

CITY OF HASTINGS, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2017

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	20
Statement of Fund Net Position - Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Notes to Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	92
Street Fund	94
Museum Fund	95
Debt Service Fund	96
Note to Required Supplementary Information	97
Schedule of Funding Progress - Public Safety Employees Retirement System	98
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	99
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	101
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>	103



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Hastings, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hastings, Nebraska, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

SHAREHOLDERS

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

1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hastings, Nebraska, as of September 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements referred to above include only the primary government of the City of Hastings, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. These financial statements also include the Hastings Community Redevelopment Authority, a discretely presented component unit, of the City of Hastings, Nebraska. These financial statements do not include financial data for two of the City's legally separate component units (the Hastings Library Foundation, Inc. and the Hastings Museum Foundation, Inc.), which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the accompanying financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the City of Hastings, as of September 30, 2017, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the Hastings Library Foundation, Inc., as of and for the year ended December 31, 2016, and our report thereon, dated May 23, 2017, expressed an unmodified opinion on those financial statements.

The financial statements of the Hastings Museum Foundation, Inc., as of and for the year ended December 31, 2016, were reviewed by other accountants, whose report, dated June 20, 2017, stated they were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress – public safety employees retirement system on pages 6-14 and 92-98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hastings, Nebraska's financial statements. The nonmajor governmental funds combining statements are not a required part of the basic financial statements.

The nonmajor governmental funds combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information described in the first 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 March 12, 2018, on our consideration of the City of Hastings, Nebraska's 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 City of Hastings's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hastings, Nebraska's internal control over financial reporting and compliance.

Almgvist, Malthalm.
Galloway : Luth. P.C.

Grand Island, Nebraska
March 12, 2018

**CITY OF HASTINGS, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2017**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hastings, we offer readers of the City of Hastings financial statements this narrative overview and analysis of the financial activities of the City of Hastings for the fiscal year ended September 30, 2017. Due to the significant number of prior year restatements, comparative information is not being presented in the accompanying MD&A.

Financial Highlights

- The assets of the City of Hastings exceeded its liabilities at the close of the most recent fiscal year by \$299,608,364 (*net position*). Of this amount, \$90,982,040 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Hastings governmental funds reported combined ending net position of \$76,860,771. Approximately 19.6 percent of this total amount, \$15,036,307 is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,993,302, or 66.1 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hastings's basic financial statements. The City of Hastings's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Hastings's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Hastings's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Hastings is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF HASTINGS, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2017

Both of the government-wide financial statements distinguish functions of the City of Hastings that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Hastings include general government, public safety, highways and streets, sanitation, economic development, and cultural activities and recreation. The business-type activities of the City of Hastings include the Landfill, Electric, and Combined System Utilities Fund (which provides gas, water, sewer and street lighting services).

The government-wide financial statements include not only the City of Hastings itself (known as the *primary government*), but also the legally separate Community Redevelopment Authority for which the City of Hastings is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hastings, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Hastings can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Hastings maintains 23 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Fund, the Museum Fund, and the Debt Service Fund all of which are considered to be major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

CITY OF HASTINGS, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2017

The City of Hastings adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Street, Museum, and Debt Service Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds. The City of Hastings maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Hastings uses enterprise funds to account for its Landfill, Electric and Combined System Utilities Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Hastings's various functions. The City of Hastings uses an internal service fund to account for its employee health insurance. Because all this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Landfill, Electric, and Combined System Utilities Funds, all of which are considered to be major funds of the City of Hastings.

The basic proprietary fund financial statements can be found on pages 21-24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-91 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Hastings's budgetary comparison schedules and schedule of funding progress for the public safety retirement system. Required supplementary information can be found on pages 92-98 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, are presented immediately following the required supplementary information. Combining fund statements can be found on pages 99-102 of this report.

CITY OF HASTINGS, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2017

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hastings, assets exceeded liabilities by \$299,608,364 at the close of the most recent fiscal year.

Summary Statements of Net Position

	September 30, 2017		
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Current and Other Assets	\$ 29,484,406	\$ 90,180,739	\$ 119,665,145
Capital Assets	56,282,556	173,944,817	230,227,373
Total Assets	85,766,962	264,125,556	349,892,518
Long-term Liabilities	3,604,339	28,543,793	32,148,132
Other Liabilities	5,301,852	12,834,170	18,136,022
Total Liabilities	8,906,191	41,377,963	50,284,154
Net Position:			
Net Investment in			
Capital Assets	52,555,547	135,041,371	187,596,918
Restricted	9,268,917	11,760,489	21,029,406
Unrestricted	15,036,307	75,945,733	90,982,040
Total Net Position	\$ 76,860,771	\$ 222,747,593	\$ 299,608,364

By far, the largest portion of the City of Hastings's net position (62.6 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), net of any related debt used to acquire those assets that is still outstanding. The City of Hastings uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Hastings's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Hastings's net position (7.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$90,982,040) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Hastings is able to report positive balances in all three categories of net position, for the government as a whole as well as for its separate governmental and business-type activities.

**CITY OF HASTINGS, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2017**

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2017</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 234,628	\$ 2,665,335
Public Safety	1,168,402	7,760,042
Public Works	1,217,009	4,447,378
Environment & Leisure	5,658,082	5,257,415
Economic Development	-	2,888
Interest and Bond Fees	-	69,202
Depreciation	-	2,995,282
Total	<u>\$ 8,278,121</u>	<u>\$ 23,197,542</u>

Revenues by Source - Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2017</u>	
Charges for Services	\$ 2,753,787	9.28 %
Operating Grants & Contributions	665,820	2.24
Capital Grants & Contributions	4,858,514	16.37
Property Taxes	5,561,253	18.74
Motor Vehicle Taxes	495,569	1.67
Wheel Tax	361,843	1.22
Payments in Lieu of Taxes	3,329,745	11.22
Occupation Taxes	246,155	0.83
Sales Tax	6,279,784	21.16
Franchise Taxes	613,678	2.07
State Allocation	3,773,082	12.71
Keno	261,696	0.88
Special Assessments	179,548	0.60
Miscellaneous	61,542	0.21
Interest	115,597	0.39
Gain on Sale of Assets	64,675	0.22
Interfund Transfers	55,000	0.19
Total	<u>\$ 29,677,288</u>	<u>100.00 %</u>

Net position increased \$6,479,746 in the governmental funds during the year ended September 30, 2017.

**CITY OF HASTINGS, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2017**

Business-type activities. Business-type activities increased the City of Hastings's net position by \$9,126,777, accounting for 58.5 percent of the total growth in the government's net position for the year ended September 30, 2017. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2017</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>
Landfill	\$ 2,228,684	\$ 1,458,787
Electric	49,846,586	48,011,311
Combined System Utilities	24,561,469	18,998,961
Total	\$ 76,636,739	\$ 68,469,059

Revenues by Source - Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2017</u>	
Charges for Services	\$ 72,166,045	93.00 %
Capital Grants & Contributions	4,470,694	5.76
Miscellaneous	775,488	1.00
Interest	238,609	0.31
Interfund Transfers	(55,000)	(0.07)
Total	\$ 77,595,836	100.00 %

Financial Analysis of the Government's Funds

As noted earlier, the City of Hastings used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Hastings's *governmental* funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Hastings's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Hastings's governmental funds reported combined ending fund balances of \$24,125,009. Approximately 42.4 percent of this total amount (\$10,237,103) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is not available for new spending because it has already been 1) placed in a nonspendable endowment for cemetery perpetual care (\$82,227), 2)

CITY OF HASTINGS, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2017

restricted for street improvements (\$5,756,261), 3) restricted for capital projects (\$306,259), 4) restricted for debt service (\$1,250,693), 5) restricted for economic development (\$435,906), 6) restricted for downtown projects (\$73,767), 7) restricted for the Aquatic Center (\$1,010,403), 8) restricted for community betterment (\$336,524), 9) restricted for other purposes (\$16,877), 10) assigned for budgetary stabilization (\$4,142,264), 11) assigned for equipment replacement (\$87,526), 12) assigned for a variety of other purposes (\$389,199).

The General Fund is the chief operating fund of the City of Hastings. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,993,302, while total fund balance reached \$15,135,566. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 66.1 percent of total General Fund expenditures, while total fund balance represents 91.0 percent of that same amount.

The fund balance of the City of Hastings's General Fund increased by \$1,128,703 during the current fiscal year.

Proprietary funds. The City of Hastings's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year were as follows: Landfill Fund - \$5,225,079, Electric Fund - \$38,161,049, and Combined System Utilities Fund - \$32,559,605. The change in net position for the proprietary funds was as follows: Landfill Fund - \$763,389, Electric Fund - \$2,485,191, and Combined System Utilities Fund - \$5,878,197. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Hastings's business-type activities.

Budgetary Highlights

There was no difference between the original budget and the final adopted budget for the City of Hastings.

Capital Assets. The City of Hastings's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$230,227,373 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. Major capital asset projects during the year ended September 30, 2017, included:

- Construction in progress on police station tuckpointing project - \$529,059
- Construction in progress on library renovation project - \$3,450,870
- Construction in progress on airport T hangar project - \$467,558
- Construction in progress on airport marking project - \$400,852
- Construction in progress on street project R-2017 - \$563,356
- Final construction costs on street project R-2016 St Joseph - \$169,748
- Final construction costs on street project 2006-2 Fox Run - \$237,706
- Final construction costs on SID 2015-1 9th St to 2nd St - \$95,951
- Landfill excavator purchased under a capital lease - \$247,885

CITY OF HASTINGS, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2017

- 2017 Chevy Tahoe with lights and equipment - \$50,517
- 2017 Dodge 4500 ambulance - \$199,605
- GeoLynx server - \$65,186
- Lincoln Park shelter - \$80,730
- Toro Groundmaster 59 mower - \$87,199
- Two 2017 Freightliner dump trucks - \$248,282
- Electric plan additions, including replacement of the WEC switchgear - \$1.8 million
- Rural and city electric distribution system additions - \$1.2 million
- Bucket truck - \$116,000
- Gas distribution system additions - \$0.7 million
- Water plan additions, including the N Baltimore water storage facility and reverse osmosis treatment facility - \$5.1 million
- Water transmission and distribution projects - \$1.3 million
- Sewage treatment plant upgrade of the secondary digester and installation of the mixing system - \$1.4 million

City of Hastings's Capital Assets
(net of depreciation)

	Year Ended September 30, 2017			Year Ended September 30, 2016		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
Land	\$ -	\$ 6,262,668	\$ 6,262,668	\$ -	\$ 6,262,668	\$ 6,262,668
Construction						
in Progress	6,740,617	8,742,727	15,483,344	2,776,686	8,389,275	11,165,961
Infrastructure	30,290,345	-	30,290,345	29,153,690	-	29,153,690
Buildings & Equipment	19,251,594	-	19,251,594	19,194,287	-	19,194,287
Landfill	-	5,404,227	5,404,227	-	5,503,220	5,503,220
Electric	-	67,573,151	67,573,151	-	70,602,769	70,602,769
Electric Non-Utility						
Plant	-	11,086,670	11,086,670	-	11,779,442	11,779,442
Gas	-	5,764,855	5,764,855	-	6,515,283	6,515,283
Water	-	31,635,076	31,635,076	-	26,694,658	26,694,658
Pollution Control	-	35,924,279	35,924,279	-	35,532,977	35,532,977
Street Lighting	-	1,457,114	1,457,114	-	1,364,425	1,364,425
Administrative	-	94,050	94,050	-	106,974	106,974
Total	<u>\$ 56,282,556</u>	<u>\$ 173,944,817</u>	<u>\$ 230,227,373</u>	<u>\$ 51,124,663</u>	<u>\$ 172,751,691</u>	<u>\$ 223,876,354</u>

Additional information on the City of Hastings's capital assets can be found in Note C4 on pages 57-60 of this report.

Long-term debt. At the end of the current fiscal year, the City of Hastings had total long-term debt outstanding of \$29,565,020. Of this amount, \$3,337,262 comprises debt backed by the full faith and credit of the government. The remainder of the City of Hastings's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) and capital lease obligations.

**CITY OF HASTINGS, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2017**

	<u>Year Ended September 30, 2017</u>			<u>Year Ended September 30, 2016</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Obligation						
Bonds	\$ 3,140,000	\$ -	\$ 3,140,000	\$ 3,165,000	\$ -	\$ 3,165,000
Revenue Bonds	-	25,470,000	25,470,000	-	30,530,000	30,530,000
Note Payable	197,262	-	197,262	-	-	-
Capital Lease	389,747	368,011	757,758	375,780	374,262	750,042
Total	<u>\$ 3,727,009</u>	<u>\$ 25,838,011</u>	<u>\$ 29,565,020</u>	<u>\$ 3,540,780</u>	<u>\$ 30,904,262</u>	<u>\$ 34,445,042</u>

The City of Hastings's total debt decreased by \$4,880,022 (14.2 percent) during the current fiscal year due to scheduled principal payments.

Additional information on the City of Hastings's long-term debt can be found in Note C6 on pages 60-69 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's Enterprise Funds maintained strong cash positions and the City has been able to keep up with the increasing costs of operations.

- Property tax asking for the year ending September 30, 2018 of \$5,956,318 is \$361,936 (6.5 percent) higher than the prior year. The property valuation also increased 6.5 percent over the prior year.
- At September 30, 2017, the City had contractual commitments totaling \$2,678,100 on nine different capital projects, all expected to be completed during the next fiscal year.

All of these factors were considered in preparing the City of Hastings's budget for the 2018 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City of Hastings's 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 the City Treasurer, City of Hastings, 220 N Hastings, Hastings, NE 68901.

CITY OF HASTINGS, NEBRASKA

STATEMENT OF NET POSITION

September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 10,745,272	\$ 50,185,399	\$ 60,930,671	\$ 847,657
Certificates of deposit	3,841,920	10,547,067	14,388,987	25,000
County treasurer cash	385,228	-	385,228	51,895
Receivables:				
Accounts, net of allowance for doubtful accounts	508,500	9,417,369	9,925,869	-
Special assessments	913,258	-	913,258	-
Current portion of note receivable	14,584	-	14,584	135,000
Current portion of TIF receivables	-	-	-	349,764
Property tax	223,795	-	223,795	12,897
Due from (to) other funds	2,428,893	(2,428,893)	-	-
Due from other governments	1,179,871	-	1,179,871	-
Prepaid expenses	-	145,710	145,710	-
Inventory	40,741	6,880,809	6,921,550	-
Total current assets	20,282,062	74,747,461	95,029,523	1,422,213
Noncurrent assets:				
Restricted cash and cash equivalents	5,779,724	2,373,296	8,153,020	129,655
Restricted certificates of deposit	3,255,062	12,912,920	16,167,982	-
Noncurrent portion of note receivable	167,558	-	167,558	1,350,406
Noncurrent portion of TIF receivables	-	-	-	3,440,400
Property held for resale	-	-	-	1,178,466
Deferred charges	-	147,062	147,062	-
Capital assets:				
Construction in progress	6,740,617	8,742,727	15,483,344	-
Other capital assets, net of depreciation	49,541,939	165,202,090	214,744,029	138,522
Net capital assets	<u>56,282,556</u>	<u>173,944,817</u>	<u>230,227,373</u>	<u>138,522</u>
Total noncurrent assets	<u>65,484,900</u>	<u>189,378,095</u>	<u>254,862,995</u>	<u>6,237,449</u>
Total assets	85,766,962	264,125,556	349,892,518	7,659,662
LIABILITIES				
Current liabilities:				
Accounts payable	1,291,206	6,694,560	7,985,766	5,741
EPA liability	1,059,497	-	1,059,497	-
Accrued wages	189,566	7,956	197,522	29,682
Accrued interest	10,940	378,500	389,440	-
Customer deposits	7,868	338,160	346,028	-
Unavailable property tax	1,075,464	-	1,075,464	9,472
Due to the City of Hastings	-	-	-	50,000
Current portion of TIF payables	-	-	-	308,567
Current portion of long-term obligations	1,667,311	5,414,994	7,082,305	18,215
Total current liabilities	5,301,852	12,834,170	18,136,022	421,677
Noncurrent liabilities:				
Compensated absences - noncurrent	1,544,641	3,465,937	5,010,578	-
Closure/post-closure liability	-	3,720,070	3,720,070	-
Noncurrent portion of TIF payables	-	-	-	3,396,579
Noncurrent portion of long-term obligations	2,059,698	20,423,017	22,482,715	316,802
Other	-	568,006	568,006	-
Unamortized bond premiums	-	366,763	366,763	-
Total noncurrent liabilities	3,604,339	28,543,793	32,148,132	3,713,381
Total liabilities	8,906,191	41,377,963	50,284,154	4,135,058
NET POSITION				
Net investment in capital assets	52,555,547	135,041,371	187,596,918	138,522
Restricted for:				
Debt service	1,250,693	10,946,391	12,197,084	-
Landfill closure/post-closure costs	-	814,098	814,098	-
Perpetual care - permanent	82,227	-	82,227	-
Street improvements	5,756,261	-	5,756,261	-
Capital projects	306,259	-	306,259	-
Economic development	435,906	-	435,906	129,655
Downtown projects	73,767	-	73,767	-
Aquatic Center	1,010,403	-	1,010,403	-
Community betterment	336,524	-	336,524	-
Other purposes	16,877	-	16,877	-
Unrestricted	15,036,307	75,945,733	90,982,040	3,256,427
Total net position	\$ 76,860,771	\$ 222,747,593	\$ 299,608,364	\$ 3,524,604

See notes to financial statements.

CITY OF HASTINGS, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 2,665,335	\$ 133,613	\$ 101,015
Public safety	7,760,042	788,965	357,268
Public works	4,447,378	593,086	-
Environment and leisure	5,257,415	1,238,123	207,537
Economic development	2,888	-	-
Interest and fees on long-term debt	69,202	-	-
Depreciation	2,995,282	-	-
Total governmental activities	23,197,542	2,753,787	665,820
Business-type activities:			
Landfill	1,458,787	2,228,684	-
Electric	48,011,311	49,631,935	-
Combined System Utilities	18,998,961	20,305,426	-
Total business-type activities	68,469,059	72,166,045	-
Total primary government	\$ 91,666,601	\$ 74,919,832	\$ 665,820
Component unit:			
Community Redevelopment Authority	\$ 554,660	\$ 67,780	\$ 16,093

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position			Component Units
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (2,430,707)		\$ (2,430,707)	
22,169	(6,591,640)		(6,591,640)	
623,923	(3,230,369)		(3,230,369)	
4,212,422	400,667		400,667	
-	(2,888)		(2,888)	
-	(69,202)		(69,202)	
-	(2,995,282)		(2,995,282)	
<u>4,858,514</u>	<u>(14,919,421)</u>	<u>\$ -</u>	<u>(14,919,421)</u>	
-	-	769,897	769,897	
214,651	-	1,835,275	1,835,275	
4,256,043	-	5,562,508	5,562,508	
<u>4,470,694</u>	<u>-</u>	<u>8,167,680</u>	<u>8,167,680</u>	
<u>\$ 9,329,208</u>	<u>(14,919,421)</u>	<u>8,167,680</u>	<u>(6,751,741)</u>	
<u>\$ -</u>				\$ (470,787)
General revenues:				
Taxes:				
Property	5,561,253	-	5,561,253	318,487
Motor vehicle	495,569	-	495,569	-
Wheel tax	361,843	-	361,843	-
Payments in lieu of taxes	3,329,745	-	3,329,745	-
Occupation	246,155	-	246,155	-
Sales tax	6,279,784	-	6,279,784	-
Franchise	613,678	-	613,678	-
State allocation	3,773,082	-	3,773,082	-
Keno	261,696	-	261,696	-
Special assessments	179,548	-	179,548	-
Miscellaneous	61,542	775,488	837,030	-
Interest income	115,597	238,609	354,206	29,060
Gain (loss) on sale of assets	64,675	-	64,675	(6,017)
Interfund transfers	55,000	(55,000)	-	-
Total general revenues	<u>21,399,167</u>	<u>959,097</u>	<u>22,358,264</u>	<u>341,530</u>
Change in net position	6,479,746	9,126,777	15,606,523	(129,257)
Net position - September 30, 2016				
As originally reported	67,166,696	9,240,071	76,406,767	3,071,363 *
Restatement	3,214,329	204,380,745	207,595,074	582,498
As restated	<u>70,381,025</u>	<u>213,620,816</u>	<u>284,001,841</u>	<u>3,653,861</u>
Net position - September 30, 2017	<u>\$ 76,860,771</u>	<u>\$ 222,747,593</u>	<u>\$ 299,608,364</u>	<u>\$ 3,524,604</u>

* The CRA was reported as a special revenue fund and the Electric and Combined System Utilities Funds were reported as discretely presented component units on the prior year audited financials. See footnotes for equity restatement details.

CITY OF HASTINGS, NEBRASKA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

September 30, 2017

	General	Street	Museum	Debt Service	Other Governmental	Eliminations	Total Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>		<u>Funds</u>
ASSETS							
Cash and cash equivalents	\$ 8,856,327	\$ 2,213,507	\$ 1,580	\$ 607,446	\$ 4,029,038	\$ -	\$ 15,707,898
Certificates of deposit	3,241,920	1,600,000	-	600,000	1,055,062	-	6,496,982
County treasurer cash	261,451	28,774	51,396	43,607	-	-	385,228
Receivables:							
Accounts, net of allowance for doubtful accounts	341,380	4,659	16,097	-	12,292	-	374,428
Special assessments	-	-	-	913,258	-	-	913,258
Property tax	165,645	-	27,908	30,242	-	-	223,795
Due from other funds	4,081,114	-	-	-	-	(751,369)	3,329,745
Due from other governments	806,706	-	-	-	373,165	-	1,179,871
Inventory	-	-	40,741	-	-	-	40,741
Total assets	<u><u>\$ 17,754,543</u></u>	<u><u>\$ 3,846,940</u></u>	<u><u>\$ 137,722</u></u>	<u><u>\$ 2,194,553</u></u>	<u><u>\$ 5,469,557</u></u>	<u><u>\$ (751,369)</u></u>	<u><u>\$ 28,651,946</u></u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 381,780	\$ 91,075	\$ 48,329	\$ -	\$ 761,336	\$ -	\$ 1,282,520
EPA liability	1,059,497	-	-	-	-	\$ -	1,059,497
Accrued wages	149,867	25,058	13,113	-	1,528	-	189,566
Accrued interest	-	3,137	-	7,803	-	-	10,940
Sales tax payable	220	-	10	-	-	-	230
Due to other funds	900,852	-	751,369	-	-	(751,369)	900,852
Customer deposits	5,000	-	-	2,868	-	-	7,868
Unavailable receivables	121,761	-	20,514	933,189	-	-	1,075,464
Total liabilities	<u>2,618,977</u>	<u>119,270</u>	<u>833,335</u>	<u>943,860</u>	<u>762,864</u>	<u>(751,369)</u>	<u>4,526,937</u>
Fund balances:							
Nonspendable:							
Cemetery perpetual care	-	-	-	-	82,227	-	82,227
Restricted for:							
Street improvements	-	3,727,670	-	-	2,028,591	-	5,756,261
Capital projects	-	-	-	-	306,259	-	306,259
Debt service	-	-	-	1,250,693	-	-	1,250,693
Economic development	-	-	-	-	435,906	-	435,906
Downtown projects	-	-	-	-	73,767	-	73,767
Aquatic Center	-	-	-	-	1,010,403	-	1,010,403
Community betterment	-	-	-	-	336,524	-	336,524
Other purposes	-	-	-	-	16,877	-	16,877
Assigned for:							
Budgetary stabilization	4,142,264	-	-	-	-	-	4,142,264
Equipment replacement	-	-	-	-	87,526	-	87,526
Other purposes	-	-	-	-	389,199	-	389,199
Unassigned	10,993,302	-	(695,613)	-	(60,586)	-	10,237,103
Total fund balances	<u>15,135,566</u>	<u>3,727,670</u>	<u>(695,613)</u>	<u>1,250,693</u>	<u>4,706,693</u>	<u>-</u>	<u>24,125,009</u>
Total liabilities and fund balances	<u><u>\$ 17,754,543</u></u>	<u><u>\$ 3,846,940</u></u>	<u><u>\$ 137,722</u></u>	<u><u>\$ 2,194,553</u></u>	<u><u>\$ 5,469,557</u></u>	<u><u>\$ (751,369)</u></u>	<u><u>\$ 28,651,946</u></u>

See notes to financial statements.

CITY OF HASTINGS, NEBRASKA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

September 30, 2017

Total fund balances - governmental funds \$ 24,125,009

Amounts reported for *governmental activities* in the statement of net position are different because:

Notes receivable are not financial resources and therefore are not reported as assets in governmental funds. The notes receivable are reported as assets in the statement of net position.

182,142

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$113,519,377, and the accumulated depreciation is \$57,236,821.

56,282,556

Internal service funds are used by management to charge the costs of certain activities, such as information technology, fleet services, and insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

1,542,714

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Noncurrent compensated absences	\$ (1,544,641)	
Capital lease obligations	(389,747)	
Note payable	(197,262)	
General obligation bonds payable	<u>(3,140,000)</u>	<u>(5,271,650)</u>

Total net position - governmental activities \$ 76,860,771

See notes to financial statements.

CITY OF HASTINGS, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended September 30, 2017

	General <u>Fund</u>	Street <u>Fund</u>	Museum <u>Fund</u>	Debt Service <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
REVENUES						
Taxes:						
Property	\$ 4,100,119	\$ 17,468	\$ 765,498	\$ 678,169	\$ -	\$ 5,561,254
Motor vehicle	363,510	-	71,455	60,604	-	495,569
Wheel tax	-	361,843	-	-	-	361,843
Occupation	61,965	-	184,190	-	-	246,155
Sales tax	4,186,525	-	-	-	2,093,260	6,279,785
Franchise	613,678	-	-	-	-	613,678
In lieu of tax	3,329,745	-	-	-	-	3,329,745
Intergovernmental	1,393,766	2,799,895	-	-	-	4,193,661
Keno	-	-	-	-	261,696	261,696
Special assessments	-	-	-	113,592	65,955	179,547
Charges for services	2,087,121	227,952	423,808	-	31,427	2,770,308
Grants	791,090	550,338	20,450	-	140,319	1,502,197
Contributions	40,000	-	58,845	-	3,432,465	3,531,310
Loan collections	-	-	-	-	84,286	84,286
Interest income	39,306	16,140	-	29,201	25,331	109,978
Sale of assets	56,000	-	-	-	-	56,000
Insurance proceeds	8,675	-	-	-	-	8,675
Bond proceeds	197,262	-	-	-	625,000	822,262
Other revenue	27,922	33,619	6,075	-	-	67,616
Total revenues	17,296,684	4,007,255	1,530,321	881,566	6,759,739	30,475,565
EXPENDITURES						
General government	3,385,563	-	-	-	153,916	3,539,479
Public safety	7,631,159	-	-	-	19,224	7,650,383
Public works	1,500,912	2,925,217	-	-	108,382	4,534,511
Environment and leisure	2,689,315	-	1,474,653	-	32,949	4,196,917
Economic development	-	-	-	-	2,888	2,888
Capital outlay	1,429,332	85,630	33,900	-	6,368,382	7,917,244
Principal payments on debt	-	134,008	-	650,000	40,307	824,315
Interest on long-term debt	-	10,156	-	38,547	7,858	56,561
Bond/loan fees	-	-	-	1,500	11,141	12,641
Total expenditures	16,636,281	3,155,011	1,508,553	690,047	6,745,047	28,734,939
Excess (deficiency) of revenues over expenditures	660,403	852,244	21,768	191,519	14,692	1,740,626
OTHER FINANCING SOURCES (USES)						
Transfers in	468,300	-	-	-	-	468,300
Transfers out	-	-	-	-	(413,300)	(413,300)
Net transfers	468,300	-	-	-	(413,300)	55,000
Net change in fund balances	1,128,703	852,244	21,768	191,519	(398,608)	1,795,626
Fund balances - September 30, 2016						
As previously reported	11,860,191	2,881,188	(704,574)	1,077,385	3,389,277	18,503,467 *
Restatement	2,146,672	(5,762)	(12,807)	(18,211)	1,716,024	3,825,916
As restated	<u>14,006,863</u>	<u>2,875,426</u>	<u>(717,381)</u>	<u>1,059,174</u>	<u>5,105,301</u>	<u>22,329,383</u>
Fund balances - September 30, 2017	<u>\$ 15,135,566</u>	<u>\$ 3,727,670</u>	<u>\$ (695,613)</u>	<u>\$ 1,250,693</u>	<u>\$ 4,706,693</u>	<u>\$ 24,125,009</u>

* The Community Redevelopment Authority has been restated as a discretely presented component unit.

See notes to financial statements.

CITY OF HASTINGS, NEBRASKA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2017

Total net change in fund balances - governmental funds \$ 1,795,626

Amounts reported for *governmental activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capitalized capital outlay (\$8,153,175) exceeded depreciation expense (\$2,995,282) and assets acquired with capital lease obligations (\$188,282) during the period. (Capital additions of \$47,649 were funded directly by grants and donations.)

4,969,611

Losses on disposal of capital assets are not shown in the governmental fund financial statements. However, in the statement of activities, the loss is reported as a reduction to asset sales proceeds.

(9,588)

Collection of loan proceeds on economic development loans is reported as revenue in the governmental funds, but reduces assets in the statement of net position.

(84,286)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, information technology, and fleet services, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities in the statement of activities.

(235,055)

The change in noncurrent compensated absences is reported as an expense in the statement of net position. Noncurrent compensated absences are not reported in the governmental funds.

41,585

Bond proceeds are reported as revenue in the governmental funds, but the issuance of bonds increases long-term liabilities in the statement of net position.

(822,262)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

824,315

Change in net position of governmental activities

\$ 6,479,946

See notes to financial statements.

CITY OF HASTINGS, NEBRASKA

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

September 30, 2017

	Enterprise Funds				Internal Service Funds
	Landfill	Electric	Combined System	Total	
	<u>Fund</u>	<u>Fund</u>	<u>Utilities Fund</u>		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,551,615	\$ 17,412,867	\$ 30,220,917	\$ 50,185,399	\$ 817,098
Certificates of deposit	2,500,000	5,743,745	2,303,322	10,547,067	600,000
Receivables:					
Accounts receivable	306,815	6,660,553	2,450,001	9,417,369	134,072
Intercompany	-	(1,039,598)	1,039,598	-	-
Due from other funds	-	-	900,852	900,852	-
Inventory	-	4,868,585	2,012,224	6,880,809	-
Prepaid expenses	-	145,710	-	145,710	-
Total current assets	<u>5,358,430</u>	<u>33,791,862</u>	<u>38,926,914</u>	<u>78,077,206</u>	<u>1,551,170</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	1,024,676	1,348,620	2,373,296	-
Restricted certificates of deposit	3,343,110	7,765,810	1,804,000	12,912,920	-
Deferred charges	-	144,312	2,750	147,062	-
Capital assets:					
Construction in progress	42,124	2,293,437	6,407,166	8,742,727	-
Electric distribution system	-	184,571,727	-	184,571,727	-
Gas distribution system	-	-	33,717,056	33,717,056	-
Water distribution system	-	-	40,947,707	40,947,707	-
Pollution control distribution system	-	-	65,265,044	65,265,044	-
Street lights	-	-	1,632,719	1,632,719	-
Administrative equipment	-	-	771,321	771,321	-
Buildings and equipment	10,154,574	-	-	10,154,574	-
Less accumulated depreciation	(4,750,347)	(114,847,026)	(63,347,355)	(182,944,728)	-
Non-utility plant	-	15,866,333	-	15,866,333	-
Less non-utility accumulated depreciation	-	(4,779,663)	-	(4,779,663)	-
Net capital assets	<u>5,446,351</u>	<u>83,104,808</u>	<u>85,393,658</u>	<u>173,944,817</u>	<u>-</u>
Total noncurrent assets	<u>8,789,461</u>	<u>92,039,606</u>	<u>88,549,028</u>	<u>189,378,095</u>	<u>-</u>
Total assets	<u>14,147,891</u>	<u>125,831,468</u>	<u>127,475,942</u>	<u>267,455,301</u>	<u>1,551,170</u>
LIABILITIES					
Current liabilities:					
Accounts payable	30,033	3,946,928	2,389,611	6,366,572	8,456
In lieu of tax payable to City	-	2,116,148	1,213,597	3,329,745	-
Accrued wages	7,956	-	-	7,956	-
Accrued interest	5,296	89,640	283,564	378,500	-
Customer deposits	-	-	338,160	338,160	-
Health insurance claims	-	-	327,988	327,988	-
Current portion of long-term debt	104,994	4,120,000	1,190,000	5,414,994	-
Total current liabilities	<u>148,279</u>	<u>10,272,716</u>	<u>5,742,920</u>	<u>16,163,915</u>	<u>8,456</u>
Noncurrent liabilities:					
Compensated absences - noncurrent	90,066	1,561,482	1,814,389	3,465,937	-
Closure/post closure liability	2,529,012	1,191,058	-	3,720,070	-
Noncurrent portion of long-term debt	263,017	4,020,000	16,140,000	20,423,017	-
Other	-	-	568,006	568,006	-
Unamortized bond premiums	-	(15,839)	382,602	366,763	-
Total noncurrent liabilities	<u>2,882,095</u>	<u>6,756,701</u>	<u>18,904,997</u>	<u>28,543,793</u>	<u>-</u>
Total liabilities	<u>3,030,374</u>	<u>17,029,417</u>	<u>24,647,917</u>	<u>44,707,708</u>	<u>8,456</u>
NET POSITION					
Net investment in capital assets	5,078,340	62,847,231	67,115,800	135,041,371	-
Restricted for:					
Debt service	-	7,793,771	3,152,620	10,946,391	-
Closure/post-closure costs	814,098	-	-	814,098	-
Unrestricted	5,225,079	38,161,049	32,559,605	75,945,733	1,542,714
Total net position	<u>\$ 11,117,517</u>	<u>\$ 108,802,051</u>	<u>\$ 102,828,025</u>	<u>\$ 222,747,593</u>	<u>\$ 1,542,714</u>

See notes to financial statements.

CITY OF HASTINGS, NEBRASKA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS**

For the year ended September 30, 2017

	Enterprise Funds			Total	Internal Service Funds
	Landfill Fund	Electric Fund	Combined System Utilities Fund		
Operating revenues:					
Sales	\$ 2,224,811	\$ 37,788,365	\$ 20,304,189	\$ 60,317,365	\$ -
Health insurance revenue	-	-	-	-	2,945,211
Other revenue	3,873	-	-	3,873	-
Total operating revenues	<u>2,228,684</u>	<u>37,788,365</u>	<u>20,304,189</u>	<u>60,321,238</u>	<u>2,945,211</u>
Operating expenses:					
Cost of power	-	10,670,292	173,811	10,844,103	-
Production	-	12,855,333	5,223,043	18,078,376	-
Water and sewer treatment	-	-	1,370,155	1,370,155	-
Transmission and distribution	-	1,818,747	1,812,914	3,631,661	-
Sewer line expenses	-	-	567,354	567,354	-
General and administrative	-	5,035,509	4,233,490	9,268,999	92,065
Personnel costs	582,183	-	-	582,183	-
Utilities	11,947	-	-	11,947	-
Repairs and maintenance	152,440	-	-	152,440	-
Contractual services	147,429	-	-	147,429	-
Supplies	8,492	-	-	8,492	-
Professional fees	23,847	-	-	23,847	-
Fuel	75,887	-	-	75,887	-
Dues and training	2,155	-	-	2,155	-
Insurance	30,347	-	-	30,347	3,093,820
Miscellaneous	3,384	-	-	3,384	-
Closure costs	40,048	-	-	40,048	-
Depreciation	372,033	4,867,008	3,739,476	8,978,517	-
Total operating expenses	<u>1,450,192</u>	<u>35,246,889</u>	<u>17,120,243</u>	<u>53,817,324</u>	<u>3,185,885</u>
Operating income (loss)	778,492	2,541,476	3,183,946	6,503,914	(240,674)
Nonoperating revenues (expenses):					
Interest income	48,492	172,065	18,052	238,609	5,619
Reimbursement from PPGA	-	5,708,672	1,237	5,709,909	-
Participation and capacity agreements	-	794,636	-	794,636	-
Interest and amortization expense	(8,595)	(380,045)	(543,341)	(931,981)	-
Cost of services to PPGA	-	(5,708,672)	(1,237)	(5,709,909)	-
Non-utility plan depreciation	-	(692,772)	-	(692,772)	-
Payments in lieu of taxes	-	(2,116,148)	(1,213,597)	(3,329,745)	-
Coal sales	-	5,340,262	-	5,340,262	-
Coal cost	-	(3,755,163)	-	(3,755,163)	-
Miscellaneous income	-	477,851	297,637	775,488	-
Miscellaneous expense	-	(111,622)	(120,543)	(232,165)	-
Contributions in aid of construction	-	214,651	4,256,043	4,470,694	-
Total nonoperating revenues (expenses)	<u>39,897</u>	<u>(56,285)</u>	<u>2,694,251</u>	<u>2,677,863</u>	<u>5,619</u>
Excess (deficiency) of revenues over expenditures	818,389	2,485,191	5,878,197	9,181,777	(235,055)
OTHER FINANCING SOURCES (USES)					
Transfers out	(55,000)	-	-	(55,000)	-
Change in net position	<u>763,389</u>	<u>2,485,191</u>	<u>5,878,197</u>	<u>9,126,777</u>	<u>(235,055)</u>
Net position - September 30, 2016					
As originally reported	9,240,071	-	-	9,240,071	1,777,769
Restatement	1,114,057	106,316,860	96,949,828	204,380,745	-
As restated	<u>10,354,128</u>	<u>106,316,860</u>	<u>96,949,828</u>	<u>213,620,816</u>	<u>1,777,769</u>
Net position - September 30, 2017	<u>\$ 11,117,517</u>	<u>\$ 108,802,051</u>	<u>\$ 102,828,025</u>	<u>\$ 222,747,593</u>	<u>\$ 1,542,714</u>

See notes to financial statements.

CITY OF HASTINGS, NEBRASKA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

For the year ended September 30, 2017

	Enterprise Funds	
	Landfill Fund	Electric Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 2,064,803	\$ 49,921,761
Receipts from other funds	-	-
Payments to suppliers	(490,401)	(31,675,873)
Payments to employees	(572,505)	(10,023,585)
Net cash provided (used) by operating activities	1,001,897	8,222,303
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments in lieu of taxes	-	(2,116,148)
Transfer to General Fund	(55,000)	-
Net cash used by noncapital financing activities	(55,000)	(2,116,148)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(67,132)	(2,775,502)
Capital contributions	-	214,651
Increase in grants receivable	-	-
Sales proceeds on capital assets	-	23,771
Principal payments on capital debt	(254,283)	(3,900,000)
Interest paid on capital debt	(10,461)	(417,242)
Increase in closure/post-closure liability	40,047	-
Net cash used by capital and related financing activities	(291,829)	(6,854,322)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in certificates of deposit	(3,343,110)	(449,870)
Interest received	48,492	172,575
Net cash provided (used) by investing activities	(3,294,618)	(277,295)
Increase (decrease) in cash and cash equivalents	(2,639,550)	(1,025,462)
Cash and cash equivalents - beginning of the year	5,191,165	19,463,005
Cash and cash equivalents - end of the year	\$ 2,551,615	\$ 18,437,543
Composition of cash and cash equivalents:		
Cash and cash equivalents	\$ 2,551,615	\$ 17,412,867
Restricted cash and cash equivalents	-	1,024,676
Total cash and cash equivalents	\$ 2,551,615	\$ 18,437,543

See notes to financial statements.

<u>Combined System Utilities Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 20,691,897	\$ 72,678,461	\$ -
-	-	2,932,660
(5,751,426)	(37,917,700)	(3,185,270)
(4,268,424)	(14,864,514)	-
<u>10,672,047</u>	<u>19,896,247</u>	<u>(252,610)</u>
(1,213,597)	(3,329,745)	-
-	(55,000)	-
<u>(1,213,597)</u>	<u>(3,384,745)</u>	<u>-</u>
(8,144,248)	(10,986,882)	-
4,222,130	4,436,781	-
(387,522)	(387,522)	-
-	23,771	-
(1,160,000)	(5,314,283)	-
(633,349)	(1,061,052)	-
-	40,047	-
<u>(6,102,989)</u>	<u>(13,249,140)</u>	<u>-</u>
(440,985)	(4,233,965)	-
16,539	237,606	5,619
<u>(424,446)</u>	<u>(3,996,359)</u>	<u>5,619</u>
2,931,015	(733,997)	(246,991)
<u>28,638,522</u>	<u>53,292,692</u>	<u>1,064,089</u>
<u>\$ 31,569,537</u>	<u>\$ 52,558,695</u>	<u>\$ 817,098</u>
\$ 30,220,917	\$ 50,185,399	\$ 817,098
1,348,620	2,373,296	-
<u>\$ 31,569,537</u>	<u>\$ 52,558,695</u>	<u>\$ 817,098</u>

CITY OF HASTINGS, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS, Continued**

For the year ended September 30, 2017

	Enterprise Funds	
	Landfill Fund	Electric Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 778,492	\$ 2,541,476
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	372,033	5,761,080
Participation and capacity agreements	-	794,636
Miscellaneous income, net of expenses	-	1,258,556
Change in assets and liabilities:		
Accounts receivable	(163,881)	(188,025)
Inventories	-	(96,504)
Accounts payable	5,575	(1,915,884)
Accrued expenses	9,678	66,968
Net cash provided (used) by operating activities	\$ 1,001,897	\$ 8,222,303
Supplemental cash flow information:		
Acquisition of capital assets through developers' aid of construction	\$ -	\$ -
Equipment financed with capital lease	\$ 248,032	\$ -

See notes to financial statements.

<u>Combined System Utilities Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 3,183,946	\$ 6,503,914	\$ (240,674)
3,918,816	10,051,929	-
-	794,636	-
177,094	1,435,650	-
2,455,251	2,103,345	(12,551)
(8,211)	(104,715)	-
836,062	(1,074,247)	615
109,089	185,735	-
<u>\$ 10,672,047</u>	<u>\$ 19,896,247</u>	<u>\$ (252,610)</u>
<u>\$ 33,913</u>	<u>\$ 33,913</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 248,032</u>	<u>\$ -</u>

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

INDEX

	Page
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
1. Financial Reporting Entity	26
2. Basis of Presentation	28
3. Measurement Focus and Basis of Accounting	33
4. Assets, Liabilities, and Equity	35
5. Revenues, Expenditures, and Expenses	48
NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
1. Fund Accounting Requirements	50
2. Deposit Laws and Regulations	50
3. Revenue Restrictions	51
4. Debt Restrictions and Covenants	51
5. Budgetary Data	51
NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS	
1. Cash and Certificates of Deposit	53
2. Restricted Assets	54
3. Accounts and Notes Receivable	55
4. Capital Assets	57
5. Accounts Payable	60
6. Long-term Debt	60
7. Interfund Transactions and Balances	70
8. Fund Equity	70
9. TIF Receivables and Payables	71
NOTE D – OTHER NOTES	
1. Employee Pension and Other Benefit Plans	72
2. Risk Management	78
3. Commitments and Contingencies	80
4. Additional Utility Contracts	82
5. Environmental Remediation	88
6. Nebraska Department of Environmental Quality Loan	89
7. Interlocal Agreements	89
8. Tax Abatements	89
9. Subsequent Events	91

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note.

1. Financial Reporting Entity

The City of Hastings, Nebraska, was incorporated in 1874. The City operates under a Mayor-Council form of government with an elected part-time chief executive, Mayor, and an elected legislative body, Council, composed of eight members. The administration of the City government is performed under the direction of the Mayor by the City Administrator. Services provided to residents include public safety; highways and streets; planning and zoning; parks; recreation; urban development; electric, water, and sanitary sewer systems; sanitary landfill; and general administrative services.

The City’s financial reporting entity comprises the following:

Primary Government:	City of Hastings
Discretely Presented Component Units:	Hastings Community Redevelopment Authority

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

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council, or the component unit provides services entirely to the City. These component units' funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The following are the discretely presented component units:

Brief Description of Activities and Relationship
To The City:

Hastings Community
Redevelopment Authority

Created to develop, finance, and maintain certain areas of the City in need of improvement and development. The CRA can borrow money, issue bonds, and request a levy of taxes under the City's overall levy limits. The CRA's annual budget is subject to the City Council's approval.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

Discretely Presented Component Units, continued

Brief Description of Activities and Relationship
To The City:

Hastings Library Foundation, Inc.

Created for the exclusive purpose to raise funds to support the City's library. The entity has a December 31 year end, so their financial results have not been included in the accompanying audited financial statements. The Foundation's audited financial statements for the year ended December 31, 2016 can be obtained by contacting the Foundation treasurer.

Hastings Museum Foundation, Inc.

Created for the exclusive purpose to raise funds to support the City's museum. The entity has a December 31 year end, so their financial results have not been included in the accompanying audited financial statements. The Foundation's reviewed financial statements for the year ended December 31, 2016 can be obtained by contacting the Foundation treasurer.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Governmental Funds, continued

Capital Project Funds

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects. The reporting entity includes one Capital Project Fund to account for the acquisition of capital assets with transfers made from Governmental Funds and another to account for the special assessments.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's general obligation bonds.

Permanent Fund

The Permanent Fund accounts for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Internal Service Funds

The Internal Service Funds account for activities that provide goods and services to other funds, departments or agencies of the primary government and its component units on a cost-reimbursement basis.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
Governmental:	
General	See above for description.
Street	Special revenue fund that accounts for street maintenance and betterment.
Museum	Special revenue fund that accounts for the activities of the Hastings Museum.
Debt Service	See above for description.
Proprietary:	
Enterprise:	
Landfill, Electric, and Combined System Utilities	See above for description.
<i>Nonmajor:</i>	
Special Revenue:	
BID	Accounts for downtown improvement projects.
Community Development	Accounts for community development grants and related expenses.
S Landfill Cap	Accounts for the costs associated with landfill monitoring activities.
Library Grant	Accounts for restricted library grant funds.
Library Sales Tax	Accounts for sales tax restricted for the library.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

<u>Fund</u>	<u>Brief Description</u>
<i>Nonmajor, continued:</i>	
Special Revenue, continued:	
Parks Grant	Accounts for restricted park grants.
Duncan Park Sales Tax	Accounts for sales tax restricted for Duncan Field and city parks.
Aquatic Center	Accounts for funds restricted for the Aquatic Center.
Police Equipment Sinking	Accounts for funds assigned for future police equipment replacement.
CANDO	Accounts for the nine county cooperative - Compact for Apprehension of Narcotics Dealers and Offenders.
Public Safety Grant	Accounts for grants restricted for public safety.
Wireless E911	Accounts for E911 funding.
Street Sales Tax	Accounts for sales tax restricted for street improvements.
Natural Disaster	Accounts for funding assigned for expenses related to natural disasters.
Diversion Program	Accounts for fees collected and expenses related to the diversion program.
Keno	Accounts for the City's share of the Keno gaming proceeds.

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

<u>Fund</u>	<u>Brief Description</u>
<i>Nonmajor, continued:</i>	
Special Revenue, continued:	
Econ Dev Revolving Loan	Accounts for the funds to be used to provide incentives for business recruitment and retention.
Capital Projects:	
Capital Projects	Accounts for collections of special assessments for the Debt Service or Capital Projects Fund.
Permanent:	
Cemetery Trust	Accounts for the monies in a permanent care endowment fund for the cemetery.

3. 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

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b, below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus, continued

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. 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. Proprietary fund equity is classified as net position.
- c. Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-like activities and the discretely presented component unit are presented using the accrual 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.

In the fund financial statements, governmental funds and fiduciary funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

All proprietary funds and the discretely presented component unit utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. 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 Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” include all demand accounts and savings accounts. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all cash on hand, demand accounts, savings accounts, and equity in pooled cash which has an original maturity of three months or less. The County Treasurer’s cash represents revenues collected not yet remitted to the City.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes B2, C1, and D2.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include special assessments and property taxes. Business-type activities report utility billings and special assessments as their major receivables.

In the fund financial statements, receivables in governmental funds include revenue accruals such as special assessments and property taxes since they are usually both measurable and available. Proprietary fund receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable and special assessments compose the majority of proprietary fund receivables. The Utilities estimate that uncollectible accounts will be less than 0.10 percent of sales annually. No provision has been made for estimated uncollectible accounts.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Due from Other Governments

The total due from other governments includes the following amounts:

<u>Fund</u>	<u>Amount</u>	<u>Service</u>
General	\$ 739,018	Sales Tax
General	8,688	School Resource Officer
General	41,933	Adams Central library interlocal
General	17,067	Drug Task Force-county
Library Sales Tax	55,426	Sales Tax
Duncan Park Sales Tax	92,377	Sales Tax
Wireless E911	3,657	County reimbursement
Street Sales Tax	<u>221,705</u>	Sales Tax
Total governmental funds	<u>\$ 1,179,871</u>	

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to debt service and proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Deferred Charges

Deferred charges incurred consists of various plant maintenance costs that are being amortized over the life of the scheduled maintenance repair life. In accordance with GASB codification standards, the maintenance costs which would be recognized during the current period are deferred and not included in the determination of net income until such costs are recoverable.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are capitalized and reported on the Statement of Net Position. The City has a \$5,000 capitalization threshold. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of general capital assets and all proprietary capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Infrastructure	25 years
Buildings	20-40 years
Machinery and Equipment	5-10 years
Utility System	20-40 years

Prior to July 1, 1980, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost. The cost of normal maintenance, preservation, and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets, continued

Electric and Combined System Utilities

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 have been used to reduce the cost basis of capital 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 Board Statement No. 33.

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

The provision for depreciation is computed at an overall straight-line composite rate of approximately 3.0 percent for the year ended September 30, 2017. Depreciation expense taken during the year ended September 30, 2017 was \$9,679,896.

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

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets, continued

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Unamortized Bond Premiums/Deferred Charges

Bond premiums for the Electric and Sewer Funds were amortized over the life of the bonds using the effective interest method. The deferred charges of various plant maintenance costs for the Electric Fund are being amortized over the life of the scheduled maintenance repair life.

Unavailable Property Tax

Unavailable property tax consist of property taxes expected to be collected after 60 days.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. A portion of the liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this obligation is estimated based on historical trends. In the fund financial statements, governmental funds report only the current compensated absence liability payable from expendable available financial resources, while the proprietary funds report the total liability.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and closure/post-closure liabilities.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Long-term Debt, continued

Fund Financial Statements

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in 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 other borrowings that are attributable to the acquisition, construction, 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 do not meet the definition of “restricted” or “net investment in capital assets.”

See Note C8 for additional disclosures.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Fund Financial Statements, continued

Effective October 1, 2010, the City adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

Assigned—Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 17). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Equity Restatement

	Governmental Activities	
	Government- Wide Net <u>Position</u>	Fund <u>Balance</u>
Equity at 9/30/16, as originally reported	\$ 67,166,696	\$ 21,574,830
<u>General Fund restatements:</u>		
Correct property tax receivable at 9/30/16	(56,148)	(56,148)
Record in-lieu of tax receivable from Hastings Utilities at 9/30/16	2,953,703	2,953,703
Record ambulance receivables at 9/30/16	149,969	149,969
Record amount due to Hastings Utilities for EPA insurance recovery at 9/30/16	(900,852)	(900,852)
Total General Fund restatements	2,146,672	2,146,672
<u>Street Fund restatement:</u>		
Record accrued interest payable at 9/30/16	(5,762)	(5,762)
<u>Museum Fund restatement:</u>		
Correct property tax receivable at 9/30/16	(12,807)	(12,807)
<u>Debt Service Fund restatement:</u>		
Correct property tax receivable at 9/30/16	(9,619)	(9,619)
Record accrued interest payable at 9/30/16	(8,592)	(8,592)
Total Debt Service Fund restatement	(18,211)	(18,211)

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Equity Restatement, continued

	Governmental Activities	
	Government- Wide Net <u>Position</u>	Fund <u>Balance</u>
<u>Nonmajor Governmental Funds restatement:</u>		
<u>Cemetery Perpetual Care Fund restatement:</u>		
Reclassified from a fiduciary fund to a permanent fund	97,751	97,751
<u>Aquatic Center Fund restatement:</u>		
Reclassified from a fiduciary fund to a permanent fund	1,006,527	1,006,527
<u>Police Equipment Sinking Fund restatement:</u>		
Reclassified from a fiduciary fund to a permanent fund	613,160	613,160
<u>Capital Projects Fund restatement:</u>		
Record accrued interest payable at 9/30/16	(1,414)	(1,414)
Total Nonmajor Governmental Funds restatement	1,716,024	1,716,024
<u>Community Redevelopment Authority restatement:</u>		
Reclassified from a special revenue fund to a discretely presented component unit	(3,071,363)	(3,071,363)

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Equity Restatement, continued

	Governmental Activities	
	Government- Wide Net <u>Position</u>	Fund <u>Balance</u>
<u>Governmental activities restatement:</u>		
Record revolving loan balances at 9/30/16	266,428	
Correct property tax receivable at 9/30/16	(1,713,480)	
Remove erroneous net pension assets at 9/30/16	(249,224)	
Remove CRA notes receivable from governmental activities	(1,489,056)	
Remove CRA debt from governmental activities	564,678	
Add self-insured health insurance net position to the governmental activities	1,777,769	
Remove unavailable special assessments from governmental net position	(371,011)	
Reconcile capital assets to the 9/30/16 depreciation schedule	887,197	
Record capital assets in prior year accounts payable	9,789	
Record construction in progress at 9/30/16	2,776,686	
Total governmental activities restatement	2,459,776	
Total restatement as of 9/30/16	3,214,329	754,553
Equity at 9/30/16, as restated	\$ 70,381,025	\$ 22,329,383

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Equity Restatement, continued

	Business-type Activities	
	Government- Wide Net <u>Position</u>	Fund <u>Balance</u>
Net position at 9/30/16, as originally reported	\$ 9,240,071	
<u>Landfill Fund restatements:</u>		
Fund net position at 9/30/16, as originally reported		\$ 9,240,071
Correct estimated landfill closure liability at 9/30/16	1,121,219	1,121,219
Record accrued interest payable at 9/30/16	(7,162)	<u>(7,162)</u>
Total Landfill Fund restatement		<u>1,114,057</u>
Landfill Fund net position, as restated		<u><u>\$ 10,354,128</u></u>
<u>Electric Fund restatements:</u>		
Fund net position at 9/30/16, as originally reported		\$ -
Reclassified from a discretely presented component unit to an enterprise fund	106,501,894	106,501,894
Remove unamortized bond discount fees	(66,505)	(66,505)
Remove bond discount amortization from expenses for the year ended 9/30/16	24,049	24,049
Increase the estimated liability for fly ash disposal at 9/30/16	(142,578)	<u>(142,578)</u>
Total Electric Fund restatement		<u><u>\$ 106,316,860</u></u>

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Equity Restatement, continued

	Business-type Activities	
	Government- Wide Net <u>Position</u>	Fund <u>Balance</u>
<u>Combined System Utilities Fund restatements</u>		
Fund net position at 9/30/16, as originally reported		\$ -
Reclassified from a discretely presented component unit to an enterprise fund	96,242,707	96,242,707
Remove unamortized bond discount fees	(212,352)	(212,352)
Remove bond discount amortization from expenses for the year ended 9/30/16	18,621	18,621
Record receivable due from City of Hastings for EPA insurance recovery at 9/30/16	900,852	900,852
Total Combined System restatement		\$ 96,949,828
Total business-type net position restatement	204,380,745	
Net position at 9/30/16, as restated	\$ 213,620,816	

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Equity Restatement, continued

	<u>Community Redevelopment Authority Net Position</u>
Net position at 9/30/16, as originally reported (This was reclassified from a special revenue fund to a discretely presented component unit)	\$ 3,071,363
Record notes receivable at 9/30/16, previously reported in the governmental activities	1,489,056
Record long-term debt at 9/30/16, previously reported in the governmental activities	(564,678)
Correct property tax receivable at 9/30/16	4,345
Correct notes receivable balances at 9/30/16	(15,732)
Correct balances of property held for resale at 9/30/16	(616,690)
Record accrued property tax liability at 9/30/16	(28,481)
Record estimated TIF receivables and payables at 9/30/16	314,678
Total CRA net position restatement	<u>582,498</u>
CRA net position at 9/30/16, as restated	<u><u>\$ 3,653,861</u></u>

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses

Sales and Use Tax

The City presently levies a one-and-one-half percent sales tax on taxable sales within the City. The sales tax is collected by the Nebraska Department of Revenue and remitted to the City in the month following receipt. The Nebraska Department of Revenue receives the sales tax approximately one month after collection by vendors. As of October 1, 2006, sales tax collected on the sale of motor vehicles is restricted for street improvements as required by LB904. The 1.5 percent sales tax is allocated 66.67 percent to General Fund, 20 percent to the Street Sales Tax Fund, 8.33 percent to the Duncan Park Sales Tax Fund, and 5 percent to the Library Sales Tax Fund.

Sales taxes collected by the State in September (which represents sales for August) and received by the City in October have been accrued and are included under the caption “Due from other governments.”

Property Taxes

The City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law.

The tax levies for all political subdivisions in Adams County are certified by the County Board on or before October 15. Real estate taxes are due on December 31 and attach as an enforceable lien and become delinquent in two equal installments on May 1 and September 1. Personal property taxes are due in the same manner as real estate taxes. Delinquent taxes bear 14 percent interest.

Property taxes levied for 2016-2017 are recorded as revenue when expected to be collected within 60 days after September 30, 2017. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

In Lieu of Tax Payment

The transfer to the General Fund for the year ending September 30, 2018 is calculated as five and six/tenths percent (5.6%) of the retail revenues of the Electric System for the year ended September 30, 2017. This amount is calculated to be \$2,116,148.

The City withdraws monthly from Combined Funds for payment to the General Fund an amount equal to 1/12 of 5.14% of operating revenues for the preceding year. For the year ending September 30, 2018 the total amount of in lieu of tax payments are calculated to be \$861,879 based on the operating revenues for the year ended September 30, 2017.

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 General Fund 2.5% of the total revenues of the previous year. This amount will be in addition to the current in lieu of tax payments. The payment for the year ended September 30, 2017 is \$351,718.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by Character and Function

Proprietary Fund – by Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Contributions in Aid of Construction

Contributions in aid of construction are tap fees installed and contributed by developers. These contributions are recorded at fair market value when the development is complete and are considered imposed non-exchange transactions.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include: Special Revenue, Capital Projects, Debt Service, Permanent, Agency, and Trust Funds.

2. 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 City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

2. 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 City's 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 City's name.

3. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are described in Note A2 for the various funds.

4. 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 City is in compliance with the bond restrictions and covenants.

5. Budgetary Data

The City is required by state laws to adopt annual budgets for all fund types. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

The Nebraska Budget Act provides the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditure and/or tax levy limitations.

The City follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 20, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require board approval.
- e. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.
- f. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before October 15. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Hastings adopts a budget by resolution for all fund types.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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 various assets, liabilities, equity, revenues, and expenditures/expenses.

1. Cash and Certificates of Deposit

Deposits

The City’s policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2017. The categories of collateral are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the City (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 City’s 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 City’s 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	\$ 102,676,196	\$ 3,032,415	\$ 98,459,309	\$ 1,184,472	\$ <u>100,642,972</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted cash and cash equivalents	\$ 60,930,671
Unrestricted certificates of deposit	14,388,987
Restricted cash and cash equivalents	8,153,020
Restricted certificates of deposit	16,167,982

Component Units –

Unrestricted cash and cash equivalents	847,657
Unrestricted certificate of deposit	25,000
Restricted cash and cash equivalents	<u>129,655</u>
	<u>\$ 100,642,972</u>

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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

2. Restricted Assets

The restricted assets as of September 30, 2017, are as follows:

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	Total Primary <u>Government</u>	Component <u>Units</u>
Type of Restricted Assets:				
Cash and cash equivalents	\$ 5,779,724	\$ 5,716,406	\$ 11,496,130	\$ 129,655
Certificates of deposit	<u>3,255,062</u>	<u>9,569,810</u>	<u>12,824,872</u>	<u>-</u>
	<u>\$ 9,034,786</u>	<u>\$ 15,286,216</u>	<u>\$ 24,321,002</u>	<u>\$ 129,655</u>

Governmental restricted cash and certificates of deposit consist of the following at September 30, 2017:

Street Fund - restricted for street improvements	\$ 3,813,507
Debt Service Fund - restricted for debt service	1,207,446
Cemetery Perpetual Care Fund - restricted for perpetual care	82,227
BID Fund - restricted for downtown projects	73,767
Library Grant Fund - restricted for library expenses	12,283
Parks Grant Fund - restricted for capital projects	59,083
Duncan Park Sales Tax Fund - restricted for capital projects	149,520
Aquatics Center Fund - restricted for aquatics	1,010,403
Public Safety Grant Fund - restricted for public safety expenses	5,667
Street Sales Tax Fund - restricted for street improvements	1,853,795
Keno Betterment Fund - restricted for community betterment	324,232
ED Revolving Loan Fund - restricted for economic development	435,906
Capital Projects Fund - restricted for capital projects	<u>6,950</u>
Total governmental activities restricted cash and CD's	<u>\$ 9,034,786</u>

Business-type activities restricted cash and certificates of deposit consist of the following at September 30, 2017:

Landfill Fund - restricted for closure/post-closure costs	\$ 3,343,110
Electric Fund - restricted for debt service	7,793,771
Electric Fund - restricted for ash disposal closure/post closure costs	996,715
Combined System - restricted for debt service	<u>3,152,620</u>
Total business-type activities restricted cash and CD's	<u>\$ 15,286,216</u>

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

3. Accounts and Notes Receivable

Accounts receivable of the business-type activities consist of utilities receivables. Accounts receivable of the governmental activities consist of telephone and cable franchise tax (19.3 percent), ambulance (32.2 percent), property sale to CRA (9.8 percent), and other (38.7 percent) receivables. Receivables detail at September 30, 2017, is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Accounts receivable	\$ 573,500	\$9,417,369	\$9,990,869	\$ -
Allowance for doubtful accounts	<u>(65,000)</u>	<u>-</u>	<u>(65,000)</u>	<u>-</u>
Net accounts receivable	<u>\$ 508,500</u>	<u>\$9,417,369</u>	<u>\$9,925,869</u>	<u>\$ -</u>

Notes receivable for the governmental funds and CRA consist of the following at September 30, 2017:

<u>Note Held By:</u>	<u>Due From</u>	<u>Note Balance at September 30, 2017</u>	<u>Terms</u>
Economic Development Revolving Loan Fund	Hastings Economic Development Corp	\$ 57,142	\$214,286 is 0% loan due in 15 annual installments of \$14,286.
Economic Development Revolving Loan Fund	Hastings Economic Development Corp	100,000	\$100,000 is 0% loan due upon the sale of the spec building.
Economic Development Revolving Loan Fund	No Coast Brewing, LLC	25,000	\$25,000 is 0% loan due in 84 monthly installments of \$297.62 commencing 9/1/18
		<u>\$ 182,142</u>	

CRA loan program:

TIF loan	Carmichael Limited	\$ 4,466	TIF proceeds pledged on loan
TIF loan	Stoetzel & Son	2,190	Maturity date was 6/15/04
TIF loan	The Listening Room	<u>94,190</u>	TIF proceeds pledged on loan
		100,846	

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

3. Accounts and Notes Receivable, continued

<u>Note Held By:</u>	<u>Due From</u>	Note Balance at September 30, <u>2017</u>	<u>Terms</u>
Revolving Loan	Tom & Rosemary Peterson	7,380	Maturity date was 11/5/09
Revolving Loan	Angela Graham	85,448	Maturity date was 11/1/13
Revolving Loan	Double S Properties	25,622	Maturity date was 4/3/12
Revolving Loan	JKJ Holdings, LLC	83,310	Matures 6/30/24
Revolving Loan	Back Alley Bakery, LLC	6,332	Matures 8/5/19
Revolving Loan	Brandt Rentals, LLC	54,500	Matures 10/5/26
Revolving Loan	Tammy Frasier	3,396	Demand note
Revolving Loan	Balanced Books-Harding	4,791	Matures 6/17/18
Revolving Loan	The Listening Room	220,000	Matures 7/1/18
Revolving Loan	Uptown Experience	150,000	Matures 9/30/29
Revolving Loan	Cicada Dwellings Lot #2	20,000	Matures 7/27/21
Revolving Loan	1st Street Brewing	200,000	Matures 9/1/23
Revolving Loan	THOAR, LLC	74,666	Matures 10/1/21
Revolving Loan	Bert's Building, LLC	23,500	Matures 9/1/21
Revolving Loan	KJEM, LLC	28,750	Matures 1/30/22
		<hr style="width: 100%; border: 0.5px solid black;"/> 987,695	
NMPF Loan	Rosey Nails	4,993	Maturity date was 6/1/14
NMPF Loan	Retreat Salon Getaway	4,488	Maturity date was 3/25/14
NMPF Loan	Jacobi's Carpet One	1,277	Maturity date was 9/30/15
NMPF Loan	Tim Maul	35,000	Matures 7/1/28
NMPF Loan	TRL Tree Service, LLC	5,897	Maturity date was 5/12/16
NMPF Loan	Marcy Maley	13,104	Matures 7/18/19
NMPF Loan	Owen Nelson	4,382	Matures 6/1/20
NMPF Loan	No Coast Brewing, LLC	50,000	Matures 9/1/23
NMPF Loan	Scot DeWitt	28,472	Matures 11/1/21
NMPF Loan	K-T Heating/JHJB Partners	42,227	Matures 10/15/21
NMPF Loan	Steeple Brewing Company	55,000	Matures 2/1/24
		<hr style="width: 100%; border: 0.5px solid black;"/> 244,840	
Real Estate Loan	Dally's Deli	164,025	
		<hr style="width: 100%; border: 0.5px solid black;"/> 1,497,406	
Less Allowance for Uncollectible Notes		(12,000)	
		<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$ 1,485,406</u>	

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance at October 1, <u>2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2017</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Construction in progress	\$ 2,776,686	\$ 6,018,994	\$ -	\$ (2,055,063)	\$ 6,740,617
Other capital assets being depreciated:					
Infrastructure	64,285,351	955,837	-	1,825,981	67,067,169
Buildings, machinery & equipment	38,312,647	1,178,344	(8,483)	229,082	39,711,590
Total other capital assets at historical cost	102,597,998	2,134,181	(8,483)	2,055,063	106,778,759
Less accumulated depreciation for:					
Infrastructure	(35,131,661)	(1,645,163)		-	(36,776,824)
Buildings, machinery & equipment	(19,118,360)	(1,350,119)	8,483	-	(20,459,996)
Total accumulated depreciation	(54,250,021)	(2,995,282) *	8,483	-	(57,236,820)
Other capital assets, net	48,347,977	(861,101)	-	2,055,063	49,541,939
Governmental activities capital assets, net	<u>\$ 51,124,663</u>	<u>\$ 5,157,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,282,556</u>

* Depreciation expense was charged to governmental activities as follows:

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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

4. Capital Assets, continued

Governmental Activities, continued:

General Fund:

General government:

General	\$ 731,304
---------	------------

Public safety:

Police	74,596
Public safety	<u>11,175</u>
Total public safety	85,771

Public works:

Cemetery	1,100
----------	-------

Environment and leisure:

Library	1,116
Parks	3,995
Duncan Park	94,499
Aquatics	2,488
Pioneer Trail	9,231
Airport	<u>59,114</u>
Total environment and leisure	<u>170,443</u>

Total General Fund	988,618
--------------------	---------

Special Revenue Funds:

Street	1,844,102
Museum	72,014
Wireless E911	6,519
Natural Disaster	3,715
Keno	<u>80,314</u>
Total Special Revenue Funds	<u>2,006,664</u>

Total governmental activities depreciation expense	\$ <u>2,995,282</u>
--	---------------------

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

4. Capital Assets, continued

	Balance at October 1, <u>2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2017</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 6,262,668	\$ -	\$ -	\$ -	\$ 6,262,668
Construction in progress	8,389,275	755,164	-	(401,712)	8,742,727
Total capital assets not being depreciated	14,651,943	755,164	-	(401,712)	15,005,395
Other capital assets being depreciated:					
Landfill	9,881,534	273,040	-	-	10,154,574
Electric	180,785,541	2,514,867	(880,231)	-	182,420,177
Electric non-utility plant	15,866,333	-	-	-	15,866,333
Gas	32,666,859	816,175	(137,141)	-	33,345,893
Water	34,284,956	5,281,684	(329,008)	401,712	39,639,344
Pollution control	60,666,882	2,230,656	(64,086)	-	62,833,452
Street lighting	1,509,424	123,295	-	-	1,632,719
Administrative	755,257	116,620	(100,556)	-	771,321
Total other capital assets at historical cost	336,416,786	11,356,337	(1,511,022)	401,712	346,663,813
Less accumulated depreciation for:					
Landfill	(4,378,314)	(372,033)	-	-	(4,750,347)
Electric	(110,182,772)	(5,068,308)	404,054	-	(114,847,026)
Electric non-utility plant	(4,086,891)	(692,772)	-	-	(4,779,663)
Gas	(26,151,576)	(1,543,428)	113,966	-	(27,581,038)
Water	(7,590,298)	(550,824)	136,854	-	(8,004,268)
Pollution control	(25,133,905)	(1,778,022)	2,754	-	(26,909,173)
Street lighting	(144,999)	(30,606)	-	-	(175,605)
Administrative	(648,283)	(15,936)	(13,052)	-	(677,271)
Total accumulated depreciation	(178,317,038)	(10,051,929) *	644,576	-	(187,724,391)
Other capital assets, net	158,099,748	1,304,408	(866,446)	401,712	158,939,422
Business-type capital assets, net	<u>\$ 172,751,691</u>	<u>\$ 2,059,572</u>	<u>\$ (866,446)</u>	<u>\$ -</u>	<u>\$ 173,944,817</u>

* Depreciation expense was charged to functions as follows:

Landfill	\$ 372,033
Electric	5,761,080
Combined System Utilities	<u>3,918,816</u>
Total business-type activities depreciation expense	<u>\$ 10,051,929</u>

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

4. Capital Assets, continued

	Balance at October 1, <u>2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2017</u>
<u>Community Redevelopment Authority:</u>				
Capital assets being depreciated:				
Land improvements	\$ 230,870	\$ -	\$ -	\$ 230,870
Less accumulated depreciation:				
Land improvements	<u>(80,805)</u>	<u>(11,543)</u>	<u>-</u>	<u>(92,348)</u>
Community Redevelopment Authority, net	<u>\$ 150,065</u>	<u>\$ (11,543)</u>	<u>\$ -</u>	<u>\$ 138,522</u>
 <u>Community Redevelopment Authority:</u>				
Capital assets not being depreciated:				
Land held for redevelopment	<u>\$ 1,231,790</u>	<u>\$ 83,500</u>	<u>\$ (136,824)</u>	<u>\$ 1,178,466</u>

5. Accounts Payable

Payables in the general, capital projects, other governmental, and proprietary funds are primarily composed of payables to vendors.

6. Long-term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

6. Long-term Debt, continued

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

<u>Type of Debt</u>	Balance October 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2017</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 3,165,000	\$ 625,000	\$ (650,000)	\$ 3,140,000	\$ 1,525,000
Note payable	-	197,262	-	197,262	27,884
Capital leases	375,780	188,282	(174,315)	389,747	114,427
	<u>\$ 3,540,780</u>	<u>\$ 1,010,544</u>	<u>\$ (824,315)</u>	<u>\$ 3,727,009</u>	<u>\$ 1,667,311</u>
Business-type Activities:					
Bonds payable	\$ 30,530,000	\$ -	\$ (5,060,000)	\$ 25,470,000	\$ 5,310,000
Capital leases	374,262	248,032	(254,283)	368,011	104,994
	<u>\$ 30,904,262</u>	<u>\$ 248,032</u>	<u>\$ (5,314,283)</u>	<u>\$ 25,838,011</u>	<u>\$ 5,414,994</u>
Community Redevelopment Authority:					
Notes payable	<u>\$ 564,678</u>	<u>\$ -</u>	<u>\$ (229,661)</u>	<u>\$ 335,017</u>	<u>\$ 18,215</u>

Governmental Activities

As of September 30, 2017, the governmental long-term liabilities consisted of the following:

Bonds payable:

General obligation refunding bonds dated May 28, 2013, with original issue amount of \$1,000,000. Interest ranges from 0.40 to 0.95 percent with final maturity June 15, 2018. \$ 300,000

General obligation refunding bonds dated October 17, 2013, with original issue amount of \$1,500,000. Interest ranges from 0.40 to 2.45 percent with final maturity December 15, 2020. 1,100,000

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

6. Long-term Debt, continued

Governmental Activities, continued

Bonds payable, continued:

Highway allocation bonds dated December 3, 2013, with original issue amount of \$700,000. Interest ranges from 0.60 to 1.95 percent with final maturity September 15, 2019. 300,000

Bond anticipation notes dated July 21, 2016. Interest is 0.90 percent with maturity July 15, 2018. 815,000

General obligation various purpose bonds dated May 30, 2017, with original issue amount of \$625,000. Interest ranges from 1.25 to 2.60 percent with final maturity September 15, 2027. 625,000

Total bonds payable 3,140,000

Note payable:

During the year ended September 30, 2017, the City drew \$197,262 of the \$376,424 available under the Nebraska Department of Aeronautics note dated March 23, 2017 to finance the 6-place T hangar project. The note will be non-interest bearing and will be repaid over 120 monthly installments of \$3,140. Repayment will commence when the project is complete. 197,262

Capital leases:

Capital lease obligation due to Key Government Finance, Inc. dated February 9, 2015, with original issue amount of \$135,391 to finance a three wheel broom street sweeper. The lease bears interest of 2.975 percent and is due in four annual principal and interest payments of \$36,402, commencing February 9, 2016 through February 9, 2019. 35,351

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

6. Long-term Debt, continued

Governmental Activities, continued

Capital Lease, continued:

Capital lease obligation due to Caterpillar Financial dated November 24, 2014, with original issue amount of \$193,851 to finance 2014 Caterpillar loader. The lease bears interest of 2.303 percent and is due in four annual principal and interest payments of \$51,285, commencing November 24, 2015 through November 24, 2018. 100,724

Capital lease obligation due to Caterpillar Financial dated May 9, 2016, with original issue amount of \$85,425 to finance 430RT Caterpillar backhoe. The lease bears interest of 2.49 percent and is due in four annual principal and interest payments of \$22,698, commencing May 9, 2017 through May 9, 2020. 65,390

Capital lease obligation due to Mercedes-Benz Financial Services dated July 26, 2017, with original issue amount of \$188,282 to finance two 2018 Freightliners. The lease bears interest of 3.97 percent and is due in four annual principal and interest payments of \$51,828, commencing July 26, 2018 through July 26, 2021. 188,282

Total capital lease obligations 389,747

Total governmental activities long-term obligations \$ 3,727,009

Current portion \$ 1,667,311

Noncurrent portion 2,059,698

Total \$ 3,727,009

The Debt Service Fund is making the principal and interest payments on the bonds, the General Fund will pay the note payable, and the Street Fund is paying the capital lease obligations.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

6. Long-term Debt, continued

Business-type Activities

As of September 30, 2017, the long-term debt payable from proprietary fund resources consisted of the following:

Capital leases:

Capital lease obligation due to Deere Credit, Inc. dated February 8, 2016, with original issue amount of \$256,482 to finance a Doppstadt 3060K shredder. The lease bears interest of 2.75 percent and is due in four annual principal and interest payments of \$68,646, commencing February 8, 2017 through February 8, 2020. The Landfill Fund is making these lease payments.

\$ 194,979

Capital lease obligation due to Merchants Bank dated April 21, 2017, with original issue amount of \$248,032 to finance a Caterpillar excavator. The lease bears interest of 2.30 percent. An initial \$75,000 downpayment was made on April 21, 2017, with the balance due in four annual principal and interest payments of \$45,801, commencing April 21, 2018 through April 21, 2021. The Landfill Fund is making these lease payments.

173,032

Total capital lease obligations

368,011

Bonds and notes payable:

Electric system revenue refunding bonds dated June 1, 2011, with original issue amount of \$24,960,000. Interest ranges from 0.70 to 5.0 percent with final maturity on January 1, 2019.

8,140,000

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

6. Long-term Debt, continued

Business-type Activities, continued

Bonds and notes payable, continued:

Combined system revenue bonds dated May 25, 2006, with original issue amount of \$6,000,000. Interest ranges from 3.55 to 4.50 percent with final maturity on October 15, 2026. 3,610,000

Combined system revenue bonds dated May 25, 2006, with original issue amount of \$6,000,000. Interest ranges from 3.55 to 4.50 percent with final maturity on October 15, 2026. 13,720,000

Total bonds payable 25,470,000

Total business-type activity bonds/notes payable \$ 25,838,011

Current portion \$ 5,414,994

Noncurrent portion 20,423,017

Total \$ 25,838,011

Component Units

CRA notes payable:

On September 11, 2015, the CRA borrowed \$150,000 from the Nebraska Enterprise Fund to provide capital to make micro business loans. The loan bears interest of 3.59 percent and matures September 30, 2020. This loan may be renewed for an additional five years. \$ 150,000

On June 1, 2016, the CRA borrowed \$100,000 from the Nebraska Enterprise Fund to provide capital to make micro business loans. The loan bears interest of 3.38 percent and matures May 31, 2021. This loan may be renewed for an additional five years. 100,000

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

6. Long-term Debt, continued

Component Units, continued

CRA notes payable, continued:

CRA note payable due to Heritage Bank for Big Dally’s Deli redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest of 4.75 percent and matures December 15, 2017. 2,441

The CRA borrowed \$39,740 from Heartland Bank on December 23, 2013, to finance the Cicada Dwelling redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest of 5.75 percent and payments are due semi-annually beginning June 15, 2014, through December 15, 2020. 21,834

The CRA borrowed \$45,000 from Heartland Bank on May 19, 2015, to finance the CI Property redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest of 4.50 percent and payments are due semi-annually beginning January 15, 2016, through July 15, 2019. 32,155

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

6. Long-term Debt, continued

Component Units, continued

CRA notes payable, continued:

The CRA borrowed \$40,000 from Heartland Bank on May 19, 2015, to finance the Smitty's Enterprises redevelopment project. The note is collateralized by a promissory note from the redeveloper and a deed of trust on the real estate included in the project, and the incremental tax revenue increase by the redeveloped property will be used for payment of the note. The note bears interest of 4.50 percent and payments are due semi-annually beginning January 15, 2016, through July 15, 2019.

	<u>28,587</u>
Total CRA notes payable	\$ <u>335,017</u>
Current portion	\$ 18,215
Noncurrent portion	<u>316,802</u>
Total	\$ <u>335,017</u>

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

6. Long-term Debt, continued

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2017, are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,667,311	\$ 58,059	\$ 5,414,994	\$ 868,517	\$ 18,215	\$ 3,908
2019	702,469	41,433	5,342,726	655,790	56,938	2,999
2020	468,360	26,053	1,360,531	545,091	156,514	474
2021	447,531	15,777	1,189,760	502,728	103,350	96
2022	97,680	9,135	1,285,000	451,725	-	-
2023-2027	343,658	24,523	5,675,000	1,565,775	-	-
2028-2032	-	-	4,555,000	590,331	-	-
2033-2037	-	-	1,015,000	17,769	-	-
	<u>\$ 3,727,009</u>	<u>\$ 174,980</u>	<u>\$ 25,838,011</u>	<u>\$ 5,197,726</u>	<u>\$ 335,017</u>	<u>\$ 7,477</u>

Closure and Post-closure Care Costs

The City of Hastings has chosen to demonstrate financial assurance for the Hastings Regional Solid Waste Landfill and the Whelan Energy Center Temporary Ash Disposal Area by using a financial test mechanism. As required by Nebraska Administrative Code – Title 132 – *Integrated Solid Waste Management* Regulations, the following information is provided.

The City entered into an agreement with the Nebraska Department of Environmental Quality to establish a Closure/Post-Closure Care Account. The purpose of this account is to accumulate sufficient monies to fund all related costs of a clean closure, removal of all coal combustion residuals (CCR) and decontamination of the ash disposal area at the Whelan Energy Center. Monies are deposited into this account at a rate \$2.50 per ton of ash put into the disposal area. The calculated amount of the Closure/Post-Closure liability was \$1,139,293 at September 30, 2017, which is based on 115,577 tons of undisposed pond ash in the ash disposal area. It is estimated that an additional \$16,236 will be recognized as post-closure expenses between the date of the balance sheet and the date Whelan Energy Center is expected to be closed. The estimated total current cost of the ash disposal closure and post-closure care, \$1,155,529, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the ash disposal area were acquired as of September 30, 2017. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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

6. Long-term Debt, continued

Closure and Post-closure Care Costs, continued

At September 30, 2017, funds of \$996,715 are restricted to finance closure and post-closure of the City’s ash disposal area. These funds are presented on the City’s statement of net position as “restricted for ash disposal closure costs.” It is anticipated that future inflation costs will be financed in part from earnings on funds reserved by the City. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future users, taxpayers, or both.

State and federal laws and regulations require that the City of Hastings place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post-closure care costs has a balance of \$2,529,012 as of September 30, 2017, which is based on 47.04 percent usage (filled) of the landfill. It is estimated that an additional \$2,645,218 will be recognized as closure and post-closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and post-closure care, \$5,174,230, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2017. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

At September 30, 2017, funds of \$3,343,110 are restricted to finance closure and post-closure of the City’s landfill. These funds are presented on the City’s statement of net position as “restricted for landfill closure costs.” It is anticipated that future inflation costs will be financed in part from earnings on funds reserved by the City. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

7. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Duncan Park Sales Tax	\$ 400,000	\$ -
Keno Betterment	13,300	-
Landfill	<u>55,000</u>	<u>-</u>
Total General Fund	468,300	-
Nonmajor Funds	-	413,300
Landfill Fund	<u>-</u>	<u>55,000</u>
Total Operating Transfers	<u>\$ 468,300</u>	<u>\$ 468,300</u>

As of September 30, 2017, the Museum Fund owed \$751,369 to the General Fund for negative pooled cash. This interfund balance is expected to be eliminated with a transfer from the General Fund to the Museum Fund during the year ending September 30, 2018.

At September 30, 2017, the General Fund owed \$900,852 to the Combined System Utilities Fund for EPA insurance proceeds collected by the General Fund in 2014 and due to the Combined System Fund under an agreement to split all EPA legal costs and insurance recoveries on a 50/50 basis between the General Fund and the water department. This balance is expected to be transferred during the year ending September 30, 2018.

8. Fund Equity

The deficit fund balance of \$(60,586) in the Library Sales Tax Fund is expected to be eliminated during the year ending September 30, 2018 with the receipt of additional sales tax.

Restricted net position for other purposes consists of the following:

Library Grant	\$ 11,980
Public Safety Grant	<u>4,897</u>
	<u>\$ 16,877</u>

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

9. TIF Receivables and Payables

<u>TIF #</u>	<u>Description</u>	<u>9/30/2017</u>	
		<u>TIF Receivable</u>	<u>TIF Payable</u>
9	Brant Redevelopment	\$ 6,518	\$ 6,518
11	409 West F Project	2,440	-
14	Pathways Plaza Project	25,451	25,451
17	Cicada Properties LLC	21,834	-
18	Midland Corp	65,444	65,444
20	Hastings Village Gardens	495,302	495,302
21	Southwood Estates	153,338	153,338
23	Smitty's Electric Inc	28,587	-
24	Uptown Experience, LLC	135,351	135,351
25	CI Properties LLC Burlington	32,155	-
27	B & R Stores Inc	2,159,641	2,159,641
28	Diecker Construction Inc	59,263	59,263
33	801 Building Condominiums	140,818	140,818
34	Emerson Estates LLC	157,390	157,390
37	Thoar, LLC	46,936	46,936
38	On Top, LLC	49,513	49,513
39	Steve Johnson Redevelopment	27,016	27,016
40	Dietrich/Stein Brothers Building, LLC	153,257	153,257
41	Furrow Plumbing, LLC	29,908	29,908
		<u>\$ 3,790,164</u>	<u>\$ 3,705,146</u>

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit Plans

The City participates in five employee pension plans as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Police and Firefighters Plan (Pre-1984)	Defined Benefit Plan
Police Plan	Defined Contribution Plan
Firefighters Plan	Defined Contribution Plan
Other City and Utility Employees	Defined Contribution Plan
Deferred Compensation Plan	Qualified Deferred Compensation Plan

All plans are administered by outside trustees and are not included in these financial statements.

Police and Firefighters Plan (Pre-1984)

The City of Hastings, Nebraska Police Pension (Police Plan) and the City of Hastings, Nebraska Firefighters Plan (Firefighters Plan) are administered as follows:

- (1) Employees who were hired prior to January 1, 1984, the date at which the Police and Firefighters Plans were amended from defined benefit plans to their current status as defined contribution plans, were assured of receiving retirement benefits under the new plan at least as great as those under the old defined benefit plan.
- (2) Employees hired after January 1, 1984, are covered by the defined contribution plan, which is administered by a third party.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Police and Firefighters Plan (Pre-1984), continued

The employees hired prior to January 1, 1984, participate in both plans and will receive either their benefit from the defined contribution plan or defined benefit plan, whichever is greater. The City has funded their portion of the respective Plan, in addition to the employee's portion, with the assets being held by a third party administrator of the current defined contribution plan. These assets are included in the total plan assets for the Police Retirement Plan and the Firefighters Retirement Plan, when determining the pension benefit obligation.

Based on the actuarial valuation, it is anticipated that the participant accounts and unallocated/forfeiture account are sufficient to provide the minimum defined benefits for the remaining pre-1984 hires. Therefore, it is anticipated that no additional contribution will be required. The respective Defined Benefit Plan is further described in the Police and Firefighters Plan Section.

Police Plan

Plan Description

The Police Plan provisions are covered by City ordinance. The Police Plan covers all employees classified as police officers.

For the year ended September 30, 2017, the City's payroll total and covered under the Plan was \$2,217,594 and \$2,217,594, respectively.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Police Plan, continued

Plan Description, continued

As of June 1, 2016, the date of the last actuarial valuation of the defined benefit plan, there were three active employees in the Police Plan.

An employee with at least 25 years of service may retire as early as age 55; normal retirement occurs at age 60 with a minimum of 21 years of service, if employed on or before November 18, 1965, otherwise 25 years.

Under the Police Plan, normal retirees employed on or before January 1, 1984, would not receive an annuity benefit of less than 50 percent of regular pay. All current employees will receive a benefit based on their defined contribution account. An employee is 100 percent vested in his or her contributions of 7.0 percent of monthly compensation, and vests 40 percent after two years of service, 60 percent after 4 years, 80 percent after 5 years, and is 100 percent vested at 7 years or more in the City's contributions, which is a matching 7.0 percent.

Funding Status of Defined Benefit Plan

The projected retirement benefits at June 1, 2016, were determined through an actuarial valuation. The actuarial valuation was performed using the Aggregate Actuarial Cost Method, which determines the total cost of the projected pension benefits to all employees combined. This total cost is then spread over the average future remaining years to retirement for the employees. The cost is spread as a level percentage of compensation.

Significant actuarial assumptions used in the valuation included (a) a rate of return of five percent for pre-retirement and four percent for post-retirement per annum, and (b) projected annual salary increases of four percent.

The pension benefit obligation, a standardized disclosure measure of the present value of pension benefits, intended to help assess the funding status of pensions, is as follows:

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Police Plan, continued

Funding Status of Defined Benefit Plan, continued

Fair value of plan assets at June 1, 2016	\$ 845,137
Benefit obligation estimated at June 1, 2016	<u>1,200,742</u>
Funded Status	\$ (<u>355,605</u>)

Contribution Required and Made

The actuarially determined recommended contribution under the defined benefit plan was \$219,203, and contributions of \$200,000 were made for the year ended September 30, 2017.

Contributions made under the defined contribution portion of the Police Plan for the year ended September 30, 2017, were as follows:

		Amount as a Percentage <u>of Covered Payroll</u>
Employer	\$ 155,232	7.0%
Employee	<u>155,232</u>	7.0%
Total	\$ <u>310,464</u>	

Firefighters Plan

Plan Description

The Firefighters Plan provisions are covered by City ordinance. The Firefighters Plan covers all employees classified as Firefighters.

For the year ended September 30, 2017, the City's payroll total and covered under the Plan was \$1,694,367 and \$1,511,157, respectively.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Firefighters Plan, continued

Plan Description, continued

As of January 1, 2011, the date of the last actuarial valuation of the defined benefit plan, there were two active employee in the Firefighters Plan. Since that time, these two employees have retired and there are no longer any active members; therefore, there is no need for further actuarial reports.

An employee who has attained the age of 50 with 21 years of service may take early retirement with benefits reduced by the actuarial equivalent of his or her normal retirement at age 55.

Under the Firefighters Plan, normal retirees employed prior to January 1, 1984, would not receive an annuity benefit of less than 50 percent of regular pay. All current employees will receive a benefit based on their defined contribution account. An employee is 100 percent vested in his or her contributions, 6.5 percent of monthly compensation, and vests 40 percent after four years of service plus 10 percent for each year thereafter, up to 100 percent, in the City's contributions, 13 percent of monthly compensation.

Funding Status of Defined Benefit Plan

The projected retirement benefits at September 30, 2017, were determined through a valuation calculation. The valuation was performed using a present value calculation, which determines the total cost of the projected pension benefits to all employees combined. This total cost is then spread over the future remaining years to retirement for the employees. The cost is spread as a level percentage of compensation.

Significant actuarial assumptions used in the valuation included (a) a rate of return of five percent for pre-retirement and four percent for post-retirement per annum, and (b) projected annual salary increases of four percent.

The pension benefit obligation, a standardized disclosure measure of the present value of pension benefits, intended to help assess the funding status of pensions, is as follows:

Fair value of plan assets at September 30, 2017	\$ 539,247
Benefit obligation estimated at September 30, 2017	<u>460,028</u>
Funded Status	\$ <u>(79,219)</u>

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Firefighters Plan, continued

Contribution Required and Made

The actuarially determined recommended contribution under the defined benefit plan was zero, and no contributions were made for the year ended September 30, 2017.

Contributions made under the defined contribution portion of the Firefighters Plan for the year ended September 30, 2017, were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 196,450	13.0%
Employee	<u>98,225</u>	6.5%
Total	<u>\$ 294,675</u>	

All Other City and Utilities System Employees

The City and Utilities System contribute to the City of Hastings, Nebraska Retirement Plan (the Plan), a defined contribution pension plan, for all other City employees and employees of the Utilities System. The plan is administered by Empower.

Benefit terms, including contribution requirements for the Plan are established and may be amended by the City of Hastings Retirement Board. All employees not in the Police and Fire Department are required to contribute to the Plan after they have been employed one year and are at least 21 years of age. The Plan has a six month vesting period. Any non-vested money in an account is sent back to the employer as a forfeiture once the terminated employee takes a distribution out of the account. At that time, the City uses the forfeitures to offset the employer's contributions. Total forfeitures reported for year ended September 30, 2017 was \$6,581.

Each participating employee is required to contribute 4.0% of the first \$20,000 of compensation to the Plan, and 8.0% of any compensation over and above \$20,000. The City and Utilities System then matches the employee's contribution. The City's annual contribution for the year ended September 30, 2017 was \$333,460. The Utilities System total pension expense was \$1,102,117 for the year ended September 30, 2017.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Deferred Compensation Plan

The City has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all City employees and elected officials. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, unforeseeable emergency, or permanent disability. The City does not contribute to the 457 plan. All contributions are voluntary employee contributions.

As of January 1, 1997, these funds were placed in trust, in accordance with IRS Code Section 457(g)(1). IRS Code Section 457(g)(1), applicable for plan year beginning January 1, 1997, states that “a plan maintained by an eligible employer shall not be treated as an eligible deferred compensation plan unless all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.” The deferred compensation plan as placed in trust is not subject to any creditors of the City.

2. Risk Management

Insurance

The City is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The City purchases insurance and administers funds for its self-insured programs.

The City’s Self-Insurance Fund does not assume the full risk of loss related to claims filed under the insurance provided. The City has purchased insurance to cover individual claims in excess of \$80,000 per claimant, as well as an aggregate stop loss of \$2,820,850. The City pays the claims first up to the \$80,000 per individual, and at the end of the policy year, the insurance company computes the amount due, if any, to the City in excess of the insured aggregate. At September 30, 2017 the City had exceeded its aggregate stop loss for the year. Claims incurred prior to year-end but not paid are covered by the fiscal year aggregate and will be paid by the City, but later reimbursed. Known and reserved claims paid subsequent to year-end totaled \$8,456, which are booked as accounts payable in the Self-Insured Health Fund at September 30, 2017. Individual claims of \$134,072, incurred in excess of the \$80,000 per claimant and \$2,820,850 aggregate at September 30, 2017 have been booked as accounts receivable.

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

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 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 City’s investments at September 30, 2017, are held by the counterparties not in the name of the City. The underlying securities consist of cash, direct obligations of or guaranteed by the full faith and credit of the U.S. Government, and other similar obligations of the U.S. Government or its agencies.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s 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 investment maturities are as follows:

	INVESTMENT MATURITIES (IN YEARS)				Total
	<1	1-5	5-10	10+	
City:					
CDs	\$ 7,096,982	\$ -	\$ -	\$ -	\$ 7,096,982
Utilities:					
US Treasury Bills	\$ 4,027,039	\$ -	\$ -	\$ -	\$ 4,027,039
US Treasury Notes	917,776	3,667,213	-	-	4,584,989
CDs	10,543,110	4,064,000	-	-	14,607,110
GNMA	-	72,558	-	168,291	240,849
	\$ 15,487,925	\$ 7,803,771	\$ -	\$ 168,291	\$ 23,459,987

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

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

Concentration of Credit Risk. The City’s investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2017, the City’s investments in certificates of deposit and investments consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Five Points Bank	\$ 4,700,500
Great Western Bank	4,734,960
Pinnacle West	2,555,062
Heartland Bank	9,713,570
Oakeson Steiner – TD Ameritrade	240,849
Bank of New York Mellon Trust Company	<u>8,612,028</u>
	<u>\$ 30,556,969</u>

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City’s investments had no exposure to foreign currency risk and the City held no investments denominated in foreign currency at September 30, 2017.

3. Commitments and Contingencies

Construction

The City is a party to numerous contracts relating to construction projects of the governmental funds. The City intends to fund the construction through operations or long-term financing.

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2017</u>	<u>Obligation Pending</u>	<u>Estimated Completion</u>
Police station tuckpointing-engineer	\$ 31,270	\$ 28,143	\$ 3,127	11/15/2017
Police station tuckpointing-contractor	590,673	499,941	90,732	11/15/2017
Museum HVAC project	129,450	-	129,450	5/4/2018
Library renovation	4,325,527	4,109,250	216,277	1/31/2018
Airport T hangar project-engineer	484,219	435,797	48,422	12/1/2017
Airport T hangar project-contractor	79,016	12,619	66,397	12/1/2017
Airport marking project	79,016	73,713	5,303	1/1/2018
Street project R-2017	933,152	578,608	354,544	12/11/2017
Injection well pilot study	189,785	173,454	16,331	2/1/2018
Well 27 RO treatment-engineer	489,453	363,971	125,482	3/1/2018
Well 27 RO treatment-contractor	3,860,210	2,352,326	1,507,884	3/1/2018
Water main-Ringland & Lakeside	519,670	405,519	114,151	2/1/2018
Total City Commitments	<u>\$ 11,711,441</u>	<u>\$ 9,033,341</u>	<u>\$ 2,678,100</u>	

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Lease Commitments

<u>Lessor</u>	<u>Leased Property</u>	<u>Term</u>	<u>Amount</u>
Mail Finance	Mailing System	8/22/17 – 11/22/22	\$130/month
Eakes	Copiers	6/25/15 – 6/25/19	\$1,082/month
Capital Business Systems	Image Runner	4/15/14 – 4/15/19	\$878/month
Eakes	Copiers	4/25/17 – 4/25/22	\$69/month

Lease commitments as of September 30, 2017, are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2018	\$ 25,905
2019	18,270
2020	2,388
2021	2,388
2022	2,043
Thereafter	<u>130</u>
	\$ <u>51,124</u>

Letter of Credit

The City has a \$2,784,460 standby letter of credit available through Great Western Bank, with the Environmental Protection Agency as the beneficiary to satisfy the Performance Guarantee obligations related to the Hastings Groundwater Contamination Site. As of September 30, 2017, nothing had been drawn on this letter of credit, which expires September 24, 2018.

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

NOTE D – OTHER NOTES, continued

4. Additional Utility Contracts

MEAN Participation Agreement

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

City of Superior Agreement

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

Coal Supply Agreements

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

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

CITY OF HASTINGS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

NOTE D – OTHER NOTES, continued

4. Additional Utility Contracts, continued

Coal Contracts

Peabody COALSALES, LLC

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

The Burlington Northern and Santa Fe Railway Company

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

Natural Gas Contracts

Central Plains Energy Project

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

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

4. Additional Utility Contracts, continued

Natural Gas Contracts, continued

Central Plains Energy Project, continued

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

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

Prior to the matter being heard by the Court, RBC and CPEP negotiated a settlement where RBC would provide the funds necessary and redeem all outstanding bonds associated with the 2009 issue; issuance of new bonds to effectuate a five (5) year term fixed discount Prepaid Transaction between RBC and CPEP; and certain cash payments to CPEP. CPEP in turn entered into a new GSA with the Utilities for a five (5) 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.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

4. Additional Utility Contracts, continued

Natural Gas Contracts, continued

Trailblazer Pipeline Company LLC

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

Tall Grass Interstate Gas Transmission LLC

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

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

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

4. Additional Utility Contracts, 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% 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.

Future Partial Assignment of Energy

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

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

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

4. Additional Utility Contracts, continued

Rebate (Arbitrage) Payment Requirements

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

Public Power Generation Agency Financial Commitment

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

Nebraska Water Sustainability Fund Grant

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

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, 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 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 in the amount of \$14,130,572. However, upon receipt of a cash settlement of \$1,000,000, in-kind services in the amount of \$1,700,000, and 49.6% of any insurance recovery, the City will be deemed to have met this obligation. The cash obligation and insurance recovery have been paid. The City and the Utilities have provided approximately \$641,000 of in-kind services. On June 4, 2017, the State took over the groundwater (down-gradient) operable unit (OU20) and the City will no longer provide in-kind services on OU20. The EPA is continuing to monitor/operate source control operable unit (OU12) and informed the City to cease all in-kind services on June 30, 2017; nevertheless, the City is willing to continue to provide any additional in-kind services as requested by the EPA in order to reduce the expected remaining liability of \$1,059,497 pursuant to the Consent Decree. However at September 30, 2017, the General Fund had accrued a liability of \$1,059,497.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

6. Nebraska Department of Environmental Quality Loan

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

7. Interlocal Agreements

The City is a party to 17 interlocal agreements in effect as of September 30, 2017. The City Clerk maintains a complete list of the interlocal agreements in effect.

8. Tax Abatements

The Community Redevelopment Agency (CRA), who is authorized by Nebraska statutes to enter into property tax abatement agreements for the purpose of developing properties in blighted areas, has entered into tax increment financing (TIF) agreements with various redevelopers. The TIF program has the stated purpose of increasing valuation, business activity and employment in the community.

Under the TIF program, redevelopers can apply for TIF financing whereby the property tax they pay on the increased valuation of property under a TIF agreement is returned to the redeveloper by the CRA to finance the project for a period of up to 15 years.

Information relevant to the abatements granted by the CRA for the year ended September 30, 2017 is as follows:

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

8. Tax Abatements, continued

<u>TIF Project:</u>	Years Remaining on TIF <u>Agreements</u>	2017 TIF <u>Valuation</u>	2017 TIF Excess Tax <u>Levied</u>
Brant Redevelopment	2	\$ 146,105	\$ 3,259
409 West F Project	2	92,655	2,067
Pathways Plaza Project	4	285,235	6,363
Cicada Properties LLC	5	338,685	7,555
Midland Corp	7	419,110	9,349
Carmichael Ltd, LLC	8	453,055	10,106
Hastings Village Gardens	10	2,220,375	49,530
Southwood Estates Redevelopment	10	687,395	15,334
Smitty's Electric Inc	11	339,150	7,565
Uptown Experience, LLC	11	551,600	12,305
CI Properties LLC Burlington	11	335,870	7,492
Listening Room	12	287,370	6,410
B & R Stores Inc	13	7,447,220	166,126
Diecker Construction Inc	13	204,360	4,559
801 Building Condominiums	14	450,905	10,058
Emerson Estates LLC	14	503,970	11,242
Thoar, LLC	15	140,270	3,129
On Top, LLC	15	147,975	3,301
Steve Johnson Redevelopment	15	80,740	1,801
Dietrich/Stein Brothers Building, LLC	15	458,020	10,217
Furrow Plumbing, LLC	15	89,380	1,994
			<u>\$349,762</u>

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

9. Subsequent Events

Management has evaluated subsequent events through March 12, 2018, the date on which the financial statements were available for issue.

On November 13, 2017, the City Council approved a \$128,817 contract to IES Commercial, Inc. for the traffic signal at 5th Street and Marian Road.

On December 11, 2017, the City Council approved a \$129,450 contract with Rutt's Heating and Air Conditioning for the Hastings Museum HVAC project.

On January 8, 2018, the City Council approved a \$134,779 contract with CXT Concrete Buildings for restrooms at Lake Hastings.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HASTINGS, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

Year ended September 30, 2017

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 3,908,186	\$ 4,051,109	\$ 142,923
Motor vehicle	305,000	364,509	59,509
Occupation	60,000	61,965	1,965
Sales tax	3,800,000	4,156,040	356,040
Franchise	600,000	625,408	25,408
In lieu of tax	2,900,000	2,953,703	53,703
Intergovernmental	1,646,129	1,369,277	(276,852)
Charges for services	2,000,000	2,084,936	84,936
Grants	748,107	800,141	52,034
Interest income	-	39,306	39,306
Contributions	-	40,000	40,000
Sale of property	-	6,000	6,000
Insurance proceeds	-	8,675	8,675
Loan proceeds	-	197,262	197,262
Other	-	80,739	80,739
	<hr/>	<hr/>	<hr/>
Total resources	15,967,422	16,839,070	871,648
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government:			
City Administrator's office	1,074,947	728,444	(346,503)
Civil service	112,696	98,757	(13,939)
City attorney	162,293	150,877	(11,416)
Mayor and Council	65,835	57,949	(7,886)
Other governmental	6,875,878	1,893,493	(4,982,385)
Development services	544,781	410,815	(133,966)
IT services	156,037	126,956	(29,081)
Total general government	<hr/>	<hr/>	<hr/>
	8,992,467	3,467,291	(5,525,176)
Public safety:			
911 Center	734,476	716,988	(17,488)
Fire and rescue	3,277,260	2,933,270	(343,990)
Ambulance service	-	203,105	203,105
Police	4,197,733	4,034,875	(162,858)
Total public safety	<hr/>	<hr/>	<hr/>
	8,209,469	7,888,238	(321,231)

CITY OF HASTINGS, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND, Continued**

Year ended September 30, 2017

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
CHARGES TO APPROPRIATIONS (OUTFLOWS), continued			
Public works:			
Cemetery	300,054	255,497	(44,557)
EPA mandates	264,443	100,700	(163,743)
EPA 2nd Street subsite	-	26,877	26,877
Storm water management	-	39,954	39,954
Total public works	<u>564,497</u>	<u>423,028</u>	<u>(141,469)</u>
Environment and leisure:			
Auditorium	139,502	133,551	(5,951)
Parks	1,685,993	1,635,480	(50,513)
Water park	340,470	339,017	(1,453)
Recreation programming	130,895	124,985	(5,910)
Library	1,173,724	1,156,396	(17,328)
Airport	343,990	275,408	(68,582)
Total environment and leisure	<u>3,814,574</u>	<u>3,664,837</u>	<u>(149,737)</u>
Total charges to appropriations	<u>21,581,007</u>	<u>15,443,394</u>	<u>(6,137,613)</u>
Resources over (under) charges to appropriations	(5,613,585)	1,395,676	7,009,261
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>468,300</u>	<u>468,300</u>	<u>-</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (5,145,285)</u>	<u>\$ 1,863,976</u>	<u>\$ 7,009,261</u>

CITY OF HASTINGS, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
STREET FUND

Year ended September 30, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 18,000	\$ 17,034	\$ (966)
Wheel tax	300,000	362,420	62,420
Intergovernmental	2,493,154	2,799,895	306,741
Charges for services	340,212	227,952	(112,260)
Grants	530,165	550,338	20,173
Interest income	-	16,140	16,140
Other revenue	-	33,620	33,620
	<hr/>	<hr/>	<hr/>
Total resources	3,681,531	4,007,399	325,868
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	3,087,747	2,874,730	(213,017)
Capital outlay	1,049,787	85,630	(964,157)
Principal payments	-	134,007	134,007
Interest expense	-	10,156	10,156
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	4,137,534	3,104,523	(1,033,011)
RESOURCES OVER (UNDER)			
CHARGES TO APPROPRIATIONS	<u>\$ (456,003)</u>	<u>\$ 902,876</u>	<u>\$ 1,358,879</u>

CITY OF HASTINGS, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
MUSEUM FUND

Year ended September 30, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 768,229	\$ 755,539	\$ (12,690)
Motor vehicle tax	65,000	71,651	6,651
Occupation tax	180,000	190,219	10,219
Charges for services	425,071	423,913	(1,158)
Grants	19,000	20,450	1,450
Contributions	50,000	58,845	8,845
Other income	-	6,074	6,074
	1,507,300	1,526,691	19,391
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Environment and leisure	1,500,415	1,451,134	(49,281)
Capital outlay	4,500	33,900	29,400
	1,504,915	1,485,034	(19,881)
RESOURCES OVER CHARGES TO APPROPRIATIONS			
	\$ 2,385	\$ 41,657	\$ 39,272

CITY OF HASTINGS, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
DEBT SERVICE FUND

Year ended September 30, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 651,568	\$ 670,877	\$ 19,309
Motor vehicle tax	55,000	60,770	5,770
Special assessments	179,000	113,592	(65,408)
Interest income	2,000	30,103	28,103
	<hr/>	<hr/>	<hr/>
Total resources	887,568	875,342	(12,226)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	650,000	650,000	-
Interest expense	34,500	39,336	4,836
Bond fees	10,000	1,500	(8,500)
Other expenses	90,000	-	(90,000)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	784,500	690,836	(93,664)
RESOURCES OVER CHARGES TO APPROPRIATIONS			
	<u>\$ 103,068</u>	<u>\$ 184,506</u>	<u>\$ 81,438</u>

CITY OF HASTINGS, NEBRASKA

**BUDGETARY COMPARISON SCHEDULES -
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

Year ended September 30, 2017

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenue and Expenditures**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Museum Fund</u>	<u>Debt Service Fund</u>
Sources/inflows of resources:				
Actual amounts of resources (budgetary basis from the budgetary comparison schedules)	\$ 16,839,070	\$ 4,007,399	\$ 1,526,691	\$ 875,342
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>457,614</u>	<u>(144)</u>	<u>3,630</u>	<u>6,224</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 17,296,684</u></u>	<u><u>\$ 4,007,255</u></u>	<u><u>\$ 1,530,321</u></u>	<u><u>\$ 881,566</u></u>
Uses/outflows of resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 15,443,394	\$ 3,104,523	\$ 1,485,034	\$ 690,836
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>1,192,887</u>	<u>50,488</u>	<u>23,519</u>	<u>(789)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 16,636,281</u></u>	<u><u>\$ 3,155,011</u></u>	<u><u>\$ 1,508,553</u></u>	<u><u>\$ 690,047</u></u>
Net transfers:				
Actual amounts (budgetary basis) from the budgetary comparison schedules	\$ 468,300	\$ -	\$ -	\$ -
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net transfers as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 468,300</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF HASTINGS, NEBRASKA

**SCHEDULE OF FUNDING PROGRESS -
PUBLIC SAFETY EMPLOYEES RETIREMENT SYSTEM
(POLICE OFFICERS AND FIREFIGHTERS)**

Year ended September 30, 2017

<u>Valuation Date</u>	<u>Fair Value of Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Covered Payroll</u>
<u>Police:</u>						
6/1/2016	\$ 845,137	\$ 1,200,742	\$ 355,605	70.4%	\$ 314,045	113.2%
<u>Fire:</u>						
9/30/2017	\$ 460,028	\$ 539,247	\$ 79,219	85.3%	n/a	n/a

SUPPLEMENTARY INFORMATION

CITY OF HASTINGS, NEBRASKA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2017

	Permanent Cemetery Perpetual Care	Special Revenue Funds		
		BID Fund	Community Development	S Landfill Cap Fund
ASSETS				
Cash and cash equivalents	\$ 27,165	\$ 73,767	\$ 12,383	\$ 26,732
Certificates of deposit	55,062	-	-	-
Receivables:				
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
	Total assets	\$ 82,227	\$ 73,767	\$ 12,383
		\$ 73,767	\$ 12,383	\$ 26,732
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued interest	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Nonspendable:				
Cemetery perpetual care	82,227	-	-	-
Restricted for:				
Economic development	-	-	-	-
Street improvements	-	-	-	-
Downtown projects	-	73,767	-	-
Capital projects	-	-	-	-
Aquatic Center	-	-	-	-
Community betterment	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Equipment replacement	-	-	-	-
Other purposes	-	-	12,383	26,732
Unassigned	-	-	-	-
	Total fund balances	82,227	73,767	12,383
	Total liabilities and fund	82,227	73,767	12,383
	balances	\$ 82,227	\$ 73,767	\$ 26,732

<u>Library Grant Fund</u>	<u>Library Sales Tax</u>	<u>Parks Grant Fund</u>	<u>Duncan Park Sales Tax</u>	<u>Aquatics Center Fund</u>	<u>Police Equipment Sinking Fund</u>
\$ 12,283	\$ 293,691	\$ 59,083	\$ 149,520	\$ 10,403	\$ 390,971
-	-	-	-	1,000,000	-
-	-	-	-	-	-
-	55,426	-	92,377	-	-
<u>\$ 12,283</u>	<u>\$ 349,117</u>	<u>\$ 59,083</u>	<u>\$ 241,897</u>	<u>\$ 1,010,403</u>	<u>\$ 390,971</u>
\$ 303	\$ 409,703	\$ 143	\$ -	\$ -	\$ 303,445
-	-	-	-	-	-
<u>303</u>	<u>409,703</u>	<u>143</u>	<u>-</u>	<u>-</u>	<u>303,445</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	58,940	241,897	-	-
-	-	-	-	1,010,403	-
-	-	-	-	-	-
11,980	-	-	-	-	-
-	-	-	-	-	87,526
-	-	-	-	-	-
-	(60,586)	-	-	-	-
<u>11,980</u>	<u>(60,586)</u>	<u>58,940</u>	<u>241,897</u>	<u>1,010,403</u>	<u>87,526</u>
<u>\$ 12,283</u>	<u>\$ 349,117</u>	<u>\$ 59,083</u>	<u>\$ 241,897</u>	<u>\$ 1,010,403</u>	<u>\$ 390,971</u>

CITY OF HASTINGS, NEBRASKA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS, Continued

September 30, 2017

	Special Revenue Funds			
	CANDO Fund	Public Safety Grant Fund	Wireless E911 Fund	Street Sales Tax Fund
ASSETS				
Cash and cash equivalents	\$ 123,568	\$ 5,667	\$ 132,161	\$ 1,853,795
Certificates of deposit	-	-	-	-
Receivables:				
Accounts receivable	-	-	-	-
Due from other governments	-	-	3,657	221,705
	Total assets	Total assets	Total assets	Total assets
	\$ 123,568	\$ 5,667	\$ 135,818	\$ 2,075,500
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 63	\$ 770	\$ -	\$ 46,909
Accrued interest	-	-	-	-
Total liabilities	63	770	-	46,909
Fund balances:				
Nonspendable:				
Cemetery perpetual care	-	-	-	-
Restricted for:				
Economic development	-	-	-	-
Street improvements	-	-	-	2,028,591
Downtown projects	-	-	-	-
Capital projects	-	-	-	-
Aquatic Center	-	-	-	-
Community betterment	-	-	-	-
Other purposes	-	4,897	-	-
Assigned for:				
Equipment replacement	-	-	-	-
Other purposes	123,505	-	135,818	-
Unassigned	-	-	-	-
	Total fund balances	Total fund balances	Total fund balances	Total fund balances
	123,505	4,897	135,818	2,028,591
	Total liabilities and fund balances	Total liabilities and fund balances	Total liabilities and fund balances	Total liabilities and fund balances
	\$ 123,568	\$ 5,667	\$ 135,818	\$ 2,075,500

Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
Natural Disaster Fund	Diversion Program	Keno Betterment	ED Revolving Loan Fund		
\$ 37,453	\$ 53,308	\$ 324,232	\$ 435,906	\$ 6,950	\$ 4,029,038
-	-	-	-	-	1,055,062
-	-	12,292	-	-	12,292
-	-	-	-	-	373,165
<u>\$ 37,453</u>	<u>\$ 53,308</u>	<u>\$ 336,524</u>	<u>\$ 435,906</u>	<u>\$ 6,950</u>	<u>\$ 5,469,557</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 761,336
-	-	-	-	1,528	1,528
-	-	-	-	1,528	762,864
-	-	-	-	-	82,227
-	-	-	435,906	-	435,906
-	-	-	-	-	2,028,591
-	-	-	-	-	73,767
-	-	-	-	5,422	306,259
-	-	-	-	-	1,010,403
-	-	336,524	-	-	336,524
-	-	-	-	-	16,877
-	-	-	-	-	87,526
37,453	53,308	-	-	-	389,199
-	-	-	-	-	(60,586)
<u>37,453</u>	<u>53,308</u>	<u>336,524</u>	<u>435,906</u>	<u>5,422</u>	<u>4,706,693</u>
<u>\$ 37,453</u>	<u>\$ 53,308</u>	<u>\$ 336,524</u>	<u>\$ 435,906</u>	<u>\$ 6,950</u>	<u>\$ 5,469,557</u>

CITY OF HASTINGS, NEBRASKA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the year ended September 30, 2017

	Permanent	Special Revenue Funds		
	Cemetery	BID	Community	S Landfill
	<u>Perpetual Care</u>	<u>Fund</u>	<u>Development</u>	<u>Cap Fund</u>
REVENUES				
Sales tax	\$ -	\$ -	\$ -	\$ -
Keno	-	-	-	-
Loan collections	-	-	-	-
Special assessments	-	65,955	-	-
Charges for services	6,012	-	-	-
Grants	-	-	16,566	-
Interest income	464	210	-	72
Contributions	-	-	21,800	-
Bond/loan proceeds	-	-	-	-
Total revenues	<u>6,476</u>	<u>66,165</u>	<u>38,366</u>	<u>72</u>
EXPENDITURES				
General government	-	51,657	16,686	-
Public safety	-	-	-	-
Public works	-	-	-	7,319
Environment and leisure	-	-	-	-
Economic development	-	-	-	-
Capital outlay	22,000	-	-	-
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Bond fees	-	-	-	-
Total expenditures	<u>22,000</u>	<u>51,657</u>	<u>16,686</u>	<u>7,319</u>
Excess (deficiency) of revenues over expenditures	(15,524)	14,508	21,680	(7,247)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Net change in fund balances	<u>(15,524)</u>	<u>14,508</u>	<u>21,680</u>	<u>(7,247)</u>
Fund balances - September 30, 2016				
As previously reported	-	59,259	(9,297)	33,979
Restatement	97,751	-	-	-
As restated	<u>97,751</u>	<u>59,259</u>	<u>(9,297)</u>	<u>33,979</u>
Fund balances - September 30, 2017	<u>\$ 82,227</u>	<u>\$ 73,767</u>	<u>\$ 12,383</u>	<u>\$ 26,732</u>

<u>Library Grant Fund</u>	<u>Library Sales Tax</u>	<u>Parks Grant Fund</u>	<u>Duncan Park Sales Tax</u>	<u>Aquatic Center Fund</u>	<u>Police Equipment Sinking Fund</u>
\$ -	\$ 313,989	\$ -	\$ 523,314	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,529	-	-	-	-	-
30	1,917	155	326	6,026	3,425
-	3,275,000	135,665	-	-	-
-	-	-	-	-	-
<u>17,559</u>	<u>3,590,906</u>	<u>135,820</u>	<u>523,640</u>	<u>6,026</u>	<u>3,425</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,136	-	611	-	2,150	-
-	-	-	-	-	-
-	3,525,926	132,892	-	-	529,059
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>19,136</u>	<u>3,525,926</u>	<u>133,503</u>	<u>-</u>	<u>2,150</u>	<u>529,059</u>
(1,577)	64,980	2,317	523,640	3,876	(525,634)
-	-	-	(400,000)	-	-
<u>(1,577)</u>	<u>64,980</u>	<u>2,317</u>	<u>123,640</u>	<u>3,876</u>	<u>(525,634)</u>
13,557	(125,566)	56,623	118,257	-	-
-	-	-	-	1,006,527	613,160
<u>13,557</u>	<u>(125,566)</u>	<u>56,623</u>	<u>118,257</u>	<u>1,006,527</u>	<u>613,160</u>
<u>\$ 11,980</u>	<u>\$ (60,586)</u>	<u>\$ 58,940</u>	<u>\$ 241,897</u>	<u>\$1,010,403</u>	<u>\$ 87,526</u>

CITY OF HASTINGS, NEBRASKA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS, Continued**

For the year ended September 30, 2017

	Special Revenue Funds			
	CANDO Fund	Public Safety Grant Fund	Wireless E911 Fund	Street Sales Tax Fund
REVENUES				
Sales tax	\$ -	\$ -	\$ -	\$ 1,255,957
Keno	-	-	-	-
Loan collections	-	-	-	-
Special assessments	-	-	-	-
Charges for services	-	-	24,752	-
Grants	-	22,169	84,055	-
Interest income	264	-	-	11,424
Contributions	-	-	-	-
Bond/loan proceeds	-	-	-	-
Total revenues	264	22,169	108,807	1,267,381
EXPENDITURES				
General government	13,452	-	-	-
Public safety	-	10,288	8,936	-
Public works	-	-	-	-
Environment and leisure	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	10,854	57,271	1,315,813
Principal payments	-	-	40,307	-
Interest expense	-	-	531	-
Bond fees	-	-	-	-
Total expenditures	13,452	21,142	107,045	1,315,813
Excess (deficiency) of revenues over expenditures	(13,188)	1,027	1,762	(48,432)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Net change in fund balances	(13,188)	1,027	1,762	(48,432)
Fund balances - September 30, 2016				
As previously reported	136,693	3,870	134,056	2,077,023
Restatement	-	-	-	-
As restated	<u>136,693</u>	<u>3,870</u>	<u>134,056</u>	<u>2,077,023</u>
Fund balances - September 30, 2017	<u>\$ 123,505</u>	<u>\$ 4,897</u>	<u>\$ 135,818</u>	<u>\$ 2,028,591</u>

<u>Special Revenue Funds</u>				<u>Capital</u>	<u>Total Nonmajor</u>
<u>Natural</u>	<u>Diversion</u>	<u>Keno</u>	<u>ED Revolving</u>	<u>Projects</u>	<u>Governmental</u>
<u>Disaster Fund</u>	<u>Program</u>	<u>Betterment</u>	<u>Loan Fund</u>	<u>Fund</u>	<u>Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,093,260
-	-	261,696	-	-	261,696
-	-	-	84,286	-	84,286
-	-	-	-	-	65,955
-	663	-	-	-	31,427
-	-	-	-	-	140,319
-	142	811	-	65	25,331
-	-	-	-	-	3,432,465
-	-	-	-	625,000	625,000
-	805	262,507	84,286	625,065	6,759,739
20,850	-	51,271	-	-	153,916
-	-	-	-	-	19,224
-	-	-	-	101,063	108,382
-	-	11,052	-	-	32,949
-	-	-	2,888	-	2,888
-	-	152,306	-	622,261	6,368,382
-	-	-	-	-	40,307
-	-	-	-	7,327	7,858
-	-	-	-	11,141	11,141
20,850	-	214,629	2,888	741,792	6,745,047
(20,850)	805	47,878	81,398	(116,727)	14,692
-	-	(13,300)	-	-	(413,300)
(20,850)	805	34,578	81,398	(116,727)	(398,608)
58,303	52,503	301,946	354,508	123,563	3,389,277
-	-	-	-	(1,414)	1,716,024
58,303	52,503	301,946	354,508	122,149	5,105,301
\$ 37,453	\$ 53,308	\$ 336,524	\$ 435,906	\$ 5,422	\$ 4,706,693



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

SHAREHOLDERS

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

To the Honorable Mayor and Members of the City Council
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 governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of Hastings, Nebraska, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hastings's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

Segregation of Duties

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hastings's 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 the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

- At September 30, 2017, bank balances at two financial institutions exceeded FDIC coverage by a total of \$1,184,472.

City of Hastings' Response to Findings

The City of Hastings' response to the findings identified in our audit is that due to the small size of the City, it is impractical to further segregate duties. Also, the City will monitor FDIC and pledged security coverage for all bank deposits and request the financial institutions to assign additional collateral if necessary. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Armquist, Mathyalm.
Galloway & Luth, Inc.

Grand Island, Nebraska
March 12, 2018