CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

FINANCIAL STATEMENTS

September 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Hastings Utilities' basic financial statements as listed in the table of contents.

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, Hastings, Nebraska as of September 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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, 2022 and 2021, 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 opinions are not modified with respect to this matter.

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A PROFESSIONAL CORPORATION

Wealth Management, LLC Registered Investment Advisor, is affiliated with AMGL, P.C. and offers wealth management and investment advisory services.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hastings Utilities' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and other auditors 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the supplementary information described in the second sentence of this paragraph is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2023, 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.

BKD, LLP

Grand Island, Nebraska
February 8, 2023

CITY OF HASTINGS, NEBRASKA
UTILITIES DEPARTMENT

MANAGEMENT'S DISCUSSION & ANALYSIS
For the year ended September 30, 2022

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 ended September 30, 2022, September 30, 2021, and September 30, 2020. 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, 2022 and September 30, 2021. It includes all investments in resources (assets), obligations to creditors (liabilities), 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.

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; the North Denver Station (NDS) and the Don Henry Power Center (DHPC). Maintenance and construction of transmission and distribution systems are provided by the Line and Substation/Metering departments.

Unit	Rating	Commercial Operation Date
Whelan Energy Center Unit 1	77 MW	1981
North Denver Station Unit 4	15 MW	1957
North Denver Station Unit 5	25 MW	1967
Don Henry Power Center Unit 1	18 MW	1972

The Combined system includes gas, water, and pollution control utilities. Street lighting was transferred from the Combined system to the Electric Fund effective October 1, 2020.

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.

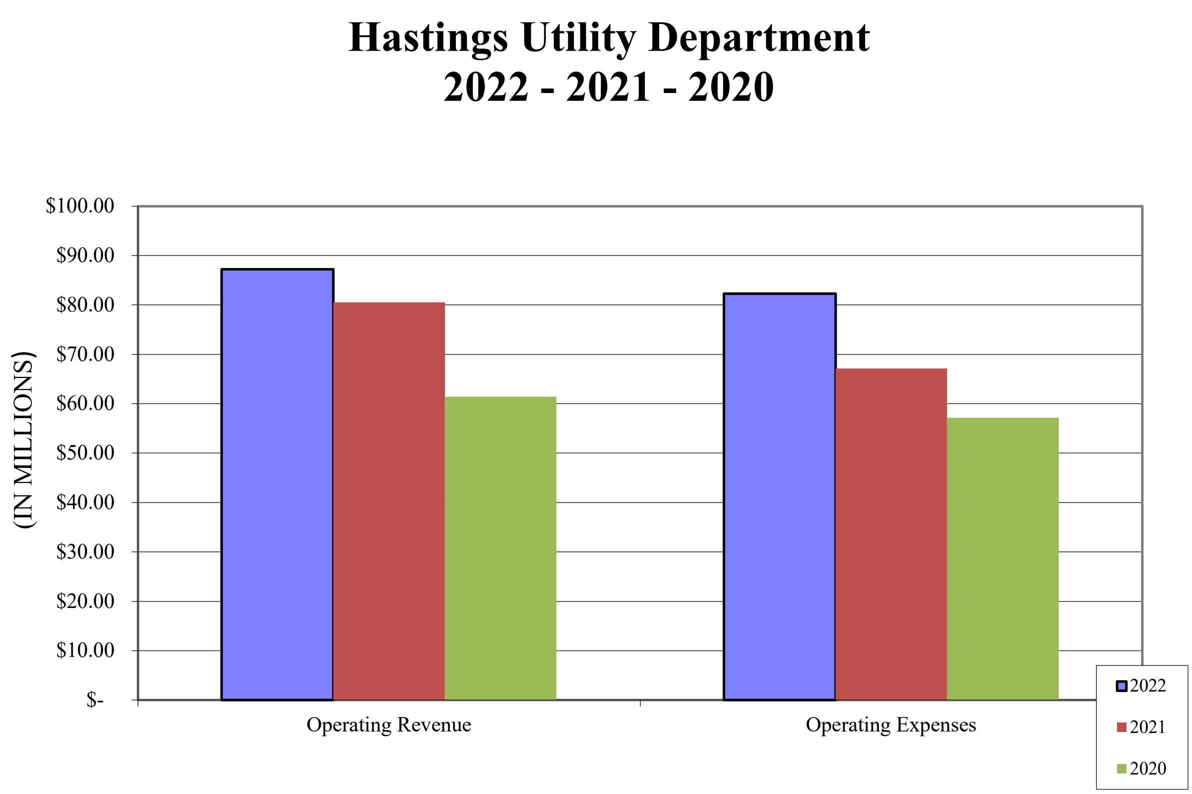
REVENUES AND EXPENSES

Summary Results of Operations (dollars in millions)
For the years ended September 30,

	2022	2021	2020
Revenues:			
Operating Revenues	$ 87.21	$ 80.52	$ 61.45
Non-Operating Revenues	12.64	12.03	12.67
Total Revenues	99.85	92.55	74.12
Expenses:			
Operating Expenses	82.31	67.12	57.18
Payments In Lieu of Tax	4.03	4.63	3.52
Non-Operating Expenses	10.11	10.19	10.30
Total Expenses	96.45	81.94	71.00
Net Income Before Contributions	3.40	10.61	3.12
Capital Contributions	0.32	1.63	0.40
Change in Net Position	3.72	12.24	3.52
Net Position - Beginning	233.93	221.69	218.17
Net Position - Ending	$ 237.65	$ 233.93	$ 221.69

Operating revenue increased $6.69M, due primarily to a $23.74M increase in SPP market sales partially offset by a $16.12M decrease in wholesale electric sales. Operating expenses increased $15.19M, due primarily to a $17.41M increase in SPP market purchases.

Comparison of Revenues and Expenses

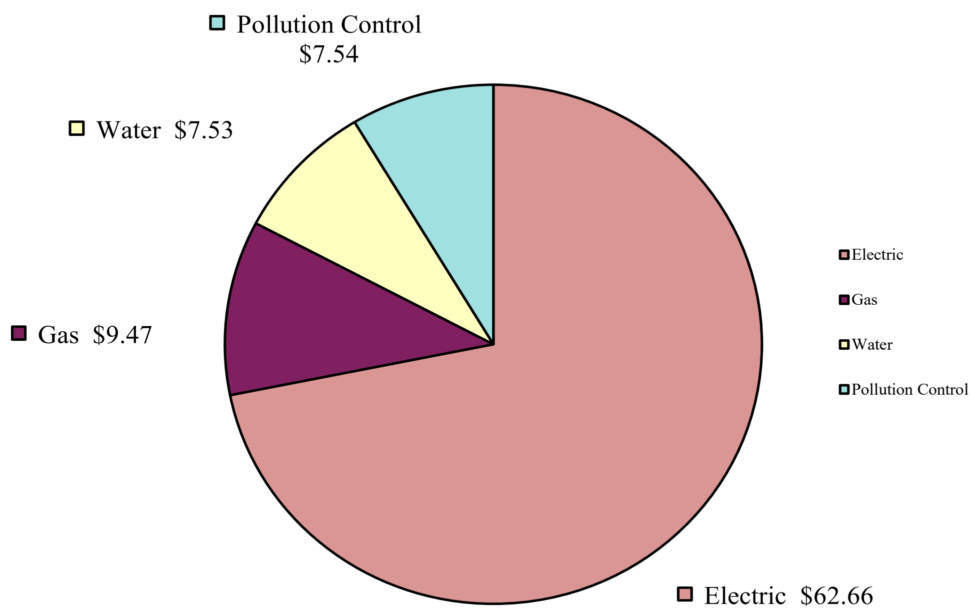


Revenue & Expenses

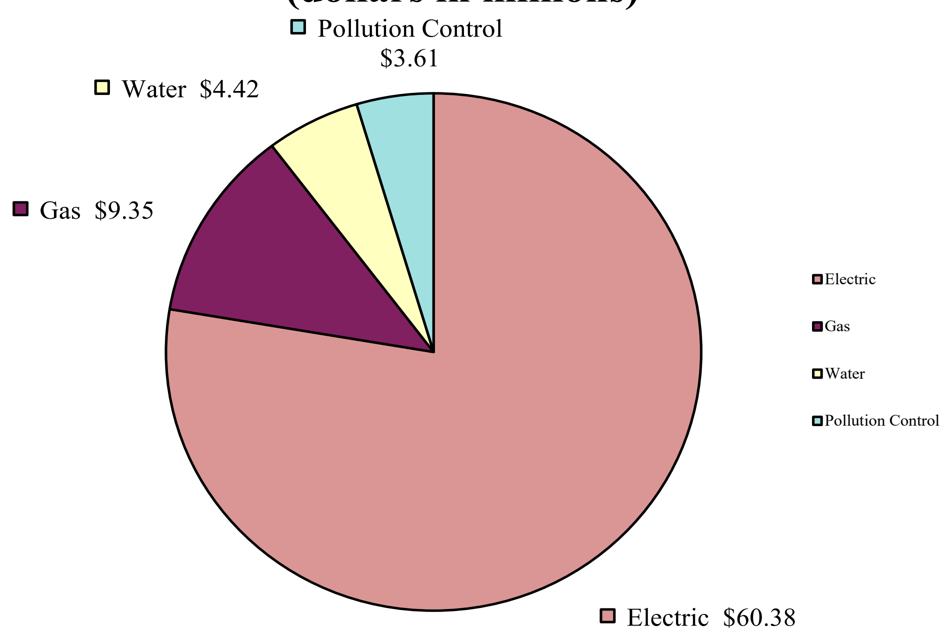
CITY OF HASTINGS, NEBRASKA
UTILITIES DEPARTMENT

MANAGEMENT'S DISCUSSION & ANALYSIS, Continued
For the year ended September 30, 2022

2022 OPERATING REVENUE BY DEPARTMENT (dollars in millions)



2022 OPERATING EXPENSES BY DEPARTMENT (dollars in millions)



PAYMENTS IN LIEU OF TAXES

Transfers of payments in lieu of taxes 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 (see Note C6).

MISCELLANEOUS REVENUES AND EXPENSES

As a whole, non-operating income increased $0.61M, while non-operating expenses decreased $0.08M. Non-operating revenues include interest income, participation and capacity agreement income, coal sales, jobbing reimbursements, reimbursement for services provided to PPGA, and miscellaneous income. Non-operating expenses include interest expense, economic development expenses, cost of coal, jobbing and services to PPGA (see Note D3).

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. Total utility plant in service increased from $366.05M in 2021 to $375.77M in 2022, an increase of $9.72M. After depreciation and including construction in progress, net utility plant increased from $160.37M in 2021 to $162.68M in 2022, an increase of $2.31M.

Significant capital expenditures during the year ended September 30, 2022 included:

- Construction in progress on Unit 4 turbine overhaul - $507,105
- Construction in progress on Unit 5 turbine overhaul - $481,679
- Construction in progress on WEC distribution system switchgear project - $260,566
- Replace Don Henry sub transformer - $286,707
- Construction in progress on primary digester improvements - $422,410
- Construction in progress to demo two bays to modify RBC building - $264,454
- Yost building purchase - $901,041
- Construction in progress on Yost building modifications - $405,632
- Construction in progress on substation garage at North Denver Station - $728,749
- AMI project phase one costs - $910,983

LONG-TERM DEBT

Total long-term debt decreased from $10.7M to $9.9M as scheduled principal payments were made.

FACTORS BEARING ON THE NEXT FISCAL YEAR

- Infrastructure replacement projects are expected to continue to address aging water and sewer systems.
- Rising costs of healthcare continue to be a challenge.
- The Sewer Department has a remaining contractual commitment of $115,016 on the aeration basin improvement project, expected to be completed in September 2024.
- The Electric Department has a contractual commitment of $472,760 on the B Street switchgear project, expected to be completed in September 2024.
- The Electric Department also has a contractual commitment of $154,086 on the substation relay panel project, expected to be completed in September 2024.

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.

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

STATEMENTS OF NET POSITION

September 30,

	Electric Fund	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 44,736,001	$ 41,382,283
Investments	10,793,954	10,795,909
Accounts receivable	6,229,359	6,480,697
Interest receivable	27,695	5,133
Interfund receivable (payable)	(12,993,681)	(10,757,796)
Due from City of Hastings	-	-
Inventory	6,022,057	3,331,828
Total current assets	54,815,385	51,238,054
Noncurrent assets:		
Restricted cash and cash equivalents	1,268,975	1,201,224
Capital assets:		
Construction in progress	4,121,614	4,326,324
Electric	208,964,121	204,376,131
Gas	-	-
Water	-	-
Pollution control	-	-
Administrative	-	-
Less accumulated depreciation	(141,487,757)	(135,833,269)
Subtotal	71,597,978	72,869,186
Non-utility plant	15,866,333	15,866,333
Less accumulated depreciation	(8,077,851)	(7,467,915)
Net capital assets	79,386,460	81,267,604
Total noncurrent assets	80,655,435	82,468,828
Total assets	135,470,820	133,706,882
LIABILITIES		
Current liabilities:		
Accounts payable	7,829,257	8,572,891
Accrued payroll expenses	284,148	184,160
Accrued interest payable	-	-
Sales tax payable	7,697	33,786
Customer deposits	-	-
Current portion of long-term debt	-	-
Total current liabilities	8,121,102	8,790,837
Noncurrent liabilities:		
Compensated absences	1,607,433	1,584,211
Accrued emissions fees	93,727	78,008
Accrued ash disposal fees	1,411,553	1,343,802
Noncurrent portion of long-term debt	-	-
Total noncurrent liabilities	3,112,713	3,006,021
Total liabilities	11,233,815	11,796,858
NET POSITION		
Net investment in capital assets	79,386,460	81,267,604
Restricted for debt service	-	-
Unrestricted	44,850,545	40,642,420
Total net position	$ 124,237,005	$ 121,910,024

See notes to financial statements.

Combined System		Total	
2022	2021	2022	2021
$ 8,315,602	$ 21,712,599	$ 53,051,603	$ 63,094,882
12,249,621	3,952,877	23,043,575	14,748,786
2,656,258	3,680,584	8,885,617	10,161,281
10,445	2,396	38,140	7,529
12,993,681	10,757,796	-	-
-	6,425	-	6,425
2,433,475	2,020,391	8,455,532	5,352,219
38,659,082	42,133,068	93,474,467	93,371,122
47,471	2,821	1,316,446	1,204,045
8,124,574	5,329,875	12,246,188	9,656,199
-	-	208,964,121	204,376,131
36,611,265	35,694,244	36,611,265	35,694,244
57,316,138	56,015,187	57,316,138	56,015,187
68,974,297	68,584,058	68,974,297	68,584,058
3,904,399	1,378,962	3,904,399	1,378,962
(83,851,201)	(79,496,811)	(225,338,958)	(215,330,080)
91,079,472	87,505,515	162,677,450	160,374,701
-	-	15,866,333	15,866,333
-	-	(8,077,851)	(7,467,915)
91,079,472	87,505,515	170,465,932	168,773,119
91,126,943	87,508,336	171,782,378	169,977,164
129,786,025	129,641,404	265,256,845	263,348,286
3,701,624	3,545,644	11,530,881	12,118,535
313,494	835,473	597,642	1,019,633
(1,461)	23,636	(1,461)	23,636
223,068	250,228	230,765	284,014
562,215	586,255	562,215	586,255
137,007	132,814	137,007	132,814
4,935,947	5,374,050	13,057,049	14,164,887
1,679,375	1,648,101	3,286,808	3,232,312
-	-	93,727	78,008
-	-	1,411,553	1,343,802
9,759,365	10,596,372	9,759,365	10,596,372
11,438,740	12,244,473	14,551,453	15,250,494
16,374,687	17,618,523	27,608,502	29,415,381
81,183,100	76,776,329	160,569,560	158,043,933
47,471	2,821	47,471	2,821
32,180,767	35,243,731	77,031,312	75,886,151
$ 113,411,338	$ 112,022,881	$ 237,648,343	$ 233,932,905

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	Electric Fund	
	2022	2021
Operating revenues	$ 62,662,440	$ 54,539,409
Operating expenses (non-depreciation)	(54,687,418)	(36,277,714)
Operating income before depreciation	7,975,022	18,261,695
Less depreciation	(5,693,616)	(5,412,864)
Operating income	2,281,406	12,848,831
Nonoperating revenues (expenses):		
Interest income	197,084	76,355
Payments in lieu of taxes	(2,534,343)	(3,067,860)
Participation and capacity agreement	665,627	716,662
Allocated administration interest and other revenue	-	-
Miscellaneous income	566,240	585,935
Net coal sales	1,803,612	1,627,791
Interest and amortization expense	-	-
Non-utility plant depreciation expense	(609,936)	(609,936)
Miscellaneous expenses	(245,212)	(212,484)
Contributions in aid of construction	202,503	327,969
Total other income (expenses)	45,575	(555,568)
Change in net position	2,326,981	12,293,263
Net position - September 30, 2020	121,910,024	109,616,761
Net position - September 30, 2021	$ 124,237,005	$ 121,910,024

See notes to financial statements.

Combined System		Total	
2022	2021	2022	2021
$ 24,543,586	$ 25,981,869	$ 87,206,026	$ 80,521,278
(17,369,716)	(21,176,311)	(72,057,134)	(57,454,025)
7,173,870	4,805,558	15,148,892	23,067,253
(4,552,888)	(4,256,406)	(10,246,504)	(9,669,270)
2,620,982	549,152	4,902,388	13,397,983
3,615	4,336	200,699	80,691
(1,498,359)	(1,559,124)	(4,032,702)	(4,626,984)
- .	-	665,627	716,662
252,646	233,738	252,646	233,738
112,024	107,326	678,264	693,261
-	-	1,803,612	1,627,791
(131,070)	(576,562)	(131,070)	(576,562)
-	-	(609,936)	(609,936)
(86,707)	(113,787)	(331,919)	(326,271)
115,326	1,304,915	317,829	1,632,884
(1,232,525)	(599,158)	(1,186,950)	(1,154,726)
1,388,457	(50,006)	3,715,438	12,243,257
112,022,881	112,072,887	233,932,905	221,689,648
$ 113,411,338	$ 112,022,881	$ 237,648,343	$ 233,932,905

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

STATEMENTS OF CASH FLOWS

For the years ended September 30,

	2022		
	Electric Fund	Combined System	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	$ 74,132,142	$ 25,845,875	$ 99,978,017
Payments to suppliers	(57,106,433)	(9,606,829)	(66,713,262)
Payments to employees	(9,234,268)	(8,441,162)	(17,675,430)
Net cash provided by operating activities	7,791,441	7,797,884	15,589,325
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Increase in due to/from other funds	2,235,885	(2,235,885)	-
(Increase) decrease in due from City of Hastings	-	6,425	6,425
Payments in lieu of tax to City of Hastings	(2,534,343)	(1,498,359)	(4,032,702)
Net cash used by noncapital financing activities	(298,458)	(3,727,819)	(4,026,277)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	(4,450,494)	(8,247,579)	(12,698,073)
Contributions in aid of construction	202,503	115,326	317,829
Sale of capital assets	-	-	-
Bond proceeds	-	-	-
Principal payments on capital debt	-	(832,814)	(832,814)
Interest paid on capital debt	-	(156,167)	(156,167)
Net cash used by capital and related financing activities	(4,247,991)	(9,121,234)	(13,369,225)
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) decrease in investments	1,955	(8,296,744)	(8,294,789)
Decrease in restricted investments	-	-	-
Interest income received	174,522	(4,434)	170,088
Net cash provided (used) by investing activities	176,477	(8,301,178)	(8,124,701)
Increase (decrease) in cash and cash equivalents	3,421,469	(13,352,347)	(9,930,878)
Cash and cash equivalents - beginning of the year	42,583,507	21,715,420	64,298,927
Cash and cash equivalents - end of the year	$ 46,004,976	$ 8,363,073	$ 54,368,049
Cash and cash equivalents consists of:			
Cash and cash equivalents	$ 44,736,001	$ 8,315,602	$ 53,051,603
Restricted cash and cash equivalents	1,268,975	47,471	1,316,446
Total cash and cash equivalents	$ 46,004,976	$ 8,363,073	$ 54,368,049
Supplemental noncash disclosure:			
Transfer of street light capital assets to Electric Fund	$ -	$ -	$ -

See notes to financial statements.

2021		
Electric Fund	Combined System	Total
$ 63,914,074	$ 25,209,684	$ 89,123,758
(32,199,955)	(13,481,088)	(45,681,043)
(9,041,424)	(6,637,885)	(15,679,309)
22,672,695	5,090,711	27,763,406
2,276,968	(2,276,968)	-
-	(6,425)	(6,425)
(3,067,860)	(1,559,124)	(4,626,984)
(790,892)	(3,842,517)	(4,633,409)
(3,524,632)	(6,227,671)	(9,752,303)
327,969	1,304,915	1,632,884
-	335	335
-	8,320,000	8,320,000
-	(11,114,759)	(11,114,759)
-	(932,065)	(932,065)
(3,196,663)	(8,649,245)	(11,845,908)
(5,004,997)	(2,123,945)	(7,128,942)
-	1,353,500	1,353,500
80,814	6,230	87,044
(4,924,183)	(764,215)	(5,688,398)
13,760,957	(8,165,266)	5,595,691
28,822,550	29,880,686	58,703,236
$ 42,583,507	$ 21,715,420	$ 64,298,927
$ 41,382,283	$ 21,712,599	$ 63,094,882
1,201,224	2,821	1,204,045
$ 42,583,507	$ 21,715,420	$ 64,298,927
$ 3,729,245	$ (3,729,245)	$ -

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

STATEMENTS OF CASH FLOWS, Continued

For the years ended September 30,

	2022		
	Electric Fund	Combined System	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 2,281,406	$ 2,620,982	$ 4,902,388
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	6,331,638	4,673,622	11,005,260
Participation and capacity agreements	665,627	-	665,627
Miscellaneous income, net of expenses	1,514,704	277,963	1,792,667
(Increase) decrease in assets:			
Accounts receivable	251,338	1,024,326	1,275,664
Inventory	(2,690,229)	(413,084)	(3,103,313)
Increase (decrease) in liabilities:			
Accounts payable	(743,634)	155,980	(587,654)
Accrued expenses	180,591	(517,865)	(337,274)
Customer deposits	-	(24,040)	(24,040)
Net cash provided by operating activities	$ 7,791,441	$ 7,797,884	$ 15,589,325

See notes to financial statements.

2021		
Electric Fund	Combined System	Total
$ 12,848,831	$ 549,152	$ 13,397,983
6,333,062	4,477,460	10,810,522
716,662	-	716,662
1,391,306	227,277	1,618,583
(771,052)	(999,462)	(1,770,514)
59,480	(134,266)	(74,786)
2,009,390	850,923	2,860,313
85,016	78,987	164,003
-	40,640	40,640
$ 22,672,695	$ 5,090,711	$ 27,763,406

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

NOTES TO FINANCIAL STATEMENTS

INDEX

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Hastings, Nebraska, Utility Departments (Departments), are prepared in accordance with generally accepted accounting principles (GAAP). The Departments' reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The financial statements referred to above present only the Departments and do not purport to, and do not, present fairly the financial position of the City of Hastings, Nebraska, as of September 30, 2022, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements do not include the Landfill Fund, which is also an enterprise fund of the City.

1. Financial Reporting Entity

The City of Hastings, Nebraska (the "City") under the direction of the City Council, owns and operates electric, gas, water, and pollution control/waste water treatment 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, and pollution control/waste water treatment utilities) on a segregated as well as a combined basis. The street lighting operation was transferred from the Combined System to the Electric System effective October 1, 2020. 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 $3,650,841 for the year ended September 30, 2022 and $3,545,674 for the year ended September 30, 2021.

In determining the financial reporting entity, the Department complies with the provisions of GASB Statement No. 61, and has addressed all potential component units (traditionally separate reporting entities) for which the Department may be financially accountable, and, as such, should be included within the Department's financial statements. The Department (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Department. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

The Departments are enterprise funds of the City of Hastings, Nebraska, and have determined that they have no component units for reporting purposes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The Departments utilizes the "flow of economic resources" measurement focus and uses the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

Basis of Accounting

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Departments' accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and License prescribed by the Federal Energy Regulatory Commission (FERC). The Departments prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

The Departments first applies unrestricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Department considers cash on hand and in the bank, as well as cash and equity in pooled cash held by the City, which are readily convertible to known amounts of cash and have original maturities of three months or less, to be cash and cash equivalents.

Investments

Investments are reported at market value based on Level I evidence (investment trading prices on the open market). Certificate of deposit investments are carried at cost, which approximates fair market value. Interest income consists of interest income from investments, certificates of deposit, and cash and cash equivalents.

Receivables

Billings for the sale of electric, water and sewer are generally rendered on a monthly basis. Accounts receivable are stated at the amount billed to customers, with credit extended on an unsecured basis. Receivable balances are carried at the amount that is deemed collectible and is reviewed by management on a regular basis. An allowance for doubtful accounts of $83,000 was recorded on the Electric Fund as of both September 30, 2022 and 2021. Estimated sales which have not been billed are accrued and recorded in the period to which they relate as unbilled revenues.

Inventories

Materials and supplies inventories are recorded at the lower of cost (average cost) or market, using the first in first out method.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity, continued

Restricted Assets

Restricted assets include cash and certificates of deposit that are legally restricted as to their use. The restricted assets are related to debt service reserve accounts and fly ash disposal costs.

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 use 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 years ended September 30, 2022 and September 30, 2021. Depreciation expense taken during the year ended September 30, 2022 was $11,005,260 and for the year ended September 30, 2021 was $10,810,522.

The Utilities charge maintenance and repairs, including the cost of minor renewals of property, to maintenance expenses. Replacements of property (except minor replacements) are charged to Utilities plant accounts. The Department has a $10,000 capitalization threshold. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Assets, Liabilities, and Equity, continued

Compensated Absences

All regular full-time employees earn sick leave and vacation leave. Employees accrue vacation leave at variable rates based on years of service. 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 percent 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 percent of unused medical leave for employees with 20 continuous years of service or more. Accrued sick leave for the year ended September 30, 2022 increased by $54,496 and for the year ended September 30, 2021 decreased by $18,915.

The Utilities also adopted a policy to pay 25 percent 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 percent of unused sick leave in excess of 137.5 days.

Long-term Debt

The long-term debt consists of notes and bonds payable.

Net Position Classifications

Net Position is classified into three components:

a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or improvement of those assets.

b. Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. **Revenues, Expenditures, and Expenses**

Revenues and Expenses

As enterprise funds, the Departments distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Departments' principal ongoing operations. The principal operating revenues of the Departments are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Allocation of Combined System Administration Other Income

The Utilities have allocated the combined system's administration's other income to the operating departments of the combined system.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local governmental unit, the Departments are subject to various federal, state, and local laws and contractual regulations. An analysis of the Departments' compliance with significant laws and regulations and demonstration of its stewardship over Departments' resources follows:

1. **Deposit Laws and Regulations**

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Departments' deposit policy for custodial credit risk requires compliance with the provisions of state law.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

1. Deposit Laws and Regulations, continued

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The Departments' demand deposits are insured up to $250,000 and certificates of deposit/savings accounts are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the Utility Departments' name.

2. Debt Restrictions and Covenants

Bonds Payable

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt service coverage requirements and required reserve account balances. The Series 2021 Combined Systems Revenue Refunding Bonds do not require a debt reserve account. The Departments are in compliance with the bond restrictions and covenants.

3. Budgetary Data

An appropriated budget is adopted each fiscal period for the Departments on the cash basis, which is consistent with State of Nebraska budget guidelines. Budgets are approved by the Mayor and City Council.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for the Departments' various assets, liabilities, equity, revenues, and expenditures/expenses.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Investments

Deposits

The Departments' policies regarding deposits of cash are discussed in Note A3. The table presented below is designed to disclose how the Departments' deposits were insured or secured with collateral at September 30, 2022. The categories of collateral are defined as follows:

> Category 1 – Insured by FDIC or collateralized with securities held by the Department (or public trust) or by its agent in its name.
>
> Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Departments' name.
>
> Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Departments' name; or collateralized with no written or approved collateral agreement.

Types of Deposits	Total Bank Balance	Category 1	Category 2	Category 3	Total Carrying Value
Demand deposits and certificates of deposit	$ 78,840,993	$ 1,430,388	$ 77,410,545	$ -	$ 77,411,624

Reconciliation to Government-wide Statement of Net Position:	
Primary Government -	
Unrestricted cash and cash equivalents	$ 53,051,603
Unrestricted investments	23,043,575
Restricted cash and cash equivalents	1,316,446
Total	$ 77,411,624

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Investments, continued

	Investment Maturities (in Years) < 1	1 - 5	5 - 10	> 10	Total
CD's	$ 7,460,500	$ -	$ -	$ -	$ 7,460,500
GNMA	-	-	56,768	15,926	72,694
Money market	15,510,381	-	-	-	15,510,381
	$ 22,970,881	$ -	$ 56,768	$ 15,926	$ 23,043,575

Unrestricted cash and investments at September 30, 2022 and 2021, consisted of:

	September 30, 2022		September 30, 2021	
	Cash & Cash Equivalents	Investments	Cash & Cash Equivalents	Investments
Electric Fund:				
Rate stabilization	$ -	$ 6,283,954	$ -	$ 6,285,909
Revenue fund	44,603,086	2,500,000	41,250,247	2,500,000
Solar project	-	-	-	-
Southwest Power Pool	132,915	-	132,036	-
Insurance fund	-	2,010,000	-	2,010,000
Total	$ 44,736,001	$ 10,793,954	$ 41,382,283	$ 10,795,909
Combined System:				
General operating	$ 946,284	$ -	$ 5,743,783	$ -
Payroll cash	956,526	-	1,325,000	-
Petty cash	650	-	650	-
Economic development	1,513,000	-	1,513,000	-
Rate stabilization	-	10,049,121	3,750,000	2,752,877
Health insurance claims	1,549,743	-	1,942,834	-
Revenue fund	2,987,184	1,000,500	7,051,077	-
Insurance fund	-	1,000,000	-	1,000,000
Customer deposits	362,215	200,000	386,255	200,000
Total	$ 8,315,602	$ 12,249,621	$ 21,712,599	$ 3,952,877

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022 and 2021

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

2. Restricted Assets

The restricted cash and investments at September 30, 2022 and 2021 consisted of:

	September 30, 2022		September 30, 2021	
	Cash & Cash Equivalents	Investments	Cash & Cash Equivalents	Investments
Electric Fund:				
Fly ash disposal	$ 1,268,975	$ -	$ 1,201,224	$ -
Combined System:				
Bond payment	$ 47,471	$ -	$ 2,821	$ -

Electric System:

The Electric System maintains the following special accounts:

1) Insurance Fund

A special electric insurance fund of $2,010,000 was established 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 City Council of the City of Hastings.

2) Rate Stabilization Fund

The Utilities established a rate stabilization fund in March 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.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

2. Restricted Assets, continued

Electric System, continued:

3) Closure/Post Closure Care Account

   In 2001, the Utilities entered into an agreement with the Nebraska Department of Environmental and Energy 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 $1,411,553 at September 30, 2022 and $1,343,802 at September 30, 2021. The amount on deposit in the Closure/Post Closure Care Account was $1,268,975 at September 30, 2022 and was $1,201,224 at September 30, 2021.

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 2021 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 2021 bonds do not have a specific debt service reserve requirement.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

2. Restricted Assets, continued

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 of $1,000,000 was established 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 C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Capital Assets

The major classes of property, plant, and equipment at September 30, 2022, are shown below:

	Balance 9/30/2021	Additions	Disposals	Reclass	Balance 9/30/2022
Capital assets not being depreciated:					
Land	$ 6,265,168	$ -	$ -	$ -	$ 6,265,168
Construction in progress	9,656,199	2,885,764	-	(295,775)	12,246,188
Total capital assets not being depreciated	15,921,367	2,885,764	-	(295,775)	18,511,356
Capital assets being depreciated:					
Electric	202,224,582	4,450,494	(67,214)	204,710	206,812,572
Electric non-utility plant	15,866,333	-	-	-	15,866,333
Gas	35,323,081	852,025	(26,069)	91,065	36,240,102
Water	54,704,324	1,566,730	(265,779)	-	56,005,275
Pollution control	66,152,465	390,239	-	-	66,542,704
Administrative	1,378,962	2,552,821	(27,384)	-	3,904,399
Total depreciable assets at historical cost	375,649,747	9,812,309	(386,446)	295,775	385,371,385
Less accumulated depreciation for:					
Electric	(135,833,269)	(5,721,702)	67,214	-	(141,487,757)
Electric non-utility plant	(7,467,915)	(609,936)	-	-	(8,077,851)
Gas	(33,790,919)	(1,674,756)	26,069	-	(35,439,606)
Water	(10,504,757)	(955,038)	265,779	-	(11,194,016)
Pollution control	(34,463,206)	(1,949,490)	-	-	(36,412,696)
Administrative	(737,929)	(94,338)	27,384	-	(804,883)
Total accumulated depreciation	(222,797,995)	(11,005,260)	386,446	-	(233,416,809)
Depreciable capital assets, net	152,851,752	(1,192,951)	-	295,775	151,954,576
Net property, plant, and equipment	$ 168,773,119	$ 1,692,813	$ -	$ -	$ 170,465,932

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Capital Assets, continued

The major classes of property, plant, and equipment at September 30, 2021, are shown below:

	Balance 9/30/2020	Additions	Disposals	Reclass	Balance 9/30/2021
Capital assets not being depreciated:					
Land	$ 6,265,168	$ -	$ -	$ -	$ 6,265,168
Construction in progress	8,723,802	932,397	-	-	9,656,199
Total capital assets not being depreciated	14,988,970	932,397	-	-	15,921,367
Capital assets being depreciated:					
Electric	195,459,343	2,900,279	(190,570)	4,055,530	202,224,582
Electric non-utility plant	15,866,333	-	-	-	15,866,333
Gas	34,651,140	727,690	(55,749)	-	35,323,081
Water	51,065,026	3,820,522	(181,224)	-	54,704,324
Pollution control	65,336,496	833,806	(17,837)	-	66,152,465
Street lighting	4,055,530	-	-	(4,055,530)	-
Administrative	841,353	537,609	-	-	1,378,962
Total depreciable assets at historical cost	367,275,221	8,819,906	(445,380)	-	375,649,747
Less accumulated depreciation for:					
Electric	(129,974,428)	(5,723,126)	190,570	(326,285)	(135,833,269)
Electric non-utility plant	(6,857,979)	(609,936)	-	-	(7,467,915)
Gas	(32,217,594)	(1,628,739)	55,414	-	(33,790,919)
Water	(9,800,763)	(885,218)	181,224	-	(10,504,757)
Pollution control	(32,535,303)	(1,945,740)	17,837	-	(34,463,206)
Street lighting	(326,285)	-	-	326,285	-
Administrative	(720,166)	(17,763)	-	-	(737,929)
Total accumulated depreciation	(212,432,518)	(10,810,522)	445,045	-	(222,797,995)
Depreciable capital assets, net	154,842,703	(1,990,616)	(335)	-	152,851,752
Net property, plant, and equipment	$ 169,831,673	$ (1,058,219)	$ (335)	$ -	$ 168,773,119

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022 and 2021

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Long-term Debt

Changes in Long-term Debt

	Balance 9/30/2021	Additions	Principal Payments	Balance 9/30/2022	Amounts Due Within One Year
Sewer bonds payable	$ 8,320,000	$ -	$ (700,000)	$ 7,620,000	$ -
Water note payable	2,409,186	-	(132,814)	2,276,372	137,007
Total	$ 10,729,186	$ -	$ (832,814)	$ 9,896,372	$ 137,007

	Balance 9/30/2020	Additions	Principal Payments	Balance 9/30/2021	Amounts Due Within One Year
Sewer bonds payable	$ 10,990,000	$ 8,320,000	$ (10,990,000)	$ 8,320,000	$ -
Water note payable	2,533,945	-	(124,759)	2,409,186	132,814
Total	$ 13,523,945	$ 8,320,000	$ (11,114,759)	$ 10,729,186	$ 132,814

As of September 30, 2022, the long-term debt consisted of the following:

Combined Systems Revenue Refunding Bonds, dated August 5, 2021, with interest of 1.30 percent. Interest is due in semi-annual installments and principal is due in annual installments through October 15, 2032. These bonds are paid by the Pollution Control Department.	$ 7,620,000

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Long-term Debt, continued

Nebraska Department of Environment and Energy (NDEE) note for the Hastings aquifer storage and restoration project dated September 11, 2017, bearing interest of 0.5 percent, due in semi-annual principal and interest installments of $74,109 plus a 0.5 percent service fee through June 15, 2038. Payments are made by the Water Department.	2,276,372
Total note and bonds payable	$ 9,896,372
Current portion	$ 137,007
Noncurrent portion	9,759,365
Total	$ 9,896,372

Year Ending	Direct Placement Debt			Other Debt Issues	
September 30,	Principal	Interest	Fees	Principal	Interest
2023	$ 137,007	$ 11,211	$ 11,211	$ -	$ 49,530
2024	137,693	10,525	10,525	710,000	94,445
2025	138,382	9,836	9,836	690,000	85,345
2026	139,075	9,143	9,143	730,000	76,115
2027	139,771	8,446	8,446	740,000	66,560
2028-2032	709,422	31,667	31,667	3,930,000	183,365
2033-2037	727,358	13,730	13,730	820,000	5,330
2038	147,664	554	554	-	-
	$ 2,276,372	$ 95,112	$ 95,112	$ 7,620,000	$ 560,690

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. 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 (PRP) 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 2nd Street Sub-site, in which the City had been designated the only potentially responsible party, has been settled by a consent decree dated August 30, 2010 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 percent 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 $747,000 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, which was reduced to $953,392 pursuant to the consent decree. At September 30, 2018, the City of Hastings General Operating Fund had accrued a liability of $953,392. This liability was paid by the City of Hastings General Operating Fund over three years ($317,797 per year) during the years ended September 30, 2019 through 2021. This liability balance was $0 as of September 30, 2022 and 2021. The City and EPA entered into a joint stipulation to terminate consent decree which was filed in Federal Court on January 5, 2022 and approved by the court that same day.

The City is currently in negotiations with the EPA on a solution for the South Landfill Subsite. An evapotranspiration cap was installed as the source control remedy in 2004. The groundwater remedy is currently monitored natural attenuation (MNA). The EPA has indicated it does not believe the report demonstrates that MNA will meet EPA's standards for MNA remedies. The PRP's have submitted a focused feasibility study (FFS) outlining various alternatives for cleanup of the contamination. The FFS outlined several types of remediation, ranging in cost from $1,710,000 to $16,470,000 and was submitted to EPA and NDEE on August 12, 2019. The FFS is still under review and the remediation alternative remains to be approved by the EPA. The City is one of two remaining PRP's on this subsite and expects to incur 50 percent of the cost of whatever solution is ultimately selected.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Payments to the City of Hastings

Electric System

In Lieu of Tax Payment:

The transfer from the Electric System to the General Fund of the City is calculated as 5.6 percent of the operating revenues of the Electric System for the prior year. The transfer to the General Fund, based on operating revenues for the year ended September 30, 2022, is calculated to be $2,534,343. The transfers to the General Fund of the City for the years ended September 30, 2022 and 2021 were $2,534,343 and $3,067,860 respectively.

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 5.14 percent of operating revenues for the preceding year. For the year ending September 30, 2022 the total amount of in lieu of tax payments are calculated to be $1,067,631 based on the operating revenues for the year ended September 30, 2022. For the year ended September 30, 2021, the total amount of in lieu of tax payments were calculated to be $1,074,980, based on the operating revenues for the year ended September 30, 2021. These amounts are accrued as payable to the City and are paid during the following fiscal year.

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 percent 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, 2022 is $430,728. The payment for the year ended September 30, 2021 was $467,582.

NOTE D – OTHER NOTES

1. 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 $1,355,009 for the year ended September 30, 2022 and $1,157,265 for the year ended September 30, 2021. The pension plan is a defined contribution plan and all funding is current. Employee contributions are matched by the City at 4 percent up to $25,000 of wages and then 8 percent thereafter.

The Department offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Department 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 Department.

2. Risk Management

The City Utility Departments are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. They purchase commercial insurance for general liability, public official’s liability, property coverage, and crime and blanket bond coverage to minimize the effects of possible exposure to these risks. There have been no significant reductions in insurance coverage from coverage in the prior year. During the past three fiscal years, there have been no settlements exceeding the amount of the Hastings Utility Departments’ insurance coverage.

Deposits and Investments

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City Utility Departments will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Utility Departments’ investments at September 30, 2022, are held by banks in the name of the Utility Departments.

The Utility Departments’ investments consist of certificates of deposit, GNMA securities, and money market accounts.

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Utility Departments' investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The certificate of deposit and GNMA maturities are summarized in Note C1.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Utility Departments' investments consist of certificates of deposit, money market funds, and other securities backed by U.S. Government obligations, minimizing credit risk associated with the Utility Departments' investment portfolio.

Concentration of Credit Risk. The Utility Departments' investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2022, the Utility Departments' certificates of deposit consisted of the following:

Financial Institution	Amount
Five Points Bank	$ 2,200,500
Heartland Bank	5,260,000
	$ 7,460,500

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Utility Departments' investments had no exposure to foreign currency risk and the Utility Departments held no investments denominated in foreign currency at September 30, 2022.

NOTE D – OTHER NOTES, continued

3. Contractual Commitments

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 percent 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 percent 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 is year to year. On July 14, 2016, an amendment was made to the agreement reducing the minimum annual coal purchase to 25,000 tons.

NOTE D – OTHER NOTES, continued

3. Contractual Commitments, continued

Coal Contracts

Peabody COALSALES, LLC

On July 11, 2018 the Utilities entered into an agreement with Peabody for the purchase of coal for the period July 11, 2018 through December 31, 2021. This agreement was amended May 25, 2021 to extend the contract through December 31, 2022. The agreement provides up to 400,000 tons in 2018 and a minimum of 600,000 tons and a maximum of 1,000,000 tons each of the calendar years beginning January 1, 2019 through December 31, 2022. Peabody has first right to supply any excess over the maximum under the terms of the agreement.

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. On September 16, 2022 the Utilities entered into an agreement with BNSF for transportation of coal for the period of September 16, 2022 through December 31, 2027. The agreement has a minimum annual tonnage requirement of 450,000 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.

NOTE D – OTHER NOTES, continued

3. Contractual Commitments, continued

Natural Gas Contracts, continued

Central Plains Energy Project, continued

On July 1, 2009, the Utilities entered into a 30 year Gas Supply Agreement (GSA) with CPEP Project No. 2 for approximately 25 percent of the Utilities 10 year historical average annual natural gas consumption. To provide the natural gas supply for the GSA, CPEP entered into a 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.

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 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 year 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.

On November 16, 2018, the Utilities entered into a 30 year Gas Supply Agreement (GSA) with CPEP Project No. 4 for approximately 25 percent of the Utilities 10 year historical average annual natural gas consumption. To provide the natural gas supply for the GSA, CPEP entered into a 30 year term Prepaid Natural Gas Purchase and Sale Agreement (Agreement) with J. Aron & Company LLC, a New York limited liability company ("J. Aron") and a wholly-owned subsidiary of The Goldman Sachs Group, Inc., for the delivery of natural gas to CPEP.

NOTE D – OTHER NOTES, continued

3. Contractual Commitments, continued

Natural Gas Contracts, continued

Trailblazer Pipeline Company LLC

The Utilities signed a firm natural gas transportation contract running through September 30, 2025 with the Trailblazer Pipeline Company LLC (Trailblazer). The Maximum Daily Quantity (MDQ) under the contract is 14,840 Dth/day.

Tall Grass Interstate Gas Transmission LLC

The Utilities also have 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, 2026. The Maximum Daily Quantity (MDQ) is 16,000 Dth/day.

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.

NOTE D – OTHER NOTES, continued

3. Contractual Commitments, continued

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 percent 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.

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 percent) of the estimated 220 MW capacity of WEC 2. Under the terms of the Agreement, the Utilities have been selected to be the Project Construction Manager and Project Operating Agent for WEC 2. WEC 2 began commercial operation on May 1, 2011.

Construction Commitments

	Contract Amount	Paid/Incurred at 9/30/2022	Remaining Commitment	Estimated Completion
Electric commitments:				
2016 Ford F550	$ 95,400	$ -	$ 95,400	October 2023
B Street switchgear	$ 630,231	$ 157,471	$ 472,760	September 2024
Substation garage	$ 707,658	$ 625,358	$ 82,300	December 2022
Substation relay panels	$ 178,407	$ 24,321	$ 154,086	September 2024

NOTE D – OTHER NOTES, continued

3. Contractual Commitments, continued

Construction Commitments, continued

	Contract Amount	Paid/Incurred at 9/30/2022	Remaining Commitment	Estimated Completion
Sewer commitments:				
Aeriation basin project	$ 356,682	$ 241,666	$ 115,016	September 2024
Two power units and two control assemblies	$ 49,716	$ -	$ 49,716	September 2023
Primary digester project	$ 402,413	$ 349,248	$ 53,165	November 2022

4. Other Commitments

On December 1, 2016, the City entered into a 63-month commitment for a postage machine for $870 per month.

On August 25, 2018, the Utility Departments entered into a 60-month commitment for a copier for $732 per month.

On August 25, 2018, the Utility Departments entered into a 60-month commitment for a copier for $231 per month.

On August 25, 2018, the Utility Departments entered into a 60-month commitment for a copier for $1,576 per month.

On October 25, 2018, the Utility Departments entered into a 57-month commitment for a copier for $49 per month.

On October 25, 2018, the Utility Departments entered into a 57-month commitment for a copier for $24 per month.

On March 28, 2021, the Utility Departments entered into a 24-month commitment for a copier for $142 per month.

NOTE D – OTHER NOTES, continued

5. **Loan from Gas Rate Stabilization Fund to Street Lighting**

At the April 2, 2015 Board of Public Works meeting, the Utilities were 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 1.0 percent. The purpose of the transfer is to fund the conversion of the existing street lighting system to more economical LED fixtures. The loan was paid in full during the year ended September 30, 2021.

6. **Subsequent Events**

Management has evaluated subsequent events through February 8, 2023, the date on which the financial statements were available for issue.

On January 9, 2023, the City Council approved a $303,452 contract with Van Kirk Bros. Contracting, Inc. for Lakeview 10th water and sewer improvements.

SUPPLEMENTARY INFORMATION

CITY OF HASTINGS, NEBRASKA
ELECTRIC DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2022	2021
Operating revenues:		
Retail	$ 36,219,605	$ 35,705,774
SPP market sales	23,735,296	-
Wholesale	2,707,539	18,833,635
Total operating revenues	62,662,440	54,539,409
Operating expenses:		
Production expenses:		
Fuel	6,597,458	6,904,588
Other	6,154,435	6,141,455
Purchased power	14,603,575	13,133,183
SPP market purchases	17,406,311	-
Transmission and distribution expense	1,704,542	2,430,239
General and administrative expenses:		
Direct	4,570,256	4,122,575
Indirect	3,650,841	3,545,674
Depreciation	5,693,616	5,412,864
Total operating expenses	60,381,034	41,690,578
Operating income	2,281,406	12,848,831
Other income (expenses)		
Interest income	197,084	76,355
Payments in lieu of taxes	(2,534,343)	(3,067,860)
Reimbursement from PPGA	5,932,198	5,849,664
Cost of services to PPGA	(5,932,198)	(5,849,664)
Participation and capacity agreements	665,627	716,662
Miscellaneous income	566,240	585,935
Coal sales	4,909,447	4,460,538
Cost of coal resold	(3,105,835)	(2,832,747)
Non-utility plant depreciation expense	(609,936)	(609,936)
Miscellaneous expenses	(245,212)	(212,484)
Contributions in aid of construction	202,503	327,969
Total other income (expenses)	45,575	(555,568)
Change in net position	2,326,981	12,293,263
Net position - beginning of year	121,910,024	109,616,761
Net position - end of year	$ 124,237,005	$ 121,910,024

CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEMS

DEPARTMENTAL STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2022		
	Gas	Water	Pollution Control
Operating revenue	$ 9,467,945	$ 7,533,986	$ 7,541,655
Operating expenses (non-depreciation)	(9,345,711)	(4,417,582)	(3,606,423)
Operating income before depreciation	122,234	3,116,404	3,935,232
Less depreciation	(1,662,045)	(944,965)	(1,945,878)
Operating income (loss)	(1,539,811)	2,171,439	1,989,354
Other income (expenses)			
Interest income	-	-	3,615
Payments in lieu of taxes	(618,194)	(578,499)	(301,666)
Allocation of administration department revenue	102,549	70,387	79,710
Reimbursement from PPGA	-	3,607	-
Cost of services to PPGA	-	(3,607)	-
Miscellaneous income	20,416	53,852	37,756
Interest and amortization expense	-	(12,757)	(118,313)
Miscellaneous expenses	(56,595)	(23,982)	(6,130)
Contributions in aid of construction	-	68,122	47,204
Total other income (expenses)	(551,824)	(422,877)	(257,824)
Change in net position	$ (2,091,635)	$ 1,748,562	$ 1,731,530
Net position - beginning of year			
Net position - end of year			

2022		2021
Administration	Total	Total
$ -	$ 24,543,586	$ 25,981,869
-	(17,369,716)	(21,176,311)
-	7,173,870	4,805,558
-	(4,552,888)	(4,256,406)
-	2,620,982	549,152
-	3,615	4,336
-	(1,498,359)	(1,559,124)
-	252,646	233,738
-	3,607	726
-	(3,607)	(726)
-	112,024	107,326
-	(131,070)	(576,562)
-	(86,707)	(113,787)
-	115,326	1,304,915
-	(1,232,525)	(599,158)
$ -	1,388,457	(50,006)
	112,022,881	112,072,887
	$ 113,411,338	$ 112,022,881

CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - GAS DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2022	2021
Operating revenues:		
Retail	$ 9,467,945	$ 9,159,022
State assistance (LB131)	-	2,220,567
Total operating revenues	9,467,945	11,379,589
Operating expenses:		
Production expenses:		
Fuel	6,305,511	10,239,457
Other	59,744	149,219
Transmission and distribution expense	1,152,720	1,171,400
General and administrative expenses:		
Direct	1,007,963	867,046
Indirect	794,148	751,893
Intra-city services	25,625	76,145
Depreciation	1,662,045	1,513,248
Total operating expenses	11,007,756	14,768,408
Operating loss	(1,539,811)	(3,388,819)
Other income (expenses)		
Payments in lieu of taxes	(618,194)	(718,285)
Allocation of administration department revenue	102,549	97,782
Miscellaneous income	20,416	21,024
Miscellaneous expenses	(56,595)	(72,443)
Total other income (expenses)	(551,824)	(671,922)
Change in net position	$ (2,091,635)	$ (4,060,741)

CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - WATER DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2022	2021
Operating revenues:		
Retail	$ 7,480,901	$ 7,099,513
Wholesale	53,085	42,214
Total operating revenues	7,533,986	7,141,727
Operating expenses:		
Production expenses:	744,208	881,648
Operating of water treatment	675,403	775,504
Transmission and distribution expense	1,059,046	901,951
General and administrative expenses:		
Direct	1,004,120	840,376
Indirect	934,805	944,547
Depreciation	944,965	821,022
Total operating expenses	5,362,547	5,165,048
Operating income	2,171,439	1,976,679
Other income (expenses):		
Payments in lieu of taxes	(578,499)	(542,371)
Allocation of administration department revenue	70,387	64,210
Reimbursement from PPGA	3,607	726
Cost of services to PPGA	(3,607)	(726)
Miscellaneous income	53,852	51,799
Interest and amortization expense	(12,757)	(27,702)
Miscellaneous expenses	(23,982)	(35,979)
Contributions in aid of construction	68,122	744,354
Total other income (expenses)	(422,877)	254,311
Change in net position	$ 1,748,562	$ 2,230,990

CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - POLLUTION CONTROL DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2022	2021
Operating revenues:		
Retail	$ 7,541,655	$ 7,460,553
Operating expenses:		
Sewer treatment expenses	1,465,590	1,378,830
Sewer line expenses	516,108	560,529
General and administrative expenses:		
Direct	780,787	840,578
Indirect	843,938	797,188
Depreciation	1,945,878	1,922,136
Total operating expenses	5,552,301	5,499,261
Operating income	1,989,354	1,961,292
Other income (expenses)		
Interest income	3,615	4,336
Payments in lieu of taxes	(301,666)	(298,468)
Allocation of administration department revenue	79,710	71,746
Miscellaneous income	37,756	34,503
Interest and amortization expense	(118,313)	(548,860)
Miscellaneous expenses	(6,130)	(5,365)
Contributions in aid of construction	47,204	560,561
Total other income (expenses)	(257,824)	(181,547)
Change in net position	$ 1,731,530	$ 1,779,745

CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - ADMINISTRATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	2022	2021
General and administrative expenses	$ 8,664,823	$ 8,621,457
Depreciation	91,406	17,763
Less: Overhead allocated	(1,607,890)	(1,683,574)
Reimbursement from PPGA	(924,607)	(916,344)
Allocable expenses	6,223,732	6,039,302
Allocation of expenses to operating departments:		
Electric	(3,650,841)	(3,545,674)
Gas	(794,148)	(751,893)
Water	(934,805)	(944,547)
Pollution control	(843,938)	(797,188)
Total allocation	(6,223,732)	(6,039,302)
Operating expenses	-	-
Other income:		
Interest income	74,604	42,847
Gain on sale of property	-	82,467
Miscellaneous income	178,042	108,424
Total other income	252,646	233,738
Allocation of other income to operating departments:		
Gas	(102,549)	(97,782)
Water	(70,387)	(64,210)
Pollution control	(79,710)	(71,746)
Total allocation	(252,646)	(233,738)
Change in net position	$ -	$ -

AMGL
CPAs & Advisors

SHAREHOLDERS:
Robert D. Almquist
Phillip D. Maltzahn
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf
Tracy A. Cannon

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the 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, 2022, and the related notes to the financial statements, which collectively comprise the Hastings Utilities' financial statements, and have issued our report thereon dated February 8, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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Wealth Management, LLC Registered Investment Advisor, is affiliated with AMGL, P.C. and offers wealth management and investment advisory services.

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 identified a certain deficiency in internal control, described below that we consider to be a significant deficiency.

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.

Report on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hastings Utilities' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Hastings Utilities' response to the findings identified in our audit and described above. 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. 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.

AMGL, P.C.

Grand Island, Nebraska
February 8, 2023