

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

FINANCIAL STATEMENTS

September 30, 2023 and 2022

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION	
Management’s Discussion and Analysis	5
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	15
SUPPLEMENTARY INFORMATION	
Statements of Revenues, Expenses, and Changes in Net Position – Electric Fund	43
Departmental Statements of Revenue, Expenses, and Changes in Net Position – Combined Systems	44
Statements of Revenues, Expenses, and Changes in Net Position – Combined System - Gas Department	45
Statements of Revenues, Expenses, and Changes in Net Position – Combined System - Water Department	46
Statements of Revenues, Expenses, and Changes in Net Position – Combined System - Pollution Control Department	47
Statements of Revenues, Expenses, and Changes in Net Position – Combined System - Administration Department	48
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 <i>Government Auditing Standards</i>	49

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
Jamie L. Clemans

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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.

1203 W 2nd Street
P.O. Box 1407
Grand Island, NE 68802
P 308-381-1810
F 308-381-4824
EMAIL cpa@gicpas.com

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, 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, 2024, 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.

AMGLPC.

Grand Island, Nebraska
February 8, 2024

**CITY OF HASTINGS, NEBRASKA
UTILITIES DEPARTMENT**

**MANAGEMENT’S DISCUSSION & ANALYSIS
For the year ended September 30, 2023**

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, 2023, September 30, 2022, and September 30, 2021. 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, 2023 and September 30, 2022. 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.

**CITY OF HASTINGS, NEBRASKA
UTILITIES DEPARTMENT**

**MANAGEMENT'S DISCUSSION & ANALYSIS, Continued
For the year ended September 30, 2023**

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,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:			
Operating Revenues	\$ 84.33	\$ 87.21	\$ 80.52
Non-Operating Revenues	15.03	12.64	12.03
Total Revenues	<u>99.36</u>	<u>99.85</u>	<u>92.55</u>
Expenses:			
Operating Expenses	81.98	82.31	67.12
Payments In Lieu of Tax	3.97	4.03	4.63
Non-Operating Expenses	10.21	10.11	10.19
Total Expenses	<u>96.16</u>	<u>96.45</u>	<u>81.94</u>
Net Income Before Contributions	3.20	3.40	10.61
Capital Contributions	<u>0.24</u>	<u>0.32</u>	<u>1.63</u>
Change in Net Position	3.44	3.72	12.24
Net Position - Beginning	<u>237.65</u>	<u>233.93</u>	<u>221.69</u>
Net Position - Ending	<u>\$ 241.09</u>	<u>\$ 237.65</u>	<u>\$ 233.93</u>

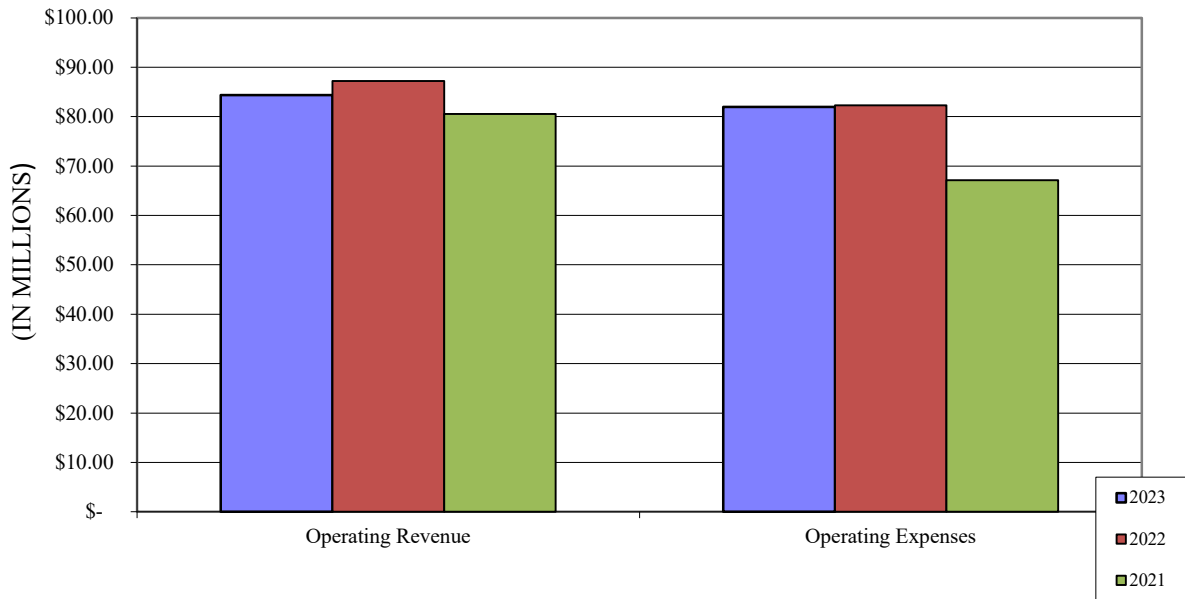
**CITY OF HASTINGS, NEBRASKA
UTILITIES DEPARTMENT**

**MANAGEMENT'S DISCUSSION & ANALYSIS, Continued
For the year ended September 30, 2023**

Operating revenue decreased \$2.88M, due primarily to a \$6.62M decrease in SPP market sales partially offset by a \$3.24M increase in gas retail sales. Operating expenses decreased \$0.33M.

Comparison of Revenues and Expenses

**Hastings Utility Department
2023 - 2022 - 2021**

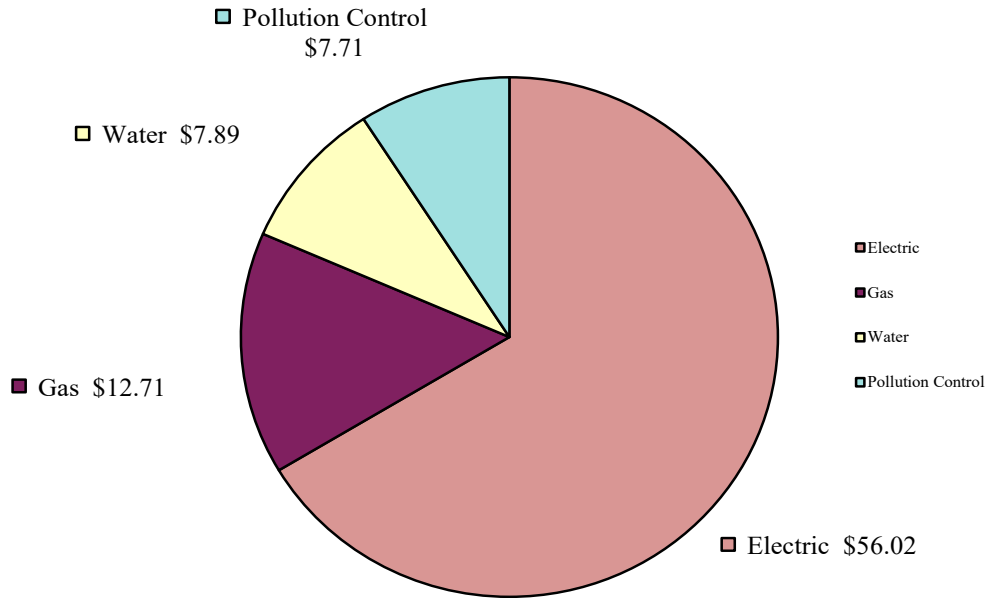


Revenue & Expenses

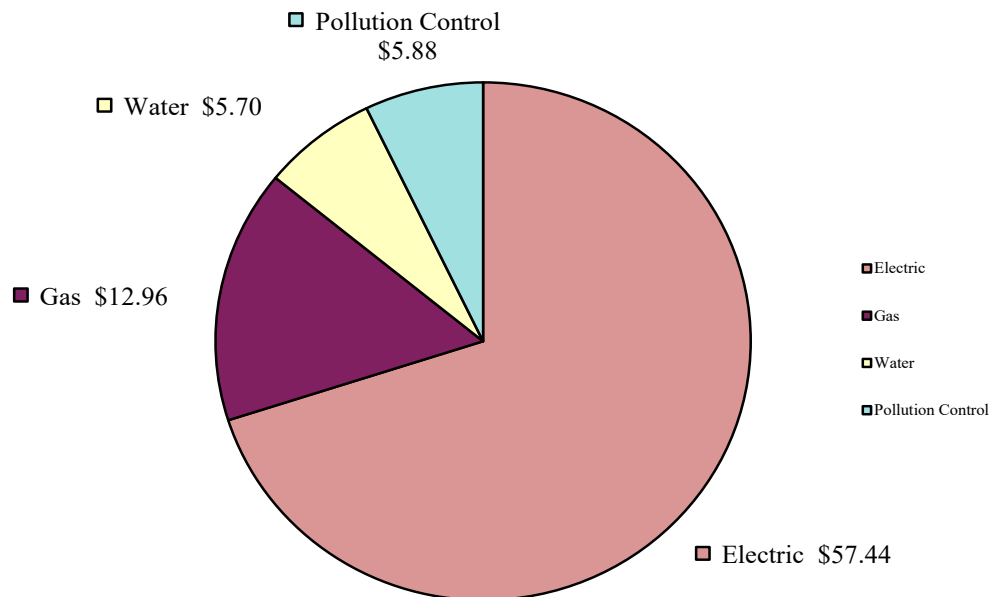
**CITY OF HASTINGS, NEBRASKA
UTILITIES DEPARTMENT**

**MANAGEMENT'S DISCUSSION & ANALYSIS, Continued
For the year ended September 30, 2023**

**2023 OPERATING REVENUE BY DEPARTMENT
(dollars in millions)**



**2023 OPERATING EXPENSES BY DEPARTMENT
(dollars in millions)**



**CITY OF HASTINGS, NEBRASKA
UTILITIES DEPARTMENT**

**MANAGEMENT’S DISCUSSION & ANALYSIS, Continued
For the year ended September 30, 2023**

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 \$2.39M, while non-operating expenses increased \$0.10M. 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, loss on disposal of assets, 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 \$375.77M in 2022 to \$378.83M in 2023, an increase of \$3.06M. After depreciation and including construction in progress, net utility plant increased from \$162.68M in 2022 to \$177.51M in 2023, an increase of \$14.83M.

Significant capital expenditures during the year ended September 30, 2023 included:

- Gas mains and services - \$329,205
- Water meters - \$277,765
- Modify RBC building and HVAC improvements - \$390,698
- Fisher Fountain improvements - \$651,290
- Electric distribution poles, conductor, underground improvements - \$1,086,718
- Electric line transformers - \$280,586
- Construction in progress on electric projects - \$11,113,794
- Construction in progress on water projects - \$2,352,186
- Construction in progress on sewer projects - \$2,576,764
- Construction in progress on admin projects - \$2,243,240

**CITY OF HASTINGS, NEBRASKA
UTILITIES DEPARTMENT**

**MANAGEMENT’S DISCUSSION & ANALYSIS, Continued
For the year ended September 30, 2023**

LONG-TERM DEBT

Total long-term debt decreased from \$9.9M to \$9.0M 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 Electric Department has a remaining contractual commitment of \$659,904 on the electric line conversion project, expected to be completed in September 2029.
- The Electric Department has a remaining contractual commitment of \$591,384 on the B Street switchgear project, expected to be completed in September 2024.
- The Electric Department also has a contractual commitment of \$940,353 on three substations, expected to be completed in September 2029.
- The Sewer Department has a remaining contractual commitment of \$313,625 on the primary digester improvement project, expected to be completed in December 2023.
- The Sewer Department has a contractual commitment of \$545,380 on aeration blowers for the wastewater treatment plant, expected to be completed in December 2023.
- The Water Department has a contractual commitment of \$548,060 on the water main replacement project on Fifth Street, expected to be completed in December 2023.

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	
	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 41,293,588	\$ 44,736,001
Investments	8,795,284	10,793,954
Accounts receivable	6,169,773	6,229,359
Interest receivable	75,792	27,695
Interfund receivable (payable)	(15,682,765)	(12,993,681)
Inventory	9,131,020	6,022,057
Total current assets	<u>49,782,692</u>	<u>54,815,385</u>
Noncurrent assets:		
Restricted cash and cash equivalents	1,332,500	1,268,975
Capital assets:		
Construction in progress	15,235,409	4,121,614
Electric	204,271,391	208,964,121
Gas	-	-
Water	-	-
Pollution control	-	-
Administrative	-	-
Less accumulated depreciation	(140,495,521)	(141,487,757)
Subtotal	<u>79,011,279</u>	<u>71,597,978</u>
Non-utility plant	15,866,333	15,866,333
Less accumulated depreciation	(8,687,787)	(8,077,851)
Net capital assets	<u>86,189,825</u>	<u>79,386,460</u>
Total noncurrent assets	<u>87,522,325</u>	<u>80,655,435</u>
Total assets	137,305,017	135,470,820
LIABILITIES		
Current liabilities:		
Accounts payable	8,723,113	7,829,257
Accrued payroll expenses	347,952	284,148
Accrued interest payable	-	-
Sales tax payable	28,548	7,697
Customer deposits	-	-
Current portion of long-term debt	-	-
Total current liabilities	<u>9,099,613</u>	<u>8,121,102</u>
Noncurrent liabilities:		
Compensated absences	1,673,998	1,607,433
Accrued emissions fees	30,386	93,727
Accrued ash disposal fees	1,475,077	1,411,553
Noncurrent portion of long-term debt	-	-
Total noncurrent liabilities	<u>3,179,461</u>	<u>3,112,713</u>
Total liabilities	12,279,074	11,233,815
NET POSITION		
Net investment in capital assets	86,189,825	79,386,460
Restricted for debt service	-	-
Unrestricted	38,836,118	44,850,545
Total net position	<u>\$ 125,025,943</u>	<u>\$ 124,237,005</u>

See notes to financial statements.

Combined System		Total	
<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
\$ 5,811,351	\$ 8,315,602	\$ 47,104,939	\$ 53,051,603
6,464,766	12,249,621	15,260,050	23,043,575
2,396,711	2,656,258	8,566,484	8,885,617
25,750	10,445	101,542	38,140
15,682,765	12,993,681	-	-
2,257,035	2,433,475	11,388,055	8,455,532
<u>32,638,378</u>	<u>38,659,082</u>	<u>82,421,070</u>	<u>93,474,467</u>
-	47,471	1,332,500	1,316,446
15,492,515	8,124,574	30,727,924	12,246,188
-	-	204,271,391	208,964,121
35,899,108	36,611,265	35,899,108	36,611,265
56,623,814	57,316,138	56,623,814	57,316,138
68,538,647	68,974,297	68,538,647	68,974,297
13,501,156	3,904,399	13,501,156	3,904,399
<u>(91,556,941)</u>	<u>(83,851,201)</u>	<u>(232,052,462)</u>	<u>(225,338,958)</u>
98,498,299	91,079,472	177,509,578	162,677,450
-	-	15,866,333	15,866,333
<u>-</u>	<u>-</u>	<u>(8,687,787)</u>	<u>(8,077,851)</u>
98,498,299	91,079,472	184,688,124	170,465,932
<u>98,498,299</u>	<u>91,126,943</u>	<u>186,020,624</u>	<u>171,782,378</u>
131,136,677	129,786,025	268,441,694	265,256,845
3,257,027	3,701,624	11,980,140	11,530,881
225,244	313,494	573,196	597,642
(880)	(1,461)	(880)	(1,461)
203,554	223,068	232,102	230,765
558,805	562,215	558,805	562,215
137,693	137,007	137,693	137,007
<u>4,381,443</u>	<u>4,935,947</u>	<u>13,481,056</u>	<u>13,057,049</u>
1,776,624	1,679,375	3,450,622	3,286,808
-	-	30,386	93,727
-	-	1,475,077	1,411,553
8,911,672	9,759,365	8,911,672	9,759,365
<u>10,688,296</u>	<u>11,438,740</u>	<u>13,867,757</u>	<u>14,551,453</u>
15,069,739	16,374,687	27,348,813	27,608,502
89,448,934	81,183,100	175,638,759	160,569,560
-	47,471	-	47,471
26,618,004	32,180,767	65,454,122	77,031,312
<u>\$ 116,066,938</u>	<u>\$ 113,411,338</u>	<u>\$ 241,092,881</u>	<u>\$ 237,648,343</u>

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

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

For the years ended September 30,

	Electric Fund	
	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 56,018,465	\$ 62,662,440
Operating expenses (non-depreciation)	<u>(53,479,842)</u>	<u>(54,687,418)</u>
Operating income before depreciation	2,538,623	7,975,022
Less depreciation	<u>(3,959,987)</u>	<u>(5,693,616)</u>
Operating income (loss)	(1,421,364)	2,281,406
Nonoperating revenues (expenses):		
Interest income	1,787,917	197,084
Payments in lieu of taxes	(2,221,768)	(2,534,343)
Participation and capacity agreement	1,547,329	665,627
Allocated administration interest and other revenue	-	-
Miscellaneous income	683,119	566,240
Net coal sales	1,356,686	1,803,612
Interest and amortization expense	-	-
Non-utility plant depreciation expense	(609,936)	(609,936)
Miscellaneous expenses	(255,311)	(245,212)
Loss on disposal of assets	(247,900)	-
Contributions in aid of construction	<u>170,166</u>	<u>202,503</u>
Total other income (expenses)	<u>2,210,302</u>	<u>45,575</u>
Change in net position	788,938	2,326,981
Net position - beginning of year	<u>124,237,005</u>	<u>121,910,024</u>
Net position - end of year	<u><u>\$ 125,025,943</u></u>	<u><u>\$ 124,237,005</u></u>

See notes to financial statements.

Combined System		Total	
<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
\$ 28,312,834	\$ 24,543,586	\$ 84,331,299	\$ 87,206,026
<u>(21,973,119)</u>	<u>(17,369,716)</u>	<u>(75,452,961)</u>	<u>(72,057,134)</u>
6,339,715	7,173,870	8,878,338	15,148,892
<u>(2,566,034)</u>	<u>(4,552,888)</u>	<u>(6,526,021)</u>	<u>(10,246,504)</u>
3,773,681	2,620,982	2,352,317	4,902,388
-	3,615	1,787,917	200,699
(1,745,822)	(1,498,359)	(3,967,590)	(4,032,702)
-	-	1,547,329	665,627
804,466	252,646	804,466	252,646
126,163	112,024	809,282	678,264
-	-	1,356,686	1,803,612
(110,682)	(131,070)	(110,682)	(131,070)
-	-	(609,936)	(609,936)
(68,492)	(86,707)	(323,803)	(331,919)
(194,287)	-	(442,187)	-
70,573	115,326	240,739	317,829
<u>(1,118,081)</u>	<u>(1,232,525)</u>	<u>1,092,221</u>	<u>(1,186,950)</u>
2,655,600	1,388,457	3,444,538	3,715,438
<u>113,411,338</u>	<u>112,022,881</u>	<u>237,648,343</u>	<u>233,932,905</u>
<u>\$ 116,066,938</u>	<u>\$ 113,411,338</u>	<u>\$ 241,092,881</u>	<u>\$ 237,648,343</u>

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

STATEMENTS OF CASH FLOWS

For the years ended September 30,

	2023		
	Electric Fund	Combined System	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 67,524,396	\$ 29,434,518	\$ 96,958,914
Payments to suppliers	(54,189,285)	(13,836,695)	(68,025,980)
Payments to employees	(9,468,783)	(8,220,293)	(17,689,076)
Net cash provided by operating activities	3,866,328	7,377,530	11,243,858
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Increase in due to/from other funds	2,689,084	(2,689,084)	-
Decrease in due from City of Hastings	-	-	-
Payments in lieu of tax to City of Hastings	(2,221,768)	(1,745,822)	(3,967,590)
Net cash provided (used) by noncapital financing activities	467,316	(4,434,906)	(3,967,590)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	(12,016,163)	(10,401,886)	(22,418,049)
Contributions in aid of construction	170,166	70,573	240,739
Sale of capital assets	394,975	24,525	419,500
Principal payments on capital debt	-	(847,007)	(847,007)
Interest paid on capital debt	-	(110,101)	(110,101)
Net cash used by capital and related financing activities	(11,451,022)	(11,263,896)	(22,714,918)
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) decrease in investments	1,998,670	5,784,855	7,783,525
Interest income received	1,739,820	(15,305)	1,724,515
Net cash provided (used) by investing activities	3,738,490	5,769,550	9,508,040
Increase (decrease) in cash and cash equivalents	(3,378,888)	(2,551,722)	(5,930,610)
Cash and cash equivalents - beginning of the year	46,004,976	8,363,073	54,368,049
Cash and cash equivalents - end of the year	<u>\$ 42,626,088</u>	<u>\$ 5,811,351</u>	<u>\$ 48,437,439</u>
Cash and cash equivalents consists of:			
Cash and cash equivalents	\$ 41,293,588	\$ 5,811,351	\$ 47,104,939
Restricted cash and cash equivalents	1,332,500	-	1,332,500
Total cash and cash equivalents	<u>\$ 42,626,088</u>	<u>\$ 5,811,351</u>	<u>\$ 48,437,439</u>

See notes to financial statements.

2022		
<u>Electric Fund</u>	<u>Combined System</u>	<u>Total</u>
\$ 74,132,142	\$ 25,845,875	\$ 99,978,017
(57,106,433)	(9,606,829)	(66,713,262)
(9,234,268)	(8,441,162)	(17,675,430)
<u>7,791,441</u>	<u>7,797,884</u>	<u>15,589,325</u>
2,235,885	(2,235,885)	-
-	6,425	6,425
<u>(2,534,343)</u>	<u>(1,498,359)</u>	<u>(4,032,702)</u>
(298,458)	(3,727,819)	(4,026,277)
(4,450,494)	(8,247,579)	(12,698,073)
202,503	115,326	317,829
-	-	-
-	(832,814)	(832,814)
-	(156,167)	(156,167)
<u>(4,247,991)</u>	<u>(9,121,234)</u>	<u>(13,369,225)</u>
1,955	(8,296,744)	(8,294,789)
174,522	(4,434)	170,088
<u>176,477</u>	<u>(8,301,178)</u>	<u>(8,124,701)</u>
3,421,469	(13,352,347)	(9,930,878)
<u>42,583,507</u>	<u>21,715,420</u>	<u>64,298,927</u>
<u>\$ 46,004,976</u>	<u>\$ 8,363,073</u>	<u>\$ 54,368,049</u>
\$ 44,736,001	\$ 8,315,602	\$ 53,051,603
1,268,975	47,471	1,316,446
<u>\$ 46,004,976</u>	<u>\$ 8,363,073</u>	<u>\$ 54,368,049</u>

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

STATEMENTS OF CASH FLOWS, Continued

For the years ended September 30,

	2023		
	<u>Electric Fund</u>	<u>Combined System</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,421,364)	\$ 3,773,681	\$ 2,352,317
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	4,569,923	2,764,247	7,334,170
Participation and capacity agreements	1,547,329	-	1,547,329
Miscellaneous income, net of expenses	1,174,558	862,137	2,036,695
(Increase) decrease in assets:			
Accounts receivable	59,586	259,547	319,133
Inventory	(3,108,963)	176,440	(2,932,523)
Increase (decrease) in liabilities:			
Accounts payable	893,856	(444,597)	449,259
Accrued expenses	151,403	(10,515)	140,888
Customer deposits	-	(3,410)	(3,410)
Net cash provided by operating activities	<u>\$ 3,866,328</u>	<u>\$ 7,377,530</u>	<u>\$ 11,243,858</u>

See notes to financial statements.

2022		
<u>Electric Fund</u>	<u>Combined System</u>	<u>Total</u>
\$ 2,281,406	\$ 2,620,982	\$ 4,902,388
6,331,638	4,673,622	11,005,260
665,627	-	665,627
1,514,704	277,963	1,792,667
251,338	1,024,326	1,275,664
(2,690,229)	(413,084)	(3,103,313)
(743,634)	155,980	(587,654)
180,591	(517,865)	(337,274)
-	(24,040)	(24,040)
<u>\$ 7,791,441</u>	<u>\$ 7,797,884</u>	<u>\$ 15,589,325</u>

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS

INDEX

	Page
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
1. Financial Reporting Entity	16
2. Measurement Focus and Basis of Accounting	17
3. Assets, Liabilities, and Equity	18
4. Revenues, Expenditures, and Expenses	21
NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
1. Deposit Laws and Regulations	21
2. Debt Restrictions and Covenants	22
3. Budgetary Data	22
NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS	
1. Cash and Investments	23
2. Restricted Assets	25
3. Capital Assets	28
4. Long-term Debt	30
5. Environmental Remediation	32
6. Payments to the City of Hastings	33
NOTE D – OTHER NOTES	
1. Pension Plan	34
2. Risk Management	34
3. Contractual Commitments	36
4. Other Commitments	41
5. Subsequent Events	42

CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

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, 2023, 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 \$3,556,558 for the year ended September 30, 2023 and \$3,650,841 for the year ended September 30, 2022.

In determining the financial reporting entity, the Departments comply with the provisions of GASB Statement No. 61, and has addressed all potential component units (traditionally separate reporting entities) for which the Departments may be financially accountable, and, as such, should be included within the Departments' financial statements. The Utilities (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 Departments. 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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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 Utilities prepare its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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 Departments consider 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 \$60,000 and \$83,000 was recorded on the Electric Fund as of September 30, 2023 and 2022. 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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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:

Effective October 1, 2022, Hastings Utilities changed depreciation methods, and now use the straight line method over the estimated lives of the capital assets (ranging from 5 to 50 years). The provision for depreciation was computed at an overall straight-line composite rate of approximately 3.0% for the year ended September 30, 2022 and this method continues to be used for the non-utility plant assets in the Electric Fund. Depreciation expense taken during the year ended September 30, 2023 was \$7,334,170 and for the year ended September 30, 2022 was \$11,005,260.

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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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, 2023 increased by \$163,814 and for the year ended September 30, 2022 increased by \$54,496.

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.”

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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, 2023. The categories of collateral are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Departments (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.

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits and certificates of deposit	\$ 65,916,660	\$ 1,338,922	\$ 64,577,738	\$ -	\$ <u>63,697,489</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government -

Unrestricted cash and cash equivalents	\$ 47,104,939
Unrestricted investments	15,260,050
Restricted cash and cash equivalents	<u>1,332,500</u>
Total	\$ <u>63,697,489</u>

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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

1. Cash and Investments, continued

	Investment Maturities (in Years)				Total
	< 1	1 - 5	5 - 10	> 10	
CD's	\$ 6,460,000	\$ -	\$ -	\$ -	\$ 6,460,000
Money market	8,800,050	-	-	-	8,800,050
	<u>\$ 15,260,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,260,050</u>

Unrestricted cash and investments at September 30, 2023 and 2022, consisted of:

	September 30, 2023		September 30, 2022	
	Cash & Cash Equivalents	Investments	Cash & Cash Equivalents	Investments
Electric Fund:				
Rate stabilization	\$ -	\$ 4,285,284	\$ -	\$ 6,283,954
Revenue fund	41,154,666	2,500,000	44,603,086	2,500,000
Solar project	-	-	-	-
Southwest Power Pool	138,922	-	132,915	-
Insurance fund	-	2,010,000	-	2,010,000
Total	<u>\$ 41,293,588</u>	<u>\$ 8,795,284</u>	<u>\$ 44,736,001</u>	<u>\$ 10,793,954</u>
Combined System:				
General operating	4,067,747	\$ -	\$ 946,284	\$ -
Payroll cash	-	-	956,526	-
Petty cash	650	-	650	-
Economic development	1,013,000	-	1,513,000	-
Rate stabilization	-	5,264,766	-	10,049,121
Health insurance claims	-	-	1,549,743	-
Revenue fund	371,149	-	2,987,184	1,000,500
Insurance fund	-	1,000,000	-	1,000,000
Customer deposits	358,805	200,000	362,215	200,000
Total	<u>\$ 5,811,351</u>	<u>\$ 6,464,766</u>	<u>\$ 8,315,602</u>	<u>\$ 12,249,621</u>

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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

2. Restricted Assets

The restricted cash and investments at September 30, 2023 and 2022 consisted of:

	September 30, 2023		September 30, 2022	
	<u>Cash & Cash Equivalents</u>	<u>Investments</u>	<u>Cash & Cash Equivalents</u>	<u>Investments</u>
Electric Fund:				
Fly ash disposal	<u>\$ 1,332,500</u>	<u>\$ -</u>	<u>\$ 1,268,975</u>	<u>\$ -</u>
Combined System:				
Bond payment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,471</u>	<u>\$ -</u>

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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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 \$1,475,077 at September 30, 2023 and \$1,411,553 at September 30, 2022. The amount on deposit in the Closure/Post Closure Care Account was \$1,332,500 at September 30, 2023 and was \$1,268,975 at September 30, 2022.

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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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

3. Capital Assets

The major classes of property, plant, and equipment at September 30, 2023, are shown below:

	Balance 9/30/2022	Additions	Disposals	Reclass	Balance 9/30/2023
Capital assets not being depreciated:					
Land	\$ 6,265,168	\$ -	\$ -	\$ -	\$ 6,265,168
Construction in progress	12,246,188	18,481,736	-	-	30,727,924
Total capital assets not being depreciated	18,511,356	18,481,736	-	-	36,993,092
Capital assets being depreciated:					
Electric	206,812,572	902,369	(649,684)	(4,945,415)	202,119,842
Electric non-utility plant	15,866,333	-	-	-	15,866,333
Gas	36,240,102	753,585	(85,653)	(1,380,089)	35,527,945
Water	56,005,275	645,572	(132,774)	(1,205,122)	55,312,951
Pollution control	66,542,704	749,365	-	(1,185,015)	66,107,054
Administrative	3,904,399	885,422	(4,306)	8,715,641	13,501,156
Total depreciable assets at historical cost	385,371,385	3,936,313	(872,417)	-	388,435,281
Less accumulated depreciation for:					
Electric	(141,487,757)	(3,959,987)	6,808	4,945,415	(140,495,521)
Electric non-utility plant	(8,077,851)	(609,936)	-	-	(8,687,787)
Gas	(35,439,606)	(78,312)	1,918	1,380,089	(34,135,911)
Water	(11,194,016)	(741,452)	1,834	1,205,122	(10,728,512)
Pollution control	(36,412,696)	(1,746,270)	-	1,185,015	(36,973,951)
Administrative	(804,883)	(198,213)	170	(8,715,641)	(9,718,567)
Total accumulated depreciation	(233,416,809)	(7,334,170)	10,730	-	(240,740,249)
Depreciable capital assets, net	151,954,576	(3,397,857)	(861,687)	-	147,695,032
Net property, plant, and equipment	<u>\$ 170,465,932</u>	<u>\$ 15,083,879</u>	<u>\$ (861,687)</u>	<u>\$ -</u>	<u>\$ 184,688,124</u>

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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

3. Capital Assets, continued

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

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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

4. Long-term Debt

Changes in Long-term Debt

	Balance 9/30/2022	Additions	Principal Payments	Balance 9/30/2023	Amounts Due Within One Year
Sewer bonds payable	\$ 7,620,000	\$ -	\$ (710,000)	\$ 6,910,000	\$ -
Water note payable	2,276,372	-	(137,007)	2,139,365	137,693
Total	<u>\$ 9,896,372</u>	<u>\$ -</u>	<u>\$ (847,007)</u>	<u>\$ 9,049,365</u>	<u>\$ 137,693</u>

	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	<u>\$ 10,729,186</u>	<u>\$ -</u>	<u>\$ (832,814)</u>	<u>\$ 9,896,372</u>	<u>\$ 137,007</u>

As of September 30, 2023, 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.

\$ 6,910,000

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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.

2,139,365

Total note and bonds payable

\$ 9,049,365

Current portion

\$ 137,693

Noncurrent portion

8,911,672

Total

\$ 9,049,365

Year Ending <u>September 30,</u>	<u>Direct Placement Debt</u>			<u>Other Debt Issues</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 137,693	\$ 10,525	\$ 10,525	\$ -	\$ 44,915
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	140,471	7,747	7,747	750,000	56,875
2029-2033	712,973	28,115	28,115	4,000,000	131,820
2034-2038	731,000	10,089	10,089	-	-
	<u>\$ 2,139,365</u>	<u>\$ 83,901</u>	<u>\$ 83,901</u>	<u>\$ 6,910,000</u>	<u>\$ 461,630</u>

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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. 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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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 was calculated as 6.1 percent of retail sales of the Electric System for the year ended September 30, 2023. The transfer to the General Fund, based on operating revenues for the year ended September 30, 2023, is calculated to be \$2,221,768. For the year ended September 30, 2022, the transfer from the Electric System to the General Fund of the City was calculated as 5.6 percent of the operating revenues of the Electric System for the prior year. The transfer to the General Fund of the City for the year ended September 30, 2022 was \$2,534,343. These amounts are accrued as payable to the City and are paid during the following fiscal year.

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, 2023 the total amount of in lieu of tax payments are calculated to be \$1,216,379 based on the operating revenues for the year ended September 30, 2023. For the year ended September 30, 2022, the total amount of in lieu of tax payments were calculated to be \$1,067,631, based on the operating revenues for the year ended September 30, 2022. 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, 2023 is \$529,443. The payment for the year ended September 30, 2022 was \$430,728.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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 \$1,484,800 for the year ended September 30, 2023 and \$1,355,009 for the year ended September 30, 2022. 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, 2023, are held by banks in the name of the Utility Departments.

The Utility Departments' investments consist of certificates of deposit and money market accounts.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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 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, 2023, the Utility Departments' certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Five Points Bank	\$ 2,750,000
Pinnacle Bank	2,510,000
Heartland Bank	1,000,000
Home Federal	200,000
	<u>\$ 6,460,000</u>

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, 2023.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

NOTE D – OTHER NOTES, continued

3. Contractual Commitments, continued

Coal Contracts

Peabody COALSALES, LLC

On October 19, 2022 the Utilities entered into an agreement with Peabody for the purchase of coal for the period January 1, 2023 through December 31, 2023. The agreement provides a minimum of 400,000 tons and a maximum of 1,000,000 tons each of the calendar years beginning January 1, 2023 through December 31, 2025. 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 16, 2022, the Utilities entered into an agreement with The BNSF Railway Company for the 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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

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

	<u>Contract Amount</u>	<u>Paid/Incurred at 9/30/2023</u>	<u>Remaining Commitment</u>	<u>Estimated Completion</u>
Electric commitments:				
2007 Freightliner	\$ <u>37,000</u>	\$ <u>-</u>	\$ <u>37,000</u>	October 2024
B Street switchgear	\$ <u>630,231</u>	\$ <u>38,847</u>	\$ <u>591,384</u>	September 2024
Substation improvements	\$ <u>940,353</u>	\$ <u>-</u>	\$ <u>940,353</u>	September 2029
WEC1 North bunker site	\$ <u>131,685</u>	\$ <u>34,914</u>	\$ <u>96,771</u>	September 2024

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

NOTE D – OTHER NOTES, continued

3. Contractual Commitments, continued

Construction Commitments, continued

	<u>Contract Amount</u>	<u>Paid/Incurred at 9/30/2023</u>	<u>Remaining Commitment</u>	<u>Estimated Completion</u>
Electric commitments, continued:				
Line conversion	\$ <u>1,780,669</u>	\$ <u>1,120,765</u>	\$ <u>659,904</u>	September 2029
East 7th St switchgear	\$ <u>603,443</u>	\$ <u>521,184</u>	\$ <u>82,259</u>	September 2024
WEC distribution	\$ <u>798,350</u>	\$ <u>561,468</u>	\$ <u>236,882</u>	September 2024
Water commitments:				
Water main – 5 th St	\$ <u>548,060</u>	\$ <u>-</u>	\$ <u>548,060</u>	December 2023
Water main – 2 nd St	\$ <u>175,766</u>	\$ <u>-</u>	\$ <u>175,766</u>	December 2023
Sewer commitments:				
Aeration blowers	\$ <u>545,380</u>	\$ <u>-</u>	\$ <u>545,380</u>	December 2023
Primary digester project	\$ <u>3,059,165</u>	\$ <u>2,745,540</u>	\$ <u>313,625</u>	December 2023
Admin commitments:				
2017 Chevy	\$ <u>23,500</u>	\$ <u>-</u>	\$ <u>23,500</u>	October 2023
2019 Ford truck	\$ <u>38,500</u>	\$ <u>-</u>	\$ <u>38,500</u>	October 2023

4. Other Commitments

On November 8, 2023, the City entered into a 63-month commitment for a postage machine for \$275 per month.

**CITY OF HASTINGS, NEBRASKA
UTILITY DEPARTMENTS**

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023 and 2022

NOTE D – OTHER NOTES, continued

5. Subsequent Events

Management has evaluated subsequent events through February 8, 2024, the date on which the financial statements were available for issue.

During October 2023, the Utilities contracted for the purchase of 2024 vacuum trailer for \$180,552.

SUPPLEMENTARY INFORMATION

**CITY OF HASTINGS, NEBRASKA
ELECTRIC DEPARTMENT**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Retail	\$ 36,791,517	\$ 36,219,605
SPP market sales	17,117,058	23,735,296
Wholesale	2,109,890	2,707,539
Total operating revenues	<u>56,018,465</u>	<u>62,662,440</u>
Operating expenses:		
Production expenses:		
Fuel	6,725,009	6,597,458
Other	9,238,982	6,154,435
Purchased power	14,697,132	14,603,575
SPP market purchases	11,977,421	17,406,311
Transmission and distribution expense	2,372,404	1,704,542
General and administrative expenses:		
Direct	4,912,336	4,570,256
Indirect	3,556,558	3,650,841
Depreciation	3,959,987	5,693,616
Total operating expenses	<u>57,439,829</u>	<u>60,381,034</u>
Operating income (loss)	(1,421,364)	2,281,406
Other income (expenses)		
Interest income	1,787,917	197,084
Payments in lieu of taxes	(2,221,768)	(2,534,343)
Reimbursement from PPGA	6,141,864	5,932,198
Cost of services to PPGA	(6,141,864)	(5,932,198)
Participation and capacity agreements	1,547,329	665,627
Miscellaneous income	683,119	566,240
Coal sales	3,939,280	4,909,447
Cost of coal resold	(2,582,594)	(3,105,835)
Non-utility plant depreciation expense	(609,936)	(609,936)
Loss on asset disposals	(247,900)	-
Miscellaneous expenses	(255,311)	(245,212)
Contributions in aid of construction	170,166	202,503
Total other income (expenses)	<u>2,210,302</u>	<u>45,575</u>
Change in net position	788,938	2,326,981
Net position - beginning of year	<u>124,237,005</u>	<u>121,910,024</u>
Net position - end of year	<u><u>\$ 125,025,943</u></u>	<u><u>\$ 124,237,005</u></u>

**CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEMS**

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

For the years ended September 30,

	2023		
	<u>Gas</u>	<u>Water</u>	<u>Pollution Control</u>
Operating revenue	\$ 12,714,824	\$ 7,893,241	\$ 7,704,769
Operating expenses (non-depreciation)	<u>(12,880,489)</u>	<u>(4,960,636)</u>	<u>(4,131,994)</u>
Operating income before depreciation	(165,665)	2,932,605	3,572,775
Less depreciation	<u>(78,312)</u>	<u>(741,452)</u>	<u>(1,746,270)</u>
Operating income (loss)	(243,977)	2,191,153	1,826,505
Other income (expenses)			
Interest income	-	-	-
Payments in lieu of taxes	(834,525)	(605,083)	(306,214)
Allocation of administration department revenue	333,853	230,158	240,455
Reimbursement from PPGA	-	926	-
Cost of services to PPGA	-	(926)	-
Miscellaneous income	30,524	59,319	36,320
Interest and amortization expense	-	(10,900)	(99,782)
Loss on disposal of assets	(71,037)	(123,250)	-
Miscellaneous expenses	(32,527)	(30,421)	(5,544)
Contributions in aid of construction	-	56,157	14,416
Total other income (expenses)	<u>(573,712)</u>	<u>(424,020)</u>	<u>(120,349)</u>
Change in net position	<u>\$ (817,689)</u>	<u>\$ 1,767,133</u>	<u>\$ 1,706,156</u>

Net position - beginning of year

Net position - end of year

2023		2022
<u>Administration</u>	Total	Total
\$ -	\$ 28,312,834	\$ 24,543,586
-	(21,973,119)	(17,369,716)
-	6,339,715	7,173,870
-	(2,566,034)	(4,552,888)
-	3,773,681	2,620,982
-	-	3,615
-	(1,745,822)	(1,498,359)
-	804,466	252,646
-	926	3,607
-	(926)	(3,607)
-	126,163	112,024
-	(110,682)	(131,070)
-	(194,287)	-
-	(68,492)	(86,707)
-	70,573	115,326
-	(1,118,081)	(1,232,525)
<u>\$ -</u>	2,655,600	1,388,457
	113,411,338	112,022,881
	<u>\$ 116,066,938</u>	<u>\$ 113,411,338</u>

**CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - GAS DEPARTMENT**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Retail	\$ 12,714,824	\$ 9,467,945
Operating expenses:		
Production expenses:		
Fuel	9,297,324	6,305,511
Other	242,020	59,744
Transmission and distribution expense	1,280,117	1,152,720
General and administrative expenses:		
Direct	1,229,157	1,007,963
Indirect	829,571	794,148
Intra-city services	2,300	25,625
Depreciation	78,312	1,662,045
Total operating expenses	<u>12,958,801</u>	<u>11,007,756</u>
Operating loss	(243,977)	(1,539,811)
Other income (expenses)		
Payments in lieu of taxes	(834,525)	(618,194)
Allocation of administration department revenue	333,853	102,549
Miscellaneous income	30,524	20,416
Loss on disposal of assets	(71,037)	-
Miscellaneous expenses	(32,527)	(56,595)
Total other income (expenses)	<u>(573,712)</u>	<u>(551,824)</u>
Change in net position	<u><u>\$ (817,689)</u></u>	<u><u>\$ (2,091,635)</u></u>

**CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - WATER DEPARTMENT**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Retail	\$ 7,841,940	\$ 7,480,901
Wholesale	51,301	53,085
Total operating revenues	<u>7,893,241</u>	<u>7,533,986</u>
Operating expenses:		
Production expenses:	777,765	744,208
Operating of water treatment	745,569	675,403
Transmission and distribution expense	1,222,689	1,059,046
General and administrative expenses:		
Direct	1,203,828	1,004,120
Indirect	1,010,785	934,805
Depreciation	741,452	944,965
Total operating expenses	<u>5,702,088</u>	<u>5,362,547</u>
Operating income	2,191,153	2,171,439
Other income (expenses):		
Payments in lieu of taxes	(605,083)	(578,499)
Allocation of administration department revenue	230,158	70,387
Reimbursement from PPGA	926	3,607
Cost of services to PPGA	(926)	(3,607)
Miscellaneous income	59,319	53,852
Interest and amortization expense	(10,900)	(12,757)
Loss on disposal of assets	(123,250)	-
Miscellaneous expenses	(30,421)	(23,982)
Contributions in aid of construction	56,157	68,122
Total other income (expenses)	<u>(424,020)</u>	<u>(422,877)</u>
Change in net position	<u><u>\$ 1,767,133</u></u>	<u><u>\$ 1,748,562</u></u>

**CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - POLLUTION CONTROL DEPARTMENT**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Retail	\$ 7,704,769	\$ 7,541,655
Operating expenses:		
Sewer treatment expenses	1,635,242	1,465,590
Sewer line expenses	610,125	516,108
General and administrative expenses:		
Direct	1,013,164	780,787
Indirect	873,463	843,938
Depreciation	1,746,270	1,945,878
Total operating expenses	<u>5,878,264</u>	<u>5,552,301</u>
Operating income	1,826,505	1,989,354
Other income (expenses)		
Interest income	-	3,615
Payments in lieu of taxes	(306,214)	(301,666)
Allocation of administration department revenue	240,455	79,710
Miscellaneous income	36,320	37,756
Interest and amortization expense	(99,782)	(118,313)
Miscellaneous expenses	(5,544)	(6,130)
Contributions in aid of construction	14,416	47,204
Total other income (expenses)	<u>(120,349)</u>	<u>(257,824)</u>
Change in net position	<u><u>\$ 1,706,156</u></u>	<u><u>\$ 1,731,530</u></u>

**CITY OF HASTINGS, NEBRASKA
COMBINED SYSTEM - ADMINISTRATION**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended September 30,

	<u>2023</u>	<u>2022</u>
General and administrative expenses	\$ 8,963,266	\$ 8,664,823
Depreciation	198,213	91,406
Loss on disposal of assets	4,136	-
Less: Overhead allocated	(1,703,244)	(1,607,890)
Reimbursement from PPGA	(1,191,994)	(924,607)
Allocable expenses	<u>6,270,377</u>	<u>6,223,732</u>
Allocation of expenses to operating departments:		
Electric	(3,556,558)	(3,650,841)
Gas	(829,571)	(794,148)
Water	(1,010,785)	(934,805)
Pollution control	(873,463)	(843,938)
Total allocation	<u>(6,270,377)</u>	<u>(6,223,732)</u>
Operating expenses	-	-
Other income:		
Interest income	644,729	74,604
Miscellaneous income	159,737	178,042
Total other income	<u>804,466</u>	<u>252,646</u>
Allocation of other income to operating departments:		
Gas	(333,853)	(102,549)
Water	(230,158)	(70,387)
Pollution control	(240,455)	(79,710)
Total allocation	<u>(804,466)</u>	<u>(252,646)</u>
Change in net position	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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
Jamie L. Clemans

**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, 2023, 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, 2024.

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.

1203 W 2nd Street
P.O. Box 1407
Grand Island, NE 68802
P 308-381-1810
F 308-381-4824
EMAIL cpa@gicpas.com

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, PC.

Grand Island, Nebraska
February 8, 2024