

**CITY OF HASTINGS, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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

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, 2018, 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

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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, 2018, 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, 2018, 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, 2017, and our report thereon, dated July 16, 2018, 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, 2017, were audited by other accountants, whose report, dated October 12, 2018, expressed an unmodified opinion on those financial statements.

## **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 86-92 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 7, 2019, 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.

August, Mattyahn,  
Galloway & Loth, DC.

Grand Island, Nebraska  
March 7, 2019

**CITY OF HASTINGS, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2018**

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**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, 2018.

**Financial Highlights**

- The assets of the City of Hastings exceeded its liabilities at the close of the most recent fiscal year by \$309,443,023 (*net position*). Of this amount, \$97,557,739 (*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 \$81,799,550. Approximately 23.1 percent of this total amount, \$18,879,475 is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$14,199,790, or 95.3 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, 2018**

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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 27 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 23 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, 2018**

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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 25-85 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 86-92 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 93-96 of this report.

**CITY OF HASTINGS, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2018**

**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 \$309,443,023 at the close of the most recent fiscal year.

**Summary Statements of Net Position**

|                          | September 30, 2018         |                             |                | September 30, 2017         |                             |                |
|--------------------------|----------------------------|-----------------------------|----------------|----------------------------|-----------------------------|----------------|
|                          | Governmental<br>Activities | Business-type<br>Activities | Total          | Governmental<br>Activities | Business-type<br>Activities | Total          |
| Current and Other Assets | \$ 33,309,221              | \$ 89,512,071               | \$ 122,821,292 | \$ 29,484,406              | \$ 90,180,739               | \$ 119,665,145 |
| Capital Assets           | 57,880,469                 | 175,930,685                 | 233,811,154    | 56,282,556                 | 173,944,817                 | 230,227,373    |
| Total Assets             | 91,189,690                 | 265,442,756                 | 356,632,446    | 85,766,962                 | 264,125,556                 | 349,892,518    |
| Long-term Liabilities    | 5,239,115                  | 25,986,776                  | 31,225,891     | 3,604,339                  | 28,543,793                  | 32,148,132     |
| Other Liabilities        | 4,151,025                  | 11,812,507                  | 15,963,532     | 5,301,852                  | 12,834,170                  | 18,136,022     |
| Total Liabilities        | 9,390,140                  | 37,799,283                  | 47,189,423     | 8,906,191                  | 41,377,963                  | 50,284,154     |
| Net Position:            |                            |                             |                |                            |                             |                |
| Net Investment in        |                            |                             |                |                            |                             |                |
| Capital Assets           | 53,396,895                 | 140,348,106                 | 193,745,001    | 52,555,547                 | 135,041,371                 | 187,596,918    |
| Restricted               | 9,523,180                  | 8,617,103                   | 18,140,283     | 9,268,917                  | 11,760,489                  | 21,029,406     |
| Unrestricted             | 18,879,475                 | 78,678,264                  | 97,557,739     | 15,036,307                 | 75,945,733                  | 90,982,040     |
| Total Net Position       | \$ 81,799,550              | \$ 227,643,473              | \$ 309,443,023 | \$ 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 (5.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$97,557,739) 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, 2018**

**Expenses and Program Revenues - Governmental Activities**

| <u>Function</u>        | <u>Year Ended September 30, 2018</u> |                         | <u>Year Ended September 30, 2017</u> |                         |
|------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
|                        | <u>Program Revenues</u>              | <u>Program Expenses</u> | <u>Program Revenues</u>              | <u>Program Expenses</u> |
| General Government     | \$ 115,436                           | \$ 2,909,110            | \$ 234,628                           | \$ 2,665,335            |
| Public Safety          | 1,374,929                            | 7,677,235               | 1,168,402                            | 7,760,042               |
| Public Works           | 1,188,378                            | 2,692,025               | 1,217,009                            | 4,447,378               |
| Environment & Leisure  | 1,985,986                            | 5,165,363               | 5,658,082                            | 5,257,415               |
| Economic Development   | -                                    | 385,000                 | -                                    | 2,888                   |
| Interest and Bond Fees | -                                    | 92,389                  | -                                    | 69,202                  |
| Depreciation           | -                                    | 3,322,928               | -                                    | 2,995,282               |
| Total                  | <u>\$ 4,664,729</u>                  | <u>\$ 22,244,050</u>    | <u>\$ 8,278,121</u>                  | <u>\$ 23,197,542</u>    |

**Revenues by Source - Governmental Activities**

|                                  | <u>Year Ended September 30, 2018</u> |                 | <u>Year Ended September 30, 2017</u> |                 |
|----------------------------------|--------------------------------------|-----------------|--------------------------------------|-----------------|
|                                  | \$                                   | %               | \$                                   | %               |
| Charges for Services             | \$ 2,663,494                         | 9.80 %          | \$ 2,753,787                         | 9.28 %          |
| Operating Grants & Contributions | 904,239                              | 3.33            | 665,820                              | 2.24            |
| Capital Grants & Contributions   | 1,096,996                            | 4.04            | 4,858,514                            | 16.37           |
| Property Taxes                   | 5,930,114                            | 21.82           | 5,561,253                            | 18.74           |
| Motor Vehicle Taxes              | 507,824                              | 1.87            | 495,569                              | 1.67            |
| Wheel Tax                        | 358,373                              | 1.32            | 361,843                              | 1.22            |
| Payments in Lieu of Taxes        | 3,442,025                            | 12.66           | 3,329,745                            | 11.22           |
| Occupation Taxes                 | 264,236                              | 0.97            | 246,155                              | 0.83            |
| Sales Tax                        | 6,328,464                            | 23.28           | 6,279,784                            | 21.16           |
| Franchise Taxes                  | 594,110                              | 2.19            | 613,678                              | 2.07            |
| State Allocation                 | 3,898,642                            | 14.34           | 3,773,082                            | 12.71           |
| Keno                             | 262,200                              | 0.96            | 261,696                              | 0.88            |
| Special Assessments              | 258,849                              | 0.95            | 179,548                              | 0.60            |
| Miscellaneous                    | 115,158                              | 0.42            | 61,542                               | 0.21            |
| Interest                         | 253,740                              | 0.93            | 115,597                              | 0.39            |
| Gain on Sale of Assets           | 249,365                              | 0.92            | 64,675                               | 0.22            |
| Interfund Transfers              | 55,000                               | 0.20            | 55,000                               | 0.19            |
| Total                            | <u>\$ 27,182,829</u>                 | <u>100.00 %</u> | <u>\$ 29,677,288</u>                 | <u>100.00 %</u> |

Net position increased \$4,938,779 in the governmental funds during the year ended September 30, 2018.

**CITY OF HASTINGS, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2018**

**Business-type activities.** Business-type activities increased the City of Hastings's net position by \$4,895,880, accounting for 49.8 percent of the total growth in the government's net position for the year ended September 30, 2018. Key elements of this increase are as follows:

**Expenses and Program Revenues - Business-type Activities**

| <u>Function</u>           | <u>Year Ended September 30, 2018</u> |                         | <u>Year Ended September 30, 2017</u> |                         |
|---------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
|                           | <u>Program Revenues</u>              | <u>Program Expenses</u> | <u>Program Revenues</u>              | <u>Program Expenses</u> |
| Landfill                  | \$ 1,991,329                         | \$ 1,648,931            | \$ 2,228,684                         | \$ 1,458,787            |
| Electric                  | 50,024,094                           | 50,405,329              | 49,846,586                           | 48,011,311              |
| Combined System Utilities | 23,086,597                           | 20,008,079              | 24,561,469                           | 18,998,961              |
| Total                     | <u>\$ 75,102,020</u>                 | <u>\$ 72,062,339</u>    | <u>\$ 76,636,739</u>                 | <u>\$ 68,469,059</u>    |

**Revenues by Source - Business-type Activities**

|                                | <u>Year Ended September 30, 2018</u> |                 | <u>Year Ended September 30, 2017</u> |                 |
|--------------------------------|--------------------------------------|-----------------|--------------------------------------|-----------------|
|                                |                                      |                 |                                      |                 |
| Charges for Services           | \$ 73,400,796                        | 95.38 %         | \$ 72,166,045                        | 93.00 %         |
| Capital Grants & Contributions | 1,701,224                            | 2.21            | 4,470,694                            | 5.76            |
| Miscellaneous                  | 1,484,271                            | 1.93            | 775,488                              | 1.00            |
| Interest                       | 426,928                              | 0.55            | 238,609                              | 0.31            |
| Interfund Transfers            | (55,000)                             | (0.07)          | (55,000)                             | (0.07)          |
| Total                          | <u>\$ 76,958,219</u>                 | <u>100.00 %</u> | <u>\$ 77,595,836</u>                 | <u>100.00 %</u> |

**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 \$28,133,299. Approximately 50.8 percent of this total amount (\$14,280,631) 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 (\$82,998), 2) restricted for street improvements (\$5,248,988), 3) restricted for capital projects (\$1,439,215), 4) restricted for debt service (\$1,181,240), 5) restricted for economic development (\$65,489), 6)

**CITY OF HASTINGS, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2018**

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restricted for downtown projects (\$79,228), 7) restricted for the Aquatic Center (\$1,004,620), 8) restricted for museum projects (\$110,602), 9) restricted for community betterment (\$298,780), 10) restricted for other purposes (\$12,020), 11) assigned for budgetary stabilization (\$2,320,563), 12) assigned for street expenditures (\$1,269,112), 13) assigned for equipment replacement (\$53,160), 14) assigned for a variety of other purposes (\$686,653).

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 \$14,199,790, while total fund balance reached \$16,520,353. 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 95.3 percent of total General Fund expenditures, while total fund balance represents 110.9 percent of that same amount.

The fund balance of the City of Hastings's General Fund increased by \$1,384,787 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 - \$5,572,267, Electric Fund - \$38,019,700, and Combined System Utilities Fund - \$35,086,297. The change in net position for the proprietary funds was as follows: Landfill Fund - \$385,785, Electric Fund - \$362,846, and Combined System Utilities Fund - \$4,147,249. 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, 2018, amounts to \$233,811,154 (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, 2018, included:

- 2017 mobile solid waste shredder - \$535,000
- Final construction costs on airport T hangar project - \$129,405
- Final construction costs on library renovation project - \$457,929
- Final construction costs on museum HVAC project - \$129,450
- Lake Hastings restrooms - \$164,635
- Marian Road traffic signals - \$162,229
- Final construction costs on street project R-2017 - \$401,452
- A Street residential infrastructure - \$524,277
- Electric plant additions, including replacement of the WEC switchgear - \$3.4 million
- Rural and city electric distribution system additions - \$1.3 million

**CITY OF HASTINGS, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2018**

- Gas distribution system additions - \$0.6 million
- Water plant additions, including the N Baltimore reverse osmosis treatment facility, and Phase 2 ASR injection wells & monitoring well system - \$3.7 million
- Water transmission and distribution projects - \$1 million
- Sewage main additions and work on the bio-solids lagoon - \$1.4 million

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

|                       | <u>Year Ended September 30, 2018</u>     |   |                       | <u>Year Ended September 30, 2017</u>     |   |                       |
|-----------------------|--|---|-----------------------|--|---|-----------------------|
|                       | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>          | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>          |
| Land                  | \$ -                                     | \$ 6,262,668                              | \$ 6,262,668          | \$ -                                     | \$ 6,262,668                              | \$ 6,262,668          |
| Construction          |  |   |                       |  |   |                       |
| in Progress           | 2,310,356                                | 15,116,542                                | 17,426,898            | 6,740,617                                | 8,742,727                                 | 15,483,344            |
| Infrastructure        | 30,602,460                               | -   | 30,602,460            | 30,290,345                               | -   | 30,290,345            |
| Buildings & Equipment | 24,967,653                               | -   | 24,967,653            | 19,251,594                               | -   | 19,251,594            |
| Landfill              | -  | 5,561,125                                 | 5,561,125             | -  | 5,404,227                                 | 5,404,227             |
| Electric              | -  | 64,465,250                                | 64,465,250            | -  | 67,573,151                                | 67,573,151            |
| Electric Non-Utility  |  |   |                       |  |   |                       |
| Plant                 | -  | 10,393,898                                | 10,393,898            | -  | 11,086,670                                | 11,086,670            |
| Gas                   | -  | 4,539,321                                 | 4,539,321             | -  | 5,764,855                                 | 5,764,855             |
| Water                 | -  | 33,550,713                                | 33,550,713            | -  | 31,635,076                                | 31,635,076            |
| Pollution Control     | -  | 34,541,353                                | 34,541,353            | -  | 35,924,279                                | 35,924,279            |
| Street Lighting       | -  | 1,424,863                                 | 1,424,863             | -  | 1,457,114                                 | 1,457,114             |
| Administrative        | -  | 74,952                                    | 74,952                | -  | 94,050                                    | 94,050                |
| Total                 | <u>\$ 57,880,469</u>                     | <u>\$ 175,930,685</u>                     | <u>\$ 233,811,154</u> | <u>\$ 56,282,556</u>                     | <u>\$ 173,944,817</u>                     | <u>\$ 230,227,373</u> |

Additional information on the City of Hastings's capital assets can be found in Note C4 on pages 51-54 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 \$27,990,957. Of this amount, \$4,209,240 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.

|                    | <u>Year Ended September 30, 2018</u>     |   |                      | <u>Year Ended September 30, 2017</u>     |   |                      |
|--------------------|--|---|----------------------|--|---|----------------------|
|                    | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>         | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>         |
| General Obligation |  |   |                      |  |   |                      |
| Bonds              | \$ 3,845,000                             | \$ -                                      | \$ 3,845,000         | \$ 3,140,000                             | \$ -                                      | \$ 3,140,000         |
| Revenue Bonds      | -  | 20,160,000                                | 20,160,000           | -  | 25,470,000                                | 25,470,000           |
| Note Payable       | 364,240                                  | 2,781,130                                 | 3,145,370            | 197,262                                  | -   | 197,262              |
| Capital Lease      | 274,334                                  | 566,253                                   | 840,587              | 389,747                                  | 368,011                                   | 757,758              |
| Total              | <u>\$ 4,483,574</u>                      | <u>\$ 23,507,383</u>                      | <u>\$ 27,990,957</u> | <u>\$ 3,727,009</u>                      | <u>\$ 25,838,011</u>                      | <u>\$ 29,565,020</u> |

**CITY OF HASTINGS, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2018**

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The City of Hastings's total debt decreased by \$1,574,063 (5.3 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 54-63 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, 2019 of \$6,195,112 is \$238,794 (4.0 percent) higher than the prior year. The property valuation also increased 4.0 percent over the prior year.
- At September 30, 2018, the City had contractual commitments totaling \$3,961,893 on 12 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**  
**NOTES TO FINANCIAL STATEMENTS**

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**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

**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<br>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, 2018**

**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, 2018**

**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, 2017 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 audited financial statements for the year ended December 31, 2017 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, 2018**

**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, 2018**

**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, 2018**

**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:

| <b><u>Fund</u></b>                                   | <b><u>Brief Description</u></b>   |
|--|---|
| <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<br>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.               |
| Museum Sales Tax                                     | Accounts for sales tax restricted for the museum.                             |
| 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, 2018**

**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: |   |
| Bookmobile Replacement      | Accounts for funds assigned for future bookmobile replacement.  |
| 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.  |
| Landline 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.                              |
| Parks-Rec Sales Tax         | Accounts for sales tax restricted for parks and rec.  |
| Keno                        | Accounts for the City's share of the Keno gaming proceeds.  |

**CITY OF HASTINGS, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**2. Basis of Presentation, continued**

**Major and Nonmajor Funds, continued**

| <b><u>Fund</u></b>          | <b><u>Brief Description</u></b>   |
|-----------------------------|---|
| <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, 2018**

**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, 2018**

**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 Electric Fund has recognized an \$83,000 allowance for uncollectible accounts.

**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**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>Type</u>                         |
|--------------------------|---------------------|-------------------------------------|
| General                  | \$ 737,273          | Sales Tax                           |
| General                  | 15,336              | School Resource Officer             |
| General                  | 9,043               | Adams Central library<br>interlocal |
| General                  | 8,611               | Drug Task Force-county              |
| Duncan Park Sales Tax    | 92,159              | Sales Tax                           |
| Museum Sales Tax         | 36,863              | Sales Tax                           |
| Wireless E911            | 1,133               | County reimbursement                |
| Street Sales Tax         | <u>239,614</u>      | Sales Tax                           |
| Total governmental funds | <u>\$ 1,140,032</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, 2018**

**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, 2018**

**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, 2018. Depreciation expense taken during the year ended September 30, 2018 was \$9,998,278.

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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 21.67 percent to the Street Sales Tax Fund, 8.33 percent to the Parks and Recreation Sales Tax Fund, and 3.33 percent to the Museum 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 2017-2018 are recorded as revenue when expected to be collected within 60 days after September 30, 2018. 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, 2018**

**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, 2019 is calculated as five and six/tenths percent (5.6%) of the retail revenues of the Electric System for the year ended September 30, 2018. This amount is calculated to be \$2,133,887.

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, 2019 the total amount of in lieu of tax payments are calculated to be \$917,190 based on the operating revenues for the year ended September 30, 2018.

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, 2018 is \$390,948.

**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, 2018**

**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, and Permanent 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, 2018**

**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, 2018**

**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, 2018**

**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, 2018. 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> |
|--------------------------|---------------------------|-------------------|-------------------|-------------------|-----------------------------|
| Cash and investments     | \$ 106,676,687            | \$ 18,726,792     | \$ 85,418,304     | \$ 2,531,591      | \$ <u>105,225,926</u>       |

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

|  |               |
|--|---------------|
| Unrestricted cash and cash equivalents | \$ 67,561,119 |
| Unrestricted certificates of deposit   | 14,280,871    |
| Restricted cash and cash equivalents   | 8,866,197     |
| Restricted certificates of deposit     | 13,177,232    |

Component Units –

|  |                       |
|--|-----------------------|
| Unrestricted cash and cash equivalents | 1,057,353             |
| Unrestricted certificate of deposit    | 25,000                |
| Restricted cash and cash equivalents   | <u>258,154</u>        |
|  | \$ <u>105,225,926</u> |

**CITY OF HASTINGS, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

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

**2. Restricted Assets**

The restricted assets as of September 30, 2018, are as follows:

|                            | Governmental<br><u>Activities</u> | Business-<br>type<br><u>Activities</u> | Total<br>Primary<br><u>Government</u> | Component<br><u>Units</u> |
|----------------------------|-----------------------------------|--|---------------------------------------|---------------------------|
| Type of Restricted Assets: |                                   |  |                                       |                           |
| Cash and cash equivalents  | \$ 6,468,979                      | \$ 2,397,218                           | \$ 8,866,197                          | \$ 258,154                |
| Certificates of deposit    | <u>3,255,062</u>                  | <u>9,922,170</u>                       | <u>13,177,232</u>                     | <u>-</u>                  |
|                            | <u><u>\$ 9,724,041</u></u>        | <u><u>\$ 12,319,388</u></u>            | <u><u>\$ 22,043,429</u></u>           | <u><u>\$ 258,154</u></u>  |

Governmental restricted cash and certificates of deposit consist of the following at September 30, 2018:

|  |                            |
|--|----------------------------|
| Street Fund - restricted for street improvements                 | \$ 2,831,718               |
| Debt Service Fund - restricted for debt service                  | 1,148,531                  |
| Cemetery Perpetual Care Fund - restricted for perpetual care     | 82,998                     |
| BID Fund - restricted for downtown projects                      | 79,228                     |
| Museum Sales Tax Fund - restricted for capital projects          | 73,739                     |
| Library Grant Fund - restricted for library expenses             | 3,743                      |
| Parks Grant Fund - restricted for capital projects               | 68,077                     |
| Duncan Park Sales Tax Fund - restricted for capital projects     | 46,861                     |
| Aquatics Center Fund - restricted for aquatics                   | 1,004,620                  |
| Public Safety Grant Fund - restricted for public safety expenses | 8,377                      |
| Street Sales Tax Fund - restricted for street improvements       | 2,221,775                  |
| Parks-Rec Sales Tax Fund - restricted for capital projects       | 184,355                    |
| Keno Betterment Fund - restricted for community betterment       | 285,342                    |
| ED Revolving Loan Fund - restricted for economic development     | 65,489                     |
| Capital Projects Fund - restricted for capital projects          | <u>1,619,188</u>           |
| Total governmental activities restricted cash and CD's           | <u><u>\$ 9,724,041</u></u> |

Business-type activities restricted cash and certificates of deposit consist of the following at September 30, 2018:

|  |                             |
|--|-----------------------------|
| Landfill Fund - restricted for closure/post-closure costs              | \$ 3,545,898                |
| Electric Fund - restricted for debt service                            | 4,572,272                   |
| Electric Fund - restricted for ash disposal closure/post closure costs | 1,038,349                   |
| Combined System - restricted for debt service                          | <u>3,162,869</u>            |
| Total business-type activities restricted cash and CD's                | <u><u>\$ 12,319,388</u></u> |

**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**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 (26.5 percent), ambulance (52.6 percent), and other (20.9 percent) receivables. Receivables detail at September 30, 2018, is as follows:

|                                    | <u>Governmental<br/>Activities</u> | <u>Business-<br/>type<br/>Activities</u> | <u>Total<br/>Primary<br/>Government</u> | <u>Component<br/>Units</u> |
|------------------------------------|------------------------------------|--|---|----------------------------|
| Accounts receivable                | \$ 427,622                         | \$9,697,139                              | \$10,124,761                            | \$ -                       |
| Allowance for doubtful<br>accounts | <u>(95,000)</u>                    | <u>(83,000)</u>                          | <u>(178,000)</u>                        | <u>-</u>                   |
| Net accounts receivable            | <u>\$ 332,622</u>                  | <u>\$9,614,139</u>                       | <u>\$ 9,946,761</u>                     | <u>\$ -</u>                |

Notes receivable for the governmental funds and CRA consist of the following at September 30, 2018:

| <u>Note Held By:</u>                        | <u>Due From</u>                       | <u>Note Balance<br/>at September 30,<br/>2018</u> | <u>Terms</u>   |
|---|---------------------------------------|---|--|
| Economic Development<br>Revolving Loan Fund | Hastings Economic<br>Development Corp | \$ 42,857   | \$214,286 is 0% loan due in 15<br>annual installments of<br>\$14,286.                  |
| Economic Development<br>Revolving Loan Fund | Hastings Economic<br>Development Corp | 100,000   | \$100,000 is 0% loan due upon<br>the sale of the spec building.                        |
| Economic Development<br>Revolving Loan Fund | No Coast Brewing,<br>LLC              | 24,702  | \$25,000 is 0% loan due in 84<br>monthly installments of<br>\$297.62 commencing 9/1/18 |
|   |                                       | <u>\$ 167,559</u>                                 |  |

CRA loan program:

|                |                         |           |                              |
|----------------|-------------------------|-----------|------------------------------|
| TIF loan       | The Listening Room      | \$ 79,514 | TIF proceeds pledged on loan |
| Revolving Loan | Tom & Rosemary Peterson | 6,610     | Maturity date was 11/5/09    |
| Revolving Loan | Double S Properties     | 22,968    | Maturity date was 4/3/12     |
| Revolving Loan | JKJ Holdings, LLC       | 68,898    | Matures 6/30/24              |



**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**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<br>at September 30,<br><u>2018</u> | <u>Terms</u>              |
|--|---------------------------|---|---------------------------|
| Revolving Loan                         | Back Alley Bakery, LLC    | 3,430   | Matures 8/5/19            |
| Revolving Loan                         | Brandt Rentals, LLC       | 48,500  | Matures 10/5/26           |
| Revolving Loan                         | Tammy Frasier             | 838   | Demand note               |
| Revolving Loan                         | Jacobi Carpet One         | 15,321  | Matures 4/1/22            |
| Revolving Loan                         | The Listening Room        | 220,000   | Matures 7/1/18            |
| Revolving Loan                         | Uptown Experience         | 150,000   | Matures 9/30/29           |
| Revolving Loan                         | 1st Street Brewing        | 200,000   | Matures 9/1/23            |
| Revolving Loan                         | THOAR, LLC                | 69,333  | Matures 10/1/21           |
| Revolving Loan                         | Bert's Building, LLC      | 18,000  | Matures 9/1/21            |
| Revolving Loan                         | KJEM, LLC                 | 27,375  | Matures 1/30/22           |
|  |                           | <u>851,273</u>                                  |                           |
| NMPF Loan                              | Rosey Nails               | 3,876   | Maturity date was 6/1/14  |
| NMPF Loan                              | Tim Maul                  | 35,000  | Matures 7/1/28            |
| NMPF Loan                              | TRL Tree Service, LLC     | 4,833   | Maturity date was 5/12/16 |
| NMPF Loan                              | Marcy Maley               | 9,913   | Matures 7/18/19           |
| NMPF Loan                              | No Coast Brewing, LLC     | 40,000  | Matures 1/1/25            |
| NMPF Loan                              | No Coast Brewing, LLC     | 50,000  | Matures 9/1/23            |
| NMPF Loan                              | Scot DeWitt               | 21,887  | Matures 11/1/21           |
| NMPF Loan                              | K-T Heating/JHJB Partners | 31,841  | Matures 10/15/21          |
| NMPF Loan                              | Steeple Brewing Company   | 55,000  | Matures 2/1/24            |
|  |                           | <u>252,350</u>                                  |                           |
| Real Estate Loan                       | Dally's Deli              | 157,804   |                           |
|  |                           | <u>1,340,941</u>                                |                           |
| Less Allowance for Uncollectible Notes |                           | <u>(12,300)</u>                                 |                           |
|  |                           | <u><u>\$ 1,328,641</u></u>                      |                           |

**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

**4. Capital Assets**

Capital asset activity for the year ended September 30, 2018, was as follows:

|  | Balance at<br>October 1,<br><u>2017</u> | <u>Additions</u>    | <u>Disposals</u> | <u>Reclass</u> | Balance at<br>September 30,<br><u>2018</u> |
|--|---|---------------------|------------------|----------------|--|
| <b><u>Governmental Activities:</u></b>           |   |                     |                  |                |  |
| Capital assets not being depreciated:            |   |                     |                  |                |  |
| Construction in progress                         | \$ 6,740,617                            | \$ 2,905,026        | \$ -             | \$(7,335,287)  | \$ 2,310,356                               |
| Other capital assets being depreciated:          |   |                     |                  |                |  |
| Infrastructure                                   | 67,067,169                              | 1,138,481           | -                | 964,809        | 69,170,459                                 |
| Buildings, machinery & equipment                 | 39,711,590                              | 877,334             | -                | 6,370,478      | 46,959,402                                 |
| Total other capital assets at<br>historical cost | 106,778,759                             | 2,015,815           | -                | 7,335,287      | 116,129,861                                |
| Less accumulated depreciation for:               |   |                     |                  |                |  |
| Infrastructure                                   | (36,776,824)                            | (1,791,175)         | -                | -              | (38,567,999)                               |
| Buildings, machinery & equipment                 | (20,459,996)                            | (1,531,753)         | -                | -              | (21,991,749)                               |
| Total accumulated depreciation                   | (57,236,820)                            | (3,322,928) *       | -                | -              | (60,559,748)                               |
| Other capital assets, net                        | 49,541,939                              | (1,307,113)         | -                | 7,335,287      | 55,570,113                                 |
| Governmental activities capital<br>assets, net   | <u>\$ 56,282,556</u>                    | <u>\$ 1,597,913</u> | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ 57,880,469</u>                       |

\* Depreciation expense was charged to governmental activities as follows:

**CITY OF HASTINGS, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

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

**4. Capital Assets, continued**

**Governmental Activities, continued:**

General Fund:

General government:

|         |            |
|---------|------------|
| General | \$ 799,889 |
|---------|------------|

Public safety:

|                     |               |
|---------------------|---------------|
| Police              | 72,034        |
| Public safety       | <u>10,196</u> |
| Total public safety | 82,230        |

Public works:

|          |       |
|----------|-------|
| Cemetery | 2,200 |
|----------|-------|

Environment and leisure:

|                               |                |
|-------------------------------|----------------|
| Library                       | 65,079         |
| Parks                         | 6,079          |
| Duncan Park                   | 96,557         |
| Aquatics                      | 3,174          |
| Pioneer Trail                 | 9,231          |
| Airport                       | <u>59,014</u>  |
| Total environment and leisure | <u>239,134</u> |

|                    |           |
|--------------------|-----------|
| Total General Fund | 1,123,453 |
|--------------------|-----------|

Special Revenue Funds:

|                             |                  |
|-----------------------------|------------------|
| Street                      | 2,006,898        |
| Museum                      | 77,816           |
| Wireless E911               | 13,037           |
| Natural Disaster            | 3,715            |
| Keno                        | <u>98,009</u>    |
| Total Special Revenue Funds | <u>2,199,475</u> |

|  |                     |
|--|---------------------|
| Total governmental activities depreciation expense | \$ <u>3,322,928</u> |
|--|---------------------|

Construction in progress at September 30, 2018, consists of \$562,293 of costs incurred on the police station tuckpointing project, \$23,290 of engineering on the airport hangar door project, \$109,669 of costs incurred on the Duncan Field turf renovation, \$1,011,338 of costs incurred on the North Park Commons street project, \$230,986 of costs incurred on the Shadow Ridge SID project, \$46,334 of costs incurred on the Brewery Loft alley project, \$250,000 of costs incurred on the Lochland street project, and \$76,446 of costs incurred on street project R-2018.

**CITY OF HASTINGS, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

**4. Capital Assets, continued**

|   | Balance at<br>October 1,<br><u>2017</u> | <u>Additions</u>    | <u>Disposals</u>    | <u>Reclass</u> | Balance at<br>September 30,<br><u>2018</u> |
|---|---|---------------------|---------------------|----------------|--|
| <b><u>Business-type Activities:</u></b>       |   |                     |                     |                |  |
| Capital assets not being depreciated:         |   |                     |                     |                |  |
| Land  | \$ 6,262,668                            | \$ -                | \$ -                | \$ -           | \$ 6,262,668                               |
| Construction in progress                      | 8,742,727                               | 6,373,815           | -                   | -              | 15,116,542                                 |
| Total capital assets not being depreciated    | 15,005,395                              | 6,373,815           | -                   | -              | 21,379,210                                 |
| Other capital assets being depreciated:       |   |                     |                     |                |  |
| Landfill                                      | 10,154,574                              | 555,329             | (105,517)           | -              | 10,604,386                                 |
| Electric                                      | 182,420,177                             | 2,456,168           | (588,087)           | -              | 184,288,258                                |
| Electric non-utility plant                    | 15,866,333                              | -                   | -                   | -              | 15,866,333                                 |
| Gas   | 33,345,893                              | 378,503             | (33,520)            | -              | 33,690,876                                 |
| Water   | 39,639,344                              | 2,711,187           | (209,296)           | -              | 42,141,235                                 |
| Pollution control                             | 62,833,452                              | 503,791             | (13,037)            | -              | 63,324,206                                 |
| Street lighting                               | 1,632,719                               | 911                 | -                   | -              | 1,633,630                                  |
| Administrative                                | 771,321                                 | 313,583             | (329,647)           | -              | 755,257                                    |
| Total other capital assets at historical cost | 346,663,813                             | 6,919,472           | (1,279,104)         | -              | 352,304,181                                |
| Less accumulated depreciation for:            |   |                     |                     |                |  |
| Landfill                                      | (4,750,347)                             | (398,431)           | 105,517             | -              | (5,043,261)                                |
| Electric                                      | (114,847,026)                           | (5,121,258)         | 145,276             | -              | (119,823,008)                              |
| Electric non-utility plant                    | (4,779,663)                             | (692,772)           | -                   | -              | (5,472,435)                                |
| Gas   | (27,581,038)                            | (1,590,606)         | 20,089              | -              | (29,151,555)                               |
| Water   | (8,004,268)                             | (670,632)           | 84,378              | -              | (8,590,522)                                |
| Pollution control                             | (26,909,173)                            | (1,873,764)         | 84                  | -              | (28,782,853)                               |
| Street lighting                               | (175,605)                               | (33,162)            | -                   | -              | (208,767)                                  |
| Administrative                                | (677,271)                               | (16,086)            | 13,052              | -              | (680,305)                                  |
| Total accumulated depreciation                | (187,724,391)                           | (10,396,711) *      | 368,396             | -              | (197,752,706)                              |
| Other capital assets, net                     | 158,939,422                             | (3,477,239)         | (910,708)           | -              | 154,551,475                                |
| Business-type capital assets, net             | <u>\$ 173,944,817</u>                   | <u>\$ 2,896,576</u> | <u>\$ (910,708)</u> | <u>\$ -</u>    | <u>\$ 175,930,685</u>                      |

\* Depreciation expense was charged to functions as follows:

|   |                      |
|---|----------------------|
| Landfill  | \$ 398,431           |
| Electric  | 5,814,030            |
| Combined System Utilities                           | 4,184,250            |
| Total business-type activities depreciation expense | <u>\$ 10,396,711</u> |

**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

**4. Capital Assets, continued**

|   | Balance at<br>October 1,<br><u>2017</u> | <u>Additions</u>   | <u>Disposals</u>   | Balance at<br>September 30,<br><u>2018</u> |
|---|---|--------------------|--------------------|--|
| <u>Community Redevelopment Authority:</u>     |   |                    |                    |  |
| Capital assets being depreciated:             |   |                    |                    |  |
| Land improvements                             | \$ 230,870                              | \$ -               | \$ -               | \$ 230,870                                 |
| Less accumulated depreciation:                |   |                    |                    |  |
| Land improvements                             | <u>(92,348)</u>                         | <u>(11,543)</u>    | <u>-</u>           | <u>(103,891)</u>                           |
| Community Redevelopment Authority, net        | <u>\$ 138,522</u>                       | <u>\$ (11,543)</u> | <u>\$ -</u>        | <u>\$ 126,979</u>                          |
| <br><u>Community Redevelopment Authority:</u> |   |                    |                    |  |
| Capital assets not being depreciated:         |   |                    |                    |  |
| Land held for redevelopment                   | <u>\$ 1,178,466</u>                     | <u>\$ 30,353</u>   | <u>\$ (49,691)</u> | <u>\$ 1,159,128</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, 2018**

**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, 2018:

| <u>Type of Debt</u>                       | Balance<br>October 1,<br><u>2017</u> | <u>Additions</u>    | <u>Deductions</u>     | Balance<br>September 30,<br><u>2018</u> | Amounts Due<br>Within<br><u>One Year</u> |
|---|--------------------------------------|---------------------|-----------------------|---|--|
| <b>Governmental Activities:</b>           |                                      |                     |                       |   |  |
| Bonds payable                             | \$ 3,140,000                         | \$ 2,230,000        | \$ (1,525,000)        | \$ 3,845,000                            | \$ 510,000                               |
| Note payable                              | 197,262                              | 179,162             | (12,184)              | 364,240                                 | 37,680                                   |
| Capital leases                            | 389,747                              | -                   | (115,413)             | 274,334                                 | 154,009                                  |
|   | <u>\$ 3,727,009</u>                  | <u>\$ 2,409,162</u> | <u>\$ (1,652,597)</u> | <u>\$ 4,483,574</u>                     | <u>\$ 701,689</u>                        |
| <b>Business-type Activities:</b>          |                                      |                     |                       |   |  |
| Bonds payable                             | \$ 25,470,000                        | \$ -                | \$ (5,310,000)        | \$ 20,160,000                           | \$ 5,235,000                             |
| Note payable                              | -                                    | 2,781,130           | -                     | 2,781,130                               | 122,436                                  |
| Capital leases                            | 368,011                              | 435,000             | (236,758)             | 566,253                                 | 146,680                                  |
|   | <u>\$ 25,838,011</u>                 | <u>\$ 3,216,130</u> | <u>\$ (5,546,758)</u> | <u>\$ 23,507,383</u>                    | <u>\$ 5,504,116</u>                      |
| <b>Community Redevelopment Authority:</b> |                                      |                     |                       |   |  |
| Notes payable                             | <u>\$ 335,017</u>                    | <u>\$ -</u>         | <u>\$ (18,208)</u>    | <u>\$ 316,809</u>                       | <u>\$ 16,745</u>                         |

**Governmental Activities**

As of September 30, 2018, the governmental long-term liabilities consisted of the following:

Bonds payable:

Series 2018 bond anticipation notes dated May 27, 2018, with original issue amount of \$2,230,000, bearing interest of 2.20 percent and maturing May 15, 2021. \$ 2,230,000

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. 900,000

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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. 150,000

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. 565,000

Total bonds payable 3,845,000

Note payable:

Note payable to the Nebraska Department of Aeronautics dated March 23, 2017 with an original issue amount of \$376,424 to finance the 6-place T hangar project. The note is non-interest bearing and will be repaid over 120 monthly installments of \$3,140, with final maturity May 2028. 364,240

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, 2018

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. 50,943

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. 44,119

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. 143,921

Total capital lease obligations 274,334

Total governmental activities long-term obligations \$ 4,483,574

Current portion \$ 701,689

Noncurrent portion 3,781,885

Total \$ 4,483,574

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, 2018

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

6. Long-term Debt, continued

Business-type Activities

As of September 30, 2018, the long-term debt payable from proprietary fund resources consisted of the following:

Capital leases:

Capital lease obligation due to US Bancorp dated April 1, 2018, with original issue amount of \$435,000 to finance a Komptech Terminator shredder. The lease bears interest of 3.03 percent and is due in four annual principal and interest payments of \$117,111, commencing April 1, 2019 through April 1, 2022. The Landfill Fund is making these lease payments. \$ 435,000

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. 131,253

Total capital lease obligations 566,253

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. 4,020,000

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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

6. Long-term Debt, continued

Business-type Activities, continued

Bonds and notes payable, continued:

Note payable to Nebraska Department of Environmental Quality with original issue amount of \$2,781,130 issued to finance the aquifer storage and restoration project. The note bears interest of 1.25 percent and is due over 20 years with semi-annual principal and interest payments of \$78,797 due December 15, 2018 through June 15, 2038. Annual administrative fees of 1.0 percent are also due on this note. 2,781,130

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. 3,310,000

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. 12,830,000

Total bonds and notes payable 22,941,130

Total business-type activity long-term debt \$ 23,507,383

Current portion \$ 5,504,116

Noncurrent portion 18,003,267

Total \$ 23,507,383

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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

6. Long-term Debt, continued

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

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. 16,038

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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

6. Long-term Debt, continued

Component Units, continued

CRA notes payable, continued:

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.

26,875

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.

23,896

Total CRA notes payable

\$ 316,809

Current portion

\$ 16,745

Noncurrent portion

300,064

Total

\$ 316,809

**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**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, 2018, are as follows:

| Year Ending<br>September 30, | Governmental Activities |                   | Business-type Activities |                     |                   | Component Units   |                  |
|------------------------------|-------------------------|-------------------|--------------------------|---------------------|-------------------|-------------------|------------------|
|                              | Principal               | Interest          | Principal                | Interest            | Fees              | Principal         | Interest         |
| 2019                         | \$ 701,689              | \$ 88,317         | \$ 5,504,116             | \$ 700,459          | \$ 20,942         | \$ 16,745         | \$ 11,972        |
| 2020                         | 468,154                 | 74,807            | 1,525,572                | 586,109             | 26,276            | 167,507           | 11,139           |
| 2021                         | 2,677,531               | 64,837            | 1,426,397                | 540,796             | 25,025            | 114,455           | 4,884            |
| 2022                         | 97,680                  | 9,135             | 1,526,564                | 484,866             | 23,758            | 11,896            | 815              |
| 2023                         | 97,680                  | 7,785             | 1,179,501                | 431,331             | 22,475            | 6,206             | 279              |
| 2024-2028                    | 440,840                 | 16,738            | 6,127,271                | 1,457,848           | 92,558            | -                 | -                |
| 2029-2033                    | -                       | -                 | 5,455,490                | 500,967             | 57,983            | -                 | -                |
| 2034-2038                    | -                       | -                 | 762,472                  | 26,482              | 21,186            | -                 | -                |
|                              | <u>\$ 4,483,574</u>     | <u>\$ 261,619</u> | <u>\$ 23,507,383</u>     | <u>\$ 4,728,858</u> | <u>\$ 290,203</u> | <u>\$ 316,809</u> | <u>\$ 29,089</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 \$1,180,927 at September 30, 2018, which is based on 102,837 tons of undisposed pond ash in the ash disposal area. It is estimated that an additional \$15,897 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, \$1,196,824, 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, 2018. 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, 2018**

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

**6. Long-term Debt, continued**

**Closure and Post-closure Care Costs, continued**

At September 30, 2018, funds of \$1,038,349 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 \$2,663,936 as of September 30, 2018, which is based on 48.93 percent usage (filled) of the landfill. It is estimated that an additional \$2,603,430 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, \$5,267,366, 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, 2018. 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, 2018, funds of \$3,545,898 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, 2018**

**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     | \$ 290,063          | \$ -                 |
| Keno Betterment           | 13,300              | -                    |
| Debt Service              | -                   | 500,000              |
| Museum                    | -                   | 700,000              |
| Bookmobile Replacement    | -                   | 12,000               |
| Police Equipment Sinking  | -                   | 46,000               |
| Landfill                  | <u>55,000</u>       | <u>-</u>             |
| Total General Fund        | 358,363             | 1,258,000            |
|                           |                     |                      |
| Museum                    |                     |                      |
| General                   | 700,000             | -                    |
| Debt Service:             |                     |                      |
| General                   | 500,000             | -                    |
|                           |                     |                      |
| Nonmajor Funds            | 58,000              | 303,363              |
|                           |                     |                      |
| Landfill Fund             | <u>-</u>            | <u>55,000</u>        |
|                           |                     |                      |
| Total Operating Transfers | \$ <u>1,616,363</u> | \$ <u>1,616,363</u>  |

At September 30, 2018, 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. Also, the Combined System Utilities Fund owed \$29,393 to the General Fund for payroll costs. These balances are expected to be transferred during the year ending September 30, 2019.

**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

**8. Fund Equity**

Restricted net position for other purposes consists of the following:

|                     |                  |
|---------------------|------------------|
| Library Grant       | \$ 3,643         |
| Public Safety Grant | <u>8,377</u>     |
|                     | <u>\$ 12,020</u> |

**9. TIF Receivables and Payables**

| <u>TIF #</u> | <u>Description</u>                    | 9/30/2018                       |                              |
|--------------|---------------------------------------|---------------------------------|------------------------------|
|              |                                       | <u>TIF</u><br><u>Receivable</u> | <u>TIF</u><br><u>Payable</u> |
| 9            | Brant Redevelopment                   | \$ 3,437                        | \$ 3,437                     |
| 11           | 409 West F Project                    | 2,067                           | -                            |
| 14           | Pathways Plaza Project                | 18,026                          | 18,026                       |
| 17           | Cicada Properties LLC                 | 21,834                          | -                            |
| 18           | Midland Corp                          | 63,473                          | 63,473                       |
| 20           | Hastings Village Gardens              | 457,971                         | 457,971                      |
| 21           | Southwood Estates                     | 110,317                         | 110,317                      |
| 23           | Smitty's Electric Inc                 | 28,587                          | -                            |
| 24           | Uptown Experience, LLC                | 130,167                         | -                            |
| 25           | CI Properties LLC Burlington          | 32,155                          | -                            |
| 27           | B & R Stores Inc                      | 1,993,787                       | 1,993,787                    |
| 28           | Diecker Construction Inc              | 62,820                          | 62,820                       |
| 33           | 801 Building Condominiums             | 137,533                         | -                            |
| 34           | Emerson Estates LLC                   | 168,804                         | 168,804                      |
| 37           | Thoar, LLC                            | 47,069                          | 47,069                       |
| 38           | On Top, LLC                           | 49,499                          | 49,499                       |
| 39           | Steve Johnson Redevelopment           | 26,388                          | -                            |
| 40           | Dietrich/Stein Brothers Building, LLC | 279,877                         | 279,877                      |
| 41           | Furrow Plumbing, LLC                  | 30,260                          | -                            |
| 42           | Redline Properties, LLC               | 500,045                         | 500,045                      |
| 43           | Eastside Estates, LLC                 | <u>203,585</u>                  | <u>203,585</u>               |
|              |                                       | <u>\$ 4,367,701</u>             | <u>\$ 3,958,710</u>          |



**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**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<br>(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, 2018**

**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, 2018, the City's payroll total and covered under the Plan was \$2,200,778 and \$2,200,778, respectively.

**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**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, 2018

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 \$0 were made for the year ended September 30, 2018, as the City calculates they now have excess funding on their remaining benefit obligations.

Contributions made under the defined contribution portion of the Police Plan for the year ended September 30, 2018, were as follows:

|          |                   | Amount as a Percentage<br><u>of Covered Payroll</u> |
|----------|-------------------|---|
| Employer | \$ 154,054        | 7.0%  |
| Employee | <u>154,054</u>    | 7.0%  |
| Total    | \$ <u>308,108</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, 2018, the City's payroll total and covered under the Plan was \$1,795,425 and \$1,645,539, respectively.

CITY OF HASTINGS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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, 2018, 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    | \$ 460,028         |
| Benefit obligation estimated at September 30, 2017 | <u>539,247</u>     |
| Funded Status                                      | \$ <u>(79,219)</u> |

**CITY OF HASTINGS, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**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, 2018.

Contributions made under the defined contribution portion of the Firefighters Plan for the year ended September 30, 2018, were as follows:

|          |                   | <u>Amount as a Percentage<br/>of Covered Payroll</u> |
|----------|-------------------|--|
| Employer | \$ 213,920        | 13.0%  |
| Employee | <u>106,960</u>    | 6.5%   |
| Total    | <u>\$ 320,880</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, 2018 was \$48,145.

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, 2018 was \$338,336. The Utilities System total pension expense was \$1,112,979 for the year ended September 30, 2018.

**CITY OF HASTINGS, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**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, 2018 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 \$5,561, which are booked as accounts payable in the Self-Insured Health Fund at September 30, 2018.

**CITY OF HASTINGS, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**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, 2018, 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) |              |      |            |               |
|-------------------|----------------------------------|--------------|------|------------|---------------|
|                   | <1                               | 1-5          | 5-10 | 10+        | Total         |
| City:             |                                  |              |      |            |               |
| CDs               | \$ 6,939,522                     | \$ -         | \$ - | \$ -       | \$ 6,939,522  |
| Utilities:        |                                  |              |      |            |               |
| US Treasury Bills | \$ 953,030                       | \$ -         | \$ - | \$ -       | \$ 953,030    |
| US Treasury Notes | 4,572,272                        | -            | -    | -          | 4,572,272     |
| CDs               | 9,559,398                        | 5,265,500    | -    | -          | 14,824,898    |
| GNMA              | -                                | 33,541       | -    | 134,840    | 168,381       |
|                   | \$ 15,084,700                    | \$ 5,299,041 | \$ - | \$ 134,840 | \$ 20,518,581 |

***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, 2018**

**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, 2018, the City’s investments in certificates of deposit and investments consisted of the following:

| <u>Financial Institution</u>          | <u>Amount</u>        |
|---------------------------------------|----------------------|
| Five Points Bank                      | \$ 5,496,398         |
| Great Western Bank                    | 5,484,960            |
| Pinnacle Bank                         | 5,670,062            |
| Wells Fargo                           | 500,000              |
| Heartland Bank                        | 2,613,000            |
| Home Federal                          | 2,000,000            |
| Oakeson Steiner – TD Ameritrade       | 1,118,751            |
| Bank of New York Mellon Trust Company | <u>4,574,932</u>     |
|                                       | <u>\$ 27,458,103</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, 2018.

**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<br/>Amount</u> | <u>Paid Through<br/>9/30/2018</u> | <u>Obligation<br/>Pending</u> | <u>Estimated<br/>Completion</u> |
|--|----------------------------|-----------------------------------|-------------------------------|---------------------------------|
| Police station tuckpointing-contractor | \$ 590,673                 | \$ 531,606                        | \$ 59,067                     | 6/1/2019                        |
| Airport hangar door-engineer           | 45,191                     | 23,290                            | 21,901                        | 8/31/2019                       |
| Airport hangar door-contractor         | 111,351                    | -                                 | 111,351                       | 8/31/2019                       |
| Duncan Field turf renovation           | 329,007                    | 109,669                           | 219,338                       | 1/31/2019                       |
| North Park Commons street project      | 1,544,789                  | 1,009,591                         | 535,198                       | 12/31/2018                      |
| Shadow Ridge SID project               | 311,886                    | 230,986                           | 80,900                        | 12/31/2018                      |
| Brewery Loft alley project             | 129,237                    | 46,264                            | 82,973                        | 11/30/2018                      |
| Street project R-2018                  | 521,642                    | 76,446                            | 445,196                       | 8/1/2019                        |
| Airport layout plan                    | 31,789                     | 7,947                             | 23,842                        | 9/1/2019                        |
| Landfill Phase 6-engineering           | 73,420                     | -                                 | 73,420                        | 8/1/2019                        |
| Landfill Phase 6-contractor            | 1,905,211                  | -                                 | 1,905,211                     | 8/1/2019                        |
| Reverse osmosis water project          | 3,887,858                  | 3,807,157                         | 80,701                        | 12/31/2018                      |
| Shadow Ridget sewer project            | 92,198                     | 84,887                            | 7,311                         | 2/1/2019                        |
| Electric WEC unit 1 switchgear         | 1,353,255                  | 1,037,771                         | 315,484                       | 6/1/2019                        |
| Total City Commitments                 | <u>\$ 10,927,507</u>       | <u>\$ 6,965,614</u>               | <u>\$ 3,961,893</u>           |                                 |

**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**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   |
|                             | Postage Machine        | 12/1/16 – 3/1/22   | \$870/month   |
| Eakes                       | Copiers                | 6/25/15 – 6/25/19  | \$1,082/month |
|                             | Copiers                | 8/25/18 – 8/25/23  | \$2,539/month |
| Capital Business<br>Systems | Copiers                | 4/15/14 – 4/15/19  | \$878/month   |
|                             | Copier                 | 5/14/15 – 2/14/19  | \$162/month   |
|                             | Copier                 | 2/12/15 – 2/12/19  | \$350/month   |

Lease commitments as of September 30, 2018, are as follows:

| <u>Year ending September 30,</u> | <u>Commitment</u> |
|----------------------------------|-------------------|
| 2019                             | \$ 59,874         |
| 2020                             | 42,471            |
| 2021                             | 42,471            |
| 2022                             | 36,381            |
| 2023                             | 30,601            |
| Thereafter                       | -                 |
|                                  | <u>\$ 211,798</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, 2018, nothing had been drawn on this letter of credit, which expires September 24, 2019.

**CITY OF HASTINGS, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**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, 2018**

**NOTE D – OTHER NOTES, continued**

**4. Additional Utility Contracts, continued**

**Coal Contracts**

Peabody COALSALES, LLC

On October 1, 2016, the Utilities entered into an agreement with Peabody COALSALES, LLC (Peabody) for the purchase of coal for the period beginning January 1, 2017 through December 31, 2018. The agreement included the purchase 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. On July 11, 2018, the Utilities entered into an agreement with Peabody for the purchase of coal for the period July 11, 2018 through December 31, 2021. The agreement provides up to 400,000 tons in 2018 and a minimum of 600,000 and a maximum of 1,000,000 tons each for calendar years 2019 through 2021. Peabody has first right to supply any excess over the maximum under terms of the agreement.

The Burlington Northern and Santa Fe Railway Company

On September 25, 2006, the Utilities entered into an agreement with The BNSF Railway Company for the transportation of coal 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. On February 21, 2018, the Utilities entered into an agreement with BNSF for transportation of coal for the period of February 22, 2018 through December 31, 2021. The agreement has a minimum annual tonnage requirement of 600,000 tons.

**CITY OF HASTINGS, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE D – OTHER NOTES, continued**

**4. Additional Utility Contracts, continued**

**Natural Gas Contracts**

Central Plains Energy Project

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

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

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, 2018**

**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, 2018**

**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, 2018**

**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, 2018, requests for reimbursements totaling \$4,197,814 have been submitted.



**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**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 \$953,392 pursuant to the Consent Decree. However at September 30, 2018, the General Fund had accrued a liability of \$953,392.

**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE D – OTHER NOTES, continued**

**6. Interlocal Agreements**

The City is a party to 17 interlocal agreements in effect as of September 30, 2018. The City Clerk maintains a complete list of the interlocal agreements in effect.

**7. 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, 2018 is as follows:

**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE D – OTHER NOTES, continued**

**7. Tax Abatements, continued**

| <u>TIF Project:</u>                   | Years<br>Remaining<br>on TIF<br><u>Agreements</u> | 2018<br>TIF<br><u>Valuation</u> | 2018 TIF<br>Excess Tax<br><u>Levied</u> |
|---------------------------------------|---|---------------------------------|---|
| Brant Redevelopment                   | 1   | \$ 154,065                      | \$ 3,437                                |
| 409 West F Project                    | 1   | 92,655                          | 2,067                                   |
| Pathways Plaza Project                | 3   | 269,325                         | 6,009                                   |
| Cicada Properties LLC                 | 4   | 369,195                         | 8,237                                   |
| Midland Corp                          | 6   | 474,170                         | 10,579                                  |
| Carmichael Ltd, LLC                   | 7   | 461,815                         | 10,303                                  |
| Hastings Village Gardens              | 9   | 2,280,825                       | 50,886                                  |
| Southwood Estates Redevelopment       | 9   | 549,405                         | 12,257                                  |
| Smitty's Electric Inc                 | 10  | 373,190                         | 8,326                                   |
| Uptown Experience, LLC                | 10  | 583,440                         | 13,017                                  |
| CI Properties LLC Burlington          | 10  | 335,870                         | 7,493                                   |
| Listening Room                        | 11  | 303,290                         | 6,767                                   |
| B & R Stores Inc                      | 12  | 7,447,220                       | 166,149                                 |
| Diecker Construction Inc              | 12  | 235,645                         | 5,235                                   |
| 801 Building Condominiums             | 13  | 474,200                         | 10,580                                  |
| Emerson Estates LLC                   | 13  | 582,010                         | 12,985                                  |
| Thoar, LLC                            | 14  | 150,695                         | 3,362                                   |
| On Top, LLC                           | 14  | 158,475                         | 3,536                                   |
| Steve Johnson Redevelopment           | 14  | 84,485                          | 1,885                                   |
| Dietrich/Stein Brothers Building, LLC | 14  | 896,060                         | 19,991                                  |
| Furrow Plumbing, LLC                  | 14  | 96,880                          | 2,161                                   |
| Redline Properties, LLC               | 15  | 1,494,220                       | 33,336                                  |
| Eastside Estates, LLC                 | 15  | 608,345                         | 13,572                                  |
|                                       |   |                                 | <u>\$412,170</u>                        |

**CITY OF HASTINGS, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE D – OTHER NOTES, continued**

**8. Subsequent Events**

Management has evaluated subsequent events through March 7, 2019, the date on which the financial statements were available for issue.

On November 16, 2018, the Utilities entered into a 30 year Gas Supply Agreement (GSA) with CPEP Project No. 4 for approximately 25 percent of the Utilities 10 year historical average annual natural gas consumption.

On January 14, 2019, City Council approved a \$248,820 contract for a sanitary sewer outfall bypass and metering structure demolition project with Van Kirk Brothers.

On February 26, 2019, Council awarded the contract for one Caterpillar Model 938M Loader with attachments to NMC Cat for \$247,285 with \$100,000 down payment and \$147,535 financed at 3.83% over two years.

On February 26, 2019, Council approved a contract for Hastings Community Solar Farm – Phase I (HU2018-11 FC-34) to Gen Pro Energy Solutions for a total cost of \$2,380,000.

On February 26, 2019, Council also awarded a contract for ASR Extraction Well – Pump and Wellhouse (Hu 2019-01 IC-01) to Downey Drilling in the amount of \$335,256.

**REQUIRED SUPPLEMENTARY INFORMATION**

## **SUPPLEMENTARY INFORMATION**



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

To the 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, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 7, 2019.

**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

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  
Tracy A. Cannon

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, 2018, bank balances at one financial institution exceeded FDIC coverage by a total of \$2,531,591.

#### **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.

*Almgvist, Mathyalm,*  
*Galloway & Luth, PC*

Grand Island, Nebraska  
March 7, 2019