December 31, 2010 with the minimum volume to be 100% of coal received at the plant site during 2010. The agreement was extended through December 31, 2011. The agreement was further extended through December 31, 2013. On March 8, 2013, the agreement was extended through December 31, 2018 and set a minimum annual tonnage requirement of 600,000 tons.

Natural Gas Contracts:

Central Plains Energy Project

On September 25, 2006, the Utilities executed an Interlocal Agreement to enter into the joint entity known as the Central Plains Energy Project (CPEP). CPEP was created between and among public agencies to achieve savings and enhanced reliability, efficiency and supply security through the joint purchase of natural gas and the arrangement of joint services on behalf of its participant members and certain other public agencies. CPEP's members include the Metropolitan Utilities District in Omaha, Nebraska, the Municipal Gas Utility of the City of Cedar Falls, Iowa and the City of Hastings.

On July 1, 2009, the Utilities entered into a thirty (30) year Gas Supply Agreement (GSA) with CPEP Project No. 2 for approximately 25% of the Utilities ten (10) year historical average annual natural gas consumption. To provide the natural gas supply for the GSA, CPEP entered into a thirty (30) year term Prepaid Natural Gas Purchase and Sale Agreement (Agreement) with the Royal Bank of Canada (RBC) for delivery of natural gas to CPEP.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 6. Long-Term Contracts (Continued)

On January 30, 2014, RBC filed a Complaint in the United States District Court for the District of Nebraska (Court) seeking a declaration that RBC be entitled to terminate the Agreement with CPEP as a result of changes in applicable banking and regulatory authorities, which RBC claimed to have a material, adverse effect on the transaction. CPEP disagreed that the regulatory changes RBC cited would result in a material, adverse effect on the transaction, and filed an Answer and Counterclaim with the Court asking for damages from RBC as a result of anticipatory breach of the Agreement.

Prior to the matter being heard by the Court, RBC and CPEP negotiated a settlement where RBC would provide the funds necessary and redeem all outstanding bonds associated with the 2009 issue; issuance of new bonds to effectuate a five (5) year term fixed discount Prepaid Transaction between RBC and CPEP; and certain cash payments to CPEP. CPEP in turn entered into a new GSA with the Utilities for a five (5) term that shall run from November 1, 2014 through October 31, 2019, and provides for delivery of the same monthly volumes received previously. Prior to the end of the five year term RBC and CPEP may negotiate to extend the Agreement for a mutually agreeable term and fixed discount rate. If these negotiations are unsuccessful, the Agreement will terminate effective October 31, 2019. In the event an extension of the Agreement between RBC and CPEP is negotiated, the Utilities, in its sole discretion, has the option of whether it wishes to extend the term of its GSA with CPEP, incorporating the new term and discount rate, or cease taking deliveries effective October 31, 2019.

Trailblazer Pipeline Company LLC

The Utilities signed a firm natural gas transportation contract running through September 30, 2015 with the Trailblazer Pipeline Company LLC (Trailblazer). The Maximum Daily Quantity (MDQ) under the contract is 14,840 Dth/day. As a result of a 2010 rate settlement with Trailblazer, the Utilities had a unilateral one-time right to roll over its contract for a term of between one and 10 years. Hastings Utilities had the ability to exercise its Contractual Rollover Right at any time during the term of the original contract, but not later than six months prior to the expiration. During 2015, the contract was extended through September 30, 2025.

Tall Grass Interstate Gas Transmission LLC

The Utilities also has a long term firm natural gas transportation contract with Tall Grass Interstate Gas Transmission LLC. The contract originated on October 1, 1993 with the current contract term running through August 31, 2021. The Maximum Daily Quantity (MDQ) is 16,000 Dth/day.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 6. Long-Term Contracts, (Continued)

Power Purchase Agreement:

CCC-Hastings Renewable Energy, LLC

On August 31, 2016, the Utilities executed a Power Purchase Agreement (PPA) with CCC-Hastings Renewable Energy, LLC (HRE), to purchase the entire output of a 1.7 MW General Electric wind turbine. The PPA has a 25 year term with an option for Utilities to extend thereafter. The wind turbine is located on property owned by the Central Community College and is interconnected to the Utilities' electric distribution system. Per the terms of the PPA, HRE was responsible for obtaining all required permits, turbine construction oversight and payment of all costs to construct the turbine and interconnection facilities. HRE will also own, operate and have cost responsibility to maintain the wind turbine and interconnection facilities going forward. The wind turbine began commercial operation on December 29, 2016.

Wind Power Purchase Agreement:

Central Community College

On August 31, 2016, the Utilities executed a Wind Power Purchase Agreement (WPPA) with Central Community College (CCC) which will provide for the Utilities to sell CCC energy purchased by the Utilities from a wind turbine owned by CCC-Hastings Renewable Energy, LLC (HRE). The intent of the WPPA is for the Utilities to provide up to 100% of CCC's energy needs at its Hastings' campus with energy produced by the wind turbine. In addition, CCC will receive a portion of the Renewable Energy Credits generated by the wind turbine. The WPPA is to remain in force for a term that coincides with the Power Purchase Agreement between the Utilities and HRE, which is currently 25 years.

Note 7. Deposits/Investments

Credit Risk:

The Utilities policy limits investments to those type investments allowed by State Statute. Those items include: Certificates of deposits, where institutions have adequately pledged assets for any funds on deposit in excess of Federal Depository Insurance limits; Bonds and debentures issued by any of the twelve federal land banks, the twelve intermediate banks, or the thirteen banks for cooperatives under the supervision of the Farm Credit Administration, or in interest bearing bonds or the obligations of the United States.

Concentration of Credit Risk:

The Utilities investment policies limits investments to those institutions that have adequately pledged assets to cover any amounts on deposit in excess of Federal Depository Insurance and to investments that are backed by the federal government, as listed in State Statute.



CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 7. Deposits/Investments (Continued)

Interest Rates Risk:

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Utilities investment policies includes reviewing that market conditions and investment securities are analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates.

	INVESTMENT MATURITIES (IN YEARS)				TOTAL
	< 1	1-5	5-10	10+	
US Treasury Bills	\$ 4,027,039	\$ --	\$ --	\$ --	\$ 4,027,039
US Treasury Notes	917,776	3,667,213	--	--	4,584,989
CD's	4,700,000	4,064,000	--	--	8,764,000
GNMA	--	72,558	--	168,291	240,849
	<u>\$ 9,644,815</u>	<u>\$ 7,803,771</u>	<u>\$ --</u>	<u>\$ 168,291</u>	<u>\$17,616,877</u>

Interest Rates Risk (continued):

Details of cash and cash equivalents and investments as presented in the balance sheet are as follows:

Current assets included in the following:

	Cash & Cash Equivalents	Investments
Electric System:		
Rate Stabilization	\$ 1,302,538	\$ 1,233,745
Revenue Fund	16,110,329	2,500,000
Insurance Fund	--	2,010,000
	<u>17,412,867</u>	<u>5,743,745</u>
Combined System:		
Economic Development Fund	2,488,000	--
Rate Stabilization	10,788,045	1,103,322
Health Insurance Claims	4,614,919	--
Revenue Fund	272,458	--
Insurance Fund	--	1,000,000
Customer Deposits	138,160	200,000
Petty Cash	650	--
General Operating	10,593,685	--
Payroll Fund	1,325,000	--
	<u>30,220,917</u>	<u>2,303,322</u>

Note 7. Deposits/Investments (Continued)

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Restricted assets consisted of the following:

	<u>Cash &amp; Cash Equivalents</u>	<u>Investments</u>
Electric System:		
Reserve Account	25,694	4,584,989
Ash Disposal Closure/ Post-Closure Care	996,715	--
Debt Service Account	2,267	3,180,821
	1,024,676	7,765,810
Combined System:		
Debt Service Reserve Fund	--	1,804,000
Bond Payment Fund	1,348,620	--
	\$ 1,348,620	\$ 1,804,000

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and September 30, 2016

Note 8. Capital Assets and Construction in Progress

	Property, Plant & Equipment			
	09/30/16	Increases	Decreases	09/30/17
<b>Non-Depreciable Assets:</b>				
Electric - Land and land rights	\$ 2,151,550	\$ --	\$ --	\$ 2,151,550
Combined				
Gas - Land and land rights	371,163	--	--	371,163
Water - Land	1,308,363	--	--	1,308,363
Pollution Control - Land and land righ	2,431,592	--	--	2,431,592
Total Non-Depreciable Assets	6,262,668	-	-	6,262,668
<b>Depreciable Assets:</b>				
Electric	180,785,541	2,514,867	(880,231)	182,420,177
Electric Non-Utility Plant	15,866,333			15,866,333
	196,651,874	2,514,867	(880,231)	198,286,510
Combined				
Gas	32,666,859	816,175	(137,141)	33,345,893
Water	34,284,956	5,683,396	(329,008)	39,639,344
Pollution Control	60,666,882	2,230,656	(64,086)	62,833,452
Street Lighting	1,509,424	123,295		1,632,719
Administrative	755,257	116,620	(100,556)	771,321
	129,883,378	8,970,142	(630,791)	138,222,729
Total Depreciable Assets	326,535,252	11,485,009	(1,511,022)	336,509,239
Total Capital Assets	\$ 332,797,920	\$ 11,485,009	\$ (1,511,022)	\$ 342,771,907
<b>Construction in Progress</b>				
	<u>09/30/16</u>	<u>Net Change</u>		<u>09/30/17</u>
Electric	\$ 1,580,397	\$ 713,040		\$ 2,293,437
Combined	6,808,878	(401,712)		6,407,166
Total Construction in progress	\$ 8,389,275	\$ 311,328		\$ 8,700,603

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and September 30, 2016

Note 8. Capital Assets and Construction in Progress

Accumulated Depreciation				Net Property, Plant & Equipment	
09/30/16	Increases	Decreases	09/30/17		
				\$ 2,151,550	Non-Depr. Assets: Electric
				371,163	Gas
				1,308,363	Water
				2,431,592	Pollution Control
				<u>6,262,668</u>	Total Non-Depr. Assets
				67,573,151	Depreciable Assets: Electric
\$ 110,182,772	\$ 5,068,308	\$ (404,054)	\$ 114,847,026	11,086,670	
4,086,891	692,772		4,779,663	78,659,821	
<u>114,269,663</u>	<u>5,761,080</u>	<u>(404,054)</u>	<u>119,626,689</u>		
26,151,576	1,543,428	(113,966)	27,581,038	5,764,855	Gas
7,590,298	550,824	(136,854)	8,004,268	31,635,076	Water
25,133,905	1,778,022	(2,754)	26,909,173	35,924,279	Pollution Control
144,999	30,606		175,605	1,457,114	Street Lighting
648,283	15,936	13,052	677,271	94,050	Administrative
<u>59,669,061</u>	<u>3,918,816</u>	<u>(240,522)</u>	<u>63,347,355</u>	<u>74,875,374</u>	
173,938,724	9,679,896	(644,576)	182,974,044	153,535,195	Total Deprec.
<u>\$ 173,938,724</u>	<u>\$ 9,679,896</u>	<u>\$ (644,576)</u>	<u>\$ 182,974,044</u>	<u>\$ 159,797,863</u>	Total Capital Assets

Summary of changes for prior year, 1/1/2016 through 9/30/2016			
	Jan. 1, 2016	Change	Sept. 30, 2016
Total Assets			
Electric	\$ 180,128,435	\$ 2,808,656	\$ 182,937,091
Elec Non Ut Plant	15,866,333		15,866,333
Combined		-	
Gas	32,444,144	593,878	33,038,022
Water	35,046,170	547,149	35,593,319
PCF	62,456,754	641,720	63,098,474
St. Lights	1,440,331	69,093	1,509,424
Admin	757,099	(1,842)	755,257
	<u>132,144,498</u>	<u>1,849,998</u>	<u>133,994,496</u>
Total Assets	<u>\$ 328,139,266</u>	<u>\$ 4,658,654</u>	<u>\$ 332,797,920</u>
Const in Progress			
Electric	\$ 1,479,551	\$ 100,846	\$ 1,580,397
Combined	1,988,711	4,820,167	6,808,878
	<u>\$ 3,468,262</u>	<u>\$ 4,921,013</u>	<u>\$ 8,389,275</u>

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Beginning with the year ended December 31, 1991, the Utilities has allocated the combined system's administration's other income to the operating departments of the combined system.

Note 10. Environmental Remediation

At present there is an ongoing investigation in the Hastings area of groundwater contamination. The investigation is being conducted by the United States Environmental Protection Agency (EPA). The City of Hastings (the City) has been named as a potentially responsible party at three of the seven designated subsites, and has some involvement at the four remaining subsites by virtue of its ownership and operation of public facilities. Additionally, the City and other parties are responsible for what is known as the Area Wide Operable Unit, which is an overlay of six of the seven subsites. The City's liability at three of these subsites, and for the Area Wide Operable Unit, will be in the form of annual maintenance and operating costs of remediation equipment and improvements (such as landfill covers). The cost is projected at somewhere between \$100,000 and \$150,000 per year, although much of such costs will be satisfied by in-kind services provided by City staff. The City's obligation on one sub-site, Operable Units 12 and 20 of the 2<sup>nd</sup> Street Sub-site, in which the City had been designated the only potentially responsible party, has been settled by a consent decree in the amount of \$14,130,572. However, upon receipt of a cash settlement of \$1,000,000, in-kind services in the amount of \$1,700,000, and 49.6% of any insurance recovery, the City will be deemed to have met this obligation. The cash obligation and insurance recovery have been paid. The City and the utilities have provided approximately \$641,000 of in-kind services. On June 4, 2017, the State took over the groundwater (down-gradient) operable unit (OU20) and the City will no longer provide in-kind services on OU20. The EPA is continuing to monitor/operate source control operable unit (OU12) and informed the City to cease all in-kind services on June 30, 2017; nevertheless, the City is willing to continue to provide any additional in-kind services as requested by the EPA in order to reduce the expected remaining liability of \$1,059,497 pursuant to the Consent Decree. However at September 30, 2017, the City of Hastings General Operating Fund had accrued a liability of \$1,059,497.

Note 11. Transfers To City's General Fund

Electric System

In Lieu of Tax Payment:

The transfer to the general fund of the City for the year ending September 30, 2018 is calculated as five and six/tenths percent (5.6%) of the retail revenues of the Electric System for the year ended September 30, 2017. This amount is calculated to be \$2,116,148. The transfer to the general fund of the City for the period January 1 to September 30, 2017 was calculated as five and six/tenth percent (5.6%) of the operating revenues of the Electric System for the nine months ended September 30, 2016. This amount is calculated to be \$1,532,545.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 11. Transfers to City's General Fund (Continued)

Combined System

In Lieu of Tax Payment:

The City withdraws monthly from combined funds for payment to the General Fund of the City an amount equal to 1/12 of 4% of operating revenues for the preceding years, except as of April 1, 1996 the water department percentage was changed to 1/12 of 5.14% of operating revenues for the preceding year. For the year ending September 30, 2018 the total amount of in lieu of tax payments are calculated to be \$861,879 based on the operating revenues for the year ended September 30, 2017. For the period January 1 to September 30, 2017 the total amount of in lieu of tax payments were calculated to be \$588,263, based on the operating revenues for the nine months ended September 30, 2016.

Resolution #1344:

On July 22, 1991 resolution #1344 was passed by the City Council to transfer from the Gas Department and the Water Department of the Combined System to the City's General Fund 2.5% of the total revenues of the previous year. This amount will be in addition to the current in lieu of tax payments. The payment for the year ended September 30, 2017 is \$351,718. The payment for the nine months ended September 30, 2016 is \$231,719.

Note 12. Rebate (Arbitrage) Payment Requirements

The Utility is subject to a potential rebate payment on investment earnings in excess of an allowable amount under Internal Revenue Code Section 148. The accounts subject to this potential rebate are the Debt Service Fund and Bond Reserve Fund in the Electric System, and Bond Payment Fund and the Debt Service Reserve Fund in the Combined System. At the present time, no accruals have been made as any amounts have been determined to be immaterial.

Note 13. Public Power Generation Agency Financial Commitment

On October 25, 2006, the Utilities entered into an Amended and Restated Participation Agreement with the Public Power Generation Agency (PPGA). PPGA was formed under the Interlocal Cooperation Act of the State of Nebraska to construct and operate Whelan Energy Center Unit 2 (WEC 2), a 220 megawatt (MW) coal-fired electric generating plant located at the existing Whelan Energy Center. The Agreement entitles the Utilities to 35 MW of capacity (or 15.9%) of the estimated 220 MW capacity of WEC 2. Under the terms of the Agreement, the Utilities has been selected to be the Project Construction Manager and Project Operating Agent for WEC 2. WEC 2 began commercial operation on May 1, 2011.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 14. Future Partial Assignment of Energy

The Utilities entered into agreements with Heartland Consumers Power District (HCPD) and with Municipal Energy Agency of Nebraska (MEAN) on May 29, 2008 and June 9, 2008, respectively; for the partial assignment of future energy resources. Each of the parties are members of the Public Power Generation Agency (PPGA), which constructed a 220 megawatts (MW) maximum net output coal-fired electric generation facility and associated transmission facilities known as Whelan Energy Center #2 (WEC #2). The members of PPGA are each entitled to a share of the MW output of the facility. The MW output for HU is 35 MW. HU anticipated that it would initially not need all of the energy that it was entitled to. HU entered into the future partial assignment of MW output with HCPD and MEAN as follows:

	HCPD	MEAN
Commercial operation date through April 2013	15	15
May 2013 through April 2014	13	12
May 2014 through April 2015	10	10
May 2015 through April 2016	7	8
May 2016 through April 2017	5	5
May 2017 through April 2018	3	2

Note 15. Risk Management

The Utilities is subject to various risks of loss related to general liability and property insurance. The Utilities has purchased commercially available indemnity insurance to cover their risks. The Utilities has also established insurance funds so that they can maintain higher deductible amounts. The amount of insurance settlements has not exceeded insurance coverage in the past three years.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 16. Net Position

As prescribed under GASB #63 equity is divided in three categories: (1) Net investment in capital assets; (2) Restricted; (3) Unrestricted.

	<u>Electric</u>		<u>Combined</u>	
	9/30/2017	9/30/2016	9/30/2017	9/30/2016
Net investment in capital assets:				
Net plant in service	\$ 69,724,701	\$ 72,754,319	\$ 78,986,492	\$74,325,435
Construction in progress	2,293,437	1,580,397	6,407,166	6,808,878
Deferred Charges	144,312	155,914	2,750	259,219
Misc. Deferred Credits	(1,191,058)	(1,136,449)	(568,006)	(734,521)
Revenue Bonds	(8,140,000)	(12,040,000)	(17,330,000)	(18,490,000)
Unamortized discount on bonds	(29,120)	(108,982)	(392,669)	(473,291)
Deferral from advanced refunding	44,959	116,958	10,067	14,123
	<u>62,847,231</u>	<u>61,322,157</u>	<u>67,115,800</u>	<u>61,709,843</u>
Restricted:				
Bond reserve fund	4,610,683	3,045,415	1,804,000	1,804,000
Debt service fund	3,183,088	4,639,914	1,348,620	1,333,338
	<u>7,793,771</u>	<u>7,685,329</u>	<u>3,152,620</u>	<u>3,137,338</u>
Unrestricted:	<u>38,161,049</u>	<u>37,309,374</u>	<u>32,559,605</u>	<u>32,102,647</u>
Total Net Position:	<u>\$108,802,051</u>	<u>\$106,316,860</u>	<u>\$102,828,025</u>	<u>\$96,949,828</u>



CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 17. Change in Year-End

On October 26, 2015, the City of Hastings passed Ordinance No. 4454 to amend Section 32-113 of the Hastings City code to change the fiscal year of the proprietary functions operated by Hastings Utilities to be the same fiscal year as the City of Hastings (October 1 to September 30) effective as of October 1, 2016.

Note 18. Nebraska Water Sustainability Fund Grant

On August 11, 2016, the City of Hastings entered into an agreement with the Nebraska Department of Natural Resources providing for a grant of \$4,410,000 for the Aquifer Storage and Restoration (ASR) project in the water department. The grant is pursuant to the Nebraska Water Sustainability Fund Grant Program. The grant provides for a sixty percent (60%) reimbursement of eligible costs of the project, up to a maximum reimbursement of \$4,410,000. As of September 30, 2017, requests for reimbursements totaling \$3,725,522 have been submitted, of which \$3,337,999 was received during the year ended September 30, 2017.

Note 19. Nebraska Department of Environmental Quality Loan

On September 11, 2017, the City of Hastings entered into a loan agreement with the Nebraska Department of Environmental Quality (NDEQ) to provide for financing of up to \$7,000,000 of construction costs related to the ASR project. The interest rate during the construction period is one half of a percent (0.5%), with the rate increasing to one and one quarter percent (1.25%) after the initiation of operations. In addition, a one percent (1%) per annum administrative fee is to be paid to the NDEQ, with the fee waived for the first year. The term of the loan is 20 years. As of September 30, 2017, no payment requests have been submitted to the NDEQ under the loan agreement.

Note 20. Loan from Gas Rate Stabilization Fund to Street Lighting

At the April 2, 2015 Board of Public Works meeting, the Utilities was authorized to transfer up to \$1,600,000 from the Gas Rate Stabilization Fund to the Street Lighting Department to be repaid over a five year period at an interest rate of 1%. The purpose of the transfer is to fund the conversion of the street lighting system to LED fixtures. At 9/30/16, the balance was \$600,000; at 9/30/17, \$900,000.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 21. Equity Restatements

Restatements have been made for the following:

Restate equity for bond discount fees and issuance costs that are no longer considered assets per GASB in FY2015, (\$66,505 for Electric Fund and \$212,352 for Combined Fund), and for adjusted accumulated ash disposal liability in FY2015 (\$142,578). Equity for the Combined Fund was also restated \$900,852 to accrue a receivable from the City of Hastings described in Note 22.

		Combined	Electric
12/31/2015	Equity as originally stated	\$94,785,028	\$104,800,242
	Restatement of bond discount fees	(212,352)	(66,505)
	Ash disposal liability recalculation	-	(142,578)
	Due from City of Hastings	900,852	-
12/31/2015	Restated equity	\$95,473,528	\$104,591,159

The 2016 bond discount amortization was decreased \$24,049 in the Electric Fund and \$18,621 in the Combined Fund.

Note 22. Due from City of Hastings

The City of Hastings and Hastings Utilities incurred significant legal expenses during negotiations with the EPA regarding the groundwater contamination described in Note 10. A large portion of the legal expenses were recovered by the City of Hastings from the City's and Hastings Utilities' insurance coverage. Based upon an agreement between the City and Hastings Utilities, half of the insurance recovery (\$900,852) is due back to Hastings Utilities, as both parties agreed to split the legal costs and insurance recovery equally.

Note 23. Contractual Commitments

Existing contractual commitments at 9/30/17 are with the following vendors: HDR Engineering, \$16,331, for ASR Inj. Well Pilot Study, est. completion 2/1/18; HDR Engineering, \$125,482, for Well 27 RO Treatment, est. completion 3/1/18; Eriksen Const., \$1,507,884, for Well 27 RO Treatment, est. completion unknown, Myers Const., \$114,151, water mains Ringland/Lakeside, est. compl. 2/1/18.

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

Note 24. Subsequent Events

Management has evaluated subsequent events through Feb 23, 2018, the date that the financial statements were available to be issued and is noting the following:

During December 2017, a \$1,248,818 contract for replacement of WEC 1 5KV switchgear and 480V SUS (B.I.2.01) with IES Commercial, Inc. was approved. Design and construction supervision by Black & Veatch on this project is expected to cost an additional \$300,000.

In January, 2018, a contract with Van Kirk Brothers was approved. Water and sewer mains for Lakeview 6<sup>th</sup> Addition are expected to be completed by December 31, 2018. Total contract is for \$223,429, with \$144,125 for water mains and \$79,304 for sewer mains.

## SUPPLEMENTARY INFORMATION

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

ELECTRIC SYSTEM  
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017	2016
OPERATING REVENUES		
Retail	\$ 35,094,323	\$ 25,845,605
Wholesale	2,694,042	1,521,275
Total operating revenues	37,788,365	27,366,880
OPERATING EXPENSES		
Production expenses:		
Fuel	6,276,748	4,768,958
Other	6,578,585	4,768,061
Purchased power	10,670,292	7,447,446
Transmission and distribution expense	1,818,747	1,142,144
General and administrative expenses:		
Direct	2,096,602	1,583,484
Indirect	2,938,907	2,076,470
Depreciation	4,867,008	3,591,873
Total operating expenses	35,246,889	25,378,436
Operating income	2,541,476	1,988,444
OTHER INCOME AND (EXPENSES)		
Interest income	172,065	141,601
Reimbursement from PPGA	5,708,672	4,103,628
Participation and capacity agreements	794,636	593,362
Miscellaneous income	5,818,113	3,244,462
Interest and amortization expense	(380,045)	(362,825)
Cost of services to PPGA	(5,708,672)	(4,103,628)
Non utility plant depreciation expense	(692,772)	(519,579)
Miscellaneous expenses	(3,866,785)	(2,082,903)
Total other income and expenses	1,845,212	1,014,118
CAPITAL CONTRIBUTIONS	214,651	255,684
TRANSFERS TO THE CITY	(2,116,148)	(1,532,545)
Change in net position as restated	\$ 2,485,191	\$ 1,725,701

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

COMBINED SYSTEMS  
DEPARTMENTAL STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017					Total	2016 Total
	Gas	Water	Pollution Control	Street Lighting	Adminis- tration		
Operating revenue	\$ 7,694,916	\$ 6,134,041	\$ 5,969,798	\$ 505,434	\$ --	\$ 20,304,189	\$ 13,841,758
Operating expenses	6,875,481	2,928,617	3,311,739	264,930	--	13,380,767	9,000,091
OPERATING INCOME BEFORE DEPRECIATION	819,435	3,205,424	2,658,059	240,504	--	6,923,422	4,841,667
Less depreciation	1,434,558	500,106	1,774,206	30,606	--	3,739,476	2,763,504
OPERATING INCOME (LOSS)	(615,123)	2,705,318	883,853	209,898	--	3,183,946	2,078,163
Add other income	144,478	96,523	75,384	541	--	316,926	365,069
Capital contributions	--	4,035,945	220,098	--	--	4,256,043	367,953
Deduct other expenses	(90,556)	(27,552)	(547,013)	--	--	(665,121)	(514,903)
Transfers to the City	(503,758)	(471,047)	(238,792)	--	--	(1,213,597)	(819,982)
CHANGE IN NET POSITION	\$ (1,064,959)	\$ 6,339,187	\$ 393,530	\$ 210,439	\$ --	5,878,197	1,476,300
Net position - beginning						96,048,976	94,785,028
Restatements							(212,352)
Net position - beginning, as restated							94,572,676
Net position - ending as restated						\$ 101,927,173	\$ 96,048,976

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

COMBINED SYSTEM - GAS  
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017	2016
<b>OPERATING REVENUES</b>		
Retail	\$ 7,694,916	\$ 4,726,876
Wholesale	--	--
Total operating revenues	7,694,916	4,726,876
<b>OPERATING EXPENSES</b>		
Production expenses:		
Fuel	4,333,328	2,590,037
Other	39,741	34,506
Transmission and distribution expense	1,037,668	819,279
General and administrative expenses:		
Direct	652,449	520,453
Indirect	772,839	518,843
Intra-City Services	39,456	41,307
Depreciation	1,434,558	1,057,257
Total operating expenses	8,310,039	5,581,682
Operating loss	(615,123)	(854,806)
<b>OTHER INCOME AND (EXPENSES)</b>		
Miscellaneous income	143,516	115,323
Reimbursement from PPGA	962	257
Miscellaneous expenses	(89,594)	(61,105)
Cost of services to PPGA	(962)	(257)
Total other income and expenses	53,922	54,218
<b>CAPITAL CONTRIBUTIONS</b>	--	--
<b>TRANSFERS TO THE CITY</b>	(503,758)	(310,130)
Change in net position	\$ (1,064,959)	\$ (1,110,718)

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

COMBINED SYSTEM - WATER  
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017	2016
OPERATING REVENUES		
Retail	\$ 6,063,060	\$ 4,310,496
Wholesale	70,981	47,792
Total operating revenues	6,134,041	4,358,288
OPERATING EXPENSES		
Production expenses	787,240	476,646
Operation of water treatment	4,486	--
Transmission and distribution expense	775,246	588,798
General and administrative expenses:		
Direct	657,620	252,504
Indirect	704,025	484,181
Depreciation	500,106	367,929
Total operating expenses	3,428,723	2,170,058
Operating income	2,705,318	2,188,230
OTHER INCOME AND (EXPENSES)		
Reimbursement from PPGA	275	4,870
Miscellaneous income	96,248	68,275
Cost of services to PPGA	(275)	(4,870)
Miscellaneous expenses	(27,277)	(27,321)
Total other income and expenses	68,971	40,954
CAPITAL CONTRIBUTIONS	4,035,945	265,865
TRANSFERS TO THE CITY	(471,047)	(334,680)
Change in net position	\$ 6,339,187	\$ 2,160,369

See Notes to Financial Statements



CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

COMBINED SYSTEM - POLLUTION CONTROL  
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017	2016
OPERATING REVENUES		
Retail	\$ 5,969,798	\$ 4,379,294
Total operating revenues	5,969,798	4,379,294
OPERATING EXPENSES		
Sewer treatment expenses	1,365,669	1,114,503
Sewer line expenses	567,354	414,499
General and administrative expenses:		
Direct	501,067	349,282
Indirect	877,649	569,196
Depreciation	1,774,206	1,316,385
Total operating expenses	5,085,945	3,763,865
Operating income	883,853	615,429
OTHER INCOME AND (EXPENSES)		
Interest income	18,052	9,372
Miscellaneous income	57,332	34,665
Gain (Loss) on Sale of Property	--	132,217
Interest and amortization expenses	(543,341)	(419,878)
Miscellaneous expenses	(3,672)	(1,472)
Total other income and expenses	(471,629)	(245,096)
CAPITAL CONTRIBUTIONS	220,098	102,088
TRANSFERS TO THE CITY	(238,792)	(175,172)
Change in net position as restated	\$ 393,530	\$ 297,249

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

COMBINED SYSTEM - STREET LIGHTING  
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017	2016
OPERATING REVENUES		
Street Lights	\$ 505,434	\$ 377,300
Total operating revenues	505,434	377,300
OPERATING EXPENSES		
Production:		
Operation and maintenance	62,734	55,147
Purchased power	173,811	142,293
General and administrative expenses:		
Indirect	28,385	28,617
Depreciation	30,606	21,933
Total operating expenses	295,536	247,990
Operating income	209,898	129,310
OTHER INCOME AND (EXPENSES)		
Miscellaneous income	541	90
Total other income and expenses	541	90
CAPITAL CONTRIBUTIONS	--	--
Change in net position	\$ 210,439	\$ 129,400

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

COMBINED SYSTEM - ADMINISTRATION  
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017	2016
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 7,569,768	\$ 5,620,809
Less: Overhead allocated	1,330,308	1,264,939
Reimbursement from PPGA	938,309	701,074
Reimbursement from EPS	<u>7,731</u>	<u>6,106</u>
Allocable expenses	5,293,420	3,648,690
ALLOCATION OF EXPENSES TO OPERATING DEPARTMENTS		
Electric	2,938,907	2,076,470
Gas	772,839	518,843
Water	704,025	484,181
Pollution Control	<u>877,649</u>	<u>569,196</u>
Total allocation	<u>5,293,420</u>	<u>3,648,690</u>
Operating expenses	<u>\$ -</u>	<u>\$ -</u>
OTHER INCOME		
Interest income	\$ 75,399	\$ 45,799
Miscellaneous income	<u>99,081</u>	<u>83,084</u>
Total other income	174,480	128,883
ALLOCATION OF OTHER INCOME TO OPERATING DEPARTMENTS		
Gas	110,777	81,480
Water	41,858	31,074
Pollution Control	21,304	16,239
Street Lighting	<u>541</u>	<u>90</u>
Total allocation	<u>174,480</u>	<u>128,883</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

COMBINED SYSTEM  
SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS  
September 30, 2017

Fiscal Years Ending September 30,	Series 2006 Principal	Series 2012 Principal	Annual Interest	Total Debt Service	Principal Balance Outstanding
2017					\$17,330,000
2018	\$ 300,000	\$ 890,000	\$ 603,485	\$ 1,793,485	16,140,000
2019	305,000	910,000	572,780	1,787,780	14,925,000
2020	320,000	930,000	541,175	1,791,175	13,675,000
2021	325,000	820,000	501,688	1,646,688	12,530,000
2022	350,000	935,000	451,725	1,736,725	11,245,000
2023	365,000	685,000	403,238	1,453,238	10,195,000
2024	380,000	710,000	358,575	1,448,575	9,105,000
2025	405,000	700,000	315,212	1,420,212	8,000,000
2026	420,000	770,000	269,750	1,459,750	6,810,000
2027	440,000	800,000	219,000	1,459,000	5,570,000
2028	--	830,000	179,613	1,009,613	4,740,000
2029	--	870,000	150,862	1,020,862	3,870,000
2030	--	910,000	119,650	1,029,650	2,960,000
2031	--	945,000	87,144	1,032,144	2,015,000
2032	--	1,000,000	53,062	1,053,062	1,015,000
2033	--	1,015,000	17,769	1,032,769	-
	<u>\$3,610,000</u>	<u>\$13,720,000</u>	<u>\$4,844,728</u>	<u>\$22,174,728</u>	

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

SCHEDULES OF ELECTRIC SYSTEM RECEIPTS AND DISBURSEMENTS  
BY FUNDS AND ACCOUNTS  
For the Year Ended September 30, 2017

	--- BOND FUND ---						
	Electric Revenue Fund	Debt Service Account	Debt Reserve Account	Capital Improvement Fund	Insurance Fund	Closure/ Post Closure Fund	Rate Stabilization Fund
<b>RECEIPTS</b>							
Revenues and other operating income	\$ 49,921,761	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Capital contributions	214,651	--	--	--	--	--	--
Investment income	172,575	--	--	--	--	--	--
Sale of capital assets	23,771	--	--	--	--	--	--
Transfer from:							
Debt service account	4,323,083	--	--	--	--	--	--
Debt reserve account	29,231	--	--	--	--	--	--
Rate stabilization fund	--	--	--	--	--	--	--
Capital improvement fund	2,332,056	--	--	--	--	--	--
Revenue fund	--	4,460,756	--	2,332,056	--	50,681	--
Total receipts	<u>57,017,128</u>	<u>4,460,756</u>	<u>-</u>	<u>2,332,056</u>	<u>-</u>	<u>50,681</u>	<u>-</u>
<b>DISBURSEMENTS</b>							
Operating costs	41,699,458	--	--	--	--	--	--
Purchase of fixed assets	2,775,502	--	--	--	--	--	--
Payments to City of Hastings	2,116,148	--	--	--	--	--	--
Bond interest and principal	4,317,242	--	--	--	--	--	--
Transfer to:							
Debt service account	4,460,756	--	--	--	--	--	--
Debt reserve account	--	--	--	--	--	--	--
Capital improvements fund	2,332,056	--	--	--	--	--	--
Revenue fund	--	4,323,083	29,231	2,332,056	--	--	--
Closure/post closure account	50,681	--	--	--	--	--	--
Total disbursements	<u>57,751,843</u>	<u>4,323,083</u>	<u>29,231</u>	<u>2,332,056</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	(734,715)	137,673	(29,231)	--	--	50,681	--
Cash and investments - beginning of year	19,345,044	3,045,415	4,639,914	--	2,010,000	946,034	2,536,283
<b>CASH AND INVESTMENTS - END OF YEAR</b>	<u>\$ 18,610,329</u>	<u>\$ 3,183,088</u>	<u>\$ 4,610,683</u>	<u>\$ --</u>	<u>\$ 2,010,000</u>	<u>\$ 996,715</u>	<u>\$ 2,536,283</u>
	*	**	**		*	**	*

\* Included in Current Assets - Cash and Cash Equivalents and Investments on Balance Sheet.

\*\* Designated as Restricted Funds on Balance Sheets.

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

SCHEDULES OF ELECTRIC SYSTEM RECEIPTS AND DISBURSEMENTS  
BY FUNDS AND ACCOUNTS  
For the Nine Months Ended September 30, 2016

	Electric Revenue Fund	- - - BOND FUND - - -		Capital Improvement Fund	Insurance Fund	Closure/ Post Closure Fund	Rate Stabilization Fund
		Debt Service Account	Debt Reserve Account				
<b>RECEIPTS</b>							
Revenues and other operating income	\$ 34,405,170	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Capital contributions	255,684	--	--	--	--	--	--
Investment income	161,788	--	--	--	--	--	--
Sale of capital assets	1,292	--	--	--	--	--	--
Transfer from:							
Debt service account	4,495,080	--	--	--	--	--	--
Debt reserve account	--	--	--	--	--	--	--
Rate stabilization fund	--	--	--	--	--	--	--
Capital improvement fund	1,642,014	--	--	--	--	--	--
Revenue fund	--	3,282,808	66,347	1,642,014	--	34,136	--
Total receipts	40,961,028	3,282,808	66,347	1,642,014	-	34,136	-
<b>DISBURSEMENTS</b>							
Operating costs	25,414,926	--	--	--	--	--	--
Purchase of fixed assets	3,045,540	--	--	--	--	--	--
Payments to City of Hastings	1,532,545	--	--	--	--	--	--
Bond interest and principal	4,495,081	--	--	--	--	--	--
Transfer to:							
Debt service account	3,282,808	--	--	--	--	--	--
Debt reserve account	66,347	--	--	--	--	--	--
Capital improvements fund	1,642,014	--	--	--	--	--	--
Revenue fund	--	4,495,080	--	1,642,014	--	--	--
Closure/post closure account	34,136	--	--	--	--	--	--
Total disbursements	39,513,397	4,495,080	-	1,642,014	-	-	-
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	1,447,631	(1,212,272)	66,347	-	-	34,136	-
Cash and investments - beginning of year	17,897,413	4,257,687	4,573,567	--	2,010,000	911,898	2,536,283
<b>CASH AND INVESTMENTS - END OF YEAR</b>	<b>\$ 19,345,044</b>	<b>\$ 3,045,415</b>	<b>\$ 4,639,914</b>	<b>\$ --</b>	<b>\$ 2,010,000</b>	<b>\$ 946,034</b>	<b>\$ 2,536,283</b>

\* Included in Current Assets - Cash and Cash Equivalents and Investments on Balance Sheet.

\*\* Designated as Restricted Funds on Balance Sheets. See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

ELECTRIC SYSTEM - SPECIAL FUNDS BALANCE SHEETS  
September 30, 2017

	- - - - BOND FUND - - - -		
	Debt Service Account	Reserve Account	Capital Improvement Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,267	\$ 25,694	\$ --
Investments	3,180,821	4,584,989	
<b>TOTAL ASSETS</b>	<b>3,183,088</b>	<b>4,610,683</b>	<b>-</b>
<b>CAPITALIZATION AND LIABILITIES</b>			
<b>CAPITALIZATION</b>			
City's equity:	3,183,088	4,610,683	-
<b>TOTAL CAPITALIZATION</b>	<b>3,183,088</b>	<b>4,610,683</b>	<b>-</b>
<b>LIABILITIES</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>3,183,088</b>	<b>4,610,683</b>	<b>-</b>

September 30, 2016

<b>ASSETS</b>			
Cash and Cash Equivalents	2,423	47,591	-
Investments	3,042,992	4,592,323	--
<b>TOTAL ASSETS</b>	<b>3,045,415</b>	<b>4,639,914</b>	<b>-</b>
<b>CAPITALIZATION AND LIABILITIES</b>			
<b>CAPITALIZATION</b>			
City's equity:	3,045,415	4,639,914	-
<b>TOTAL CAPITALIZATION</b>	<b>3,045,415</b>	<b>4,639,914</b>	<b>-</b>
<b>LIABILITIES</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 3,045,415</b>	<b>\$ 4,639,914</b>	<b>\$ --</b>

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

ELECTRIC SYSTEM  
SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS  
September 30, 2017

Fiscal Years Ending September 30,	Series 2011 Principal	Annual Interest	Total Debt Service	Principal Balance Outstanding
2017				\$ 8,140,000
2018	\$ 4,120,000	\$ 255,580	\$ 4,375,580	4,020,000
2019	<u>4,020,000</u>	<u>76,290</u>	<u>4,096,290</u>	--
	<u>\$ 8,140,000</u>	<u>\$ 331,870</u>	<u>\$ 8,471,870</u>	

See Notes to Financial Statements



CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

ELECTRIC SYSTEM  
DETAIL OF EXPENSES

For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017	2016
<b>PRODUCTION EXPENSES - OTHER</b>		
North Denver Station:		
Operation supervision and engineering	\$ 89,172	\$ 69,049
Steam expense	64,723	51,109
Electric expense	118,328	65,542
Miscellaneous steam power expense	10,467	8,099
Off duty	69,335	28,185
Maintenance of structures	12,618	63,724
Maintenance of boilers	166,615	139,491
Maintenance of electric plant	54,053	206,781
Maintenance of miscellaneous steam plant	11,323	19,056
Total North Denver Station	596,634	651,036
Whelan Energy Center:		
Operation supervision and engineering	187,110	128,415
Fuel unloading and handling	888,298	217,768
Steam expense	588,198	467,155
DCS Expense	51,471	20,341
Electric expense	675,687	495,004
Miscellaneous steam power expense	326,017	240,446
Off duty	870,184	678,934
Maintenance supervision and engineering	73,152	58,426
Maintenance of structures	184,686	112,029
Maintenance of boiler plant	1,576,879	1,322,719
Maintenance of fuel handling equipment	137,496	66,818
Maintenance of electric plant	257,051	197,620
Maintenance of miscellaneous steam plant	60,162	62,665
Maintenance of coal dozer	56,926	13,980
Total Whelan Energy Center	5,933,317	4,082,320
Don Henry Power Center:		
Generating expense	11,064	5,985
Maintenance of structures	1,880	7,886
Maintenance of equipment	35,690	20,834
Total Don Henry Power Center	48,634	34,705
<b>TOTAL PRODUCTION EXPENSE - OTHER</b>	<b>\$6,578,585</b>	<b>\$4,768,061</b>

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

ELECTRIC SYSTEM  
DETAIL OF EXPENSES  
For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017	2016
<b>TRANSMISSION AND DISTRIBUTION EXPENSES</b>		
Transmission:		
Maintenance and operation of station equipment	\$ 199,464	\$ 141,815
Maintenance and operation of overhead lines	14,583	403
Maintenance and operation of station equipment - WEC	6,755	7,165
Maintenance and operation of overhead lines - WEC	--	--
Distribution:		
Operation supervision and engineering	178,532	134,122
Off duty	219,398	148,745
Small tools and maintenance of equipment	139,522	86,187
Tree trimming	374,745	220,019
Meter expense	32,858	31,977
Services on customer premises	620	518
Maintenance of overhead lines	573,973	294,830
Maintenance of underground lines	58,990	28,685
Maintenance of transformers	10,475	38,767
Maintenance of street lights	4,164	4,656
Maintenance of meters	4,668	4,255
<b>TOTAL TRANSMISSION AND DISTRIBUTION EXPENSES</b>	<b><u>\$1,818,747</u></b>	<b><u>\$1,142,144</u></b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES - DIRECT</b>		
North Denver Station:		
Advertising	\$ 17	\$ 300
Customer incentive program	10,250	8,000
Office supplies	10,842	4,501
Travel and training expense	27,877	17,607
Outside services employed	67,904	79,936
Property insurance	171,954	128,994
Workman's Compensation Insurance	25,828	18,888
Employee benefits	520,284	361,138
Safety training and equipment	79,721	92,775
Misc. general expense	28,073	25,491
Maintenance of general plant	647	464
Total North Denver Station	<u>943,397</u>	<u>738,094</u>
Whelan Energy Center:		
Advertising	526	809
Travel and training expense	64,341	30,636
Outside services employed	166,408	240,330
Property insurance	208,338	154,895
Injuries and damages	78,236	57,537
Employee benefits	605,274	345,742
Safety training and equipment	28,550	14,709
Misc. general expense	1,532	732
Total Whelan Energy Center	<u>1,153,205</u>	<u>845,390</u>
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES - DIRECT</b>	<b><u>\$2,096,602</u></b>	<b><u>\$1,583,484</u></b>

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

COMBINED SYSTEM - GAS  
DETAIL OF EXPENSES

For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017	2016
<b>TRANSMISSION AND DISTRIBUTION EXPENSES</b>		
Gas leak detail	\$ 54,392	\$ 19,732
Cathodic protection	94,124	72,678
Operation supervision and engineering	100,875	71,700
Operation of regulating station	27,067	21,179
Remove and reset meters	36,947	48,722
Services on customer premises	73,681	62,702
Maintenance of structures and improvements	32	--
Maintenance of mains	151,682	139,062
Maintenance of regulators	6,610	6,890
Maintenance of services	51,945	58,042
Maintenance of meters	61,380	60,828
Tools and supplies	133,917	87,308
Off duty	245,016	170,436
2nd Street Subsite Costs	--	--
<b>TOTAL TRANSMISSION AND DISTRIBUTION EXPENSES</b>	<b><u>\$1,037,668</u></b>	<b><u>\$ 819,279</u></b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES - DIRECT</b>		
Advertising	\$ --	\$ --
Office supplies and expense	39,888	31,285
Travel and training expense	63,629	46,185
Outside services employed	15,585	43,102
HEDC agreement	--	--
Property insurance	103,959	78,256
Injuries and damages	25,354	18,494
Employee benefits	387,239	282,034
Safety training and equipment	6,813	10,623
Misc. general expense	9,982	9,938
Maintenance of general plant	--	536
<b>TOTAL GENERAL AND ADMIN EXPENSES - DIRECT</b>	<b><u>\$ 652,449</u></b>	<b><u>\$ 520,453</u></b>

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

COMBINED SYSTEM - WATER  
DETAIL OF EXPENSES  
For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017	2016
<b>PRODUCTION EXPENSES</b>		
Maintenance of wells	\$ 223,781	\$ 19,653
Operation of wells	141,319	100,415
Maintenance of structures and improvements	20,223	43,784
Electricity purchased	401,917	312,794
<b>TOTAL PRODUCTION EXPENSES</b>	<u><u>\$ 787,240</u></u>	<u><u>\$ 476,646</u></u>
 <b>WATER TREATMENT</b>		
Maintenance of treatment facility	\$ 360	\$ -
Operation of treatment facility	2,065	-
Maintenance of structures	1,929	-
Water testing	132	-
<b>TOTAL WATER TREATMENT EXPENSES</b>	<u><u>\$ 4,486</u></u>	<u><u>\$ -</u></u>
 <b>TRANSMISSION AND DISTRIBUTION EXPENSES</b>		
Operating supervision and engineering	\$ 54,966	\$ 43,509
Tools and supplies	45,952	51,453
Off duty	120,861	82,902
Operation of lines	23,338	3,903
Water testing	126,238	66,924
Institutional control area costs	7,963	7,149
Remove and reset meters	81,781	62,027
Services on customers premises	50,637	36,095
Back flow prevention expense	11,133	7,354
Maintenance of service lines	117,583	81,380
Maintenance of distribution lines	98,042	59,511
Maintenance of meters	25,822	25,016
Maintenance of hydrants	10,930	61,575
<b>TOTAL TRANSMISSION AND DISTRIBUTION EXPENSE</b>	<u><u>\$ 775,246</u></u>	<u><u>\$ 588,798</u></u>
 <b>GENERAL AND ADMINISTRATIVE EXPENSES - DIRECT</b>		
Advertising	\$ 290	\$ 59
Office supplies	24,624	17,758
Travel and training expense	21,825	8,434
Outside services employed	283,490	7,004
Property insurance	13,886	9,606
Injuries and damages	27,980	18,557
Employee benefits	276,219	182,828
Safety training and equipment	7,430	6,888
Misc. general expense	1,876	919
Maintenance of general plant	--	451
<b>TOTAL GENERAL AND ADMIN EXPENSES - DIRECT</b>	<u><u>\$ 657,620</u></u>	<u><u>\$ 252,504</u></u>

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

COMBINED SYSTEM - POLLUTION CONTROL  
DETAIL OF EXPENSES  
For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017	2016
<b>SEWER TREATMENT EXPENSES</b>		
Operating supervision and engineering	\$ 78,002	\$ 58,894
Sewer treatment operation expense	214,741	243,217
Treatment supplies and expenses	97,571	80,807
Maintenance of structures	148,616	85,411
Maintenance of equipment	483,449	384,863
Maintenance of grounds	26,317	44,245
Maintenance of transportation equipment	5,857	3,932
Electricity purchased	231,144	161,605
Maintenance of tractor and sludge equipment	22,337	24,082
Gas heating	57,635	27,447
<b>TOTAL SEWER TREATMENT EXPENSES</b>	<b>\$ 1,365,669</b>	<b>\$ 1,114,503</b>
<b>SEWER LINE EXPENSES</b>		
Supervision and engineering	\$ 22,796	\$ 16,301
Labor on mains	231,369	86,261
Off duty	145,089	109,393
Operation of pump and lift station	34,499	25,457
Services on customer premises	--	2,146
Maintenance of lines	67,792	144,327
Colorado Avenue Subsite Costs	173	740
Maintenance of pump and lift stations	50,316	19,438
Purchased power - lift station	15,320	10,436
<b>TOTAL SEWER LINE EXPENSES</b>	<b>\$ 567,354</b>	<b>\$ 414,499</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES - DIRECT</b>		
Advertising	\$ 26	\$ 222
Office supplies and expense	7,091	4,420
Travel and training expense	30,672	10,907
Outside services employed	1,045	4,048
Property insurance	49,814	37,023
Injuries and damages	10,027	6,500
Employee benefits	394,918	274,495
Safety training and equipment	6,406	10,576
Misc. general expense	1,068	1,091
Maintenance of plant	--	--
<b>TOTAL GENERAL AND ADMIN. EXPENSES - DIRECT</b>	<b>\$ 501,067</b>	<b>\$ 349,282</b>

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

COMBINED SYSTEM - ADMINISTRATION  
DETAIL OF EXPENSES

For the Year Ended September 30, 2017  
and the Nine Months Ended September 30, 2016

	2017	2016
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Supervision	\$ 136,510	\$ 99,379
Meter reading expense	206,168	178,754
Customer records and collection	478,403	302,652
Uncollectible accounts	38,393	39,007
Customer service and information expense	130,054	107,268
Advertising	1,393	6,001
Postage	103,724	76,598
Engineering	1,338,730	965,419
Locating expense	78,577	59,812
Information technology	301,404	209,574
General and administrative salaries	1,119,475	996,516
Human Resources	98,166	--
Administrative and engineering services to PPGA	938,309	701,074
Charges to EPS	7,731	6,106
Office supplies and expenses	171,887	104,484
Travel, training, misc. general expense	5,942	35,333
Outside services employed	333,424	251,759
Property insurance	56,309	47,515
Injuries and damages	38,990	25,751
Employee benefits	1,423,165	1,032,878
Safety training and equipment	132,165	108,144
Misc. General Expense	42,530	--
Maintenance of buildings and grounds	372,383	254,833
Depreciation	15,936	11,952
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b><u>\$7,569,768</u></b>	<b><u>\$5,620,809</u></b>

See Notes to Financial Statements

CITY OF HASTINGS, NEBRASKA  
UTILITY DEPARTMENT

COMBINED SYSTEM - OPERATING FUNDS  
CASH AND INVESTMENTS ALLOCATED BY DEPARTMENT  
For the Year Ended September 30, 2017

	Total	Gas	Water	Pollution Control	Street Lighting
September 30, 2016	\$ 7,553,391	\$ 5,155,189	\$ 1,323,354	\$ 1,031,038	\$ 43,810
Net increase (decrease)	4,638,402	1,994,078	1,996,471	685,567	(37,714)
September 30, 2017	<u>\$ 12,191,793</u>	<u>\$ 7,149,267</u>	<u>\$ 3,319,825</u>	<u>\$ 1,716,605</u>	<u>\$ 6,096</u>

Account	Balance 9/30/16	Increase (Decrease)	Balance 9/30/17
Revenue Fund	\$ 2,866,589	\$ (2,594,131)	\$ 272,458
Petty Cash	650	--	650
General Operating Fund	3,711,072	6,882,613	10,593,685
Payroll Fund	975,080	349,920	1,325,000
	<u>\$ 7,553,391</u>	<u>\$ 4,638,402</u>	<u>\$ 12,191,793</u>

The above schedule represents the departmental unencumbered operating funds of the Combined Fund.

COMBINED SYSTEM - RATE STABILIZATION FUND

For the Year Ended September 30, 2017

	Total	Gas	Water	Pollution Control	Street Lighting
September 30, 2016	\$ 13,691,081	\$ 7,956,081	\$ 4,285,000	\$ 1,450,000	\$ --
Net increase (decrease)	(1,799,714)	(299,714)	(1,500,000)	--	--
September 30, 2017	<u>\$ 11,891,367</u>	<u>\$ 7,656,367</u>	<u>\$ 2,785,000</u>	<u>\$ 1,450,000</u>	<u>\$ --</u>

See Notes to Financial Statements



**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**

SHAREHOLDERS

Robert D. Almquist  
Phillip D. Maltzahn  
Terry T. Galloway  
Marcy J. Luth  
Heidi A. Ashby  
Christine R. Shenk  
Michael E. Hoback  
Joseph P. Stump  
Kyle R. Overturf

To the Utility Advisory Board  
Hastings Utilities  
City of Hastings, Nebraska

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 the business-type activities and each major fund of the Hastings Utilities, Hastings, Nebraska, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Hastings Utilities' financial statements, and have issued our report thereon dated February 23, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hastings Utilities' 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 Hastings Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Hastings Utilities' 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 a 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 over financial reporting 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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

#### Segregation of Duties

Due to limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hastings Utilities' financial statements are free of 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

- At September 30, 2017, bank balances exceeded FDIC coverage and pledged securities by \$1,184,473.

#### **Hastings Utilities' Response to Findings**

The Hastings Utilities' response to the findings identified in our audit is that due to the small size of Hastings Utilities, it is impractical to further segregate duties. Also, Hastings Utilities will monitor bank balances and request financial institutions to assign additional collateral as necessary. Hastings Utilities' 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Shinguis, Mathyalm,  
Galloway & Luth, P.C.*

Grand Island, Nebraska  
February 23, 2018